REPORT

OF THE

EMERGENCY BOARD

TO

THE PRESIDENT

APPOINTED SEPTEMBER 27, 1938
UNDER SECTION 10 OF THE RAILWAY LABOR ACT

IN RE

ATCHISON, TOPEKA & SANTA FE RAILWAY AND OTHER CLASS I RAILROADS, COMMON CARRIERS, ENGAGED IN INTERSTATE COMMERCE, AND CERTAIN OF THEIR EMPLOYEES REPRESENTED BY COMMITTEE OF EIGHTEEN COOPERATING LABOR ORGANIZATIONS AND THE BROTHERHOOD OF RAILROAD TRAINMEN

A-529
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UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1938

(No. 6)

LETTER OF TRANSMITTAL

WASHINGTON, D. C., *October 29, 1938.*

THE PRESIDENT,

The White House, Washington, D. C.

MR. PRESIDENT: The Emergency Board appointed by you on September 27, 1938, under authority of the Railway Labor Act, to investigate and report concerning a dispute, or national wage reduction controversy, existing between the Atchison, Topeka & Santa Fe Railway and other class I railroads of the country and certain of their employees, has the honor to report herewith its findings and recommendations based upon the matters submitted by the parties.

The Board has not formally adjourned, and its members await your further pleasure.

Very respectfully,

WALTER P. STACY, *Chairman,*
JAMES M. LANDIS, *Member,*
HARRY A. MILLIS, *Member.*

REPORT OF EMERGENCY BOARD APPOINTED SEPTEMBER 27, 1938, UNDER SECTION 10 OF THE RAILWAY LABOR ACT

In re: Atchison, Topeka & Santa Fe Railway and other Class I Railroads, common carriers, engaged in interstate commerce, and certain of their employees represented by committee of eighteen cooperating labor organizations and the Brotherhood of Railroad Trainmen [1]

On September 27, 1938, the President of the United States, His Excellency, Franklin D. Roosevelt, pursuant to authority vested in him by an act of Congress, approved May 20, 1926, known as the Railway Labor Act, by proclamation duly issued and appointments lawfully made, created an Emergency Board composed of James M. Landis, Harry A. Millis, and Walter P. Stacy, to investigate and report its findings respecting a dispute, or national wage-reduction controversy, existing between the carriers named and certain of their employees, represented by the organizations as above indicated, such dispute not having theretofore been adjusted under the provisions of the Railway Labor Act, to which all the parties are amenable. The Board, as thus constituted, met in the Caucus Room, Old House Office Building, Washington, D. C., September 30, 1938, with all the members present, designated Frank M. Williams as reporter, immediately opened its public hearings in said room, and was there in session from September 30 to October 17, both inclusive.

The carriers were represented by J. Carter Fort, H. C. Booth, W. C. Faricy, Sidney S. Alderman, and G. W. Knight, and by the general committee of the railroads.

The 18 cooperating labor organizations were represented by Charles M. Hay and Ray T. Miller, and by officers of the several organizations.

The Brotherhood of Railroad Trainmen was represented by Tom Davis, and by officers of the brotherhood.

During the hearings, Max Lowenthal entered an appearance as counsel for Senators Harry S. Truman and Burton K. Wheeler, members of the Interstate Commerce Committee of the Senate, who appeared as witnesses. It should also be noted that Senator Robert F. Wagner forwarded a written statement to the Board which, without objection, was made a part of the record.

Witnesses were heard, exhibits presented, and arguments made in open sessions. The Board then exerted every effort to obtain an

[1] A full list of the carriers and the employees involved in this proceeding appear in Exhibits A, B, C, D, E, and F, attached hereto as an appendix.

agreed settlement but without success. It therefore herewith submits a report, necessarily somewhat lengthy, yet too summary to do full justice to the matters on which evidence was taken and arguments heard. Following a brief history of the controversy, which completes this introduction, the issues are presented (I). Then follows a summary statement of the wage movements and wage controversies in the railroad industry (II). Next, the condition of the railroads is summarized (III). The carriers' case as presented is stated (IV). The defense of the employees is given (V). The Board's findings and recommendations are set out in the concluding part (VI).

On May 12, 1938, the carriers here involved served on certain of their employees formal notices in writing of their intention to reduce rates of pay 15 percent on July 1, 1938. After preliminary negotiations it was agreed that the matter should be handled on a national basis. Efforts at settlement were unavailing. Mediation was thereupon invoked and followed without adjusting the dispute. Consequently, as required by the Railway Labor Act, the National Mediation Board requested the parties to submit the controversy to arbitration. The carriers signified their willingness to arbitrate. The employees declined. On August 31, 1938, the National Mediation Board formally notified the parties of the termination of its services. This automatically stayed the original notices for an additional 30 days. The carriers then notified their respective employees that the notices would be put into effect on October 1, 1938. Strike votes were taken and, on September 26, the employees announced their intention to call a Nation-wide strike unless the wage-reduction proposals of the carriers were withdrawn. On the following day the National Mediation Board notified the President that, in its judgment, the unadjusted dispute between the parties threatened substantially to interrupt interstate commerce to a degree such as to deprive the country of essential transportation service. The President thereupon created an Emergency Board, under section 10 of the Railway Labor Act, to investigate and report respecting the dispute.

I. The Issue Presented by This Proceeding

The Railway Labor Act of 1926 provides for the machinery of negotiation, mediation, and arbitration for the settlement of wage disputes. In the event these mechanisms fail to bring about their adjustment and that failure, in the judgment of the Mediation Board, threatens substantially to interrupt interstate commerce to a degree such as to deprive any section of the country of essential transportation service, the President may create a board to investigate and report upon the dispute. The board must investigate the facts and make a report upon them to the President within 30 days from the date of its creation. After the creation of the board and for 30 days after it has made its report to the President, no change, except by agreement, can lawfully be made by the parties to the controversy in the conditions out of which the dispute arose.

The Railway Labor Act specifies no particular procedure to be pursued by an emergency board, nor does it describe the nature or form of the report that it shall make. Such boards must, in the main, frame for themselves the issue presented by the disputants and make such recommendations in connection therewith as to them may seem best.

The ultimate issue in this proceeding, the carriers contend, is whether under all the facts and circumstances involved the carriers' wage reduction proposal is reasonable and justified. But even further the carriers contend in the "absolute ultimate"—to use their expression—the issue is what, under all the facts and circumstances involved, would be a fair and reasonable disposition of the pending wage controversy, with due regard to the condition, necessities, and rights of both the carriers and their employees.

It should be observed in this connection that all organized railway labor is involved in this proceeding, save the train dispatchers and the sleeping-car conductors. Thus the wage rates of more than a million men are in issue, men of all the various crafts that are involved in the wide-spread and manifold operations of the railroad industry. The operating or train and engine service, consisting of engineers, conductors, trainmen and switch tenders, firemen and hostlers, yardmasters and the like embrace only a portion of railway labor. Even larger numbers of men are engaged in the maintenance of ways, in clerical and station service, in shop crafts, in stationary engine, boiler-room and shop laborer service and in such miscellaneous services as signalmen, telegraphers, and work concerned with marine equipment. Different wage rates as well as different bases for pay feature these groups.

II. Wage Movements and Wage Controversies in the Railroad Industry

The immediate statement of the present controversy scarcely indicates its full significance. Its roots run back and forth over a longer period. Some preliminary observations are needed to give the matter its proper setting.

Wage controversies upon the railroads and the threatened interruptions of interstate commerce that they involve have made them a matter of Federal concern for 50 years. Under the act of October 1, 1888, the Erdman Act of 1898, and the Newlands Act of 1913, various mechanisms for mediating and arbitrating disputes over wages and working conditions were successively evolved. The period of Federal control during the World War, however, might be said to mark an epoch in the development of both the railroad industry and the attitude of the Federal Government toward that development. The necessities of war made a national outlook on what is familiarly known as the railroad problem imperative. But that attitude survived so that after the termination of Federal control, a national approach became the dominant theme of the regulatory pattern pursued by the Transportation Act of 1920.

The years of 1916 and 1917 were years of rapidly rising prices. Despite the increases indirectly afforded railroad workers by the Adamson law of 1916, wages in that industry had failed to keep abreast of the increased cost of living. The movement for further increases was already afoot when, on December 28, 1917, the roads were taken over by the Federal Government. One of the earliest acts of the Director General was the appointment of a wage commission, known as the Lane Commission, to investigate the demands of railway labor for wage increases.

On April 30, 1918, the Lane Commission made its report recommending substantial increases on a sliding scale for the great mass of railway labor. Dominating those recommendations was the recognition by the Commission that the wages of railroad labor had not kept pace with the increased cost of living. With minor variations by the Director General the recommendations of the Lane Commission were carried into effect May 25, 1918, by General Order No. 27.

Difficulties attending the application of General Order No. 27, its alleged inequalities, and the demands for further increases as prices continued to mount, brought a series of wage controversies before the Board of Railway Wages and Working Conditions—a Board that had been established by the Director General in accordance with a recommendation made by the Lane Commission. This Board considered the petitions for further increases by groups, rather than generally, and its determinations resulted in a series of supplements to General Order No. 27.

Railway labor, however, in the latter part of 1919 pressed for a general increase in wage rates over those established by General Order No. 27, basing its position upon the increase in living costs and the fact that other industries were paying higher wages than those it received. The Director General, however, suspended any further action with respect to wage increases because of the pendency of the termination of Federal control. President Wilson on February 13, 1920, took the position that the problems thus presented would have to be dealt with after the roads had been returned to their owners, but at the same time he assured railway labor that steps would be taken to insure an appropriate mechanism for the consideration of its claims.

This mechanism was the Railroad Labor Board, which was established by the Transportation Act of 1920. Authorized to deal with controversies relating to wages and working conditions, it was enjoined to make a just and reasonable settlement of them, taking into consideration all the relevant circumstances, among them (1) the scale of wages paid for similar work in other industries, (2) the relation between wages and the cost of living, (3) the hazards of the employment, (4) the training and skill required, (5) the degree of responsibility, (6) the character and regularity of employment, and (7) inequalities in wages or of treatment, the result of previous wage orders or adjustments being specifically laid down.

The first action of the Railroad Labor Board was to consider the general claim made by railway labor that wages were inadequate under then existing conditions. On July 20, 1920, in Decision No. 2, the Board granted increases ranging from 12.5 percent to 26.2 percent and averaging about 22 percent for all railroad employees. In arriving at its decision the Board took into consideration the factors specifically referred to above but also included among the other relevant circumstances the effect the action of the Board might "have on other wages and industries, on production generally, the relation of railroad wages to the aggregate of transportation costs and requirements for betterments, together with the burden on the entire people of railroad transportation charges." It found generally that the scale of wages paid railroad employees was "substantially below that paid for similar work in outside industry, that the increase in living costs since the effective date of General Order No. 27 and its supplements has thrown wages below the pre-war standard of living of these employees and that justice as well as the maintenance of an essential industry in an efficient condition required a substantial increase to practically all classes."

The business recession of 1920–21 brought about among other things, despite increases in freight rates authorized in July 1920, by the Interstate Commerce Commission, a substantial decline in the net operating income of the carriers. Prices also fell so that living costs were reduced. In this situation the carriers pressed for a decrease in wages and a general proceeding, similar to that in Decision No. 2, was inaugurated before the Board. On June 1, 1921, in Decision No. 147, the Board granted wage reductions averaging 12.2 percent. It based its decision primarily upon its conclusion that there had been a decrease in the cost of living and that the scale of wages for similar kinds of work in other industries had in general decreased.

In 1922, further reductions were granted by the Board in a series of decisions, Nos. 1028, 1036, and 1074, covering varying groups of employees. These were again based upon the decline in the cost of living, the decline in wages in other industries and the decline in the net operating income of the carriers.

These later decisions of the Railroad Labor Board and other factors led to a distrust of the Board as an appropriate mechanism for the determination of wage controversies. The employees thereafter dealt with wage problems by direct negotiation with the carriers. For the remainder of its life, the Board had little further concern with the general railway wage structure as negotiation replaced the procedure for hearing and determination before the Board. It was abolished in 1926 by the Railway Labor Act of that year.

The period from 1923 to 1929 is characterized by the settlement of wage disputes through the procedure of negotiation, mediation, and arbitration. Controversies as they arose concerned limited groups of employees. Increases in wage rates were obtained through concession but, generally speaking, wage rates fully equivalent to those established in 1920 by Decision No. 2 were not reestablished.

From 1929 to 1931 wage rates were affected but slightly. As the depression deepened and net railway operating income continued to decline, the carriers pressed for a general reduction in wages. This problem was handled nationally through conferences between officials of the carriers representing substantially the entire operating railroad mileage in the country and officials of the 21 standard railway labor organizations. On January 31, 1932, an agreement was reached whereby 10 percent was to be deducted from the pay check of each railroad employee represented for a period of 1 year beginning February 1, 1932. On December 21, 1932, this agreement was extended for a period of 9 months to October 31, 1933, and subsequently it was further extended for 8 months to June 30, 1934.

On April 26, 1934, the carriers and railway labor reached an agreement for the restoration of the 1932 deduction, 2½ percent to be restored on July 1, 1934, another 2½ percent on January 1, 1935, and the remaining 5 percent on April 1, 1935. Thus, by April of 1935, wage rates were again placed upon the level of 1931.

With improved business conditions apparent in 1937, a move was initiated by railway labor for an increase in wages. The carriers on this occasion set up a committee to handle this demand. It was known as the carriers' conference committee. Its chairman was H. A. Enochs, chief of personnel of the Pennsylvania Railroad. Negotiation having failed, the matter was referred to the National Mediation Board which, on August 5, 1937, and on October 3, 1937, succeeded in effecting agreements that increased wages in substantially all branches of railway labor. The resultant increases have been estimated on an over-all basis as approximately 7½ or 8 percent for all employees—nonoperating service 5 cents, engine and train service 5½ cents per hour.

Scarcely had these agreements been made when business recession again became evident. Net railway operating income and carloadings fell sharply in November and December of 1937 and continued to decline through the early months of 1938. On November 5, 1937, a petition was filed with the Interstate Commerce Commission by substantially all the class I railroads requesting authority to increase freight rates and charges generally by 15 percent. Among the grounds urged for this increase was the rise in railway operating expenses, due in part to the rising trend of prices of materials and supplies but also to the increase in railway labor unit costs resulting from the wage agreements just signed and to the increase in taxes attributable to Federal unemployment insurance and the provisions of the Railway Labor Retirement Act. After extensive hearings the Interstate Commerce Commission on March 8, 1938, granted general increases, substantially less than had been urged by the carriers, but averaging approximately 5 percent on maximum rates in effect under *Ex parte 115*.[1a]

The record leaves some doubt as to where and when the present movement of the carriers to reduce wages by 15 percent arose. But the possibilities of increasing net railway operating income by reducing wages seem to have been explored by an informal group of representative railroad presidents prior to the decision of the Interstate Commerce Commission in *Ex parte 123* and not long after the filing of the carriers' petition for increased rates in that case. By March a determination to pursue this route advanced so far as to lead to the creation of a second committee similar to the committee created in 1937. The new committee was known as the carriers' joint conference committee. H. A. Enochs was again named chairman, and the members were, in the main, those who had served on the carriers' conference committee of 1937. At a meeting held in Chicago on March 16 and 17, this committee, after investigating, among other matters, the declining revenues of the carriers, their declining traffic, and the increase in their operating costs, came to the conclusion that they were justified in asking for a reduction of 15 percent in the wages of railway labor. It reported this conclusion to a general meeting of the member roads on March 18, 1938, attended by the presidents of those roads. At that meeting the following resolution was passed:

> "*Resolved*, That a conference be held by representatives of the railroads with representatives of the labor organizations, as was done 6 years ago, with the understanding that in view of the grave emergency and the disappointing decision in the rate case, labor will be asked to meet the railroad representatives for the purpose of examining the economic condition of the railroads in an effort to find and agree upon some plan for relief."

Pursuant to this resolution a committee of railroad presidents conferred with executives of the railway labor organizations in

[1a] Average revenue per ton-mile of freight increased 8.8 percent for the second quarter of 1938 over the year 1937.

Washington. The latter, though willing to cooperate in many respects with the carriers in presenting a relief program to Congress, were adamant in their refusal to consent to a reduction in wages. A further meeting of the carriers' joint conference committee and the presidents of the railroads was held in Chicago toward the latter part of April, at which the determination was reached to reduce wages generally by 15 percent. Pursuant thereto the notices of May 12, 1938, were sent out. Events since that time, leading up to the present emergency, have heretofore been sketched.

III. The Condition of the Railroads

The serious situation of the railroad industry was on March 15, 1938, made the subject of the special consideration of the President of the United States. On March 24, 1938, there was transmitted to him at his request the report of three members of the Interstate Commerce Commission setting forth the then-existing plight of the railroads and making recommendations both for immediate relief and for a long-term program. This report, the so-called Splawn report, together with comments upon it by other officials of the Government, was transmitted to the Congress by the President on April 11, 1938, but the Congress adjourned without taking any action upon the proposals therein contained.

The present condition of the railroads must be seen in the perspective of the last 17 years.[2] In 1921 the total operating revenues of class I railways stood at $5,516,598,242. Between 1921 and 1930 that figure remained in the neighborhood of $6,000,000,000. In 1930, however, total operating revenue dropped almost a billion dollars to $5,281,196,870. Its course during the following years is best shown by the following table:

1931	$4, 188, 343, 244	1936	$4, 052, 734, 139
1932	3, 126, 760, 154	1937	4, 166, 068, 602
1933	3, 095, 403, 904	Year ending June 30, 1938	3, 715, 604, 013
1934	3, 271, 566, 822		
1935	3, 451, 929, 411		

On the other hand, total operating expenses declined less rapidly, resulting in a decline in net operating income. This net railway operating income ran from 1.1 billion dollars to one and a quarter billions from 1925 to 1929, dropped to about half a billion in 1931, fell 326 million in 1932, slowly climbed to 667 million in 1936, dropped to 590 million in 1937, and for the year ending June 30, 1938, stood at 361 million. Net income for the group, which stood in 1929 at 897 million dollars, has declined seriously since then. The rate of that decline in net income and the brief recovery from 1935 to 1937 can be seen from the accompanying table.

[2] The year 1920 is generally omitted from the comparisons here employed inasmuch as the railroads during that year were under Federal operation for 2 months, and for 6 months thereafter were operated under Federal guaranty.

1930	$523, 907, 472	1935	$7, 539, 127
1931	134, 761, 911	1936	164, 630, 041
1932	[1] 139, 203, 821	1937	98, 057, 740
1933	[1] 5, 862, 836	1938 (6 months)	[1,2] 181,253, 596
1934	[1] 16, 887, 078		

[1] Deficiency.
[2] The net deficit for the year ending June 30, 1938, was $122,091,997. This year embraced about nine months of declining business.

Viewing this picture from the standpoint of the individual systems in 1929, 95.75 percent of the railroads in point of mileage were operating with a net income, whereas from 1931 to 1937 that ratio has never been higher than 61 percent. In 1932 it stood at 32.14 percent and for the first 6 months of 1938 stood at 13.17 percent.

Obviously these years of lean revenues took their toll. The percentage, on a mileage basis, of roads in the hands of trustees or receivers, which from 1921 to 1932 had never exceeded 9 percent, in 1933 rose to 16 percent, in 1935 to 27 percent, and as of July 31, 1938, stood at 31 percent.[3]

This decline in revenues has also naturally had its effect upon the market value of railroad securities. On September 1, 1930, the average price per $100 of a railroad bond was $95.59, and the average price per share of railway stock was $91.56. By August 31, 1938, these prices had declined to $55.92 and $26.06, respectively. Dividend declarations similarly declined. In 1929 and 1930 the average dividend rate as a percentage on the capital stock outstanding was 5.99 and 6.01, total dividend declarations amounting to 490 and 497 millions of dollars. While the capital stock outstanding remained substantially at the same figure, the rate and the amount of the decline is illustrated by the following table:

Average dividend rate on outstanding stock, 1931–37 [1] *(class I railways)*

Year	Capital stock outstanding [2]	Amount of dividends	Average dividend rates
			Percent
1931	$8, 271, 977, 000	$330, 151, 000	3. 99
1932	8, 245, 137, 000	92, 354, 000	1. 12
1933	8, 232, 658, 000	95, 726, 000	1. 16
1934	8, 225, 836, 000	133, 419, 000	1. 62
1935	8, 218, 994, 000	126, 282, 000	1. 54
1936	8, 029, 965, 000	169, 829, 000	2. 11
1937	8, 123, 195, 000	167, 902, 000	2. 07

[1] Statistics of Railways in the U. S., 1936.
[2] This includes capital stock outstanding on railroads in trusteeship or receivership. Eliminating these, the average dividend rate would be about 2.8 percent.

Some explanation of the causes of this decline in gross and net operating revenues must be made, as well as some observation upon the consequences resulting from that decline. Obviously some cor-

[3] These roads in trusteeship or receivership represent 22 percent of gross revenue, 23.9 percent of the gross number of employees, and 28.1 percent of the total capitalization.

relation exists between general declines in business activity and declines in railroad revenue. The effects of the business depression following 1929 and the subsequent decline of 1937 to 1938 are noticeable in the figures above cited. But causes other than these have been operative and will continue to affect the density of railroad traffic independently of any revival of business activity.

Chief among these causes has been the rapid development of new and competitive means of transportation. The private automobile, inland waterways, the pipe line, the truck, the bus, the airplane—all have taken their toll. The number of passengers carried by commercial air lines has risen from 5,782 in 1926 to 1,102,707 in 1937 and is certain to increase to even greater numbers. Contrariwise, airplane passenger fares during the same period have been more than cut in half, but gross revenues from passenger air traffic have risen from $6,973,000 in 1930 to $26,690,000 in 1937. Express and freight carried by airplanes in 1926 was but 3,555 pounds; in 1937 it reached a total of 7,127,369 pounds. Mail carried—a profitable source of revenue—has gone from 703,310 pounds in 1926 to 17,706,159 pounds in 1936.

Registration of passenger automobiles in 1937 has increased 168.4 percent since 1921, while contrariwise the revenue of the railroads from passenger traffic during the same period decreased 61.6 percent. Much of the passenger traffic of the railroads must be regarded as permanently diverted from the rails. Even what is now carried is, upon the whole, carried at an out-of-pocket cost.

From 1931 to 1937 pipe-line transportation of oil increased 94.1 percent. The extent to which this means of transportation has taken over the shipment of petroleum products can be illustrated by the fact that from 1921 to 1937 the production of crude petroleum in the United States increased 170.6 percent but the increase in the amount of crude petroleum, petroleum oils, and forms of gasoline shipped on the railroads increased only 32 percent. But even this fails to tell the story on the diversion of traffic in petroleum and petroleum products. Relocations of industry and changes in the methods of distributing these products have combined to make such hauls, as the railroads make, less in distance and thus less profitable to the roads. In addition, trucks are engaged to a considerable extent in the distribution of gasoline and other oils.

Registrations of motortrucks, tractors, trailers, and semitrailers in 1937 numbered 5,275,281, an increase of 426 percent over the similar figure for 1921. No figures are available to give the tonnage hauled by these carriers, but the effect of the competition of the motortruck in one field—the haulage of livestock—can be illustrated. Of the total receipts of livestock at the 17 largest markets in the country in 1921 the railroads accounted for 94 percent, 6 percent being delivered by motortrucks and other incidental means of carriage. In 1937 the share of the railroads in this traffic had dropped to 48 percent, the balance of 52 percent going primarily to motortrucks.

Commerce on all rivers, canals, and connecting channels in the United States in 1921 is calculated to have been 116,300,000 tons. In 1936 this had increased to 276,263,926, or a rise of 137.5 percent. Whereas rail traffic as a whole showed declines during the depression years of 1930 to 1933, commerce on the New York State Barge Canal and on the barge lines in the Mississippi Valley during those years was at a higher level in the aggregate than in 1929.

But the increase in competitive means of transportation tells only a part of the story of the decline in tonnage moved by the railroads. Relocations of industrial plants, the development of other forms of power, new methods of producing power have all had their effect. Thus, for example, the production of hydroelectric power as distinguished from carboelectric generation implies diminution in the amount of coal required to be shipped from mine-mouth to power plant. Hydroelectric power, measured in terms of million kilowatt hours, rose from 14,578 in 1921 to 43,702 in 1937, an increase of 199.8 percent. Similarly the use of natural gas tends to replace the demand for coal. Natural gas produced in 1921 amounted to 662,052 millions of cubic feet; in 1937 this figure had risen to 2,370,000 millions, or an increase of 258 percent. Interstate pipe-line transportation of natural gas showed an increase in 1936 of 283 percent over 1921. Or to take another illustrative example showing the lessening demand for the transportation of coal, carboelectric generation in 1921 required 2.70 pounds of fuel to produce a kilowatt-hour; in 1937 this requirement had fallen to 1.43.

Something of the total effect of these forces which have been driving traffic away from the rails can be gathered by an examination of the ratio between actual and potential railway traffic.[4] The spread between these two quantities would tend to measure the loss in traffic to the rails. That spread sharpens perceptibly after 1920 and, generally speaking, has continued to grow. It is at its widest in the shipment of less-than-carload lots, the products of agriculture, and animals and their products, reflecting tendencies that have been noted before. It is, of course, impossible to predict the future trend of this diversion of traffic save to recognize that active efforts will have to be made by the roads to hold even their present share of the Nation's traffic to the rails.

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[4] Potential railway traffic as computed by the Bureau of Statistics of the Interstate Commerce Commission, is derived from an examination of the total output, both domestic and imported, of 70 principal commodities. That figure is reduced to a so-called normal level of rail potentiality by an examination of actual railway traffic in these commodities over a period of years prior to the rise of competitive means of transportation.

The consequences of these forces that for the last 10 years have been affecting the railroad problem cannot naturally be fully measured in this report. We have adverted to diminishing revenues, diminishing income, bankruptcies, and losses in the values of outstanding securities. But some further analysis of a few of these consequences is essential in order to throw some light upon the issues involved in this proceeding.

One patent result of this competitive situation is the effect that it has had on rates. To retain traffic it has often been necessary to reduce rates and fares with the result that average revenue per ton-mile of freight has fallen. These declines also reflect in part the lengthening of the haul, for long-haul traffic yields a lower ton-mile revenue than short-haul traffic. Average freight revenue per ton-mile stood at 1.275 cents in 1921, 1.076 in 1929, and had fallen to 0.935 in 1937. In the second quarter of 1938, it has risen to 1.017, reflecting primarily the increased rates granted by the Interstate Commerce Commission in *Ex parte* 123. Average revenue per passenger-mile fell more drastically, reflecting the more intensive competition present in that field. In 1921 this stood at 3.086 cents, in 1929 at 2.808 cents, in 1937 at 1.794 cents, and for the second quarter of 1938 at 1.849 cents.

Some of the broader social consequences of these rate changes as affecting the rate structure as a whole have been remarked upon on occasion by members of the Interstate Commerce Commission. Commissioner Eastman, concurring specially in *Ex parte* 123, has pointed out that as a result of passenger traffic and less-than-carload traffic failing to cover their pro rata share of expenses, and many other rates, where competition is keen, producing at best a small margin over out-of-pocket costs, a marked tendency exists to lift rates on less competitive traffic or on traffic where the rails still hold a substantial monopoly to levels sufficiently high to produce necessary revenues for the entire system. Therefore, with reference to transportation in these products, rates may not be those just and reasonable rates that should otherwise obtain.

Operating expenses of the roads may be divided briefly into a number of categories—wages and salaries, fuel expenditures, depreciation charges, taxes, hire of equipment, the purchase of materials including miscellaneous costs. Both renewal and modernization of equipment and road are essential to the continuance of the industry. Maintenance has naturally suffered as net railway operating income declined. Expenditures for maintenance, which from 1921 to 1929 averaged about two billion dollars, fell below a billion in 1932 and 1933, and in 1937 stood at $1,322,302,738, a drop of 36 percent from the average level of the period 1921 to 1928. The situation has been referred to by the Splawn committee as one of "continued skimping," and one where accumulated deferred maintenance exists of not less than half a billion dollars. A proper evaluation of the consequences of this situation, however, cannot be made upon an analysis of the roads as a whole, for maintenance expenditures vary system by system. But that they bear a definite relation to net railway operating income is apparent. From 1923 to 1931, maintenance expenditures averaged 33.7 percent of operating revenues, their high point being 36.2 percent in 1923. From 1932 to 1937 they averaged 30.8 percent, their high and low points being 31.7 percent in 1937 and 29.8 percent in 1933, respectively. How far these expenditures have been consistent with those necessary minimum expenditures required for safety, this record does not disclose.

Expenditures for maintenance tell only a part of the present needs of the roads. The modernization of equipment is also a problem. Traffic, to hold it to the rails, must be handled at less cost and with greater expedition. Purchases of materials and supplies has noticeably lagged behind earlier years. Whereas from 1923 to 1930 the amounts spent for this purpose ranged from $1,038,500,000 to $1,738,703,000, since then they have fallen as low as $445,000,000 in 1932, rising to $803,421,000 in 1936, to $966,383,000 in 1937, and then dropping to $277,846,000 for the first 6 months of 1938. These expenditures also have a relationship to gross railway operating revenue, but, as distinguished from maintenance expenditures, the pressure to economize in this field as revenues decline is more apparent. From 1923 to 1931 the percentage of operating revenues going for the purchase of materials stood at 22.0, the high and low points being 27.6 for 1933 and 16.6 for 1931; from 1932 to 1937 this percentage stood at 18.0, the low and high points being 14.2 for 1932 and 23.2 for 1937. Equipment purchases fell off sharply in 1931, 1932, and 1933, dropping from the 1930 figure of $328,269,000 to $73,105,000, $36,371,000, and $15,454,000, respectively. In 1937 they had returned to $322,877,000, a level exceeded in the last 16 years only in 1923, 1924, 1925, 1926, and 1930. But despite this fact there remains a great need for new equipment. Only 5.6 percent of all freight locomotives in service on December 31, 1936, were less than 10 years old, 20.3 percent were between 10 and 17 years old, and almost three-fourths, or 74.1 percent, were over 17 years old. A similar situation exists with reference to switching locomotives, where replacement by Diesel power seems particularly desirable.

Partly due to the pressure of competitive forces, partly due to desire for more efficient operation, and partly due to increasing labor costs, efforts have been made by the roads to cut their operating ratio. Gross capital expenditures amounting to $9,570,875,000 have been made from 1921 to 1937 amounting to a net addition to investment in road and equipment of $5,787,000,000. Locomotives with more power, heavier rails, better grades and better roadbeds have all contributed to improving the productivity of the railroad plant. As illustrative of this fact, gross ton miles per train-hour increased from 16,555 in 1921 to 30,349 in 1937. Similarly the operating expense ratio shows a decline, the freight expense per 1,000 revenue ton miles having declined from $10.78 in 1921 to $6.41 in 1937.[5] This Board cannot, of course, pass any judgment upon the question of whether the management of the roads, considering the limits of their resources, has kept pace as rapidly as it should with the possibilities of improving productivity and service to the degree that science and invention during these years has made feasible. Opinions upon such a subject naturally vary and find expression too frequently from those whose want of information is no barrier to their desire to generalize.

Some consideration must also be given to the capitalization of the roads and the rate of the return the roads are making upon their investment. Investment as used by the Interstate Commerce Commission represents not the amount of money contributed to the roads by the public. Though tentative figures as to original cost have been authoritatively advanced,[6] these again present a different conception. Investment as used by the Interstate Commerce Commission represents book values as they appear on the books of the carriers in accordance with the accounting regulations established by that Commission. The Commission also has evaluated these properties, but the basis for such evaluation, which derives from the O'Fallon decision,[7] is not readily apparent.

Investment in railroad property used in transportation (inclusive of working capital) service in 1921 stood at $21,370,946,298. It reached the high point in 1930 of $26,526,742,889 and has remained since in that vicinity, standing at $26,063,943,472 in 1937. Net income gave a rate of return [8] upon this basis of 2.81 percent in 1921, 4.96 percent in 1926, 1.24 percent in 1932, 2.26 percent in 1937, and 1.39 percent for the fiscal year ending June 30, 1938. This rate of return would, of course, be larger if figured on investment after depreciation [9] or on the valuation figures of the Interstate Commerce Commission. That valuation as set forth in Ex parte 123, after

[5] Declines in this freight expense naturally reflect reduction in maintenance expenditures, changes in labor costs, as well as other factors not related directly to increased productivity of plant.

[6] Coordinator Eastman in his first report to Congress in 1934 roughly estimated that the original cost of railroad carrier property would not fall below $24,000,000,000.

[7] *St. Louis & O'Fallon Ry. Co.* v. *United States* (279 U. S. 461).

[8] A rate of return is naturally figured upon some base which has reference to railroad property used in transportation. The traditional concept is that the base should include property used and useful for service. As density of traffic declines, some property is naturally withdrawn temporarily from the service. That withdrawal may be permanent as density fails to return and such property naturally ceases to remain within the category of property useful for service. But no figures are available to this Board which will enable it to estimate the extent of that attrition in the rate base, nor has any satisfactory formula been advanced which will enable this Board roughly to guess at that extent.

[9] Investment less accrued depreciation for the years above mentioned is $19,470,311,000 for 1921, $24,063,887,000 for 1930, and $23,011,500,000 for 1937.

allowance for depreciation, was $20,340,000,000. And upon the basis of its valuation figures, the Commission has estimated the rate of return in 1937 as 2.955 percent or for the 3-year average, 1935–37, as 2.933 percent.[10] Upon the same basis the rate of return for the fiscal year ending June 30, 1938, is 1.81 percent, and for the first 8 months of 1938 the figure stands at 1.29 percent. The significance of this rate of return is less from the underlying constitutional conceptions, advanced in *Smyth* v. *Ames* (169 U. S. 466), of the "right" of carriers to earn a fair return upon their "property," than from the fact that in 1937 net income was only 1.18 times the fixed charges of the carriers.

The fixed-charge situation of the industry has frequently been the occasion of much comment. It was so at the hearings in this proceeding. A review of a few facts bearing upon this situation is thus relevant. In 1921 the funded indebtedness of the roads "in the hands of the public" [11] stood at $10,409,000,000, the ratio to investment being 51.2 percent; in 1937 this indebtedness had reached $11,250,000,000, but the ratio of bonded indebtedness had fallen to 43.9 percent. These figures, of course, tell only a small part of the story surrounding the fixed-charge problem. Investment, unless it produces a return, is of small consequence to the bondholder, and the decline in funded indebtedness of the roads as a whole bears no relationship to the precipitous and continuing decline in net income.

More significant than the total figures of bonded indebtedness and the ratio of those figures to capitalization, is the relationship between fixed charges and operating revenue. In 1921, 11.2 cents of every dollar of operating revenue went to pay fixed charges, the average for the period 1921 to 1929 being 11.0 cents, the high and low points being 11.3 cents in 1922 and 10.2 cents in 1923. From 1930 to 1937 this average rose to 17.9 cents, the high and low points being 21.9 cents in 1933 and 12.9 cents in 1930. In 1937 this figure stood at 15.4 cents.

No adequate analysis of this problem can be made upon the basis of the industry, for the lien of a particular bond issue relates to particular property; its obligation rests against particular income. Generally speaking, it has been said that, though a decline in total funded indebtedness has been evident during the past 17 years, fixed charges "have continued to be a formidable menace in times of depression." [12]

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[10] *Fifteen Percent Case* (Ex parte 123, 226 I. C. C. 41, 63).

[11] The expression "in the hands of the public" excludes funded debt held by the carriers themselves as investment or for other purposes. In most cases interest is payable upon these obligations to persons outside the issuing company and its subsidiaries, though this is not necessarily the case. The exact amount of these obligations seems not readily attainable. In 1936, in addition to the $11,240,690,928 of unmatured funded debt "in the hands of the public," there was $2,733,571,833 held by the railroads themselves (I. C. C. Statistics of Railways, S-47). The proportion for 1937 is probably about the same.

[12] Eastman, C., in *Ex parte 123* (226 I. C. C. 41, 155).

A solution of the fixed-charge problem—particularly as it affects an industry whose gross revenues have contracted, whose original noncompetitive position is increasingly threatened by the rise of new means of transportation, and whose revenues fall so severely with declines in general indices of business activity—requires the type of probing consideration that has yet to be given to it. Some hope for the revision of the industry's capital structures was held at the time of the enactment of section 77 of the Bankruptcy Act. Reorganizations have, however, failed to eventuate primarily, due to an inability to find levels for prospective earning power upon which those compromises which underlie corporate reorganization can be based. But reorganization, soon or late, must come to pass. A failure on the part of security holders to recognize losses that have irrevocably occurred will not bring values back to their expectations. Some mechanism more powerful than that now present in section 77, or other similar laws, is essential to effect better bases for compromise.[13]

Some justice attends one position advanced by the employees in this case. Total fixed charges of the roads during the period of 1932 to 1937 were earned only 1.03 times, and in several of these years were not earned at all. Though the roads may upon the basis of prevailing money rates be deemed not to be paying an excessive return upon the par value of their indebtedness, that rate of return is normally calculated upon the par value of their outstanding bonds. Actually, however, market values of railroad bonds taken as a whole for some period of years have been far below their par value, and though no records of changes in holdings during the last 6 years are available, during these years millions of these bonds must have changed hands. Thus losses in many cases have already been realized, and in countless others must be recognized to exist. In these cases to bring back the return to reasonable limits would not necessarily call for a return measured upon the base of par value. How in any particular road one can deal justly with the equities of these different security holders who hold the same class of security has been an insoluble problem in the field of corporate reorganization. But in weighing an industry as a whole, as we are required to do in this proceeding, and in determining how far and to what extent the owners of the property, as distinguished from those who derive their living from laboring for that industry, should bear the brunt of diminishing returns, the situation above detailed has some relevancy, for it throws some light upon the equities that ownership and labor each can insist attends its position.

A further factor relevant to this same problem relates to the dividend payments made by the roads. With a continuously fair share

[13] It should be noted that reform of the reorganization procedure under sec. 77 of the Bankruptcy Act has been urged by the Splawn committee.

of the fruits of the enterprise going to labor, payments by way of dividends normally cause no concern. When profits go down, however, dividends naturally tend to diminish, and as the decline continues reach the vanishing point. If the decline still persists and solvency itself is threatened, a demand arises that labor also assume a pro rata burden flowing from the loss of profits. If dividend payments have in prosperous years been made inadvisedly, the claim is made that labor should not be made to pay for an error on the part of management in which it neither shared nor for which it could be blamed. Ownership, it insists, must even in lean times pay for the mistakes of the management which it, and it alone, put in power.

That claim is made by the employees in this proceeding. Dividend payments were made by the roads throughout the more prosperous years [14] and not only continued into 1930 but reached their highest level in that year when the decline in business had set in and was deepening.[15] That, from the standpoint of our present hindsight, these payments can be criticized has on occasion been frankly admitted by the roads. But they claim that at that time this course seemed the wisest one to pursue. The employees counter by saying that even then management's concern was primarily for ownership and not the industry as a whole, viewed as a joint enterprise between ownership and labor. The merits of these contentions we need not here determine. It is, of course, easy to be wise in retrospect and from the pedestal of hindsight to find mistakes in the judgments that men of necessarily limited vision have made. The fact remains, however, that such a course was pursued in those years and that its benefits ran to ownership. The argument is that its burdens should be made to fall there. But even admitting this, the issues in this proceeding are deeper than those which could be solved by any such simple formula. This fact is one, and only one, that must find a place in the ultimate determination that must be made of the issue in this proceeding.

A further claim similar to this is also made by the employees. It is, in fact, cumulative to the former. Dividends, it is asserted, fail to tell the whole story. More of that same story lies in the accumulated surpluses of the roads. These represent such net income as remains from net railway operating income after the payment of fixed charges, dividends, and other items. They have naturally increased during the period of 1921 to 1937. It must, of course, be recognized, as labor does, that surplus is not like cash in the bank and that, except in rare cases, it is not fat upon which to feed during seasons when food runs short. But, it is contended, either it should have partaken of

[14] From 1921 to 1929 dividend payments totaling $4,064,051,423 were made by the roads.

[15] Dividend payments in 1930 amounted to $598,505,010. The highest payment in previous years was $561,927,657 for 1927; or, if we use 1921 as a base, dividend payments in 1930 were 32.1 percent higher than in 1921.

the nature of such fat, or that in any event any increase in surpluses means an equivalent increment in the value of the property behind the outstanding stocks and bonds. That increment, management naturally hoped, would produce its return and thereby increase the returns payable to ownership. But this increment in value, labor contends, immediately increases the market value of the outstanding securities, an increase that is realizable immediately if an individual owner so chooses. Thus surplus, it asserts, inures always to the value of ownership despite the fact that it may be unavailable to meet the wage bill of labor in the lean years that now have followed.

These considerations under our industrial system already find some play in our wage structure. Obviously the values marketwise that attend ownership correlate more closely with changes in earnings than do wage rates. The peaks of ownership are higher and its valleys are deeper than those that attend labor. The issue, therefore, still remains as to whether those valleys now are so deep and have been so long so barren as to make justifiable the claim of ownership upon labor for some aid to lift it nearer to the light of day.

The hope held by the carriers with reference to their present move is not that it will afford a permanent answer to the problems outlined above. It relates only to a partial solution of a pressing contemporary problem. The move itself arises out of a present abnormally distressing condition and relates primarily to this condition.

It will be remembered that in August and October of 1937 wage rates were advanced by agreement on an average calculated to be somewhere between 7 and 8 percent. Hardly had the ink on this agreement become dry before traffic conditions, reflecting the business decline of the time, brought a sharp decrease in operating revenues. The following tabular statement of index figures on freight car loadings sets forth the rise in traffic volume preceding the 1937 agreements and the decline immediately following their successful negotiation.

Freight car loadings, 1936–38 [1]

[1923–1925=100. Monthly figures adjusted for seasonal variations]

Month	1936	1937	1938	Month	1936	1937	1938
January	70	80	65	July	76	80	61
February	71	82	62	August	76	79	[2] 62
March	66	83	60	September	75	78	------
April	71	84	57	October	77	76	------
May	72	80	58	November	82	71	------
June	73	78	58	December	83	67	------

[1] Federal Reserve Bulletin, of June 1937, pp. 522–529, and October 1938, p. 918. [2] Preliminary.

Loss in volume of traffic naturally reflected itself in declining revenues. The percentage of roads that had been operating with a net deficit, which in 1936 stood at 38 percent and in 1937 at 42 percent, rose sharply for the first 6 months of 1938 to 87 percent. The total net income of the industry, which in 1936 and 1937 was $164,630,041 and $98,057,740, turned into a net deficit for the first 6 months of 1938 of $181,253,596. This is the situation that has led management to think in terms of effecting operating economies, including a reduction of labor costs.

IV. The Carriers' Case as Presented

The carriers' position derives from the fact that the optimism which underlay the wage increases of 1937 [16] has failed to bear fruit. Instead, conditions have retrograded so severely as to bring about a parallelism between 1938 and 1932, when the men, rightly in the carriers' judgment, voluntarily agreed to a temporary pay reduction of 10 percent. The carriers say that had traffic volume in 1937 been at the low levels that it now is, not only would no wage increases have been granted but also no movement toward such an end would even have been considered by railway labor.[17]

Their case has, for the most part, been presented in the preceding section of this report. The facts concerning shrinking volume of traffic, diminishing operating revenues, declining net income, the deficits, the meager return on investment, and the many roads in receivership or trusteeship are there set forth. Repetition of these matters is here unnecessary, but the seriousness of the situation there set forth and so abundantly detailed by the carriers must always be kept in the forefront of any consideration of this problem.

The carriers point also to certain additional factors that make for the necessity of effecting operating economies. One of these is the increase in tax costs brought about by the Social Security Act and the Railway Retirement Act. The effect of these is to add 5¾ percent to the pay rolls, or about $103,500,000 annually.[18]

Another factor is that the way out through rate increases is no longer open to them. The increases granted by the Interstate Commerce Commission in March 1938 were less than had been asked and also have failed to bring in the necessary revenues. The present volume of traffic, even at the new rates, is insufficient to make ends meet and further rate increases are not now practicable.

Furthermore, nothing in recent months or weeks tends to show any significant trend for the better in the fundamentals of the situation. Carloadings for the first 38 weeks of 1938 were 24.4 percent under the corresponding figures for 1937. Nor do the latter weeks of this year give real hope of a reversal of the trend. September carloadings, ad-

[16] These increases have been estimated as raising the annual pay roll by about $130,000,000.

[17] The proposed pay reduction of 15 percent, irrespective of any consideration of "real wages," would leave the men with wage payments some 3 percent better than they received in 1932.

[18] Against this must be set a credit of $32,600,000 annually charged as an operating expense for "pensions," that had theretofore been voluntarily provided by the carriers. These obligations have now been assumed by the Railroad Retirement Board.

justed for the seasonal trend, are but 1 percent above those of February—an admittedly poor month.[19] Meanwhile maintenance is being skimped, desirable additions and betterments are not being made, and modern equipment that would give them a stronger competitive advantage is not being purchased.

Again, such hopes as existed for immediate relief through Federal legislation last spring failed to materialize, for the Congress took no action during its last session. Willing as the carriers may be to join with railway labor in procuring the necessary and desirable Federal legislation at the coming session of the Congress, they have doubts as to the validity of the program now advanced by labor. Hopeful as they may be with regard to the ability of the Government to establish an adequate long-term national transportation policy that will eventually bring some solution to the problems that harass the industry, nothing that has appeared promises immediate relief. Government credit for the weaker roads presents difficulties that cannot easily be determined and, furthermore, is not presently at hand. And it is immediate relief that the carriers insist is their need.

To the employees' claim that preventable wastes aggregating $1,000,000 a day exist, and which, if prevented, would produce savings in excess of the present proposal, the carriers, in substance, enter a categorical denial. Every avenue that would produce significant operating economies has been explored, and the avenue of wage reduction is now the only one left to pursue.[20]

In addition, the need for immediate relief is enhanced by the attitude of the men with reference to certain legislative measures and to the existence of certain union rules and regulations deemed unduly burdensome. The employees' insistence in sponsoring full-crew laws, train-length bills, and similar measures, their hesitancy to put their weight behind the drive for consolidation because of their fear that operating economies effected thereby will mean a further loss of jobs, to the carriers spell additional difficulty and additional cost.

The one avenue that in their judgment remains open in this present emergency is to effect a saving on labor costs. As distinguished from possible increased revenues resulting from increased rates or possibilities of savings from other economies, a reduction in wage rates would afford both savings that are certain and, to use the words of the Splawn committee, also "quick financial relief."

This avenue, they contend, has certain advantages besides relieving the financial distress of the roads. It would help to relieve the econ-

[19] Carloadings for the first 2 weeks of this October were only 15.4 percent below the corresponding weeks for 1937. This comparison, however, the carriers contend is not too illuminating as the comparison relates to a period in 1937 when the decline in carloadings had already set in.

[20] The elimination of reductions for Government traffic on land-grant railroads is urged by both the carriers and the men. It has also had the support of the Splawn committee. The increase in revenue thereby effected would amount only to $7,000,000. The incidence of that increase, however, would inure to the benefit of the western roads where the problem of relief is particularly acute.

omics now being effected with regard to maintenance, repairs,[21] and the purchase of equipment,[22] Indeed, equipment purchases could easily be stimulated far in excess of immediate savings because of the delayed payment feature that through equipment trust obligations attends such purchases. Increasing maintenance expenditures would increase possibilities of direct employment on the roads,[23] whereas increasing the purchases of materials, supplies, and equipment to that degree would stimulate the general level of employment and thus the general levels of business.

A further improvement, it is contended, would result. Credit is the all important source through which improvement of plant and equipment becomes possible. With net income at its present position—that of net deficit—credit is hard to get. Improvement of the net income position is thus essential, particularly if, as it is impliedly contended by the employees, such credit should be obtained not through borrowings but through seeking equity money.

Some of these savings, it is asserted, might be employed for the payment of interest charges not now being paid and thus, going into circulation through these channels, purchases as well as the general trend of business activity would be stimulated.

Factors such as these—reemployment of men due to the expansion of programs, stimulation of enterprise in other industries—would offset, it is claimed, any prima facie damage to our industrial economy that might be assumed to flow from reduced purchasing power resultant upon a reduction in wages. Indeed, the contention is made, that purchasing power of railway labor in the aggregate would be increased rather than diminished by approximation to the desirable equilibrium in the railroad industry between current income and current outgo.

Moreover the carriers contend a reduction in the wage rates of railway labor is just, for today, whether stated in cents per hour, dollars per week, or dollars per year, wages of railway labor are at the highest peak ever attained. At the same time the cost of living is considerably lower than it was in 1929 or in 1920, with the result that in respect of purchasing power labor has fared substantially better than money wage rates or weekly or annual earnings would indicate.

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[21] As of September 1, 1938, 18.9 percent of the steam locomotives "on the line" were in bad order. The corresponding percentages for 1937 and 1929 were 14.5 percent and 7.0 percent. As of the same date 14.2 percent of freight cars "on the line" were in bad order. The corresponding percentages for 1937 and 1929 were 11.0 percent and 6.0 percent. Though conditioned by stored locomotives and surplus cars, some of this accumulated repair work, it is contended, needs to and would be done were wages not so high.

[22] As of September 1, 1938, a total of 8,892 freight cars were on order, compared with 31,123 on the corresponding date of 1937. As of the same date, a total of 40 steam, electric, or Diesel locomotives were on order contrasted with 289 in 1937.

[23] The carriers point out that whereas the reduction in the working force, exclusive of maintenance employees, from September 15, 1937, to September 15, 1938, was 65,972 persons or 11.4 percent, the reduction in maintenance employees was 105,163 persons or 18.9 percent.

In 1920 average hourly earnings of employees involved in this wage dispute were 66.6 cents;[24] after the reductions made in 1921 and 1922, they were in 1923, 60 cents; by 1929 they had risen to 66.3 cents. In 1933, with the 10-percent deduction in effect, the average was 62.6, but, with the restorations made in 1934 and 1935, it rose to 69.6 cents in 1936. The corresponding figure for 1937 was 71.6 cents. For the first 6 months of 1938, when the increases granted in August and October of 1937 were fully reflected, the average was 75.9 cents.[25] Thus average hourly earnings for the first six months of the current "recession" year were 21.2 percent higher than in the depression year 1933, 14.5 percent higher than in the prosperous year 1929, and approximately 14 percent higher than in 1920.

It is admitted that average hourly earnings change with changes in the composition of the working force, and the speed of trains, as well as with changes in rates of pay. During bad years economies are effected in maintenance and repairs, with relatively fewer employees in the shops and on the tracks, the average earnings of those who remain in employment being thereby somewhat increased. Due to the double basis of pay increased speed of trains tends also to increase hourly earnings. Investigation shows, however, that the difference between the average for 1938 and the average for 1929 has been so influenced by not more than 3 percent. Hence this factor is almost negligible, and thus substantially all of the hourly increase shown is real.

Since average hourly earnings chiefly reflect rates of pay, the carriers contend that much more meaningful to the issues raised in this proceeding are weekly earnings and annual earnings. These, they say, show what the workers actually get to meet their needs.

If we use for comparison the years used above and take the middle-of-the-month count of employees given by the Interstate Commerce Commission, average weekly earnings in 1920 were $34.35; in 1923, $29.93; in 1929, $32.07; in 1933, $26.10; in 1936, $31.64; in 1937, $32.63. For the first 6 months of 1938 the corresponding figure was $33.73. Thus current weekly earnings are 3.4 percent larger than in 1937, 29.2 percent larger than in 1933, 5.2 percent larger than in 1929, and only slightly less than in 1920.

Most meaningful of all, the carriers contend, are annual earnings, for upon their amount and the cost of living the economic welfare of the worker depends. The average compensation per employee per year, arrived at by dividing the total compensation of employees other than executives and other classes not involved in this wage issue

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[24] These averages are compiled upon the basis of hours actually worked or held for work, not hours paid for. This figure is apparently for the full year of 1920. The rate increases awarded by decision No. 2 took effect as of May 1, 1920.

[25] A lower figure of 74.6 cents, being the National Industrial Conference Board figure for a classification known as "railway wage workers," was also given for 1938 by carrier witnesses.

by the midmonth count, has been as follows for the years specified: 1920, $1,796; 1923, $1,561; 1929, $1,672; 1933, $1,361; 1937, $1,702. The half year average for the first 6 months of 1938 was approximately $900, or at the level of about $1,800 for the full year. So, it is contended, in average annual earnings a very high peak is being attained.

Furthermore, the carriers' position is that dollars do not tell the whole story because as the years pass they vary in purchasing power. It is purchasing power of the dollars that counts. Since 1920, when the cost of living reached its peak for the more recent decades in the United States, the purchasing power of the dollar first increased greatly during the earlier twenties, then remained fairly constant until the depression years when it again increased greatly; i. e., prices fell sharply. Despite the fact that the low, represented by the index number 75.8 (1923–25 being 100), was reached in 1933, the cost of living has only slightly increased while wage rates have advanced proportionately more rapidly. The United States Bureau of Labor Statistics estimates the cost of living upon the 1923–25 basis as 80.7 in 1935, 81.6 in 1936, 84.3 in 1937, and 83.3 in June 1938. Thus if the Bureau's "cost of living" index is used, the average weekly earnings of $33.73 in 1938 would have 4.4 percent more purchasing power than the $31.64 had in 1936, 17.7 percent more than the $26.10 had in 1933, and 25.7 percent more than the $32.07 had in 1929. Such is the story for the last 9 years, put in terms of so-called "real wages" per week.

The carriers assert, "a movement of over 25 percent in real purchasing power of weekly earnings in a period of 9 years is a most unusual movement. * * * This advance of 25.7 percent in real wages within 9 years has taken place at a time in our history when other things have not been pursuing a normal upward course. In 1929 all things in general turned down. But in the face of that general depression we find these real earnings per week of railway employees showing this extraordinary rise contrary to all other trends."

The conversion of annual earnings into "constant dollars" would, of course, show exactly corresponding results, for yearly earnings are average weekly earnings multiplied by 52.2. Hence, in spite of subnormal industrial activity, distinctly higher standards of living, the carriers contend, have become possible for those who have employment opportunity in the railway service.

Not only, according to this contention, have the wages of railway employees increased and attained a new peak in 1938—both in terms of dollars and in terms of purchasing power—but, also, railway wages have increased more than have wages in industry in general. In support of this contention the carriers present evidence which may be briefly stated in part. National Industrial Conference Board figures show that the average weekly earnings of railway wage earners fell from $31.71 in 1929 to $25.56 in 1933, then recovered to $31.29 in 1936, and finally advanced to $33.35 in June 1938.[26] Data made available by this same organization show, on the other hand, that the average for males employed in different branches of manufacture fell from $30.64 in 1929 to $18.69 in 1933, then advanced to $26 in 1936, only to fall back again to $24.98 in June 1938.[27] Data drawn from the United States Bureau of Labor Statistics for all workers in all manufacturing and nonmanufacturing industries show that average weekly earnings fell from $27.36 in 1929 to $17.60 in 1933, then rose to $22.75 in 1936 and to $25.11 in 1937, but then fell back to $22.24 for the first 6 months of 1938.

Another exhibit, based upon National Industrial Conference Board data, presents average weekly earnings for railway workers and for male workers in 25 branches of manufacture. Comparing the average weekly earnings for 1929 with those for the first 6 months in 1938, those for railroad workers increased some 4.6 percent while, with one exception, those for factory workers decreased by percentages varying between 5.7 percent in the chemical industry and 42.3 percent in the iron and steel industry. The exceptional branch of manufacture was meat packing where the average rose from $27.24 in 1929 to $29.05 in 1938, or 6.6 percent. And, parenthetically, it is remarked that in only the two branches of the printing industry were average weekly earnings in the first half of 1938 as large as in the railroad industry. In 20 of the 25 industries average weekly earnings were less than in the railway industry by $5 or more per week. The average for railways was $33.17 for the combined 25 branches of manufacture $24.59.

The differences between the weekly earnings of railway workers and of others are explained partly by the longer week (43.2 hours) in the railroad industry, partly also by the less irregular employment there found, but largely by the fact that hourly rates are higher in this industry than in most others. The carriers contend that the wages paid by them are too high, as tested by what is paid other labor, by the incomes of farmers, and otherwise. The necessary limitations upon this report are such, however, that further detail of this nature cannot be summarized.

These are the considerations, briefly detailed, that the carriers urge as the justification for their proposal. Broadly stated, the argument is not only that the railroads are in a desperate financial condition, that for too long a time have sacrifices been demanded of ownership so that fairness attends this request of labor, but also that the proposal is not made in disregard of the existing level of wages of railway labor since, under the circumstances as they now exist, that level is too high when measured in comparison with wage levels elsewhere.

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[26] These data are drawn by the National Industrial Conference Board from the midmonth count of the Interstate Commerce Commission.

[27] These data, as well as those of the Bureau of Labor Statistics, are based upon pay-roll counts.

V. The Employees' Defense as Presented

There is general recognition by railway labor of the unfortunate plight of the railroads and their need for relief. Differences of opinion as between them and the carriers as to the condition of the roads as a whole at the present time are, for the most part, not to be found. Differences, however, exist as to the reasons that have been responsible for this condition and consequently differences exist as to where the incidence of the condition should be made to lie. Secondly, differences exist as to the way out for the immediate and the distant future. Thirdly, the employees contend that the method of dealing with the wage problem by reducing all wages horizontally 15 or even a lesser percent is regarded as unwise and as failing to meet the real needs of the carriers. Fourthly, increased productivity and increased responsibility has characterized railway labor in the last 18 years and these factors deserve their rewards in the form of increased wages and certainly not in the form of decreased wages. Fifthly, it is contended that business conditions are now rapidly improving, that the volume of traffic is increasing, and that consequently no justification exists for the present demand, whatever the conditions may have warranted at the time of its inauguration. Sixthly, the proposal for reduction is resisted upon the ground that it was conceived in unwise haste and without regard to the effect that it would have upon the prosperity of the country. Indeed, it is claimed the proposal would be an entering wedge for the initiation of general wage reductions in other industries. And, finally, a vital difference of fact exists as to the level and trend of wages in the railroad industry as compared with levels and trends in other industries, justifying resistance to the proposal. These positions are stated below at greater length.

Among the reasons for the present plight of the roads the employees recognize the effect of forces such as the development of competitive means of transportation and the relocations of industry. Part of the present difficulty, however, is alleged to arise from overcapitalization, the burden of fixed charges, and unwise financial practices in past years. Because of alleged overcapitalization, the decline in the rate of return upon "investment" receives little sympathy. Because of the burden of fixed charges, which are thought to be excessively high, the need of the roads to meet them is given little weight, and more extensive reorganizations are urged as in part the cure. Because of the alleged excessive and unwise distributions of dividends during the prosperous years, particularly in 1930, the consequences of such action, it is asserted, should not be visited upon labor in the form of a demand for lower wages.

These particular matters and their bearing upon the issues in this proceeding have been commented upon before. We need not rehearse that comment. We move instead to the other arguments that the employees have adduced.

The employees offer as the way out a broad and comprehensive program for the industry. They believe that, because of a general consciousness of the plight of the roads upon the part of the public and the Congress, the carriers with the cooperative effort of railway labor can succeed in realizing such a program within a relatively short time. This program has been outlined in detail. It involves two parts, one general in character, the other aimed at so-called preventable wastes.

Upon the general program unanimity between the carriers and the men is not to be found at all points nor, on many of the points, is there unanimity among the carriers themselves. Briefly, the unions pledge their cooperation to seek the following ends: (*a*) Increases in rates wherever practicable; (*b*) revision of the Government-lending policy to the roads to permit loans without, as at present, requiring the prior assent of the Interstate Commerce Commission, and to permit loans without security for the purpose of meeting the expenses of maintenance; (*c*) equality of treatment by the Congress of all forms of transportation, including not only equality insofar as regulation is concerned by regulation of other forms of transportation such as water carriers, by repeal of the long-and-short-haul clause of the fourth section of the Interstate Commerce Act, repeal of section 11–D of the Panama Canal Act, of paragraphs 19 to 21 of section 5 and paragraph 13 of section 6 of the Interstate Commerce Act, but also the discontinuance of Federal expenditures for the extension and improvement of waterway and highway transportation where adequate railway transportation exists, and the imposition of charges on highway and waterway carriers sufficient to bring a fair return to the Government for its expenditures for the improvement of such ways; (*d*) the withdrawal of the Federal Government from participation in transportation in competition with private agencies by discontinuing the operation of such agencies as the Federal Barge Line on the Mississippi; (*e*) restatement of the rate-making rule so as to recognize the right of carriers to a fair return upon the value of their property; (*f*) amendment of the Interstate Commerce Act so as to give the Commission greater power over State rates; (*g*) amendment of the revenue act so as to exempt railroads from the undistributed-profits tax and so as to invalidate certain State taxes upon the intrastate operation and corporate existence of carriers, when such taxes are not paid for in current net earnings arising out of or reasonably attributable to intrastate operations; (*h*) surrender by the Federal Government of its land-grant privileges; (*i*) enactment of suitable statutes of limitations as to claims of shippers for reparation; (*j*) insistence that costs entailed in building bridges or approaches thereto resulting from the improvement of navigable waters should be made at Federal expense. No willingness to cooperate with the carriers was evidenced with regard to decreasing labor costs; to urging Congress and the State legislatures to refrain from enacting restrictive legislation such as full-crew bills, train-limit bills, bills specially limiting hours of service not required for safety, and similar measures; to amending the Railway Labor Act so as to alter the procedure before railroad adjustment boards. Upon the subject of consolidation, the unions state that generally they are opposed to consolidation except where particular proposals are shown to be in the public interest, are approved by the Interstate Commerce Commission, and have incorporated within them adequate provisions for the protection of labor.

Upon the particular program with reference to "preventable wastes," the claim is made that wastes aggregating $1,000,000 a day are capable of being eliminated. Specifically this claim was advanced in this proceeding by Senator Wheeler, chairman of the Senate Committee on Interstate Commerce, who through a subcommittee of that committee has been investigating financial abuses alleged to have been practiced by the carriers. The Senator admitted that this estimate was not a "dollar by dollar detailed estimate," and furthermore admitted that no such detailed estimate could be made upon the information now before his subcommittee.

Among the "preventable wastes" set forth by the Senator are the following: (*a*) Elimination of the Pullman "monopoly" by the pooling by the railroads of their resources; (*b*) an attack upon the "monopoly" of the steel companies so as to bring about a reduction in the prices of products purchased by the roads, particularly steel rails; (*c*) pooling of efforts by the roads in the way of research that will lead to standardization in articles purchased and utilized by them; (*d*) concerted elimination of purchases by the roads from industries at favorable prices upon the understanding that thereby they will get for themselves the traffic originating from these industries; (*e*) delays in permitting roads to go into receivership resulting in deterioration of roadbed and equipment to a point where the costs of reconditioning become cumulatively excessive; (*f*) energetic prosecution of civil actions for damages by receivers and trustees against directors, officers, bankers, and others for mismanagement, fraud, or waste during the prereceivership period; (*g*) elimination of excessive fees and costs in reorganization proceedings; (*h*) elimination of purchases by railroads of stocks in other railroads; (*i*) elimination of the purchases of terminal properties and other land and property from large shipping interests for the purpose of getting the freight business of these interests; (*j*) elimination of loans for stock-market purposes by officers, directors, and persons affiliated with the roads; (*k*) elimination of holding-company practices resulting in the depletion of the treasuries of the roads; (*l*) elimination of loans to shippers; (*m*) elimination of the allegedly excessive charges exacted by private-car lines; (*n*) control over the payment of dividends to stop imprudent distributions; (*o*) elimination of the payment of charges to investment bankers for fiscal agency services by the creation of a company to perform these services on a cooperative basis; (*p*) elimination of the alleged demoralization of operating railway officials because of the control exercised over them by so-called bankers; (*q*) more appropriate divisions of joint rates and charges.

In short, in these ways the railroads, the employees contend, should put their house in order before they entitle themselves to call upon labor to make further sacrifice.

The proposal to reduce wages is again attacked by the employees as unwise, in that it fails to meet the real needs of the carriers. A horizontal pay reduction of 15 percent would net the carriers, as a whole, estimated savings of $250,000,000. These savings, however, would be distributable to the various roads in proportion to their pay rolls and not in proportion to their needs.

To illustrate their point, the employees divide the roads into three groups—those in receivership or trusteeship, those that are problem roads in the sense that continuing prosperity is a condition of their remaining above water, and those whose strength is such that even in these times of adversity no pressing need attaches to them.[28] The estimated savings of $250,000,000 would be distributed among these three groups in the following fashion: Some $60,200,000, or 24.1 percent of the total savings, would go to roads in receivership or trusteeship, roads that in 1937 had a net deficit after fixed charges of $100,161,909. Some $48,150,000, or 19.3 percent of the total savings, would go to a group of roads not in receivership or trusteeship but which have been designated by Chairman Splawn as problem roads.[29]

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[28] It may be observed that something akin to this grouping was made by the Interstate Commerce Commission in *Ex parte* 123. The roads were there divided by the Commission into three groups: (1) The more prosperous lines, representing about 28 percent of the total mileage that it considered had no difficulty in earning their fixed charges even without increased rates; (2) a group representing about 42 percent of the total mileage whose ability under the then existing conditions of early 1938 to earn their fixed charges was highly questionable; and (3) the balance of roads in receivership or trusteeship. (See 266 I. C. C., 41, 65)

[29] Employees' Exhibit No. 65 is used as the basis for developing the above ratio. That exhibit sets forth a series of roads, selected by Chairman Splawn of the Interstate Commerce Commission, as being roads that present problems more or less acute. Some of these roads are in the hands of receivers or trustees. Those not in such hands, which make up the 19.3 percent ratio mentioned above, are: (1) Eastern district roads—the Baltimore & Ohio, the Detroit, Toledo & Ironton, the Lehigh & New England, the New York Chicago & St. Louis, the Pere Marquette, the Virginian, the Western Maryland, and the Wheeling & Lake Erie: (2) Southern region roads—Atlantic Coast Line, the Gulf, Mobile & Northern, the Illinois Central, the New Orleans & Northeastern, and the Southern; (3) Western district roads—the Duluth, Winnipeg & Pacific, the Great Northern, the Green Bay & Western, the Kansas City Southern, the Kansas, Oklahoma & Gulf, the Midland Valley, the Missouri-Kansas-Texas, the Northern Pacific, the Northwestern Pacific, and the Texas Pacific. The Colorado Southern, which is included in the Splawn classification, is in this discussion regarded as part of the Chicago, Burlington & Quincy system. The unions in Employees' Exhibit No. 99 reduced the above ratio of savings distributable to the problem roads to $24,875,000 or 9.9 percent. The problem roads there chosen seem, however, to be roads of their own selection. A fairer basis for consideration of the validity of the employees' contention is to take the Splawn selection.

The balance, or $141,650,000, representing 56.6 percent of the total savings, would go to roads not within these classes. It may here be observed that of this $141,650,000 some $92,150,000, or 36.9 percent of the total savings, would go to roads which have either had net income after fixed charges for every year from 1929 through 1937 or roads having such continuous net income except for a net deficit in the year 1932.[30] It may further be observed that of this $92,150,000 some $84,300,000 would go to eight roads within the above category, which eight roads would receive 33.7 percent of the total estimated savings to be produced by the proposed wage reduction.[31]

The fourth general basis upon which the employees attack the proposal is that it fails to recognize that the present wage scale is justifiable because of the increased productivity of railway labor and the increased responsibility that railway labor now is required to assume. In order to show the increased productivity of labor voluminous exhibits were submitted by the unions. They establish that the ratio of employees per mile of track operated, the ratio of hours worked per mile of track operated, the ratio of total compensation of employees per mile of track operated, have rather steadily declined during the last 17 years. Conversely the revenue freight ton-miles per employee, per hour of service, per dollar of compensation, have increased. Thus if the period 1929 to 1937 is taken, the revenue freight ton-miles per employee increased 20 percent, per hour of service increased 25.2 pecent, per dollar of compensation increased 17.6 percent. Numerous other ratios tending to establish much the same general proposition were also brought forward. This lowering of the cost of labor's services, the employees insist, justifies them in their resistance to any wage reduction.

This position, the employees insist, is further strengthened by the fact that the proportionate cost of labor in relation to operating revenues has not advanced. The ratio that the wage bill bears to operating revenues and the ratio that other expenses bear to the same figure are set forth in the following table.

[30] The roads in this category are: (1) Eastern district roads—the Bangor & Aroostock, the Bessemer & Lake Erie, the Cambria & Indiana, the Chesapeake & Ohio, the Detroit & Toledo Shore Line, the Lehigh & Hudson River, the Monongahela, the Montour, the Norfolk & Western, the Pennslvania, the Reading, and the Richmond, Fredericksburg & Potomac; (2) Southern region roads—the Alabama Great Southern, the Cincinnati, New Orleans & Texas Pacific, and the Louisville & Nashville; (3) Western district roads—the Atchison, Topeka & Santa Fe system, the Chicago, Burlington & Quincy system, the Duluth, Missabe & Western, the Lake Superior & Ishpeming, the Louisiana & Arkansas, the Southern Pacific Co., the Toledo, Peoria & Western, and the Union Pacific. Of the 23 roads enumerated above, 9 operated during the first 6 months of 1938 with a deficit and 14 operated with a net income after fixed charges. It should be noted that operations during the first 6 months of a year do not necessarily reflect the trend for a full year.

[31] These roads are—the Atchison, Topeka & Santa Fe system, the Chesapeake & Ohio, the Chicago, Burlington & Quincy system, the Louisville & Nashville, the Norfolk & Western, the Pennsylvania, the Southern Pacific Co., and the Union Pacific.

The railroad dollar [1]

[Distribution expressed in cents per dollar of gross revenue]

	1931	1932	1933	1934	1935	1936	1937	1938 [2] (6 mos.)
Total operating revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Labor (exclusive of pay roll chargeable to capital account)	46.9	46.0	43.2	44.1	45.0	42.9	44.8	[3] 48.9
Fuel (locomotive)	5.3	5.4	5.1	5.8	5.9	5.9	6.3	6.9
Material, supplies, miscellaneous	19.5	18.8	17.9	18.9	18.5	18.7	19.0	19.4
Depreciation and retirements	5.3	6.7	6.5	5.9	5.7	4.8	4.8	6.2
Taxes	7.3	8.8	8.1	7.3	6.9	7.9	7.8	10.4
Hire of equipment, etc	3.2	3.9	3.9	3.9	3.5	3.3	3.1	3.9
Total expenses	87.5	89.6	84.7	85.9	85.5	83.5	85.8	95.7
Net railway operating income	12.5	10.4	15.3	14.1	14.5	16.5	14.2	4.3

[1] Bureau of Railway Economics of the Association of American Railroads.
[2] 1938 figures added by employees.
[3] It will be observed that wages per dollar of operating revenue for the first 6 months of 1938 stand at a higher point than they have stood at any time since 1931, and, it is asserted by the carriers, since 1920. This ratio would, of course, be affected by the wage increases of 1937; it would also rise rapidly with a decrease in operating revenue not accompanied by a corresponding decrease in total pay-roll costs.

One additional buttress for the so-called productivity argument arises, the employees insist, from the constant decrease in the pay roll of the carriers. Substantially the same mileage, approximately the same tonnage, is moved over the rails today as in 1920 by approximately half the men. The midmonth count of the Interstate Commerce Commission shows 2,022,832 men in 1920 in railway employment, 1,660,850 in 1929, and 1,115,077 in 1937.[32] These men, who have disappeared from the pay rolls of the roads, having been displaced in part by the introduction of modernized machinery and equipment, the employees sadly admit, are no longer the obligation of the roads. But they insist those who remain and now do the work of those who have left as well as their own should not be penalized by a reduction in wages. Labor, the employees insist, has during these years taken its sacrifice through unemployment and part-time work, but nevertheless has given more efficient service and shouldered increased responsibilities.

The record is singularly barren upon the issue of increased responsibility—a factor that was specifically referred to in title III of the Transportation Act of 1920 as being one of the elements that the Railroad Labor Board should consider in establishing just and equitable wages. The assertion is made that increased responsibility is not only an incident of increased productivity, but follows from the fact that modern railway operation calls upon men to move longer and heavier trains at higher speeds. Contrariwise, the carriers insist that increased mechanization and improved means of transport have meant that these operations certainly involve on the whole no greater responsibility or effort and may even involve less. The employees point to the hazards that attend the employment and to the high

[32] The midmonth count does not, of course, give the total number of men who annually receive pay from the railroads. That figure has been unavailable prior to 1937. In 1937 the Railway Retirement Board first compiled statistics in regard to these figures. That Board lists a total of 1,720,558 persons as receiving pay during 1937 from the class I railroads.

degree of skill that is required in most classifications as buttressing their contentions.

The position of the employees with reference to recent betterments in business trends and in the volume of traffic may be briefly stated. Attention is drawn to recent increases in the prices of industrial stocks, in the rate of operations in the steel industry, in electric-power production, the award of construction contracts, and the like. Particular attention is directed towards the increase in railway operating revenues for July and August over February—increases that neglect seasonal adjustments essential for comparison—and the recent rise in carloadings. That improvement, the employees insist, does not reflect the real gain these carloadings mean for the roads, inasmuch as the volume of carloadings should for comparison purposes with 1937 be increased by 8.8 percent—an increase equivalent to the increase in the average revenue per ton-mile of freight resulting from the rate increases granted by the Interstate Commerce Commission in *Ex parte 123*.

The sixth basis for the attack made by the employees upon the carriers' proposal rests upon the assertion that it was hastily conceived and without regard to the effect that it would have upon wage-level movements in other industries. The employees assert that management in such a vital industry as the railroads has a public responsibility to the welfare of the Nation as a whole and that this responsibility was not adequately discharged in this proceeding. In behalf of this contention, they assert that the proposal was shaped and advanced not by the principal executives of the roads but by the junior executives who composed the Carriers' Joint Conference Committee—"deck hands" as the chairman of that committee denominated them.[33] They assert that consideration was given by this committee and the railroad presidents, to whom they reported and who had the final say, only to the existing financial distress of the carriers and not to all those other factors, economic and sociological, that should have entered into as important a determination as was involved in the pending proposal.

In support of the assertion that wage reductions in other industries would follow as a consequence of a wage reduction in the railroad industry, the employees adduce little that can be called evidence. The subject by its nature is one that necessarily rests primarily upon broad general observations of past wage movements that may afford some basis for predictions as to the future.

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[33] According to the record the members of this committee were H. A. Enochs, *chairman*, chief of personnel of the Pennsylvania R. R.; H. D. Barber, general manager of the Erie R. R.; R. W. Brown, vice president of the Reading and Jersey Central lines; J. W. Smith, president and general manager of the Boston & Maine R. R.; J. A. Walber, vice president of personnel of the New York Central Ry. system; E. J. Connor, assistant to the president of the Union Pacific R. R.; H. E. Stevens, vice president of the Northern Pacific R. R.; L. B. McDonald, general manager of the Southern Pacific; F. L. Thompson, vice president of the Illinois Central; J. H. Aydelott, general manager of the Burlington; G. E. Bruch, assistant general manager of the Norfolk & Western R. R.; C. D. Mackey, assistant vice president of the Southern Ry.; J. R. Parrish, assistant vice president of the Chesapeake & Ohio; R. C. Parsons, assistant vice president of the Louisville & Nashville R. R.; and H. D. Brothers, receiver of the Georgia Central R. R.

In relating the proposal to the general prosperity of the country, two contentions are advanced. The first of these is that it is contrary to the present, sound national policy. That policy is to maintain wage rates and also to bring low wages up to a tolerable level. Wage reductions lessen the incomes of wage earners who are quick spenders. Their wages must be maintained in order to provide a market for goods produced. Bond interest and dividends, on the other hand, may or may not be spent or invested. If they are not spent, they do not provide a direct demand for goods and until invested they do not become a demand for labor, supplies, and equipment.

It is said that, while wages have been cut in a few unimportant cases, there has been no recent movement to reduce wages in industry. Wage advances made in 1936 and 1937 are being maintained. However, were wages in the railway industry reduced, a general wage-cutting movement would follow. As it spread, there would be uncertainty and confusion; wage earners would begin to economize in buying. Insofar as the movement succeeded, it would necessarily involve less spending by wage earners. In both ways such a movement would undermine buying power. Business in general would be injured. And so would the railroads, for less buying would mean less traffic handled, and the temporary slump in traffic is the difference between 1937 and 1938 in the railway problem.

The employees insist that, from the contention just mentioned, it follows that a railway wage reduction, followed by wage reductions in industry generally, would bring further loss of jobs on the railroads. With reference to the carriers' contention that were wages reduced a part of the savings effected would undoubtedly be used for additional maintenance and repairs, the employees claim that such expenditures depend upon and fluctuate with traffic. They point out that there is no guaranty that any substantial part of the savings would flow back to them. Instead, the savings would go largely to pay fixed charges and dividends.

We pass now to the difference of fact as to the level and trend of railway wages as contrasted with levels and trends in other industries. The employees contend that, contrary to the statements of the carriers, railway labor has not fared well in respect of wages, whatever appropriate comparisons are made. The fairest figures to use, they insist, are hourly earnings which reflect directly rates of pay and show the so-called "burden on the industry." They show the cost per hour of time paid for in the service. Moreover, they avoid the exaggeration found in average weekly and annual earnings when figured upon a "middle-of-the-month count." Then, too, they avoid the effect of the longer hours of work which remain in the railroad industry but which have become increasingly exceptional in other employments.

The carriers' exhibits, it is contended, exaggerate the increase in average hourly earnings of the men in their service. If "total compensation" is divided by "total service hours"; i. e., hours paid for, this is the story. Starting with the second half of 1920, when the adjustment made by the Railway Labor Board in Decision No. 2 had come into effect, average hourly earnings were then 70.5 cents. With downward adjustments made by the same board, the averages fell to 60.0 cents in 1922 and 59.8 cents in 1923. The average then moved up slowly to 65.1 cents in 1929, and, with changes in the composition of the working force, reached 66.9 cents in 1931—which, be it noted, was 3.6 cents less than the hourly average for the last 6 months of 1920. With changed composition of the working force and the 10-percent deduction accepted in 1932, the average for 1933 was 60.9 cents, or 1.1 cents higher than "a low" 10 years before. With full restoration of wages made in 1935, the average advanced to 67.4 cents in 1936. Then, with the increases granted in August and October 1937, the average for the last quarter of that year was 72.9. For the first half of 1938 it was 73.1 cents. Average hourly earnings were then 8.5 percent higher than in 1936, 20.0 percent higher than in 1933, 12.3 percent higher than in 1929, but only 2.6 cents, or 3.7 percent, higher than in the second half of 1920.

Though the figures for years preceding 1927 and those for 1938 are not wholly comparable, the employees contend, they tell the story fairly accurately. The earlier figures do not include any or all of the "time paid for but not worked" with the effect that the averages are increased somewhat, but the figures for 1938 is also increased because, it is contended, the proportion of shopmen, section men, extra gangs, and others among the less well paid in the reduced working force had substantially decreased.

At this point it may be noted that the employees object to any adjustment of wage or earnings figures as the carriers have made by figuring so-called "real wages." It is contended that no set of index numbers can properly measure the cost of living. All index numbers do is to show the behavior of prices through a period of time. They neglect, in the words of the employees, "the most important element in considering costs of living, and that is the added cost to the family of purchasing new items which have since come into the customary standard of living of wage earners."

As illustrative of this contention the work of the Heller Committee was brought to our attention. This committee, after investigations of actual consumer behavior, figured health and decency budgets for 1929 and 1936 in view of prices in the San Francisco area. With some items readjusted in the light of consumer behavior and with "used car," union dues, and incidentals added to the list, the budget figure obtained for 1936 was $2,001.72. The budget figure for 1929, when prices had been higher, was $1,936.05.[34]

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[34] In reciting the employees' contentions based upon the Heller Committee, the Board naturally does not subscribe to or dissent from the results arrived at by that study.

As already stated, the employees regard average hourly earnings as the most significant fact. Average weekly earnings, they contend, involve questions of the length of the workweek and regularity of employment. Average annual earnings, they likewise contend, involve these same questions and also the question of how many men are attached more or less securely or insecurely to the industry and ought to be counted in figuring the average. If the midmonth count is used, and executives and officials excluded, the average annual earnings per employee on class I railroads (switching and terminal companies excluded) were $1,794 in 1920. In 1929 the average was $1,704. After falling to a low of $1,399, in 1933, it rose to $1,736 in 1937. Though the figures differ slightly, the general trend shown by the figures drawn from the midmonth count by the carriers and the organizations is not different. Annual earnings in 1937 were slightly less than they were in 1920. In 1938 they are somewhat higher. But, it is said that the midmonth count does not depict the matter altogether accurately. If all on the pay roll for a pay-roll period were taken as the count, as is done in some instances, the resulting average would be a smaller one. For railways a monthly pay-roll count is now possible. If it is used, the average annual compensation arrived at for 1933 would be $1,249 instead of the $1,399 resulting from the use of the midmonth count—a difference of $150. For 1937 it would be $1,567 instead of $1,736.

That average yearly earnings depend in large measure upon the count of employees used as a divisor is illustrated by a tabular report recently made by the Railroad Retirement Board. During the year 1937 wages were credited to 1,720,558 persons who performed "some railroad service" on class I railroads. Reporting up to $300 per month in each case, the total compensation reported was $1,894,-959,000, or an average of $1,101 per person. The carriers, in their reference to this publicized report, take the position that the summary report cannot be relied upon inasmuch as it includes Canadians whose service brings them across the border, in which cases only an appropriate part of their earnings are reported, casuals shoveling snow a day or so, persons employed only a part of the year because of retirement, quitting, or discharge during the year, and perhaps others who were hired to fill the places vacated by them, also those who became sick or disabled, etc. They contend that only those who worked, say, at least part of the time during 11 or 12 months of the year should be counted. The 904,636, or 52.57 percent of the total number, who worked in each of the 12 months received, with excess over $300 per month not subject to report, a total of $1,598,029,000, or an average of $1,766. If the 64,955 who worked more or less during 11 months of the year are added in, the total becomes 969,591, their reported compensation $1,678,051,000, or an average of $1,731. This corresponds, the carriers point out, rather closely to the average based upon the middle-of-the-month count.

The employees are, however, of the opinion that many more than the 969,591, who worked in as many as 11 months during the year, were attached to the railroad industry and must be counted. They suggest that if all persons earning less than $150, which would have deprived them of the right to benefits under the newly enacted Railroad Unemployment Insurance Act, and also all of those who worked in only 5 months or less (6 months or more would generally give seniority rights), a more reasonable figure would be obtained. The average earnings for the year would then be approximately $1,562. While contending that this figure is still too high, the employees regard it as being a more reasonable estimate of average annual earnings than that obtained by the middle-of-the-month count.

But while averages portray significant facts, they are said not to reveal other facts of tremendous significance. The report of the Railroad Retirement Board shows that in addition to the 1,364 persons excluded above as earning less than $150, there were 2,329 others who, though working more or less in each of the 12 months in 1937, earned less than $300, 10,050 who earned less than $500, 45,618 who earned less than $750, 130,375 who earned less than $1,000, and 240,089 who earned less than $1,300. Put in percentages, and again excluding from the computation all who earned less than $150, 0.3 percent of the employees who worked in each of the 12 months earned less than $300, 1.1 percent less than $500, 5.1 percent earned less than $750, 14.4 percent earned less than $1,000, and 26.6 percent earned less than $1,300, which is far less than is required to cover a health and decency budget. Or to take occupational differences, extra gangmen and section men who worked more or less in each of the 12 months averaged only $889 and $850, respectively. The employees point out that it is to such earnings as well as to the higher earnings of the more fortunate among the employees that the carriers propose to apply a 15-percent reduction.

Contrary to contentions of the carriers, the employees assert that since 1920, or since 1929, or since 1933, or since 1936, railway wages have increased less than have wages in general. The changes in average hourly earnings of railway employees for these particular years have been shown above. If the findings of the National Industrial Conference Board relative to average hourly earnings of railway wage earners and of employees in 25 manufacturing industries are taken, the index numbers in columns 1 and 2 of the following table are obtained:

Average hourly earnings of railway employees and of employees in 25 manufacturing industries, 1920–38 [1]

Year	Average hourly earnings of wage earners in 25 manufacturing industries (Index: June–December 1920=100)	Average hourly earnings of wage earners, class I roads (Index: 1920=100)	Year	Average hourly earnings of wage earners in 25 manufacturing industries (Index: June–December 1920=100)	Average hourly earnings of wage earners, class I roads (Index: 1920=100)
1920	[2] 100.0	[3] 100.0	1930	97.2	94.4
1921	86.5	91.7	1931	93.1	95.8
1922	[4] 81.5	84.5	1932	82.2	88.4
1923	89.3	84.2	1933	81.0	88.4
1924	92.7	85.3	1934	95.9	89.5
1925	92.6	87.1	1935	99.0	96.8
1926	93.7	87.5	1936	101.8	98.1
1927	95.0	89.4	1937	114.2	101.1
1928	95.5	90.8	1938 [5]	118.0	107.2
1929	97.4	92.8			

[1] National Industrial Conference Board.
[2] Average of 7 months.
[3] Average of last 6 months.
[4] Average of 6 months.
[5] First half, 6-month average.

These figures, the employees assert, almost speak for themselves; little comment is required. Upon these trend figures the unions bring out that in general the wages of railway employees have moved up or down after wages in manufacturing industries have moved up or down and that they have changed less than have wages in manufacture. As to trends, railway hourly earnings were lower in 1929, as compared with other industrial plants, than in the basic year 1920. The contrary was true in 1931 to 1933, but it remained true only in these years of acute depression. Hourly rates in manufacture had attained the 1920 level by 1936; they did not do so in railway employment until 1937. The advance from 1936 to 1938 was greater in manufacture than in railway employment, the advance in the one case being 15.9 percent, in the other 9.3 percent. In the first 6 months of 1938, railway average hourly earnings were 21.3 percent higher than in 1933; and in manufacture, 45.7 percent higher. The corresponding percentages for 1938, as compared with 1929, were 15.5 and 21.2. If 1938 is compared with 1920, hourly earnings had increased 7.2 percent in the railway industry, 18 percent in the 25 branches of manufacture.

In connection with the increases secured in August and October 1937, the employees point to increases granted in industry generally. Data for 106 manufacturing industries (including building construction) provided by the United States Bureau of Labor Statistics, industries that employed some 8,566,400 wage earners in May 1937, show that the average hourly earnings in October of that year were 66.6 cents, as against 57.3 cents in October 1936, an increase of 16.2 percent. The average hourly earnings in railway employment in October 1937, after the increases had become effective, were 72.2 cents, as against 66.6 cents in October 1936, an increase of 8.4 percent.

The fact that wages in the railway industry since 1920 have not increased as much as wages in other industries would lead one, it is said, to conclude that they are not high relatively, for in 1920 the Railway Labor Board, after considering all available data, adjusted wages in the light of all the criteria set down in the Transportation Act. It is contended also that comparison of hourly earnings of railway labor as a whole or of hourly earnings of the several occupational groups involved with the hourly earnings of wage earners in other comparable industries or occupations would lead one to the same conclusion.

Comparisons are made of rates of pay per hour of occupational groups of railway employees with rates of pay of allegedly comparable groups employed by the Tennessee Valley Authority and the United States navy yard. The details need not be set out. Suffice it to say that the rates paid by these Government organizations are distinctly the higher. Average hourly earnings in 9 out of 26 industries reported on by the National Industrial Conference Board were in excess of 75 cents per hour during the first half of 1938 and higher than the average hourly earnings of railway employees. These industries are the chemical (75.1 cents), heavy equipment (75.6 cents), book and job printing (78.2 cents), electrical (80.3 cents), agricultural implement (80.4 cents), iron and steel (82.7 cents), rubber (83.8 cents), automobile (93.6 cents), and the news and magazine printing (94.8 cents). Similarly, average hourly earnings are shown by the United States Bureau of Labor Statistics to be more than 75 cents in some other industries than those mentioned among the 106 for which data are available.

These are the chief considerations advanced by the employees, which, in their turn, must be weighed against those that have been advanced by the carriers.

VI. Findings and Recommendations of the Board

At the start it must be remembered the issue before this Board derives from the specific proposal to reduce wages horizontally by 15 percent, and that, therefore, the concern of this Board is with the wage problem. The wage issue, however, has been precipitated primarily by the financial needs of the carriers, so that the disposition of that issue involves some consideration of the railway problem as a whole. But it is not the function of this Board to point the answers, such as there may be, to the railway problem as a whole. Other authorities and other bodies, more experienced than this Board, have that problem before them for general consideration. On the other hand, it is the function of this Board in the light of its understanding of the stresses and strains to which the railroad industry now is subject to consider the desirability of affording some measure of relief to the carriers by reduction of their labor costs.

1. GENERAL CONSIDERATIONS

Proposed legislative programs.—The Board has had presented to it programs, more or less specific, for the relief of the railroad industry.

These programs have been offered as alternatives to the present proposal. Whatever their ineffectiveness may be in affording the "quick financial relief" which the carriers claim is their present need, the evidence before the Board has impressed it with the necessity that now rests on Government for a complete and thorough-going reconsideration of the relationship of the railroad industry to our national well-being. In 1920 a new attitude and a new approach to that problem was taken by the Federal Government in the light of its experience with the railroads during the period of Federal control. Some of the hopes then held, indeed even written into the Transportation Act of 1920, have failed to bear fruit. Cooperation on a national scale by the carriers in and of the industry as a whole, has not been forthcoming to the extent that was then anticipated. Nor, men being what they are, is it likely to be forthcoming without effective implementation by the Government.

Since 1920 particular problems of the railroads have engaged the attention of the Government, and changes, frequently of much importance, in regulative powers and attitudes have been made. But consideration of the problem as a whole has not engaged the attention of all those forces of industry and government that should have a deep concern with its issues and its implications. The demands made upon Government in recent years with respect to other matters, important and deserving of the absorption of time and energy, have tended to leave the railroad problem in the background of our national thinking. But one dare no longer let it rest there.

The hearings before this Board have thoroughly impressed it with the fact that both carriers and railway labor have now a vital and common concern in the working out of an adequate, national transportation policy. Both cooperation and imagination can be expected to be forthcoming from railway labor as well as from the carriers. Whatever may be the disposition of this present proceeding, the existing willingness to work together for what is fully realized to be a common end dare not be lost by strife over a question essentially small in the light of the ultimate benefits that are bound to accrue from some better answer to the general railway problem.

One cautionary word, however, deserves to be said. Concern over the railroads is tripartite in character. To the interest of management and of the men must be added the interest of the public. In some of the proposals that have been advanced, the public interest seems not to have been fully appreciated. It must be remembered that it is this third party that in the last analysis supports the entire structure, for the railroads exist for the public and not the public for the railroads.

With regard to the possibilities for ultimate relief to the roads through governmental action, this Board is not so experienced as to be able to add materially to the proposals already made by governmental authorities. Nor does its experience entitle it to anticipate the program which it hopes will eventuate from the committee recently selected from management and from the men. It is hopeful, however, that through the development of an adequate but not improvident credit policy, aid can be made available in those quarters where aid is most needed. It is hopeful that revision of existing reorganization procedures will make easier the task of fitting capital structures not to hypothetical valuations but rather to real possibilities of earning power. A recognition by the Congress and the courts that national policy for the adequate promotion of the railroads demands reasonable sacrifices on the part of ownership would do much to make reorganization a real rebirth and not a mere temporary compromise between creditors and equity owners. This Board is also hopeful that the outlines of a more vigorous, more farseeing financial policy can be pursued by management with the cooperation of Government so as to avoid not only the financial losses of the past but also the creation of corporate structures with too little flexibility inherent in them to permit them to survive a period of declining business activity. These and kindred considerations, it is true, do not promise the "quick financial relief" offered by a wage reduction. Some of the proposals, however, foreshadow relief in the not too distant future. And others, though the relief they may afford will take longer for realization, have, perhaps, an ultimate significance to the welfare of the railroad industry of such importance that their realization should not be jeopardized by discord between men and management over the means for securing immediate relief. Both men and management must realize that after this Board shall have discharged its function, whatever its decision, they will still be living with the railroads. Their livelihood, their success, will depend upon how ably each can grasp the problem of the other.

Prevention of "wastes" as a substitute for wage reduction.—It was asserted before the Board that wastes aggregating $1,000,000 a day could be prevented and that the pursuit of such a course by the carriers would obviate the need for effecting savings through a wage reduction. It was admitted, as has been noticed before, that the estimate in this connection was not a detailed one but rather in the nature of an informed guess based upon testimony before the subcommittee of the Senate Committee on Interstate Commerce.

That savings of a large nature can be made by attention to some or all of the matters contained in the program advanced to eliminate preventable wastes may be admitted. Every industry undoubtedly, as Government itself, commits waste because the problems of administration must rest in human and fallible hands. That those wastes can progressively be prevented must be true, for otherwise little hope would remain for the advancement of the art of management. But prevention of these wastes will involve wholehearted constructive effort over a period of years. If demoralization exists in human institutions, its elimination is most often not a matter of legislative enactment but of the slow rebuilding of the human spirit. Many of the suggestions entail other than governmental action, unless we conceive the railroad problem in terms of governmental management rather than governmental regulation. The elimination of these wastes, necessary though it may be, thus affords little in the way of a solution for the pressing problem of immediate relief. Their existence, if such be the case, has relevancy only as to where the burden of immediate relief should be made to fall.

One further observation may be made in this connection. The testimony adduced before the subcommittee does reveal noticeable incidents of mismanagement resulting in losses to individual systems in the industry. These losses have, of course, occurred, and no action can effectively restore them. Prevention of their recurrence is not the equivalent of restoration. But notice must be taken of the claim made in this connection that if these losses are properly chargeable to any one group, that group is ownership rather than labor.

Upon the extent and the amount of such losses, this Board can express no opinion. Whether or not such losses as have attended the management of certain roads are sufficiently characteristic of the industry to make it justly chargeable against the industry as such and to require of ownership further sacrifices before some sacrifice is demanded of labor, is a generalization in which this Board cannot indulge. Neither findings nor recommendations have yet been made by the subcommittee of the Senate Committee on Interstate Commerce. This Board cannot rightly be asked to weigh voluminous testimony not taken before it and which is still in the process of being weighed and digested by that subcommittee.

Restrictive legislation.—The carriers, during the course of this proceeding, have complained of increased operating expenses from the attitude of railway labor in sponsoring full-crew bills, train-length bills, bills to limit hours of service beyond the requirements of safety, and similar legislative proposals. Their complaint has not been met favorably by the employees.[34a] Their attitude with reference to these measures springs mainly from the employees' concern over the declining trend of railroad employment. Part of that decline—perhaps a major part—is due to the general decline in the volume of traffic that is still held to the rails. Some part, however, is due to improvement in plant and equipment, the technological improvements that operate to displace labor. The social problem of unemployment resulting from technological development is common to most industries. It admits of no simple answer. The legislative proposals complained of are, in part, the answers that the employees are seeking to make to the problem of technological unemployment. The answers that can be made must of necessity be partly without the industry itself and partly within it. But we believe that such answers as can be made to it within the industry should flow from the processes of collective bargaining between the carriers and the men, not by resort to legislation. The problems of technological unemployment are, indeed, part of those "working conditions" which the Railway Labor Act of 1926 sought to have worked out through negotiation and mediation between management and men.

2. OBSERVATIONS ON SUBSIDIARY MATTERS

In order to move forward in an orderly fashion, it is desirable to make some observations on certain matters subsidiary in character to the main issue.

The Relevancy of the increased productivity of labor.—There has been increased productivity of railway labor. This may have resulted from several causes, among them increased efficiency of the employees and modernization of plant and equipment. Insofar as the increased productivity is shown to have resulted from the increased efficiency of labor or to have caused heavier responsibilities or sacrifices to rest upon the employees, this should be recognized in their compensation. Insofar, however, as the increased productivity is shown to have resulted from the efficiency of management or from investment of capital in modernized plant and equipment, that is not true except as additional sacrifice or responsibility is incidentally imposed upon the workers. Rather, such gain should go to the carriers insofar as necessary to yield a fair return, beyond which it should go to the public through better service and lower charges.

[34a] Mr. George Harrison in his testimony relating to the possibility of working out a joint program with the cooperation of men and management refused to accept the suggestions of the carriers that the men should help in getting Congress and the state legislatures to refrain from passing legislation of this nature.

While there is much evidence of capital sunk in modernized plant and equipment,[35] there is no evidence relative to any change in the efficiency of labor. Moreover, while there is much evidence of more powerful engines, greater speed,[36] and larger trains, there is nothing to show that more skill or more effort or more responsibility is required of the employees. The displacement of employees by technological improvements must be recognized as fact, but it has not been recognized that the wages of those who remain in employment should be high because others have been laid off or discharged.

Thus we are unable to derive much aid from data relative to the growing productivity of labor. Evidence as to the mainspring of that increase is lacking, while evidence as to the absence of distributable profits is more than complete.

Relevancy of the cost of living.—The cost of essentially the same "basket" of goods changes naturally with changes in prices. Cost-of-living indexes, such as the index provided by the United States Bureau of Labor Statistics, are designed to measure costs from quarter to quarter and from year to year as prices of the articles and services finding place in essentially the same "basket" change for one reason or another, up or down. Such indexes are valuable for certain purposes. At the same time, there is merit in the position taken by the employees in their opposition to the figuring of "real wages" on the basis of cost of living over a considerable period of years, such as 1929 to date, and to the application of the results in a downward readjustment of rates of pay. Consumption studies clearly show that "normal wants" change, and also become more numerous with the play of many forces upon consumer habits, especially in a democratic country like the United States. We cannot therefore rely too much upon the cost of essentially the same "basket" in measuring the needs of the families of wage earners. Yet we are inclined to believe, that, on the whole, wage earners and other consumers with the same incomes find that as spent these incomes go somewhat farther today than in 1929 or in 1920 in meeting their normal wants. And, of course, changes in consumer habits have changed little within the last 12 months, during which the very slight change in the cost of living has been downward. These facts become relevant, however, only when a reduction of wages is justified on other grounds. For all consumers as well as railway employees have benefited more or less from any substantial reduction in the cost of living over a period of years.

Comparative relevancy of average hourly, weekly, and annual earnings.—In support of their demand for a wage reduction, the carriers emphasize weekly and annual earnings. The employees, on the other

[35] From 1921 to 1937 gross capital expenditures of $9,570,875,000 have been made.

[36] Some portion of the benefits derived from these increases have gone to that group of railway labor whose rates of pay depend upon the double ratio of distance run and time consumed.

hand, regard these as not the really appropriate data and make their defense against a wage cut on the basis of hourly earnings.

Average hourly earnings are obtained by dividing compensation received by hours paid for. They are definite and presumably accurate. Moreover, they reflect rates of pay directly and also show what is paid for a unit of service. They do not, however, show fully the attractiveness of jobs or what the workers holding jobs will have to meet their needs. Other things equal, weekly and annual earnings are superior for they show what jobs yield through a period of time. But, as is illustrated in this case, weekly and annual earnings frequently give rise to questions of accuracy and comparability.

Because of the records of the Interstate Commerce Commission, the mid-month count has been used in the preparation of most of the weekly and yearly earnings before the Board. Some exhibits involve comparisons of earnings so figured with earnings figured on the payroll count (weekly, bimonthly, monthly) usually employed in industries other than the railroad. It is admitted that the mid-month count has the effect of providing relatively high earnings figures but it is said that this effect is negligible.[37] Though the mid-month count is more than a count of those at work on a given day, it is a conservative count and causes certain weekly and annual earnings to be as reported not readily or wholly comparable.[38]

In the second place, the comparability of weekly and annual earnings is affected by differences between the length of the standard week in the railroad industry on the one hand, and in industry in general. While in recent years, say since 1929, the standard week in most industries has been considerably shortened, that is not true in the railway service.

In the third place, comparability of weekly earnings is affected by hiring, lay-off, and share-the-work policies. Here it suffices to say that with seniority rules, widely observed in railway employment, lay-offs are more likely to occur than in many branches of manu-

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[37] It should be noted that earnings reported for 1937, and based upon the mid-month count, correspond very closely to the average of $1,766 reported by the Railroad Retirement Board for those employees who worked in each of the 12 months of 1937.

[38] "Annual average earnings computed from Interstate Commerce Commission data, particularly when the mid-month count is used, tend, therefore, to be too high in relation to actual annual earnings. This discrepancy increases in years when unemployment is widespread and the number of men furloughed is disproportionately large. On the other hand, part time due to short hours per day or per week is reflected in the average obtained by using the mid-month count of employees insofar as these part time workers are included in the count, irrespective of whether they happen to be working on the day the count is made. Because the averages obtained by using the entire Interstate Commerce Commission mid-month count are higher than actual earnings, Commission statisticians have warned against their misuse, and these averages are no longer published for occupational groups in the summaries of the Commission's wage statistics. Because no other comprehensive series of railroad wage data have been available, these averages have frequently been used to represent actual earnings nevertheless." Annual Earnings of Railroad Employees, 1924-33, Section of Labor Relations, Federal Coordinator of Transportation (1935), pp. 80-81. Actual annual earnings from 1924 to 1933 ranged from 91.4 percent to 96.7 percent of the Interstate Commerce Commission figures.

facture where the work is regularly shared in some way or other. The number of employees reported is affected, and hence the average of weekly and annual earnings reported. It may well be that the average earnings reported since 1929 for railway employment and for industry in general, and also for specific branches of manufacture, have been materially affected in such ways as this.

For these reasons the Board places main reliance upon average hourly earnings when drawing conclusions concerning trends and comparative levels of pay. In connection with comparative levels of pay, it will, however, discuss comparative regularity of employment as a factor to be taken into account. But before presenting its findings concerning these matters, a statement should be made concerning the yearly earnings of railway employees, for one reason because of very different statements and beliefs concerning what they are.

The Board has in its evidence, for example, $1,702 as the average earnings of railway employees for the year 1937. This figure is obtained by dividing total compensation by the number of employees as shown by the mid-month count, the data deriving from the reports of the Interstate Commerce Commission. On the other hand, the report of the Railroad Retirement Board on compensation (any excess over $300 per month not being included) paid each of the 1,720,558 persons who performed some railroad service on class I railroads give the figures for 1937 that show an average of $1,101. This is admitted to be too low a figure, for it is distorted by the inclusion of only an appropriate part of the earnings of those employees whose operations carry them across the border, by not allowing for the usual attrition in employment, said to be around 5 percent, by the inclusion of casuals in the count, and by other factors. What would be a proper count of the men "attached to the industry" remains a matter of judgment. If, however, the compensation of all persons who worked in 6 months or more of the 12 is taken and divided by the number of such persons, the average for 1937 was $1,553, which is $14 less than an average obtained by dividing compensation by the monthly pay-roll count of the Interstate Commerce Commission. But, if the data used include all persons who worked in 4 or more months and earned not less than $150, the average was $1,445.

It is the opinion of the Board that any one figure said to show the average yearly earnings of railway workers has rather less significance than such averages usually have. For, as regards rates of pay, there are very different classes among railway employees and their work opportunities vary because of the nature of the industry. Upon examination of the data presented the Board finds that among the attached workers who worked for the railroads during 6 months or more, there was a great disparity of earnings in 1937, a fairly good year. The general average, as has been pointed out, was $1,553. But of the workers who worked in 6 months or more one-quarter of them earned less than $911. At the opposite extreme, one-quarter of these attached workers earned $1,953 or more during the year. In between, there were one-quarter who earned between $911 and $1,433, another quarter who earned between $1,433 and $1,953. It is clear that, as earnings of wage-earners go, $1,950 or more was unusually good for 1937. It is equally clear that earnings of $911 or less per year, received by one-quarter of the attached railroad workers, whether explained by loss of time or by rates of pay, were quite different from the point of view of family needs.

3. DETERMINING FACTORS IN THE CASE

The present financial distress of the carriers and their doubt as to immediate relief being obtainable through governmental action raises, as a first consideration, the validity of certain criteria used in similar wage controversies in the past. It will be remembered that in Decision No. 147 and in subsequent decisions the Railroad Labor Board reduced the wages of railroad labor and as one of its governing reasons recited the acute decline in business activity.

How far decline in net income and reduction in the rate of return should justify wage reductions in an industry raises problems of vast import. In this particular proceeding the issue of reducing wages below what is now regarded as a minimum "living" wage is not involved. Since the passage of the wage-and-hour law, the payment of a minimum "living" wage is now a condition of industrial operation. That condition is equally applicable to the railroad industry, so that no action can be taken by the carriers, whether or not warranted by our decision, to reduce any wage below those standards that are prescribed by law.

Nor need we consider the problem stated above except insofar as it affects the railroad industry. That industry differs from others in many respects. It differs in that its well-being is constantly a matter of national concern. The maintenance of adequate and efficient transportation by rail is thus essential not only for national defense but also for the promotion of the normal ends of peace. Its operation has not yet led to a policy of general governmental subsidies nor of governmental ownership and operation. Both the carriers and the Government thus far hesitate to take those steps [39] and our conclusions must have reference to these limitations.

[39] See Message of the President to the Congress of the United States of April 11, 1938, transmitting his recommendations for means of immediate relief for railroads (H. Doc. No. 583, 75th Cong., 3d sess., p. 2.)

The railroad industry, moreover, differs again in the nature of the charge it exacts for its product of transportation. In 1923 in the *New England Division Case* (261 U. S. 184, 196), Mr. Justice Brandeis pointed out that the fixing of rates and charges for a national industry such as the railroads was a function not unlike revenue legislation, inasmuch as these rates and charges, which are absorbed generally by the whole public, were to that degree the equivalent of direct and indirect taxes. An increase in rates on particular products, like a tariff on those products, means the imposition of the equivalent of a tax burden upon the group, producer, and consumer, that continues to use that product.[40]

The same aspect characterizes the wages of railway labor and the return that the industry can make upon its invested capital. Reduction in these wages or reduction in that return means that specified groups are being indirectly taxed to keep the roads running.

Invested capital by its very nature is subject to this risk of "indirect taxation." In the rate of return that it expects, whether as money lent or as equity money, the risk of loss is calculated. Wage rates, however, rarely have such an element present in their fixation. Reduction in the rates of railway labor to meet either an emergency or a permanently depressed situation thus raises sharply the issue of whether railway employees as a group should be indirectly taxed to keep the roads running upon a specified level of equipment and service and upon a basis that will afford a moderate return on investment.

Governmental subsidies to an industry present the same aspect. If as loans they succeed in eventually liquidating themselves, the cost involved to the public rests primarily upon the difference between the governmental loan rate and the commercial rate and upon the temporary strain that may be put upon the credit position of the Government by the fact that until paid a loan presents an element of risk. If such loans fail to pay themselves out, the loss entailed is similarly an indirect tax upon the public, though as such it falls not on one class but on the public.

These considerations bear upon the issue presented by the contention that the inability of the railroad industry to pay should not be permitted to affect the wage level.[41] It should be observed in passing that to reach this issue as an ultimate test, the lack of ability to pay has ceased to be attributable merely to unwise management and the unwise financial policies of the past. When ability to pay still exists,

[40] Similar considerations seem to underlie Commissioner Eastman's concern in *Ex parte* 123 that noncompetitive traffic is being taxed to support competitive and unremunerative traffic. See 226 I. C. C. 41, 153.

[41] The position has been taken by several emergency boards that the inability of an individual road to pay should not of itself justify a reduction in wages. The ground of decision in these cases has always been that such a reduction would threaten the standardization present in the railway wage structure—a standardization that has been the result of years of collective bargaining. Their lack of relevancy to the present case is apparent. Cf. Report of Emergency Board of July 26, 1933, *In re Louisiana, Arkansas & Texas Ry. Company.*

either by levies upon capital or otherwise, and a present inability to pay out of current income is due to conditions for which management is responsible in any blameworthy sense, then that inability to pay is hardly to be compensated for by demanding a reduction in standardized wages or labor costs. How far this situation characterizes the railroad industry cannot be accurately estimated though undoubtedly some of its elements are present in more or less degree. But because the solution of the issue raised in this proceeding cannot be predicated upon such a simple and narrow base, we consider the merits of the carriers' proposal upon the broader base that their inability to pay derives from nonblameworthy sources.

The problem of the relationship of ability to pay to the wage structure, in our judgment, possesses two aspects. The first concerns the ability of an industry to pay from a long-time standpoint. This aspect of ability to pay must have its repercussions upon wage rates. An industry's ability to pay has always been a factor in increasing wages. It was so in the negotiations surrounding the wage increases of 1937. Though increasing wages and reducing wages are not merely two sides of the same problem, it must be realized that dollars are needed to pay wages, that capital requires at least a moderate return, and that in an industry such as the railroads, indirect taxation of the public through tariffs and charges through subsidies and grants has its practical limitations.

It may well be argued, however, that those limitations upon indirect taxation cannot justifiably be said to have been reached if wage rates in the railroad industry do not fairly reflect wage rates for comparable work elsewhere. The obligation that the Nation must assume to provide itself with an adequate national transportation system may arguably be said to carry with it the implied obligation that in that system labor must receive fair and equitable treatment. Nor is this situation altered by the fact that it may be true that the railroads are in a position of continued declining revenues due to the effects of competition and permanent relocations of industry. A waning industry, if such it be, still can be arguably said to be a matter of national concern and to impose therefore certain national obligations.

This aspect of the problem of the ability of an industry to pay is, however, in our judgment, not presented by the instant proceeding. We say so because we must start from the position that the wage agreements of 1937, which were voluntarily entered into by the carriers, were rested upon the judgment of the industry that the rates therein prescribed could be supported by the industry upon the prevailing volume of traffic or upon a volume not greatly higher. Furthermore, since then—March of 1938—increased rates were granted the carriers by the Interstate Commerce Commission in order to meet, in part, rising operating expenses arising out of the increased wages. Since October 1937, the time of the last wage increases, traffic conditions have fared badly, but nothing has appeared since that date which gives a basis for concluding that there has been a permanent undermining of railroad revenues.

This leads to a consideration of the second aspect of the problem of the relationship of the ability of an industry to pay to its wage rates. This concerns inability to pay arising from short-time trends. Sudden crises of short duration frequently overtake industries. They may be more or less severe and more or less localized in various units of the system. They may bring with them bankruptcies and insolvencies, and permanent losses to invested capital. But in such a situation it would be well to adhere to the principle that normally the shock of these crises must be taken up by ownership and not by the wage structure. Ownership, as has been observed before, is adapted to derive the benefit of sudden increments; it is equally right that it accept the burden of short crises. Wage structures change more slowly, rising only after fairly prolonged periods of increased profits and falling only after declines have established themselves.

The desirability of normally adhering to such a principle can hardly better be illustrated than in the history of railway wage controversies. Decision No. 2 of the Railroad Labor Board may be assumed to have placed railway wages somewhere in the neighborhood of where considerations of equity and justice in 1920 should have placed them. With the depression of 1920–21, the Railroad Labor Board in decision No. 147 and subsequent decisions removed a considerable share of the increases it had awarded labor in 1920. Despite a return of prosperity beyond the levels of 1920, years elapsed before wage levels reached those established in 1920 by decision No. 2.[42]

This principle, however, has its limitations as applied to the present proceeding. How long, it will naturally be asked, must inability to pay continue before a justification to demand wage reductions can be said to arise. That question we shall advert to later. At present we must concern ourselves with the further plea that, irrespective of the fact that the present crisis may not imply permanently lowered levels of traffic volume, it is a crisis which falls upon the carriers particularly severely because of the fact that they have been weakened by the prolonged depression of recent years. Their needs are hence specially acute, and, whatever may be the normal application of the principle that the shock of short crises should be absorbed by capital and not by labor, the present situation is for that reason abnormal. In short, there is for this crisis no fat upon which to feed.

To this proposition two answers are suggested: The first is that the lean years since 1930 reflect not only years of reduced business ac-

[42] In this connection it must, of course, be noted that despite the return of prosperity the cost of living failed to reach 1920 levels. The difference, however, was not very substantial and can be said to have been counter-balanced during those years by the rise in the normal wants of the wage earner.

tivity but declines in operating revenue of a somewhat permanent nature. To that situation the carriers will need to adjust themselves by means more heroic than wage reductions. The fact that fixed charges from 1932 through 1937 industry-wise were earned only 1.03 times, and in 1936 and 1937 were earned only 1.25 times and 1.15 times, respectively, gives some indication of the need that exists for adjustment on the part of capital.[43]

Some adjustments are now taking place through the processes of reorganization. The unusual percentage of carriers now in receivership or trusteeship thus need not necessarily disturb one. It may, indeed, be desirable from a broad standpoint that that percentage should increase, provided only that the processes of reorganization will result in real and not make-shift readjustments. No sacrifices of note need be asked for to preserve values that already have been long dead and whose burial is now merely a matter of the proper amenities of finance.[44]

The second answer, in our judgment, goes to the root of the present proposal. The particular implement chosen by the carriers seems ill adapted to meet their needs. Figures have been given before[45] illustrating the distributable shares of groups of carriers in the estimated $250,000,000 savings that the proposed wage reduction would bring about. Eight roads, it will be remembered, which can fairly be regarded as roads hardly entitled to consider themselves in acute distress, would take some 36.9 percent of these savings, while more than half of the $250,000,000 would go to roads whose claim to present acute distress is not too easy to sustain. Weight might attend the claim of the carriers that railway labor make some sacrifice for the benefit of the industry as a whole, but little logic attends their insistence that because road A is in distress, labor employed by road B, which can make no such claim, should give up a portion of its wages, not to help road A, but to help road B. The inequity of reducing wages on a national scale, when the railroads are operated on a number of lesser scales, is obvious. That inequity persists whether a proposal for wage reduction on a horizontal scale be upon the basis of 15 percent or on a greater or lesser percentage.

It must, of course, be recognized that because of the standardization of the wages of railway labor, differentiations in rates between strong roads and weak roads is not a feasible solution. That method

[43] These ratios seem much more significant than other ratios adduced in this connection by the carriers and the employees for they illustrate the slim margin that separates the industry from solvency. The carriers have belabored the fact that the ratio of bonded indebtedness to total capitalization has decreased during the past years and that but a meagre return of two percent upon the investment is required to meet all fixed charges. The employees have returned again and again to claim that over-capitalization exists when measured in terms of capitalization as against valuation.

[44] Much is normally made in this connection of the fact that, on the basis of 1936 figures, $6,617,000,000, or nearly 56 percent of the railway funded debt was held by insurance companies, banks, endowed educational institutions and foundations. That fact, however, cannot afford a justification for an effort to preserve nonexistant values.

[45] Cf. Supra, pp. 28-29, and footnotes 28, 29, 30, and 31.

of approach has, as has been noted before, been foreclosed by the decisions of a number of emergency boards. But the ingenuity of railway management ought to be such as to be capable of devising ways and means, with or without the assistance of government, to distribute savings to be accrued from reductions in the wages of railway labor in conformance with the necessitous needs of the carriers when the very basis of the plea for wage reduction founds itself upon necessity.

But inability to pay, without further sacrifices to ownership, even from a short-term standpoint, may well be argued as justification for a wage reduction if the level of wages of railway labor is too high when measured in comparison with wage levels in other industries. We turn, therefore, to the issue of fact so posited.

The considerations that in our judgment are most relevant to the determination of this issue concern three factors: (*a*) The trends in wages and earnings of railway labor and of labor in other industries, (*b*) current rates of pay of railway employees and of other comparable workers, and (*c*) the current wage situation.

(*a*) Trends in average hourly earnings of railway workers and of workers in other industries show that whether such earnings as of 1938 are compared with earnings in 1936, or in 1933, or in 1929, or in the second half of 1920, when the wages of railway labor had been adjusted by the Railroad Labor Board, no evidence is found that railway employees have benefited more than have employees in other industries taken as a whole. Indeed, their gains in hourly earnings have not been quite as large. The details upon which this conclusion is based have been presented above and need not be repeated here.

(*b*) A limited amount of data in the form of standard or actual rates of pay of men employed in certain occupations in the railway service and of men employed in other industries are in evidence. Because of the limited amount of such data and because of the fact that a carpenter or a plumber or another craftsman may be a somewhat different craftsman in training, skill, and responsibility in one industry than in another, these comparisons have not been of any great assistance to the Board in its consideration of the comparative levels of pay at the present time. More helpful have been the average hourly earnings of groups of railway workers and the average hourly earnings of workers in more or less comparable industries as reported by the United States Bureau of Labor Statistics or the National Industrial Conference Board and introduced in evidence. Of course it is exceedingly difficult to find an industry wholly comparable with any division of railway employment but the Board has made such comparisons as appear to have value. One of these is of the average hourly earnings of railway shopmen with the average hourly earnings of workers in selected industries. It is hardly necessary to say that these industries have not been selected because of the hourly earnings shown but because they are regarded as more nearly comparable with railway shops than other industries for which data are available. The comparison may take tabular form.

Average hourly earnings of railway shopmen and of employees in other industries (as reported by the U. S. Bureau of Labor Statistics, for the first 6 months of 1938)

Industry or branch:	*Average hourly earnings (cents)*
Agricultural implements	74.7
Automobile manufacturing	92.0
Blast furnaces, steel works, and rolling mills	83.0
Electrical machinery	74.8
Electric-railway shops	69.6
Engines, turbines, tractors, and water wheels	82.5
Forgings, iron and steel	74.0
Foundry and machine shop	71.3
Locomotives	77.4
Machine tools	73.0
Shipbuilding	83.7
Steam and hot-water heating	70.8
Railroad shops	[1] 72.5

[1] It will be noted that in a later table the average compensation for hours of service of the shop craft group for the first 6 months in 1938 is reported by the Interstate Commerce Commission as 77.1 cents. This figure is not comparable to the 72.5 figure above. The Bureau of Labor Statistics does not include certain groups included by the Commission. These are 1,553 linemen and groundmen, average compensation 85.9 cents; 5,039 gang foremen and gang leaders, average compensation 99.6 cents; and 8,123 coach cleaners, average compensation 46.2 cents. On the other hand, the Bureau includes, but the Commission does not include, those among 18,505 classified laborers, average compensation 45.8 cents, or those among 13,161 general laborers, average compensation 41.6 cents, that were working in shops rather than in engine houses or power plants. The Bureau's figure for railroad shop labor is presumed to be comparable to the figures for the several industries contained in the above table.

Of course not all comparisons lead to precisely the same conclusion. And for many groups, such as most of those engaged in the operating service, no worthwhile comparisons can be made. But from the above comparison and such others as the Board has been able to make from the data submitted, and holding in mind that the railroad industry is largely unionized, it does not appear that the hourly rates of pay or earnings are relatively high, unless these workers have a distinct advantage in regularity of employment through the year and from one year to another.

Postponing for the moment a discussion of the subject of regularity of employment, to which reference has just been made, some detail may be introduced to show the actual average hourly and weekly earnings of the larger and also of certain other significant groups of railway employees for the first 6 months of 1938. The data for class I railroads, taken from reports of the Interstate Commerce Commission, are shown in the following table. They are important to hold in mind. For one thing they are helpful in dispelling incorrect views based upon the wages and earnings of any one group. They also throw light upon the regularity of employment that attaches to different groups.

Average compensation per hour and per week of specified groups of employees of class I railroads, first 6 months of 1938

Class of employee	Number as of middle of June 1938	Average compensation per hour of service, 6 months, January to June 1938	Average compensation per week, 6 months, January to June 1938
		Cents	
Passenger conductors	6, 965	156. 0	$62. 74
Freight conductors (through freight)	7, 841	129. 2	50. 91
Freight conductors (local and way)	5, 923	110. 7	62. 68
Passenger brakemen and flagmen	9, 078	117. 3	42. 85
Freight brakemen and flagmen (through freight)	20, 831	104. 1	33. 40
Freight brakemen (local and way)	14, 377	89. 1	45. 01
Passenger engineers and motormen	8, 705	190. 4	68. 64
Freight engineers and motormen (through freight)	11, 211	151. 2	56. 17
Freight engineers and motormen (local and way)	6, 222	128. 8	70. 71
Passenger firemen and helpers	7, 882	157. 7	51. 15
Freight firemen and helpers (through freight)	13, 385	117. 3	35. 87
Freight firemen and helpers (local and way)	6, 801	98. 8	48. 90
Hostlers and helpers	5, 641	78. 4	41. 63
Total train and engine service employees, switch tenders, and hostlers [1]	201, 890	110. 4	45. 54
Total clerical and office employees [1]	125, 810	77. 5	35. 44
Janitors and cleaners	4, 809	42. 0	18. 84
Truckers (stations, warehouses, etc.)	16, 123	50. 9	22. 71
Common laborers (stations, warehouses, etc.)	3, 286	45. 8	20. 76
Bridge and building carpenters	9, 516	68. 3	29. 23
Extra gangmen	24, 078	39. 5	18. 02
Section men	97, 266	40. 6	17. 55
Crossing and bridge flagmen and gatemen	15, 351	37. 3	19. 04
Total maintenance-of-way group [1]	193, 241	48. 6	22. 04
Boilermakers	8, 336	89. 9	36. 27
Car men (A and B)	10, 647	86. 7	35. 29
Car men (C and D)	33, 420	81. 2	35. 61
Electrical workers (A)	5, 945	88. 3	39. 52
Electrical workers (B)	1, 847	83. 9	35. 86
Machinists	31, 533	88. 8	36. 39
Sheet-metal workers	6, 304	88. 2	35. 86
Skilled trades helpers (M. of E. and stores)	46, 834	63. 6	26. 59
Coach cleaners	8, 123	46. 2	22. 92
Total shop-crafts group [1]	169, 581	77. 1	32. 72
Classified laborers (shops, engine houses, and power plants)	18, 505	45. 8	22. 80
General laborers (shops, engine houses, and power plants)	13, 161	41. 6	19. 74
Station agents (smaller, nontelegraphers)	5, 928	75. 3	36. 38
Station agents (telegraphers and telephoners)	14, 476	73. 1	36. 55

[1] Figures for italicized lines represent totals for *all* reporting employees in the divisions designated.

This tabulation discloses a wide variety in average hourly earnings as between the various groups. Some are high, but some are low; indeed, far lower than the hiring rate in other industries. No general assumption can thus be indulged in, apart from considerations relating to regularity of employment, that wages of large groups of railway labor are on a level that is higher than wages for such comparable classes of labor that we have been able to find.

The effect of regularity of employment upon this situation must, however, also be weighed. Inasmuch as transportation service must be provided, at least those employed in the operation of trains, ticket agents, and certain others are more regularly employed than are workers in most industries. Moreover, there is the general impression that this is true of the railway service generally. Average weekly earnings figures are presumed to show that this is true. In the opinion of the Board, however, differences in weekly earnings and their variations do not provide satisfactory evidence on the subject. As already indicated, average weekly earnings are affected by the use of the mid-month count in railway statistics and by the use of the pay-roll count in most other industries. This is particularly true where work-sharing within the pay-roll period obtains. There are, therefore, no data in our possession from which a valid conclusion can be drawn concerning the relative regularity of employment in the railway service and in the other industries used in our comparisons. Hence we may limit ourselves to some observations concerning regularity of employment in the railroad industry.

One of these observations is that with rapidly declining employment in this industry, with seniority rules widely observed, and with a disinclination on the part of workers in certain occupations to leave the service, a large number of men are frequently on lay-off. Examination of the figures reported by the Railroad Retirement Board discloses a great number of men receiving pay from the railroads in excess of the number appearing upon the mid-month count of the Interstate Commerce Commission. Even when allowance is made for attrition, casuals, and others who are definitely separated from the industry or who are employed under such circumstances that they cannot be said to have become really attached to the industry, evidence of a large volume of irregular and part time employment remains.

The available statistics relating to employees of class I railroads taken as a whole do not disclose the unemployment actually experienced in the industry. Peaks and valleys do not always occur at the same time of year on roads in different parts of the country and with somewhat different types of traffic. The middle of the month count tends to even up the totals for the railways when taken as a whole. The same may be true for a given road, for the expansion of maintenance of roadbed and track comes during certain summer and early autumn months when certain other divisions of work may not be at a peak but may be even more or less contracted.

Our concluding observation on this particular phase of the subject is that more than in most industries such unemployment as is experienced in the railroad industry appears to be rather unevenly spread among workers within a classification and among workers in different classifications of the service. The first of these is, of course, connected with the matter of seniority which is an accepted and unquestioned practice. The other is due to the nature of the work and to the opportunities or lack of opportunity for the carriers to make economies, circumstanced as they are financially. It so happens that the sacrifice of work opportunities, generally speaking, is greater for the men in the lower than for those in the higher pay brackets.

(c) Data submitted in evidence from reports of the United States Bureau of Labor Statistics show that a rather distinct upsurge in wages occurred in 1936 and 1937. This was no doubt directly connected with organization or attempted organization of labor witnessed in many industries, but considerable increases in wages were obtained in most of the already unionized industries also. Here and there within the last year some reductions have been accepted or imposed, but very generally wages have been maintained. For a year, or a little more, wage levels have constituted something like a plateau. No evidence of a real movement in wage rates, up or down, has reappeared.

Examination of the data above detailed leads us consequently to the conclusion that the level of wages of railway labor is not high when compared with wage levels in other industries. Nor do wage trends show that railway wages have advanced proportionately greater than wages in other industries. Instead they seem to show a slight lag, though, on the other hand, they show greater resistance to decline than wages in other industries. Furthermore, no justification arises for a wage reduction from the current wage situation in other industries. There, no general movement to reduce wages has made its appearance. These considerations lead us to the conclusion that the carriers' proposal can derive no sustenance from the contention that railway wages as a whole are too high.

We have thus far dealt with the problem from the standpoint that the carriers' inability to pay is characterized by a short-term aspect. To date it is so. The employees emphasize the fact that an upturn in the volume of business has already taken place. While carloadings are still below 1937 levels, there is hope that within a reasonable period further substantial increases in carloadings will take place. Furthermore, because of the rate increases granted last March by the Interstate Commerce Commission, a volume of tonnage some 8.8 percent less will bring operating revenues into parity with 1937. These factors, together with recognized differences in the depth of business decline, distinguish the situation in 1938 from that which prevailed in 1932. Naturally, we cannot rest our conclusion merely upon a prevalent but possibly unwarranted optimism. It may, indeed, eventuate that operating revenues will fail to return within a reasonable period to 1937 levels or thereabouts. Furthermore, it may well be that the hoped for relief from the development of a national transportation policy and other similar measures will not be forthcoming. Then the inability of the roads to pay would turn from a short time to a long time aspect, and avenues of relief through wage reductions would have to be explored. The 30-day clause of the existing agreements would provide this opportunity.

But if the occasion should arise for the carriers at such time to pursue that course, it would be well for them to consider certain observations that the Board believes it wise to express. The first of these is that wage reduction upon a horizontal national scale, as that proposed in this case, possesses distinct drawbacks. We have already commented upon the failure of such a proposal to distribute the benefit of such savings as might be effected to the needier roads. Moreover, if the needs of the roads as they exist relate specifically to such factors as maintenance expenditures, the purchase of equipment, the payment of accrued interest in order to reestablish credit, no savings achieved by such a proposal are in any sense earmarked for these ends. That savings would in all likelihood be devoted in large measure to such purposes may be admitted, but wise statesmanship on the part of railroad management should look to making such applications certain. Some better administrative mechanism could seemingly be devised to avoid these drawbacks that attend a proposal merely to reduce wages upon a national scale.

A further defect attends such a proposal. Its incidence would fall alike upon all classes of labor from operating service to maintenance of way employees and extra gang men. Better paid and less well paid would fare alike. A different principle of wage reduction has normally been deemed more equitable, i. e., reductions that have regard to the ability of the varyingly paid groups of railway labor to take the shock of decreased pay. The Lane commission in 1918, in recommending wage increases, followed such a principle. The Railroad Labor Board in 1921 in Decision No. 147 applied it in its wage reductions. That difficulties inhere in its application are apparent, but the difficulties do not appear to have been insurmountable.

In this connection the Board thinks it right to observe that the suggestion that has been entertained by some of suspending for a period of time, more or less dependent upon the volume of traffic, the wage increases granted in 1937 would introduce a somewhat inequitable element, assuming for the purpose of illustration that a reduction of about that percentage should be made. This flows from the fact that differentials in wage rates among the various groups of railway employees exist. That the differentials prior to 1937 operated too favorably in behalf of the more highly paid employees seems tacitly to have been admitted at that time, for the increases benefited percentagewise the lower-paid groups of employees more than those in the higher brackets. Consequently, to suspend these increases would be to operate according to the analogy of regressive rather than progressive taxation—making the burdens fall with undue weight upon those least able to meet them. True, a temporary suspension of these increases would not permanently affect either the wage structure or the differentials that now characterize it. But temporary suspension would, nevertheless, bring into operation the regressive feature remarked upon above.

Consideration of savings in labor costs could also focus upon certain problems that should engage the attention of management and men more openly than has hitherto been the case. These flow from regulations prevalent in the operating service that call for pay not commensurate with the amount of additional benefit rendered. Some of these regulations have been relaxed or dropped, but a frank, candid inquiry as to their equitable nature could well be made the obligation of both management and men.

Finally, the Board would observe that hardly more important problems face management today than the handling of their relationships with labor. Their solution along fundamentally sound and equitable lines demands the best effort and the best talent that management and men can give. The testimony in this case with regard to the pursuit of penetrating and thoughtful inquiry by the highest executive officials in the railroads prior to concluding to press the present proposal for wage reductions, has not been impressive. The burden of sustaining a proposal to increase or decrease wages naturally rests upon those who initiate it. Indeed, were we to analogize the function of this Board in reviewing the administrative determination of management to reduce wages by the present proposal to review by a court over the judgment of an administrative tribunal, we would be compelled to conclude that those procedures, which should be pursued in order to assure that the basis for the fashioning of policy has been thoroughly explored, appear to be wanting in this instance. If this analogy were valid, we would for those reasons be justified in reversing the conclusion of the carriers and remand the case for redetermination in the light of more thorough exploration. But we do not press this analogy. We advert to it only to illustrate that important and persuasive determinations, such as must underlie decisions to reduce or increase wages, should call into play the wisest and most responsible officials from management and men.

We conclude that no horizontal reduction upon a national scale of the wages of railway labor should be pressed by the carriers at this time.

On October 25, when it became apparent the Board would need some additional time to formulate its findings, the parties entered into a written stipulation agreeing that if this report were made prior to midnight Saturday, October 29, 1938, no objection or challenge would be interposed on the ground of delay or because not made within 30 days from the date of the creation of the Board.

Respectfully submitted.

WALTER P. STACY, *Chairman.*
JAMES M. LANDIS, *Member.*
HARRY A. MILLIS, *Member.*

WASHINGTON, D. C., *October 29, 1938.*

APPENDIX

APPENDIX

[Exhibit A]

For the organizations:
H. J. ARRIES.
B. M. JEWELL.
A. E. LYON.
For the carriers:
S. H. SCHNEIDER.

Western Territory—List of Railroads, Etc., as Represented by the Carriers' Joint Conference Committee, and Their Employees Represented by the 18 Cooperating Organizations as Indicated by "X"

(Authority is co-extensive with the scope of Agreements as to classes of Employees)

Railroads, etc.	Engineers	Firemen	Conductors	Switchmen	Telegraphers	Railway Employes' Department, American Federation of Labor: Machinists	Boilermakers	Blacksmiths	Sheet metal workers	Electrical workers	Carmen	Firemen and oilers	Clerks	Maintenance of way	Signalmen	Masters and mates	Marine engineers	Longshoremen
	BofLE	BofLE&E	OofRC	SUofNA	OofRT	IAofM	I B o f B I S B & HofA	IBofBDF&H	SMWIA	IBofEW	BRCofA	IBofF&O	BofR&SSCFHE &SE	BofMofWE	BofRSofA	NOMM&PofA	NMEBA	ILA
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
Alameda Belt Line		X											X					
Alton & Southern RR		X				X	X	X	X		X		X					
Alton RR	X	X	X		X	X	X	X	X	X	X	X	X	X	X			
Arkansas & Memphis Railway Bridge & Ter. Co.					X													
Atchison, Topeka & Santa Fe Ry.	X	X	X		X								X		X	X	X	
Gulf, Colorado & Santa Fe Ry.	X	X	X		X								X		X	X	X	
Panhandle & Santa Fe Ry.	X	X	X		X								X		X	X	X	
Atchison, Union Railway & Depot Co.													X					
Baltimore & Ohio Chicago Terminal RR.	X	X			X	X	X	X	X	X	X	X	X	X	X			

	Belt Ry. Co. of Chicago	X	X				X	X	X	X	X	X	X	X	X				
	Burlington-Rock Island RR	X	X	X			X	X	X	X	X	X			X				
	Butte, Anaconda & Pacific Ry	X	X	X			X	X	X	X	X	X							
	Camas Prairie RR	X	X	X		X	X	X	X	X	X	X	X	X	X				
T	Chicago & Eastern Illinois Ry	X	X	X		X	X	X	X	X	X	X	X	X	X				
T	Chicago & North Western Ry	X	X	X		X	X	X	X	X	X	X	X	X	X	X			
	Chicago & Western Indiana RR	X	X			X	X	X	X	X	X	X	X	X	X	X			
	Chicago, Burlington & Quincy RR	X	X	X		X							X	X	X	X			
T	Chicago Great Western RR (Includes South St. Paul Terminal formerly operated by St. Paul Bridge & Terminal Ry.)	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X			
T	Chicago, Milwaukee, St. Paul & Pacific RR	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	
T	Chicago, Terre Haute & South-eastern Ry	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	
T	Chicago, Rock Island & Pacific Ry	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X			
T	Chicago, Rock Island & Gulf Ry	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X			
T	Peoria Terminal Co	X	X		X	X						X		X	X				
	Chicago, St. Paul, Minneapolis & Omaha Ry	X	X	X		X	X	X	X	X	X	X	X	X	X				
	Colorado & Southern Ry	X	X	X		X	X	X	X	X	X	X		X	X				
	Colorado & Wyoming Ry		X																
	Davenport, Rock Island & Northwestern Ry	X	X		X	X								X	X				
T	Denver & Rio Grande Western RR	X	X	X		X	X	X	X	X	X	X	X	X	X	X			
	Denver & Salt Lake Ry	X	X	X		X	X	X	X	X	X	X	X		X				
	Denver Union Terminal Ry					X								X	X	X			
	Des Moines Union Ry	X	X				X	X	X	X	X	X		X	X				
	Iowa Transfer Ry											X		X					
	Duluth, Missabe & Iron Range RR					X	X	X	X	X	X	X	X	X	X				
	Duluth Union Depot & Transfer Co													X					
	Duluth, Winnipeg & Pacific Ry	X	X	X		X	X	X	X	X	X	X	X	X	X				
	East Portland Freight Terminal													X					
	East St. Louis Junction RR		X																
	Elgin, Joliet & Eastern Ry	X	X	X		X	X	X	X	X	X	X	X		X	X			
	El Paso Union Passenger Depot Co													X					
	Fort Worth & Denver City Ry	X	X	X		X	X	X	X	X	X	X	X	X	X	X			
	Wichita Valley Ry	X	X	X		X	X	X	X	X	X	X	X	X	X	X			
	Fort Worth Belt Ry		X		X														
	Galveston, Houston & Henderson RR	X	X			X	X	X	X	X	X	X		X	X	X			
	Galveston Wharf Co		X		X														
	Great Northern Ry	X	X	X [1]		X								X	X	X			
	Green Bay & Western RR	X	X	X		X	X	X	X	X		X		X	X				
	Kewaunee, Green Bay & Western RR	X	X	X		X	X	X	X	X		X		X	X				
	Ahnapee and Western Ry	X	X	X		X	X	X	X	X		X		X	X				
	Gulf Coast Lines:																		
T	New Orleans, Texas & Mexico Ry	X		X		X	X	X	X	X	X	X	X	X	X [2]	X			
T	Beaumont, Sour Lake & Western Ry	X		X		X	X	X	X	X	X	X	X	X	X [2]	X			

Footnotes at end of table.

[Exhibit A—Continued]

Western Territory—List of Railroads, Etc., as Represented by the Carriers' Joint Conference Committee, and Their Employees Represented by the 18 Cooperating Organizations as Indicated by "X"—Continued

(Authority is co-extensive with the scope of Agreements as to classes of Employees)

Railroads, etc.	Engineers	Firemen	Conductors	Switchmen	Telegraphers	Railway Employes' Department, American Federation of Labor: Machinists	Boilermakers	Blacksmiths	Sheet metal workers	Electrical workers	Carmen	Firemen and oilers	Clerks	Maintenance of way	Signalmen	Masters and mates	Marine engineers	Longshoremen
	BofLE	BofLE&E	OofRC	SUofNE	OofRT	IAofM	IBofBISB&HofA	IBofBDF&H	SMWIA	IBofEW	BRCofA	IBofF&O	BofR&SSCFHE&SE	BofMofWE	BofRSofA	NOMM&PofA	NMEBA	ILA
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
Gulf Coast Lines—Continued.																		
T Orange & Northwestern RR	X	-----	X	-----	X	X	X	X	X	X	X	X	X	X[2]	X	-----	-----	-----
T St. Louis, Brownsville & Mexico Ry.	X	X	X	-----	X	X	X	X	X	X	X	X	X	X[2]	X	-----	-----	-----
T New Iberia & Northern RR	X	-----	X	-----	X	X	X	X	X	X	X	X	X	X[2]	X	-----	-----	-----
T Houston & Brazos Valley Ry	X	X	X	-----	X	X	X	X	X	X	X	X	X	X[2]	X	-----	-----	-----
T San Antonio, Uvalde & Gulf RR	X	X	X	-----	X	X	X	X	X	X	X	X	X	X[2]	X	-----	-----	-----
T Sugar Land Ry	X	X	X	-----	X	X	X	X	X	X	X	X	X	X[2]	X	-----	-----	-----
T Rio Grande City Ry	X	X	X	-----	X	X	X	X	X	X	X	X	X	X[2]	X	-----	-----	-----
T Asherton & Gulf Ry	X	X	X	-----	X	X	X	X	X	X	X	X	X	X[2]	X	-----	-----	-----
T San Antonio Southern Ry	X	X	X	-----	X	X	X	X	X	X	X	X	X	X[2]	X	-----	-----	-----
T Iberia, St. Mary & Eastern RR	X	-----	X	-----	X	X	X	X	X	X	X	X	X	X[2]	X	-----	-----	-----
T San Benito & Rio Grande Valley Ry.	X	X	X	-----	X	X	X	X	X	X	X	X	X	X[2]	X	-----	-----	-----
T Asphalt Belt Ry	X	X	X	-----	X	X	X	X	X	X	X	X	X	X[2]	X	-----	-----	-----
T Houston North Shore Ry	X	-----	X	-----	X	X	X	X	X	X	X	X	X	X[2]	X	-----	-----	-----
T International-Great Northern RR	X	X	X	-----	X	X	X	X	X	X	X	X	X	X[2]	X	-----	-----	-----
Harbor Belt Line RR	-----	-----	-----	-----	-----	X	X	X	X	X	X	X	X	X	-----	-----	-----	-----
Houston Belt & Terminal Ry	X	X	-----	-----	X	-----	-----	-----	-----	-----	-----	-----	X	X	X	-----	-----	-----
Illinois Central RR	X	X	X	-----	X	X	X	X	X	X	X	X	X	X	X	-----	-----	-----
Yazoo & Mississippi Valley RR (including A&V-VS&P)	X	X	X	-----	X	X	X	X	X	X	X	X	X	X	X	-----	-----	-----
Gulf and Ship Island RR	X	-----	X	-----	X	X	X	X	X	X	X	X	X	X	X	-----	-----	-----
Chicago & Illinois Western RR	X	X	-----	-----	-----	-----	-----	-----	-----	-----	X	-----	X	X	-----	-----	-----	-----
Kansas City Southern Ry	X	X	X	-----	X	-----	-----	-----	-----	-----	-----	-----	X	-----	-----	-----	-----	-----
Arkansas Western Ry	X	X	X	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

Joplin Union Depot Co.													X					
Kansas City Terminal Ry.	X	X			X	X	X	X	X	X	X	X	X	X	X			
Lake Superior Terminal & Transfer Co.		X		X		X	X	X			X							
Litchfield & Madison Ry.	X												X					
Los Angeles Junction Ry.	X																	
Memphis Union Station Co.						X	X		X	X	X	X						
Midland Valley RR.	X	X	X		X	X	X	X	X	X	X		X	X				
Kansas, Oklahoma & Gulf Ry.	X	X	X		X						X		X	X				
Oklahoma City-Ada-Atoka Ry.	X	X	X		X						X			X				
Minneapolis, Northfield and Southern Ry.		X	X			X	X	X		X	X		X	X				
T Minneapolis, St. Paul & Sault Ste. Marie Ry.	X	X	X		X	X	X	X	X	X	X	X	X	X	X			
T Duluth, South Shore & Atlantic Ry.	X	X	X		X	X	X	X	X	X	X	X	X	X				
T Mineral Range RR.	X	X	X		X	X	X	X	X	X	X	X	X	X				
Minnesota & International Ry.	X	X	X		X									X				
Big Fork & International Falls Ry.	X	X	X		X									X				
Minnesota Transfer Ry.	X	X		X		X	X	X	X	X	X		X	X				
Missouri-Kansas-Texas RR.	X	X	X		X	X	X	X	X	X	X		X	X	X			
Missouri-Kansas-Texas RR Co. of Texas	X	X	X		X	X	X	X	X	X	X		X	X	X			
Beaver, Meade & Englewood RR.														X				
T Missouri Pacific RR.	X	X	X		X	X	X	X	X	X	X	X	X	X [3]	X			
T Missouri-Illinois RR.	X	X	X		X	X	X	X	X	X	X	X		X [4]				
Northern Pacific Ry.	X	X	X		X	X	X	X	X	X	X	X	X	X	X			
Northern Pacific Terminal Co. of Oregon	X	X			X	X	X	X	X	X	X	X	X	X				
Northwestern Pacific RR.	X	X	X		X	X	X	X	X	X	X	X	X	X		X	X	
Ogden Union Ry. & Depot Co.	X	X								X	X		X	X				
Oregon, California & Eastern Ry.	X	X	X											X				
Peoria & Pekin Union Ry.	X	X									X	X	X					
Port Terminal Railroad Association	X	X											X	X				
Pueblo Union Depot & Railroad Co.													X					
St. Joseph Terminal RR Co.	X	X										X	X	X				
T St. Louis-San Francisco Ry.	X	X	X		X								X	X	X			
St. Louis, San Francisco & Texas Ry.	X	X	X		X								X	X	X			
Birmingham Belt RR.	X	X	X		X								X	X	X			
T St. Louis Southwestern Ry.	X	X	X		X	X	X	X	X	X	X	X	X	X				
T St. Louis Southwestern Ry. Co. of Texas	X	X	X		X		X				X	X	X	X				
St. Paul Union Depot Co.	X	X		X									X	X				
St. Lake City Union Depot & RR Co.													X					
San Diego & Arizona Eastern Ry.	X	X	X		X	X	X	X	X	X	X	X	X	X				
Sioux City Terminal Ry.	X	X		X														
South Omaha Terminal Ry.	X	X												X				
Southern Pacific Co.—Pacific Lines	X [6]	X [7]	X [7]		X	X	X	X	X	X	X	X	X	X	X	X		
Spokane, Coeur d'Alene & Palouse Ry.	X		X		X									X				

See footnotes at end of table.

[Exhibit A—Continued]

Western Territory—List of Railroads, Etc., as Represented by the Carriers' Joint Conference Committee, and Their Employees Represented by the 18 Cooperating Organizations as Indicated by "X"—Continued

(Authority is co-extensive with the scope of Agreements as to classes of Employees)

Railroads, etc.	Engineers	Firemen	Conductors	Switchmen	Telegraphers	Railway Employes' Department, American Federation of Labor						Firemen and oilers	Clerks	Maintenance of way	Signalmen	Masters and mates	Marine engineers	Longshoremen
						Machinists	Boilermakers	Blacksmiths	Sheet metal workers	Electrical workers	Carmen							
	BofLE	BofLE&E	OofRC	SUofNE	OofRT	IAofM	I B of B I S B & H of A	IBofBDF&H	SMWIA	IBofEW	BRCofA	IBofF&O	BofR&SSCFHE &SE	BofMofWE	BofRSofA	NOMM&PofA	NMEBA	ILA
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
Spokane, Portland & Seattle Ry	X	X	X		X	X	X	X	X			X	X	X				
Oregon Trunk Ry	X	X	X		X	X	X	X	X			X	X	X				
Oregon Electric Ry	X		X		X	X	X	X	X			X	X	X				
United Railways Co	X		X		X	X	X	X	X			X	X	X				
Spokane Union Station Co													X					
Terminal Railroad Association of St. Louis	X	X			X	X	X	X	X	X	X		X	X	X			
Texarkana Union Station Trust													X					
Texas & New Orleans RR (Sou. Pac. Lines in Texas and Louisiana):																		
Galveston, Harrisburg & San Antonio Ry	X	X	X															
Texas & New Orleans RR	X	X	X		X								X	X	X			
Louisiana Western RR	X	X	X															
Morgan's Louisiana & Texas RR & SS Co	X	X	X															
Iberia & Vermillion RR	X	X	X															
Houston & Texas Central RR	X	X	X															
Texas Midland RR	X	X	X															
Galveston, Harrisburg & San Antonio Ry. (Austin Div.)	X	X	X															
Houston East & West Texas Ry	X	X	X															
Houston & Shreveport RR	X	X	X															

Texas & Pacific Ry	X	X	X		X	X	X	X	X	X	X		X	X	X			
Texas-New Mexico Ry	X	X	X															
Abilene & Southern Ry	X	X	X															
Cisco & Northeastern Ry	X	X	X															
Weatherford, Mineral Wells & Northwestern Ry	X	X	X															
Texas Short Line Ry			X															
Texas Pacific-Missouri-Pacific Ter. RR of New Orleans	X	X			X	X	X	X	X	X	X		X	X		X	X	
Tidewater Southern Ry	X		X															
Tulsa Union Depot Co													X					
Union Pacific RR	X	X	X		X	X	X	X	X	X	X	X	X	X	X			
Union Railway Company (Memphis)	X	X				X	X	X	X		X	X	X	X[5]				
Union Terminal Co. (Dallas)		X			X	X	X			X	X		X					
Union Terminal Ry. Co. (St. Joseph)		X											X	X				
R Wabash Ry	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	
T Western Pacific RR	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Dallas Car Interchange & Inspection Bureau						X	X			X	X		X					
Pacific Car Demurrage Bureau													X					
Pacific Fruit Express Company											X		X					

EXPLANATION OF NOTES

[1] Includes yardmasters.

[2] Authority from the following railroads:

New Orleans, Texas & Mexico Ry.
St. Louis, Brownsville & Mexico Ry.
Beaumont, Sour Lake & Western Ry.
Orange & Northwestern R. R.
New Iberia & Northern R. R.
Houston & Brazos Valley Ry.
San Benito & Rio Grande Valley Ry.
Sugerland Ry.
Asherton & Gulf Ry.
San Antonio Southern Ry.
Rio Grande City Ry.
Asphalt Belt Ry.
Iberia, St. May & Eastern R. R.
International-Great Northern R. R.
San Antonio, Uvalde & Gulf R. R.
Houston North Shore Ry.

is subject to exception that authorization shall not empower Carriers' Joint Conference to act for, to negotiate, or in any manner disturb the following rule now a component part of the wage agreement between these railroads and employes thereon represented by the Brotherhood of Maintenance of Way Employes, effective March 1, 1928, reading:

"EXTRA GANGS"

"Rates of pay for extra gang laborers to be established by Management."

[3] Authority from the Missouri Pacific Railroad is subject to exception that authorization shall not empower Carriers' Joint Conference Committee to act for, to negotiate, or in any manner disturb the following agreement between this railroad and employes thereon represented by the Brotherhood of Maintenance of Way Employes: "Rates of pay for extra gang laborers to be established by Management."

[4] Authority from the Missouri-Illinois Railroad is subject to exception that authorization shall not empower Carriers' Joint Conference Committee to act for, to negotiate, or in any manner disturb the following rule now a component part of the wage agreement between this railroad and Brotherhood of Maintenance of Way Employes, effective May 1, 1935, reading:

"Rule 29, * * * The rates of pay now in effect (except rates of pay for extra gang laborers, which shall be established by the Management) * * *."

[5] Authority from the Union Railway Company (Memphis) is subject to exception that authorization shall not empower Carriers' Joint Conference Committee to act for, to negotiate, or in any manner disturb the following agreement between this railway and employes thereon represented by the Brotherhood of Maintenance of Way Employes: "Rates of pay for extra gang laborers to be established by Management."

[6] Includes former EP&SW System and former Ariz. & East. R. R.

[7] Includes former EP&SW System.

(R)—Receivership; (T)—Trusteeship; Subject to approval of Court.
September 1, 1938.

[Exhibit B]

For the organizations:
H. J. ARRIES.
B. M. JEWELL.
A. E. LYON.
For the carriers:
E. J. MCCLEES.

Eastern Territory—List of Railroads, Etc., as Represented by the Carriers' Joint Conference Committee, and Their Employees Represented by the 18 Cooperating Organizations as Indicated by "X"

(Authority is co-extensive with the scope of Agreements as to classes of Employees)

ORGANIZATIONS

1—Brotherhood of Locomotive Engineers
2—Brotherhood of Locomotive Firemen & Enginemen
3—Order of Railway Conductors
4—Switchmen's Union of North America
5—Brotherhood of Railway & Steamship Clerks, Freight Handlers, Express and Station Employees
6—Brotherhood of Maintenance of Way Employees
7—International Association of Machinists
8—International Brotherhood of Boilermakers, Iron Ship Builders and Helpers of America
9—International Brotherhood of Blacksmiths, Drop Forgers and Helpers
10—Sheet Metal Workers' International Association
11—International Brotherhood of Electrical Workers
12—Brotherhood Railway Carmen of America
13—International Brotherhood of Firemen, Oilers, Helpers, Roundhouse and Railway Shop Laborers
14—Brotherhood of Railroad Signalmen of America
15—Order of Railroad Telegraphers
16—National Organization Masters, Mates & Pilots of America
17—National Marine Engineers' Beneficial Association
18—International Longshoremen's Association

Railroads, etc.	Brotherhood of Locomotive Engineers	Brotherhood of Locomotive Firemen & Enginemen	Order of Railway Conductors	Switchmen's Union of North America	Clerical and station Forces (BofRy&SSCFHE&SE)	Maintenance of way employees (BofMofWE)	Railway Employees' Department, American Federation of Labor: Machinists (IAofM)	Boilermakers (IBofBISB&HofAm.)	Blacksmiths (IBofBDF&H)	Sheet metal workers (SMWI Assn.)	Electrical workers (IBofEW)	Carmen (BRC of Am.)	Firemen & Oilers etc. (IBofFOHR&RSL)	Signalmen (BofRSofAm.)	Telegraphers (OofRT)	Marine Department Employees: Lighter captains (IL Assn.)	Deck room personnel: (IL Assn.)	Deck room personnel: (NOMM & P of Am.)	Engineroom personnel: (IL Assn.)	Engineroom personnel: (NMEB Assn.)	Miscellaneous (IL Assn.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Akron & Barberton Belt Railroad Company, The	-----	(L)	-----	-----	-----	X	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
T Akron Canton & Youngstown Railway Company, The	X	X	X	X (j)	X	X	X	X	X	X	X	X	X	-----	-----	-----	-----	-----	-----	-----	-----
R Ann Arbor Railroad Company, The	X	X	X	-----	X	X	X	X	X	X	X	X	-----	X	X	-----	-----	X	-----	X	-----
Baltimore & Ohio Railroad Company, The	X (g)	X (g)	X	-----	X (h)	X	X	X	X	X	X	X	X	X	X	-----	X	-----	X	-----	-----

Baltimore & Ohio (New York Terminals)					X											X		X		X	
Bessemer & Lake Erie Railroad Company	X	X	X	X	X	X							X		X						
Boston & Maine Railroad	X	X	X		X	X	X	X	X	X	X	X	X	X	X						
Boston Terminal Company, The					X	X								X	X						
Buffalo Creek Railroad		X		X	X										X						
Bush Terminal Company					X																
Canadian National Railway Lines in New England	X	X	X		X	X	X	X	X		X	X	X		X						
Champlain & St. Lawrence Railroad Company	X	X	X		X	X			X			X									
Canadian National Railway Lines in New York					X																
St. Clair Tunnel Company	X	X					X				X										
United States & Canada Railroad Company	X	X	X		X	X						X									
Central Railroad Company of New Jersey, The	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X		X		X	X (c)
Central Vermont Railway, Inc.	X	X	X		X	X	X	X	X	X	X	X	X		X						
Central Vermont Terminal, Inc.					X																
T Chicago, Indianapolis & Louisville Railway Company	X	X	X (j)		X	X	X	X	X	X	X	X	X	X	X						
Cincinnati Union Terminal Company	X	X			X	X	X	X	X	X	X	X	X	X	X						
Chicago Union Station Company					X	X									X						
Dayton Union Railway Company, The					X	X						X		X	X						
Delaware, Lackawanna & Western Railroad Co., The	X	X	X	X	X (a)	X	X	X	X	X	X	X	X	X	X	X		X (b)			X (d)
Detroit & Toledo Shore Line Railroad Company, The	X	X	X (j)	X	X		X	X				X									
Detroit, Toledo & Ironton Railroad Company	X	X					X	X	X	X	X	X	X								
Detroit Terminal Railroad Company	X			X	X																
Donora Southern Railroad Company	X																				
T Erie Railroad Company	X	X	X (j)		X	X	X	X	X	X	X	X	X	X	X	X	X		X		
Chicago and Erie Railroad Company	X	X	X (j)		X	X	X	X	X	X	X	X	X	X	X						
New Jersey and New York Railroad, The	X	X	X		X	X	X	X	X	X	X	X	X	X	X						
T New York, Susquehanna & Western Railroad Company	X	X	X (j)		X	X	X	X	X	X	X	X	X	X	X						X (e)
T Wilkes-Barre & Eastern Railroad Company	X	X	X			X									X						
Grand Trunk Western Railroad Company	X	X	X		X	X	X	X	X	X	X	X	X	X	X			X		X	
Indianapolis Union Railway Company, The	X	X			X	X	X					X		X	X						
Lake Terminal Railroad Company, The		X																			

See footnotes at end of table.

[Exhibit B—Continued]

Eastern Territory—List of Railroads, Etc., as Represented by the Carriers' Joint Conference Committee, and Their Employees Represented by the 18 Cooperating Organizations as Indicated by "X"—Continued

(Authority is co-extensive with the scope of Agreements as to classes of Employees)

Railroads, etc.	Brotherhood of Locomotive Engineers	Brotherhood of Locomotive Enginemen	Order of Railway Conductors	Switchmen's Union of North America	Clerical and station Forces (BofRy&SSCFHE&SE)	Maintenance of way employees (BofMofWE)	Railway Employes' Department, American Federation of Labor: Machinists (IAof M)	Boilermakers (IB of BISR&HofAM.)	Blacksmiths (IBof BDF&H)	Sheet metal workers (SMWI Assn.)	Electrical workers (IBofEW)	Carmen (BRC of Am.)	Firemen & Oilers etc. (IBofFOHR &RSL)	Signalmen (BofRSofAm.)	Telegraphers (OofRT)	Marine Department Employees: Lighter captains (IL Assn.)	Deck room personnel: (IL Assn.)	Deck room personnel: (NOMM & P of Am.)	Engine room personnel: (IL Assn.)	Engine room personnel: (N M E B Assn.)	Miscellaneous (IL Assn.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Lehigh Valley Railroad Company	X	X	X	------	X	X	------	------	------	------	------	------	------	X	X	X	X	------	------	X	------
Lehigh & New England Railroad Company	------	X	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------
Maine Central Railroad Company	X	X	X	------	X	X	------	------	------	------	------	------	X	X	X	------	------	------	------	------	------
Portland Terminal Company	X	X	------	------	X	X	------	------	------	------	------	------	X	X	X	------	------	------	------	------	------
McKeesport Connecting Railroad Company	------	X	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------
Monongahela Railway Company, The	X	X	X	------	X	------	X	X	X	X	X	X	X	X	------	------	------	------	------	------	------
New York Central Railroad Company, The, and all leased lines:																					
New York Central—Buffalo & East	X	X	X	------	X	X	X	X	X	X	X	X	X	X	X	X	------	X	------	------	------
New York Central—West of Buffalo	X (i)	X (i)	X	X	X	X	X	X	X	X	X	X	X	X	X	------	------	------	------	------	------
New York Central—Ohio Central Lines	X	X	X	------	X	X	X	X	X	X	X	X	X	X	X	------	------	------	------	------	------
New York Central—Grand Central Terminal	------	------	------	------	X	X	X	X	X	X	X	X	X	X	------	------	------	------	------	------	------
Boston & Albany Railroad	X	X	X	------	X	X	X	X	X	X	X	X	X	X	X	------	------	------	------	------	------
Cleveland, Cincinnati, Chicago & St. Louis Railway Company	X	X	X	------	X	X	X	X	X	X	X	X	------	X	X	------	------	------	------	------	------
Louisville & Jeffersonville Bridge & Railroad	X	X	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------
Cleveland Union Terminals Company, The	------	------	------	------	X	------	X	X	X	X	X	X	X	X	X	------	------	------	------	------	------

Chicago River & Indiana Railroad Company (Chgo. Jct. Ry. Co.)	X	X			X	X	X	X	X	X	X	X	X								
Indiana Harbor Belt Railroad Company, The	X	X			X	X	X	X	X	X	X	X	X	X							
Michigan Central Railroad Company, The	X	X	X	X	X	X	X	X	X	X	X	X		X	X(p)						
Pittsburgh & Lake Erie Railroad Company, The (Incl. L. E. & E.)	X	X	X		X	X	X	X	X	X				X	X						
Troy Union Railroad Company					X																
Newburgh & South Shore Railway Company, The		X																			
New York Dock Railway					X																
New York, Chicago & St. Louis Railroad Company, The	X	X	X		X	X	X	X	X	X	X	X	X	X	X						
T New York, New Haven & Hartford Railroad Company, The	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X		X		X	
New York Connecting Railroad Company, The	X	X	X			X															
T New York, Ontario & Western Railway Company	X	X	X		X	X	X(a)	X(a)	X(a)	X(a)	X(a)	X(a)	X(a)		X						X(f)
Pennsylvania Railroad Company, The	X	X	X		X	X								X	X	X	X		X		
Long Island Railroad Company, The	X	X	X		X	X		X		X	X	X		X	X		X		X		
Baltimore & Eastern Railroad Company	X	X	X			X								X			X		X		
Pennsylvania-Reading Seashore Lines	X	X	X		X	X								X							
Pere Marquette Railway Company	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X			X		X	
Fort St. Union Depot Co., The	X	X		X	X	X	X	X	X	X		X	X	X	X						
Pittsburg & Shawmut Railroad Co., The	X	X	X			X															
R Pittsburg, Shawmut & Northern Railroad Co., The	X	X	X																		
Pittsburgh & West Virginia Ry. Co., The	X	X	X			X	X	X	X			X			X						
Pittsburgh, Chartiers & Youghiogheny Ry	X																				
Reading Company	X	X	X		X	X	X	X		X	X	X	X	X	X			X		X	
Philadelphia, Reading & Pottsville Telegraph Company											X										
River Terminal Railway Company	X	X																			
Staten Island Rapid Transit Railway Company, The	X	X	X				X	X	X	X	X	X		X	X						
Union Belt of Detroit				X	X		X	X	X		X	X	X								
Union Freight Railroad (Boston)		X																			
Union Inland Freight Station (New York)					X																
Union Depot Company (Columbus, Ohio)					X																
Washington Terminal Company, The		X			X							X		X	X						

Footnotes at end of table.

[Exhibit B—Continued]

Eastern Territory—List of Railroads, Etc., as Represented by the Carriers' Joint Conference Committee, and Their Employees Represented by the 18 Cooperating Organizations as Indicated by "X"—Continued

(Authority is co-extensive with the scope of Agreements as to classes of Employees)

Railroads, etc.	Brotherhood of Locomotive Engineers	Brotherhood of Locomotive Enginemen	Order of Railway Conductors	Switchmen's Union of North America	Clerical and station Forces (BofRy&SSCFHE&SE)	Maintenance of way employees (BofMofWE)	Railway Employes' Department, American Federation of Labor: Machinists (IAof M)	Boilermakers (IB of BISR&HofAM.)	Blacksmiths (IBof BDF&H)	Sheet metal workers (SMWI Assn.)	Electrical workers (IBofEW)	Carmen (BRC of Am.)	Firemen & Oilers etc. (IBofFOHR &RSL)	Signalmen (BofRSofAm.)	Telegraphers (OofRT)	Marine Department Employees: Lighter captains (IL Assn.)	Deck room personnel: (IL Assn.)	Deck room personnel: (NOMM & P of Am.)	Engineroom personnel: (IL Assn.)	Engineroom personnel: (NMEB Assn.)	Miscellaneous (IL) Assn.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Wallabout Union Freight Station (Brooklyn, N. Y.)					X																
Wheeling & Lake Erie Railroad Company, The (Incl. L. & W. Va.)	X	X	X		X	X	X	X	X	X	X	X	X		X						
Railway Express Agency, Inc.									X												

(a) Organization certified as representing, but agreement still under negotiation.
(b) Includes Deck Personnel in Ferry Service, National Organization Masters, Mates & Pilots of America certified as representing but agreement still under negotiation.
(c) Miscellaneous employees at Pier 18 Coal Dumper, Jersey City, N. J.
(d) Coal Dumper employees.
(e) Coal Dumpers—Edgewater, N. J.
(f) Coal Dumper employees at Weehawken, N. J., and Cornwall, N. Y.
(g) Includes separate agreements on what were formerly known as the Buffalo & Susquehanna, and Buffalo, Rochester & Pittsburgh; also separate agreement for Engineers, Toledo Division.
(h) Includes employees on Baltimore & Ohio Elevators, and Baltimore & Ohio Warehouses, Camden Station (Baltimore) and Cincinnati, Ohio.
(i) Includes employees of the Illinois Division covered by separate agreements.
(j) Includes Yardmasters.
(k) Includes Train Dispatchers.
(l) Taken care of by Note in Schedule of Regulations and Rates of Pay for the Government of Engineers, Firemen, Yardmen, and Hostlers, effective Nov. 1st, 1929, reading: "Engineers, Firemen, Yardmen, and Hostlers shall be paid the same rates that prevail on other rail lines in the Akron and Barberton District."
(R) In Receivership, (T) In Trusteeship—Subject to approval of Court.
Sept 1, 1938.

[Exhibit C]

Southeastern Territory—List of Railroads, Etc., as Represented by the Carriers' Joint Conference Committee, and Their Employees Represented by the 18 Cooperating Organizations as Indicated by "X"

(Authority is co-extensive with the scope of Agreements as to classes of Employees)

Railroads, etc.	Engineers	Firemen	Conductors	Switchmen	Telegraphers	Railway Employes' Department, American Federation of Labor						Firemen and oilers	Clerks	Maintenance of way	Signalmen	Masters, mates and pilots	Marine engineers	Longshoremen
						Machinists	Boilermakers	Blacksmiths	Sheet metal workers	Electrical workers	Carmen							
	BofLE	BofLF&E	OofRC	SUofNA	OofRT	IAofM	IBofBISB&HofA	IBofBDF&H	SMWIA	IBofEW	BRCofA	IBofF&O	BofR&SSCFHE&SE	BofMofWE	BofRSofA	NOMM&PofA	NMEBA	ILA
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
Atlantic Coast Line	X	X	X		X	X	X		X		X		X	X (i)		X (j)	X	
Atlanta & West Point-Western Ry. of Alabama	X		X		X	X	X	X	X	X	X							
Atlanta Joint Terminals	X	X				X	X	X	X	X	X		X					
Birmingham Southern	X	X																
R Central of Georgia	X	X	X		X	X	X	X	X	X	X			X	X			
Charleston & Western Carolina	X		X		X	X	X	X	X	X	X	X						
Chesapeake & Ohio	X(a)	X(a)	X(a)		X	X	X	X	X	X	X	X	X	X	X			X (k)
Clinchfield	X	X	X		X	X	X	X	X	X	X		X	X				
Columbus & Greenville	X	X	X		X	X	X	X	X		X		X	X				
R Florida East Coast		X	X		X	X	X	X	X	X	X	X	X	X				
Georgia	X	X	X		X	X	X	X	X									
Gulf Mobile & Northern	X(b)	X(b)	X(b)		X	X	X	X	X	X	X		X	X				
Jacksonville Terminal	X	X	X		X	X	X	X	X	X	X		X	X	X			
Kentucky & Indiana Terminal	X	X			X								X					
Louisville & Nashville	X	X	X		X								X	X	X			
Nashville, Chattanooga & St. Louis	X	X	X		X	X	X	X	X(g)	X	X	X		X	X			
R Norfolk Southern	X	X	X		X	X	X	X	X		X	X(h)	X	X		X	X	
Norfolk & Portsmouth Belt	X	X																
Norfolk & Western	X	X	X		X(f)	X			X(g)	X	X	X		X	X			
Richmond, Fredericksburg & Potomac	X	X	X		X	X	X	X			X				X			
Savannah Union Station					X													
R Seaboard Air Line	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	

See footnotes at end of table.

[Exhibit C—Continued]

Southeastern Territory—List of Railroads, Etc., as Represented by the Carriers' Joint Conference Committee, and Their Employees Represented by the 18 Cooperating Organizations as Indicated by "X"—Continued

(Authority is co-extensive with the scope of Agreements as to classes of Employees)

Railroads, etc.	Engineers	Firemen	Conductors	Switchmen	Telegraphers	Railway Employes' Department, American Federation of Labor: Machinists	Boilermakers	Blacksmiths	Sheet metal workers	Electrical workers	Carmen	Firemen and oilers	Clerks	Maintenance of way	Signalmen	Masters, mates and pilots	Marine engineers	Longshoremen
	BofLE	BofLF&E	OofRC	SUofNA	OofRT	IAofM	IBofBISB&HofA	IBofBDF&H	SMWIA	IBofEW	BRCofA	IBofF&O	BofR&SSC FHE&SE	BofMofWE	BofRSofA	NOMM&P ofA	NMEBA	ILA
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
Southern Railway	X(c)	X(c)	X	--------	X	X	X	X	X	X	X	--------	X	X	X	X	X	--------
Alabama Great Southern	X(d)	X(d)	X	--------	X	X	X	X	X	X	X	--------	X	X	X	--------	--------	--------
Belt Railway Company of Chattanooga	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	X	--------	--------	--------	--------
Cincinnati Burnside & Cumberland River	X	X	--------	--------	X	--------	--------	--------	--------	--------	--------	--------	X	X	X	--------	--------	--------
Cincinnati New Orleans & Texas Pacific	X	X	X	X(e)	X	X	X	X	X	X	X	--------	X	X	X	--------	--------	--------
Georgia Southern & Florida	X	X	X	--------	X	X	X	X	X	X	X	--------	X	X	X	--------	--------	--------
Harriman & Northeastern	X	X	X	--------	X	X	X	X	X	X	X	--------	X	X	X	--------	--------	--------
New Orleans & Northeastern	X	X	X	--------	X	X	X	X	X	X	X	--------	X	X	X	--------	--------	--------
New Orleans Terminal	X	X	--------	--------	X	X	X	X	X	X	X	--------	X	X	X	--------	--------	--------
Northern Alabama	X	X	X	--------	X	X	X	X	X	X	X	--------	X	X	X	--------	--------	--------
St. Johns River Terminal	X	X	--------	--------	X	X	X	X	X	X	X	--------	X	X	X	--------	--------	--------
Woodstock & Blocton	X	X	X	--------	X	--------	--------	--------	--------	--------	--------	--------	--------	X	--------	--------	--------	--------
Tennessee Central	X	X	X	--------	X(f)	X	X	X	X	X	X	X	--------	X	--------	--------	--------	--------
Virginian	--------	--------	X	--------	X	X	X	X	X	X	--------	--------	--------	--------	--------	--------	--------	--------

(a) Includes Hocking Division.
(b) Includes N. O. G. N.
(c) Includes East St. Louis Terminal.
(d) Includes Belt Railway Company of Chattanooga.
(e) Cincinnati-Ludlow Yards only.
(f) Includes Dispatchers.
(g) Includes Moulders.
(h) Represented by Committee which represents shop group.
(i) Foremen, mechanics, helpers, steam shovel engineers and cranemen, pile driver engineers, hoisting engineers, ditcher engineers and pump repairers.
(j) Includes unlicensed deck personnel.
(k) For Newport News, Va., only.
(R) Agreement subject to approval of courts with reference to roads in hands of receivers or trustees.

September 1, 1938.
For the Carriers: T. F. Purcell.
For the Organizations: H. J. Arries, B. M. Jewell, A. E. Lyon.

[Exhibit D]

WESTERN TERRITORY

LIST OF RAILROADS, ETC., AS REPRESENTED BY THE CARRIERS' JOINT CONFERENCE COMMITTEE, AND THEIR EMPLOYEES REPRESENTED BY THE BROTHERHOOD OF RAILROAD TRAINMEN.

[Authority is co-extensive with the scope of Agreements as to classes of employees]

Alameda Belt Line.
Alton & Southern R. R.
Alton R. R.
Atchison, Topeka & Santa Fe Ry.
    Gulf, Colorado & Santa Fe Ry.
    Panhandle & Santa Fe Ry.
Baltimore & Ohio Chicago Terminal R. R.
Belt Ry. Co. of Chicago.
Burlington, Rock Island R. R.
Butte, Anaconda & Pacific Ry.
Camas Prairie R. R.
T Chicago & Eastern Illinois Ry.
T Chicago & North Western Ry.
Chicago & Western Indiana R. R.
Chicago, Burlington & Quincy R. R.[1]
T Chicago Great Western R. R.[2]
T Chicago, Milwaukee, St. Paul & Pacific R. R.[1]
T   Chicago, Terre Haute & Southeastern Ry.[1]
T Chicago, Rock Island & Pacific Ry.[1]
T   Chicago, Rock Island & Gulf Ry.[1]
Chicago, St. Paul, Minneapolis & Omaha Ry.[11]
Colorado & Southern Ry.
Colorado & Wyoming Ry.
T Denver & Rio Grande Western R. R.[(1) (3)]
Denver & Salt Lake Ry.
Des Moines Union Ry.
Duluth, Missabe & Iron Range R. R.
Duluth, Winnipeg & Pacific Ry.
East St. Louis Junction R. R.
Elgin, Joliet & Eastern Ry.
Fort Worth & Denver City Ry.
    Wichita Valley Ry.
Galveston, Houston & Henderson R. R.
Great Northern Ry.[1]
Green Bay & Western R. R.
    Kewaunee, Green Bay & Western R. R.
    Ahnapee and Western Ry.
Gulf Coast Lines.
T   New Orleans, Texas & Mexico Ry.[(1) (4)]
T   Beaumont, Sour Lake & Western Ry.[4]
T   Orange & Northwestern R. R.
T   St. Louis, Brownsville & Mexico Ry.[(5) (6)]
T   Houston & Brazos Valley Ry.
T   San Antonio, Uvalde & Gulf R. R.
T   Sugar Land Ry.
T   Asherton & Gulf Ry.
T   San Antonio Southern Ry.
T   Asphalt Belt Ry.
T   Houston North Shore Ry.
T   International-Great Northern R. R.[(1) (3)]
Houston Belt & Terminal Ry.
Illinois Central R. R.[1]
    Yazoo & Mississippi Valley R. R. (Including A. & V.-V. S. & P.).
    Gulf and Ship Island R. R.
    Chicago & Illinois Western R. R.
Kansas City Southern Ry.
    Arkansas Western Ry.
Kansas City Terminal Ry.
Litchfield & Madison Ry.
Los Angeles Junction Ry.
Midland Valley R. R.
    Kansas, Oaklahoma & Gulf Ry.
Minneapolis, Northfield and Southern Ry.
T Minneapolis, St. Paul & Sault Ste. Marie Ry.
T   Duluth, South Shore & Atlantic Ry.
T   Mineral Range R. R.

See footnotes on p. 72.

Minnesota & International Ry.
Big Fork & International Falls Ry.
Missouri-Kansas-Texas R. R.[3]
Missouri-Kansas-Texas R. R. Co. of Texas.[3]
T Missouri Pacific R. R.[1]
T Missouri-Illinois R. R.
Northern Pacific Ry.[1]
Northern Pacific Terminal Co. of Oregon.
Northwestern Pacific R. R.
Ogden Union Ry. & Depot Co.
Peoria & Pekin Union Ry.
Port Terminal Railroad Association.
Pueblo Union Depot & Railroad Co.
St. Joseph Terminal R. R. Co.
T St. Louis-San Francisco Ry.[3]
St. Louis, San Francisco & Texas Ry.[3]
Birmingham Belt R. R.[3]
T St. Louis Southwestern Ry.
T St. Louis Southwestern Ry. Co. of Texas.
San Diego & Arizona Eastern Ry.[7]
South Omaha Terminal Ry.
Southern Pacific Co.-Pacific Lines.[1] [8] [9]
Spokane, Coeur d'Alene & Palouse Ry.
Spokane, Portland & Seattle Ry.
Oregon Trunk Ry.
Oregon Electric Ry.
United Railways Co.
Spokane Union Station Co.
Terminal Railroad Association of St. Louis.
Texas & New Orleans R. R. (Sou. Pac. Lines in Texas and Louisiana).
Galveston, Harrisburg & San Antonio Ry.
Texas & New Orleans R. R.[1] [10]
Louisiana Western R. R.
Morgan's Louisiana & Texas R. R. & S. S. Co.

Texas & New Orleans R. R.—Con.
Iberia & Vermillion R. R.
Houston & Texas Central R. R.
Texas Midland R. R.
Galveston, Harrisburg & San Antonio Ry. (Austin Division).
Houston East & West Texas Ry.[7]
Houston & Shreveport R. R.[7]
Texas & Pacific Ry.[1]
Texas-New Mexico Ry.
Abilene & Southern Ry.
Cisco & Northeastern Ry.
Weatherford, Mineral Wells & Northwestern Ry.
Texas Short Line Ry.
Texas Pacific-Missouri Pacific Terminal R. R. of New Orleans.
Union Pacific R. R.[1]
Union Railway Company (Memphis).[3]
Union Terminal Co. (Dallas)
Union Terminal Ry. Co. (St. Joseph)
R Wabash Ry.
T Western Pacific R. R.[1]

SEPTEMBER 1, 1938.

For the Carriers:
S. H. SCHNEIDER.

For the Organization:
W. G. CANTLEY.

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[1] Includes Dining Car Stewards.
[2] Includes Yardmen, South St. Paul Terminal.
[3] Includes Yardmasters (Except General Yardmasters on D&RGW RR).
[4] White Trainmen and Yardmen only.
[5] Dining Car Stewards only.
[6] White Engine Foremen only.
[7] Yardmen only.
[8] Includes former EP&SW System.
[9] Includes Train Gatemen (Electric Lines).
[10] Includes Bus and Truck Drivers, New Orleans Terminal.
[11] Does not include Dining Car Stewards.
R—In Receivership; T—In Trusteeship—Subject to Approval of Court.

[Exhibit E]

EASTERN TERRITORY

LIST OF RAILROADS, ETC., AS REPRESENTED BY THE CARRIERS' JOINT CONFERENCE COMMITTEE, AND THEIR EMPLOYEES REPRESENTED BY THE BROTHERHOOD OF RAILROAD TRAINMEN

[Authority is co-extensive with the scope of Agreements as to classes of employees]

Akron & Barberton Belt Railroad Company, The.
T Akron, Canton & Youngstown Railway Company, The.
R Ann Arbor Railroad Company, The.
Baltimore & Ohio Railroad Company, The.[a]
Bessemer & Lake Erie Railroad Company.
Boston & Maine Railroad.[b]
Bush Terminal Company.
Canadian National Railway Lines in New England.
  Champlain & St. Lawrence Railroad Company.
  St. Clair Tunnel Company.
  United States & Canada Railroad Company.
Central Railroad Company of New Jersey, The.
Central Vermont Railway, Inc.
T Chicago, Indianapolis & Louisville Railway Company.
Cincinnati Union Terminal Company.
Chicago Union Station Company.
Delaware, Lackawanna & Western Railroad Company, The.[g]
Detroit & Toledo Shore Line Railroad Company, The.
Detroit, Toledo & Ironton Railroad Company.
Donora Southern Railroad Company.
T Erie Railroad Company.
  Chicago and Erie Railroad Company.
  New Jersey and New York Railroad, The.
T New York, Susquehanna & Western Railroad Company.

Erie Railroad Company—Continued.
T Wilkes-Barre & Eastern Railroad Company.
Grand Trunk Western Railroad Company.[a]
Indianapolis Union Railway Company, The.
Lake Terminal Railroad Company, The.
Lehigh Valley Railroad Company.[c]
Lehigh & New England Railroad Company.
Maine Central Railroad Company.[b]
  Portland Terminal Company.[b]
McKeesport Connecting Railroad Company.
Monongahela Railway Company, The.
New York Central Railroad Company, The, and all leased lines:
  New York Central—Buffalo & East.[g]
  New York Central—West of Buffalo.[g]
  New York Central—Ohio Central Lines.[b] [g]
    Boston & Albany Railroad.[a]
    Cleveland, Cincinnati, Chicago & St. Louis Railway Company.[g]
      Louisville & Jeffersonville Bridge & Railroad.
    Chicago River & Indiana Railroad Company (Chicago Junction Railway Co.).
    Indiana Harbor Belt Railroad Company, The.[d]
    Michigan Central Railroad Company, The.[g]
    Pittsburgh & Lake Erie Railroad Company, The (incl. L. E. & E.).
Newburgh & South Shore Railway Company, The.
New York, Chicago & St. Louis Railroad Company, The.
T New York, New Haven & Hartford Railroad Company, The.
  New York Connecting Railroad Company, The.

See footnotes on p. 74.

T New York, Ontario & Western Railway Company.
Pennsylvania Railroad Company, The.[a]
Long Island Railroad Company, The.[e]
Baltimore & Eastern Railroad Company.
Pennsylvania-Reading Seashore Lines.
Pere Marquette Railway Company.
Pittsburg & Shawmut Railroad Company, The.
R Pittsburg, Shawmut & Northern Railroad Company, The.
Pittsburgh & West Virginia Railway company, The.
Pittsburgh, Chartiers & Youghiogheny Railway.
Reading Company.[f]
River Terminal Railway Company.
Staten Island Rapid Transit Railway Company, The.
Union Freight Railroad (Boston).
Washington Terminal Company, The.
Wheeling & Lake Erie Railroad Company, The (incl. L. & W. Va.).

SEPTEMBER 1, 1938.

For the Carriers:
E. J. MCCLEES.

For the Organization:
W. G. CANTLEY.

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[a] Includes Dining Car Stewards.
[b] Includes Yardmasters.
[c] Includes Car Riders Perth Amboy Coal Docks, and Dining Car Stewards.
[d] Includes Train Directors, Levermen, Towermen and related classes represented by the Brotherhood of Railroad Trainmen, for which no agreement has been negotiated as yet.
[e] Includes Guards.
[f] Includes Car Droppers Port Reading Terminal, N. J., and Yardmasters.
[g] Does not include Dining Car Stewards.
R—In Receivership: T—In Trusteeship—Subject to Approval of Court.

[Exhibit F]

Southeastern Territory

LIST OF RAILROADS, ETC., AS REPRESENTED BY THE CARRIERS' JOINT CONFERENCE COMMITTEE, AND THEIR EMPLOYEES REPRESENTED BY THE BROTHERHOOD OF RAILROAD TRAINMEN.

[Authority is co-extensive with the scope of Agreements as to classes of employees]

Atlantic Coast Line.[a]
Atlanta & West Point-Western Ry. of Alabama.
Atlanta Joint Terminals.
Birmingham Southern.
R Central of Georgia.
Charleston & Western Carolina.
Chesapeake & Ohio.[b]
Clinchfield.
Columbus & Greenville.
R Florida East Coast.
Georgia.
Gulf, Mobile & Northern.[c]
Kentucky & Indiana Terminal.
Louisville & Nashville.[a]
Nashville, Chattanooga & St. Louis.[a]
R Norfolk Southern.
Norfolk & Portsmouth Belt.
Norfolk & Western.
Richmond, Fredericksburg & Potomac.
R Seaboard Air Line.[f]
Southern Railway.[a]
Alabama Great Southern.[e]
Cincinnati Burnside & Cumberland River.
Cincinnati, New Orleans & Texas Pacific.
Georgia Southern & Florida.
Harriman & Northeastern.
New Orleans & Northeastern.
New Orleans Terminal.
Northern Alabama.
St. Johns River Terminal.
Woodstock & Blocton.
Tennessee Central.
Virginian.

September 1, 1938.

For the carriers.
T. F. Purcell.

For the Organization.
W. G. Cantley.

[a] Includes Dining Car Stewards.
[b] Includes Hocking Division.
[c] Includes N. O. & G. N.
[d] Includes East St. Louis Terminal.
[e] Includes Belt Railway of Chattanooga.
[f] Does not include dining car stewards.
R—In Receivership;—Subject to Approval of Court.