
Report TO THE PRESIDENT

BY THE

EMERGENCY BOARD

APPOINTED UNDER THE PROVISIONS OF THE
RAILWAY LABOR ACT

*To Investigate and Report
In Respect to the Dispute Between*

THE RUTLAND RAILROAD CO. AND CERTAIN OF ITS EMPLOYEES
REPRESENTED BY BROTHERHOOD OF LOCOMOTIVE ENGINEERS;
BROTHERHOOD OF LOCOMOTIVE FIREMEN AND ENGINEERS;
ORDER OF RAILWAY CONDUCTORS OF AMERICA; BROTHERHOOD
OF RAILROAD TRAINMEN; ORDER OF RAILROAD TELEGRAPHERS;
BROTHERHOOD OF RAILWAY AND STEAMSHIP CLERKS, FREIGHT
HANDLERS, EXPRESS AND STATION EMPLOYEES; BROTHERHOOD
OF MAINTENANCE-OF-WAY EMPLOYEES; INTERNATIONAL ASSOCIA-
TION OF MACHINISTS; INTERNATIONAL BROTHERHOOD OF BOILER-
MAKERS, IRON SHIP BUILDERS AND HELPERS OF AMERICA;
INTERNATIONAL BROTHERHOOD OF BLACKSMITHS, DROP FORGERS
AND HELPERS; SHEET METAL WORKERS' INTERNATIONAL ASSOCI-
ATION; INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS;
BROTHERHOOD RAILWAY CARMEN OF AMERICA; INTERNATIONAL
BROTHERHOOD OF FIREMEN AND OILERS, HELPERS, ROUNDHOUSE
AND RAILWAY SHOP LABORERS; AND AMERICAN
TRAIN DISPATCHERS' ASSOCIATION

UNITED STATES
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REPORT TO THE PRESIDENT BY THE EMERGENCY BOARD APPOINTED UNDER THE PROVISIONS OF THE RAILWAY LABOR ACT

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The Emergency Board appointed by the President pursuant to the provisions of section 10 of the Railway Labor Act and in accordance with the Executive proclamation of the 14th day of February, 1941, to investigate and report respecting the unadjusted dispute existing between the Rutland Railroad Co. (herein sometimes designated as the Carrier) and the employees represented by the 15 cooperating labor organizations named above (herein sometimes designated as the Employees), first met at the United States Courthouse at Rutland, Vt., on February 19, 1941, at 11 a. m.

The Board, Composed of Prof. I. L. Sharfman of Ann Arbor, Mich.. Mr. Ordway Tead of New York City, and Mr. Walter C. Clephane of Washington, D. C., selected Professor Sharfman as its

chairman and named Frank M. Williams & Co. as its official reporters.

Appearances were entered as follows :

For the Carrier: L. G. Morphy, receiver; C. M. Maurice, general auditor; and E. W. Lawrence, general attorney.

For the Employees: O. K. Hedges, assistant grand chief, Brotherhood of Locomotive Engineers; J. P. Farrell, vice president, Brotherhood of Locomotive Firemen and Enginemen ; B. C. Johnson, vice president, Order of Railway Conductors; F. W. Coyle, deputy president, Brotherhood of Railroad Trainmen ; J. B. Springer, vice president, American Train Dispatchers Association ; E. M. Mosier, vice president, The Order of Railroad Telegraphers; R. A. Babcock, grand lodge representative, Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees; J. G. Gradel, grand lodge representative, Brotherhood of Maintenance-of-Way Employees; T. A. Rodgers, grand lodge representative, Machinists ; A. C. Bowen, grand lodge representative, Boilermakers; J. Rieber, grand lodge representative, Blacksmiths ; C. D. Bruns, grand lodge representative, Sheet Metal Workers; J. J. McCullough, grand lodge representative, Electrical Workers; J. J. Fitzgerald, grand lodge representative, Carmen ; F. R. McKernan, grand lodge representative, Firemen and Oilers; C. E. Weisell, counsel; Harold C. Heiss, counsel.

For the Trustees for the Bondholders: Clayton Kinney, of Rutland, Vt., and Charles Peet, of Larkin, Rathbone & Perry, of New York City, counsel for the Central Hanover Bank & Trust Co., as trustee under the first mortgage of the Ogdensburg & Lake Champlain Railway Co.; George F. Jones, of Rutland, Vt., and Francis R. Curry, of Stuart & Shearer, of New York City, for the United States Trust Co., of New York, trustee of the first consolidated mortgage of the Rutland Railroad Co.; Christopher A. Webber, of Rutland, Vt., and James F. Preston, of Herrick, Smith, Donald & Farley, of Boston, counsel for the Old Colony Trust Co., trustees under the Rutland Canadian Mortgage.

For the Public: Oliver A. Cree, of Rutland, Vt., president of the Vermont State Chamber of Commerce; E. C. Hathaway, Rutland, representing the Rutland Chamber of Commerce; Lloyd E. Aldrich, traffic committee, Rutland Chamber of Commerce and Rutland Railroad Co-operating Traffic Association.

Public hearings were held from February 19 to 28, both inclusive. The record of these public hearings, which is hereby made part of this report, embraces 1,226 pages of testimony and 94 exhibits. After the close of the public hearing. the Board, sitting in executive sessions and seeking to carry out the instruction^s of the President to "make every effort to adjust the dispute," held numerous conferences with the representatives of the parties and of all others who had par tici-

pated in the proceeding. These conferences extended to March 6, 1941, when the agreement between the Carrier and the Employees was consummated which terminated the controversy and which will be presented and explained in subsequent pages of this report.

On December 9, 1938, the receiver issued a notice to the representatives of the employees with which it had labor agreements that, effective January 12, 1939, wages would be reduced on a sliding scale ranging from 10 to 30 percent of weekly earnings, in conformity with the following schedule :

Weekly earnings :	k	Percent of reduction
\$15 to \$23 -----		10
Over \$23 to \$29 -----		15
Over \$29 to \$35 -----		17 1/2
Over \$35 to \$58 -----		20
Over \$58 to \$69 -----		25
Over \$69 -----		30

As a result of this proposed wage reduction, negotiations were begun between the Carrier and its Employees on December 22, 1938, and were continued until early in January 1939, with no agreement being reached. The parties then invoked the services of the National Mediation Board, as of various dates, and mediation on this wage reduction notice was begun on February 21, 1939.

In the course of mediation it was disclosed that prior to the notice of December 9, 1938, the Carrier had already made two wage deductions at the direction of the judge then presiding over the United States District Court for the District of Vermont. The first of these was a flat 15-percent deduction effective from July 7, 1938, to August 3, 1938. The second deduction was ordered on July 30, 1938, to become effective August 4, 1938, superseding the previous order and establishing the same percentage scale of deductions as was later incorporated in the wage-reduction notice of December 9, 1938. Furthermore, on June 17, 1939, the district court ordered that wages be *reduced* on this sliding scale, in conformity with the notice of December 9, 1938, and this wage reduction became effective July 1, 1939. These wage-deduction orders and this wage-reduction order were attacked in the courts.

Since the litigation with respect to the wage deductions, with which was later merged the appeal from the wage-reduction order, was thus pending while mediatory efforts were in progress, the National Mediation Board, on April 7, 1939, suspended mediation until disposition had been made of the legal issues involved. In due course this result was achieved. On February 13, 1940, the United States Circuit Court of Appeals for the Second Circuit found, in effect, that both the wage-deduction orders and the wage-reduction order, as applied

by the receiver under direction of the district court, were in violation of the Railway Labor Act and invalid. (These reversals of the district court are reported as *TV. F. Burke v. Luis G. Morphy, receiver of Rutland Railroad Company, et al.*, 109 F. (2d) 572, and *Grand International Brotherhood of Locomotive Engineers et al. v. Luis G. Morphy, receiver of the Rutland Railroad Company, et al.*, 109 F. (2d) 576.) On May 20, 1940, moreover, the United States Supreme Court denied *certiorari* in both cases. In these circumstances the way was cleared for continuing to handle the wage-reduction notice of December 9, 1938, under the established procedures of the Railway Labor Act, and the substantive problem at issue embraced not only the question as to whether the wage reduction, as proposed, should become operative for the future, but as to what arrangements should be made with respect to the back wages that had been unlawfully withheld from the employees, on one basis or another, between July 7, 1938, when the first withholding of wages had become effective, and May 24, 1940, when payment of wages in full was reestablished.

Mediation was resumed May 31, 1940, and was continued for a period of about 2 1/2 months, but without success in bringing the parties to agreement. On August 13, 1940, the National Mediation Board announced that both the Carrier and the Employees had declined to submit the dispute to arbitration and that all services which it might render under the Railway Labor Act, except those incident to the establishment of emergency boards, had been exhausted. Thereupon the Carrier, by formal notice, fixed the effective date for the wage reduction proposed in the notice of December 9, 1938, as 12 :01 a. m., September 12, 1940; and the Employees, in response to this notice and on the basis of a strike ballot, set the strike date for 6 p.m., September 11, 1940. With a strike on this property thus imminent, the Mediation Board made further efforts at composing the situation, and it succeeded in effecting two postponements of the actual emergency : First, a few days' respite was obtained by postponing the effective date of the wage reduction to 12: 01 a. m., September 16, 1940, and of the strike to 6 p. m., September 15, 1940; and second, on the basis of persuasive representations that a full showing for the calendar year 1940 might throw important light upon the merits of the controversy, a mediation agreement was secured whereby the Carrier postponed its wage reduction until 12: 01 a. m., February 15, 1941, and the Employees postponed their strike until 6 p. m., February 14, 1941.

On January 7, 1941, direct negotiations between the receiver and the representatives of the employees were resumed. and these negotiations were continued until February 11. 1941. They failed, however, to bear fruit. There w a s no change by the parties of the dates specified for the proposed wage reduction and for the strike in the

mediation agreement ; and the efforts of the Mediation Board to secure a further postponement likewise proved unavailing. Thereupon the Board reported to the President of the United States that a situation existed such as is described in section 10 of the Railway Labor Act as amended—that is, an unadjusted dispute between the Carrier and its Employees which threatened substantially to interrupt interstate commerce to such a degree as to deprive the section of the country involved of essential transportation service—and the President in accordance with the authority conferred upon him in these circumstances, issued his proclamation of February 14, 1941, declaring an emergency to exist and appointed the present Emergency Board.

Before we examine the testimony submitted at the hearings which bears directly upon the wage dispute, it will be useful to indicate briefly the location of the road and the general character of its traffic relationships.

The Rutland railroad operates a line 407.3 miles long of which 238.4 miles lies in the State of Vermont and 168.9 miles in the State of New York. Its main line commences at White Creek, N. Y., runs in a general northerly direction through North Bennington, then through Rutland and Burlington to Alburgh, then turns westward across the north end of Lake Champlain, and runs westerly to Ogdensburg, N. Y. A branch in the State of Vermont runs westerly from Leicester Junction to Lake Champlain at Larabee's Point ; another branch runs from Bellows Falls, Vt., to Rutland ; and still another runs from Chatham, N. Y., in a general northerly direction connecting with the main line at North Bennington.

North Bennington is a point of interchange with the Boston & Maine, and the passenger and freight facilities are operated jointly with that road. At Rutland there is a junction with the Delaware & Hudson, and the freight house and part of the freight yard are operated jointly with this carrier. At Burlington there is a junction with the Central Vermont, and just northerly of Burlington station there is a short section 1 mile long which is owned by the Central Vermont but over which the Rutland operates. At Alburgh there is interchange with the Central Vermont, the station being operated jointly with that road. There is also a trestle 1 mile long across Lake Champlain, which is owned and operated jointly with the Central Vermont. At Rouses Point, the first station immediately west of the lake, there is interchange with the Canadian National and the Delaware & Hudson. At Malone Junction, N. Y., there is interchange with the New York Central, the engine house at that point being operated jointly with the latter road ; and at Norwood there another junction with the New York Central, with interchange at this point with the Norwood & St. Lawrence Railway. At Bellows

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Falls there is interchange with the Boston & Maine from the north, south, and east, with joint operation of the passenger station, freight yard, and freight house. At Chatham, N. Y., there is interchange with both the Boston & Albany and the New York Central, and at Petersburg Junction interchange is in effect with the Boston & Maine.

The Rutland operates passenger service between Troy and Montreal as well as between Bellows Falls and Montreal, under special agreements with the Boston & Maine and the Canadian National. Between Boston and Montreal competitive passenger service is available over the Central Vermont, Canadian National, and Canadian Pacific; and between New York and Montreal there are two competitive routes—one by the Delaware & Hudson and the other by a train which runs from Washington to Montreal over the Pennsylvania, the New Haven, the Boston & Maine, the Central Vermont, and the Canadian National. The shortest route from New York to Montreal is by the Delaware & Hudson, which handles approximately 70 percent of the traffic. The remaining 30 percent is divided about equally between the route as above described, and that over the Rutland. Between Boston and Montreal most of the traffic is over routes other than that of the Rutland.

The basic issue in dispute was whether the notice of December 9, 1938, estimated to reduce wage payments by approximately \$385,000 a year, should become operative. While the testimony of record dealt with a considerable variety of matters, it centered in the deplorable financial condition of the carrier. Since a settlement terminating the dispute has actually been effected, it will suffice to deal in rather summary fashion even with this aspect of the controversy.

The Rutland's railway operating revenues shrank from a high of 6,276,682.59 in 1929, to a low of 82,955,226.04 in 1938, the year of the receivership. For the year 1940 this figure was \$3,513,725.60. This shrinkage in operating revenues has been the result of sharp decreases in all types of traffic. Depression conditions and the competitive pressure of alternative transport agencies have been the primary causes of this decline ; but conditions peculiar, at least in degree, to the industrial activity of the area traversed by the road, as well as the unfavorable location of the line from the standpoint of through traffic to and from distant originating territories, have prevented the attainment of reasonably adequate recovery. In 1938, as a means of ameliorating these difficulties, the Rutland Railroad Cooperating Traffic Association was organized. It was financed by private contributions of public-spirited citizens, and was instrumental in supplying to the railroad, without cost to itself, an experienced outside traffic man who devoted himself to securing new business. An appreciable increase in volume of traffic took place during the 8 or 9 months of his service, and it is conceded by

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all that his promotional activity proved helpful, but it is not clear as to how much the increased traffic volume was attributable to his intensive efforts and how much to the general business upswing which paralleled these efforts. There is general agreement that only through promotional emphasis, vigorously pursued, can substantial increases in the operating revenues of the Rutland be effected.

The decreases in operating revenues, unaccompanied, despite a considerable accumulation of deferred maintenance, by equal decreases in operating expenses, have led to uninterrupted net income deficits, after bond interest, since 1931, and to operating deficits, exclusive of the requirements for bond interest, since 1935 (with the single exception of the year 1936). The net income deficits, including bond interest, amounted to 5101,127.82 in 1931, to 541,459.89 in 1932, to \$70,328.33 in 1933, to \$375,101.92 in 1934, to \$482,982.26 in 1935, to \$241,374.66 in 1936, to \$408,608.49 in 1937, to \$891,797.26 in 1938, to \$221,202.23 in 1939, and to 5455,816.64 in 1940. The operating deficits, excluding bond interest, amounted to \$96,887.26 in 1935, to \$22,513.49 in 1937, to \$505,702.26 in 1938, to \$51,414.52 in 1939, and to 547,921.00 in 1940. The forecast for 1941 discloses an estimated net income deficit, including bond interest, of \$482,791, and an operating deficit, excluding bond interest, of \$97,696.

These financial results virtually exhausted the working capital of the carrier, and it was the helplessness of its cash position which precipitated the wage deductions, and later the wage reduction, which have already been described. At the end of January 1938 the available-working capital amounted to 525,203.65; by the end of February it had been reduced to \$964.61; by July 5, just prior to the effective date of the first withholding of wages, it had been further reduced to \$130.56. Almost throughout the period, month by month, which has elapsed since the wage-reduction notice of December 9, 1938, was given to the employees, the available cash was insufficient to pay wages in full. At the end of only 4 of the 25 monthly periods beginning with December 1938 and ending with December 1940 has the working fund of the carrier exceeded the aggregate of deducted and reduced wages, and even then by relatively small amounts for the remaining 21 monthly periods there were very substantial deficiencies, amounting to as much as \$153,758.28 at the end of May 1940. As of January 31, 1941, the available cash was \$20,286.23 less than the amount required to pay back wages ; and if, on February 15, 1941, the day following proclamation of the emergency, the back wages lawfully due the employees had been paid in full, the working capital of the carrier would have been reduced to \$2,168.84. A total of \$716,836.25 was withheld from the employees, either as deductions or as reductions. Of this sum, \$480,-949.35 has been repaid. The outstanding balance is, therefore, \$235.-

886.90; and since no other credit is available to the receiver, it is this amount which constitutes substantially the entire working capital of the railroad.

The difficulties springing from the insufficiency of earnings and the gravely impaired cash position of the carrier have not been confined, of course, to the matter of wages.

It has also been difficult, for example, to meet the road's tax obligations. Unpaid taxes due to the State of Vermont for 1938 and 1939 total \$189,000. Postponement of these taxes to February 1, 1941, as well as a reduction of the tax rate by 20 percent and a substantial lowering of the assessed valuation, has been duly authorized; and legislation is pending to extend the moratorium, together with other provisions for relief related thereto, for a further period of 2 years.

All returns on capital have now necessarily been abandoned, and there are large accumulations of unpaid dividends on the preferred stock and of unpaid interest on the bonds. On the \$117,800 of common stock outstanding, no dividend has ever been paid. Dividends on the 7 percent cumulative preferred stock, \$8,962,500 of which is outstanding, have been paid in only 10 of the last 36 years. Only in two instances, in 1930 and 1931, have these dividends been as high as 4 percent. Since 1917 the aggregate of these dividends has been 12 percent. The total of unpaid dividends on the cumulative preferred stock amounts to 383½ percent. Mortgage bonds are outstanding in the amount of \$9,216,000, carrying annual interest charges of \$387,455. In 1936 there remained an unpaid **interest balance of \$96,863.15; in 1937 there was added an unpaid balance of \$271,218.50; since 1938** the entire annual charge of \$387,455 has remained unpaid. The total of unpaid interest on the mortgage bonds, amounts to \$1,530,447.50.

Such efforts to realize savings as have been made thus far, as a means of improving the financial condition of the carrier, have failed to afford an adequate measure of relief.

The reduction of the tax burden has been previously noted. The Vermont taxes have been cut in more than half—from \$127,769.80 in 1938 to \$62,192.44 in 1940—but the total tax accruals, including those on real estate in the State of New York (\$59,392.39 for 1940) and for unemployment insurance (\$80,653.97 for 1940) and retirement (\$79,597.02 for 1940) have proved inordinately heavy under the existing precarious condition of the carrier. The ratio of taxes to operating revenues has increased from 5.19 percent in 1930 to 8.08 percent in 1940.

Since the appointment of the receiver on May 5, 1938, there has been a drastic reduction in both the number of official positions and in the salaries of the officers remaining. Seven posts were abolished immediately following the receivership, and the aggregate annual

salaries of officers, which stood at \$115,910 just prior to the receivership, were reduced to 856,700 as of August 1, 1939—a reduction of over 52 percent. The same salary scale and total remain today. The position of general manager, which carried a salary of \$9,000, has been abolished. The salary of the receiver is only \$6,300. No other officer receives more than \$4,800. There is every reason to believe that the burden of management salaries has been reduced to a minimum consistent with reasonably competent performance.

The possibilities of operating economy, particularly through curtailment of services, have also been explored, and in some measure realized.

On November 29, 1940, at the request of the trustees for the bondholders, the district court authorized an independent study of the operation of the road, with a view to securing recommendations as to possible operating economies. This study was made by Lewis A. Putnam, vice president of three short lines in northern Vermont which are subsidiaries of the Boston & Maine. His original report was rendered January 15, 1941, and on January 29, 1941, he filed a supplementary report containing a considerable amount of concrete evidence in support of his general conclusions.

If all of his recommendations were to be followed—and a very substantial lapse of time would admittedly be required in order to effectuate them—the road, in his view and according to his estimates, would be enabled to meet all of its operating expenses and charges exclusive of bond interest, with a negligible balance (\$14,286) available for bond interest and capital expenditures. The Putnam report is developed on the premise of "marginal operation"—that is, the assumed desirability of eliminating "all transportation performed which is not used sufficiently to produce profitable net results." This recommended policy of "marginal operation" is deemed by the Receiver to be unsound and fraught with grave danger to the continuance of the road. In his view such an approach would so weaken the road as a whole, through curtailment of services and facilities, that the cure might prove worse than the disease. Much validity appears to attach to this position.

But some of the specific suggestions in the Putnam report merit careful consideration, and have in fact been accorded such consideration. The Rutland-Bellows Falls local has been eliminated, at an estimated annual saving of approximately \$25,000; but this saving has been taken into account in the operating forecast for 1941. The elimination of switchers at Norwood and Alburgh, estimated to yield annual savings of \$23,774.17 under the Employees' proposal and of \$31,693.57 under the Carrier's proposal, has been the subject of negotiations; and, as will appear in due course, provision therefor is made in the agreement of March 6, 1941, which terminated the entire dispute.

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In light of all these circumstances and conditions, the crux of the problem which faced the parties to the dispute, and which impressed itself upon the Board very early in its deliberations, was not, primarily, what wage adjustments shall be made, but by what means the road shall be saved from complete abandonment. Wages as such were found not to be excessive. Train-service employees receive standard wages; the wages of some other groups are below those generally prevailing for organized employees of like type. Nor were important disparities disclosed between the Rutland's wage scales and those of the carriers operating within the same region. To meet the financial requirements of the carrier—assurance of a sufficient net income to make reorganization of the road, however drastic, feasible—solely by means of a wage reduction, would impose an altogether unjustifiable burden upon the employees. This burden would be imposed upon them, moreover, at a time when all forces and trends—economic activity, prices, taxes, living costs, as well as wages—point in an opposite direction. The precarious financial condition of the carrier could not, however, be disregarded. The situation here involved, in all its aspects, was entirely distinctive of this property. Its dominant feature lay in the danger of complete abandonment—a matter of vital concern to the employees, as well as to all other interests that would inevitably be affected thereby.

That a real threat of abandonment has existed during the past 3 years, and that this threat was becoming increasingly imminent with the passage of time, can scarcely be questioned. As early as July 5, 1938, the receiver filed a petition to discontinue operations; and hearings upon this petition were held at Rutland July 19, 1938, and at Malone, N. Y., July 26, 1938. Foreclosure suits have been filed on behalf of the bondholders, and the market for scrap is such as to encourage the pressing of these suits to a successful conclusion. The back wages of the employees, which constitute virtually the entire working capital of the carrier and which had been ordered by the district court to be repaid "forthwith," stood as a constant threat to the continuance of operations. Finally, it is exceedingly doubtful whether this property could possibly have withstood an actual interruption of service by a strike of the employees. The 3-year-old conflict between the management and the men, accompanied by mere threats of strike, had already exerted important adverse effects upon the business of the carrier; actual interruption of service might well have resulted in such a large measure of permanent diversion of traffic as to have rendered resumption of operations virtually hopeless. The basic problem, then, was whether this class 1 carrier, more than 400 miles long and serving these communities, from its early origins, for almost a century, should somehow be placed in a position to continue its operations.

Upon an affirmative answer to this question there was unanimous agreement. Discontinuance of operations was deemed by all parties in interest to be fraught with disaster and to be averted by every possible means. This position may be stated in the words of the president of the Vermont State Chamber of Commerce, who was speaking also as chairman of the railroad committee of the Rutland Chamber of Commerce and was representing in addition the chamber of commerce of Malone, N. Y.

The discontinuance of this railroad would be a personal and human tragedy and an economic calamity.

It would be a tragedy in the lives of approximately 1,300 persons who are employees of the road and are dependent upon its continued operation for their livelihood. Approximately 1,100 of them live in Vermont. Approximately 750 of them, I believe, live in Rutland. To those employees and their families this is not merely an important matter—it is a vital matter.

It would be a tragedy in the lives of numerous other persons who are at present employed in stores, offices, and factories or whose livelihood is gained from farms in the area, many of whom might very conceivably be robbed of their present means of making a living if their territory loses this vital rail transportation system.

Loss of the Rutland Railroad would be an economic calamity to the sections of the State through which it runs.

Including stations operated jointly with other railroads, the Rutland serves a population of just under 100,000 or almost 30 percent of the population of the entire State.

Included in this territory there are important industrial, business, and farm enterprises dependent to a very large extent on rail transportation. This is particularly true in the case of raw materials, fuel, feed, and products which must be transported in bulk. We cannot deny that developments in highways and motor transportation equipment in the last two decades have made it possible to transport over the highways today many things which 20 years ago could move only over the rails. But our highways and our motortrucks are not yet sufficiently developed to take over the railroad's job of transporting all of the huge quantities of feed in bulk that are required for the livestock on our farms, nor for the huge quantities of fuel, either coal or oil, that are required in the homes and factories and stores and offices in our State, nor for the important and bulky products of quarries and forests, and the quantities of farm products sent to market—notably milk and livestock.

The manufacturer may today be able to move both his raw materials and his products over the highway, but he is probably dependent upon the rails for his fuel. And his fuel may be an important item of cost in his manufacturing process. It may be so important that a rise in its cost through highway transportation would put him out of the competitive running with other manufacturers in other places which have rail transportation and thus drive him out of business with consequent loss of livelihood to the employees on his pay roll.

The loss of the Rutland Railroad would be an economic calamity to the whole State. At a meeting of representatives of various chambers of commerce from along the lines of the Rutland held in Rutland on July 28, 1938, for the purpose of organizing the Rutland Railroad Cooperating Traffic Association, the late Emery Melendy, then chairman of the State highway board, stated that if this

road went out of existence he would estimate the construction cost of highways to take its place as well as could be at not less than \$10,000,000.

In his report to the Governor on the Rutland Railroad, Mr. William B. Poland stated that he was informed by the highway board that such costs would amount to \$14,395,800. That is a sum that is larger than the total annual budget of the State. That is a burden which would fall, not just upon the residents of the area through which the Rutland Railroad runs, but upon every taxpayer everywhere in this State.

The loss of the Rutland Railroad would be an economic calamity because it would forestall industrial development, drastically reduce property values, drastically curtail present industrial activity, lose markets for farm products and increase taxes on all taxpayers in the State.

To forestall such an eventuality, constructive action was clearly necessary; and to meet the problem constructively, with a view to promoting the rehabilitation of the road in sufficient measure to render its reorganization on a self-sustaining basis practicable, required the voluntary cooperation of all interests. Fundamentally, and despite the wage dispute, such cooperation had been instrumental in saving the road prior to the emergency which resulted in this proceeding. This cooperation had manifested itself in the willingness of the receiver to reduce drastically the expenses of management, in the provision by the employees of indispensable working capital by permitting the carrier to retain their back wages, in the postponement and reduction of taxes by the State, in the efforts of shippers and the general public to increase the road's traffic and revenues, in the forbearance exercised by the bondholders in pressing their rights of foreclosure. While some progress was made since 1938, it had been insufficient, thus far, to avert the threat of discontinuance of operations. In these circumstances further resort to_ the cooperative approach was obviously indicated, with a merging of the wage dispute in the larger outlook essential to the achievement of constructive results. When the Board, in executive session, informally explored this approach and these possibilities with representatives of the various interests involved, it elicited a ready response and eager acquiescence in all matters of principle. All that remained was to work out concrete arrangements, just and reasonable as between the parties and sufficiently promising to be helpful to the road. In this task, too, no insurmountable obstacles were encountered, and the entire difficulty was resolved on the basis of voluntary cooperation.

In this spirit and with these objectives, the Carrier and the Employees entered into the following agreement on March 6, 1941.

AGREEMENT BETWEEN THE REMAND RAILROAD CO. AND THE 15 COOPERATING LABOR ORGANIZATIONS

The Rutland Railroad Co., acting through L. G. Morphy, receiver, with the approval of the Honorable James P. Leamy, judge of the United States District Court for the District of Vermont in charge of the receivership, and the 15 co-

operating labor organizations (to wit : Brotherhood of Locomotive Engineers; Brotherhood of Locomotive Firemen and Enginemen ; Order of Railway Conductors of America ; Brotherhood of Railroad Trainmen ; Order of Railroad Telegraphers ; Brotherhood of Railway and Steamship Clerks ; Freight Handlers, Express and Station Employes ; Brotherhood of Maintenance-of-Way Employees ; International Association of Machinists ; International Brotherhood of Boilermakers, Iron Ship Builders and Helpers of America ; International Brotherhood of Blacksmiths, Drop Forgers and Helpers ; Sheet Metal Workers' International Association ; International Brotherhood of Electrical Workers ; Brotherhood of Railway Carmen of America ; International Brotherhood of Firemen and Oilers, Helpers, Round-house and Railway Shop Laborers ; American Train Dispatchers Association), acting through their duly authorized local and national representatives, hereby agree as follows :

(1) This agreement will remain operative for a period of 2 years, beginning April 1, 1941, and ending March 31, 1943.

(2) The wage reduction notice of December 9, 1938, will be withdrawn.

(3) During the 2-year period of this agreement the existing basic wage rates will remain unchanged except insofar as they may be increased under the provisions of the Fair Labor Standards Act, but during this same period a 5 percent deduction of earnings of all employees who earn \$15 or more per week (this deduction amounting in the aggregate to approximately \$110,000 per year) will be made as a voluntary contribution of the employees, for the purpose of improving the financial condition of the Rutland Railroad and with a view to promoting reasonably self-sustaining operation as a basis for eventual reorganization of the road.

(4) Payments of back wages due to the employees, amounting in the aggregate to \$235,886.90, may be postponed by the receiver to April 1, 1943, and will then be made in such amounts as may prove to be feasible, without reducing the working capital of the road below the sum of \$175,000 ; in the event, however, that the working capital exceeds \$285,000 at any time within the 2-year period of this agreement, the amount in excess of this sum will then be paid to the employees in such amounts as may prove to be feasible.

(5) The switcher at Norwood and the second trick switcher at Alburgh will be eliminated on the basis of the proposal made by the employees, for the purpose of effecting an estimated annual saving of \$23,774.17 ; or, in the event that such elimination cannot be accomplished at this time, because of the lack of authority of the employees' representatives involved in this matter, that negotiations looking to this end will be continued, in a bona fide effort to effectuate this saving.

(6) In all cases involving any substantial reductions of force, such reductions will be inaugurated only after consultation with the representatives of the employees.

Signed and witnessed at Rutland, Vt., March 6, 1941.

For the Carrier :

L. G. MORPHY,
Receiver, Rutland Railroad Co.

For the Employees :

G. M. HASKINS,
Acting General Chairman

Approved :

O. K. HODGES,

Assistant Grand Chief, Brotherhood of Locomotive Engineers,

L. A. HUDSON,

General Chairman.

Approved

J. P. FARRELL,
Vice president, Brotherhood of Locomotive Firemen and Enginemen,
 E. L. HARRINGTON,
General Chairman.

Approved

B. C. JOHNSON,
Vice President, Order of Railway Conductors of America,
 W. F. BURKE,
General Chairman.

Approved

F. W. COYLE,
Deputy President, Brotherhood of Railroad Trainmen.
 E. J. LAPOINTE,
General Chairman.

Approved

E. M. MosIER,
Vice President, The Order of Railroad Telegraphers,
 F. S. THOMAS,
General Chairman.

Approved :

L. B. SNEDDEN,
*Vice Grand President, Brotherhood of Railway and Steamship Clerks,
 Freight Handler, Express and Station Employees.*
 M. A. KENYON,
General Chairman.

Approved

J. G. GRADEL,
*Grand Lodge Representative, Brotherhood of Maintenance-of-Way
 Employees,*
 T. A. RODGERS,
*General Chairman and International Representative,
 International Association of Machinists.*
 A. C. BOWEN,
*General Chairman and International Representative,
 International Brotherhood of Boilermakers, Iron Ship Builders
 and Helpers of America,*
 J. RIEBER,
*General Chairman, International Brotherhood of Blacksmiths, Drop
 Forgers and Helpers,*
 C. D. BRUNS,
General Chairman, Sheet Metal Workers' International Association,
 J. J. MCCULLOUGH,
General Chairman, International Brotherhood of Electrical Workers,
 J. J. FITZGERALD,
*General Chairman and International Representative,
 Brotherhood Railway Carmen of America,*
 F. R. MCKERNAN,
*General Chairman, International Brotherhood of Firemen and Oilers,
 Helpers, Roundhouse and Railway Shop Laborers,*
 W. T. FAGAN,
General Chairman.

Approved :

J. B. SPRINGER

Vice President, American Train Dispatchers' Association.

Witnessed by Emergency Board :

I. L. SHARFMAN, *Chairman.*

W. C. CLEPHANE, *Member.*

ORDWAY TEAD, *Member.*

The terms of this agreement are self-explanatory. It is but necessary to add that it was made with the following ancillary understandings : First, that the Vermont State Chamber of Commerce and like organizations would seek further to lighten the road's burden of State taxes, and would in addition attempt to secure the support of the public and of the industries of the State to increase the road's revenue-producing traffic ; and second, that the trustees for the bondholders would cooperate in this effort to effectuate constructive improvement in the condition of the road.

It is gratifying to report that the settlement effected through this agreement has been received with hope and enthusiasm by the carrier, the employees, and the general community, and that a noticeable improvement in the morale of all concerned immediately followed.

In closing this report the Board desires to express its thanks to Judge Leamy for his unstinted cooperation, both in connection with the dispute itself and in making available to us all the facilities of the United States Courthouse, the use of which substantially lightened our labors.

Respectfully submitted.

(S) I. L. SHARFMAN, *Chairman.*

(S) WALTER C. CLEPHANE,

(S) ORDWAY TEAD,

RUTLAND, VT., *March 10, 1941.*

O