

26

Report
TO
THE PRESIDENT
BY THE
EMERGENCY BOARD

APPOINTED JUNE 16, 1945
PURSUANT TO SECTION 10
OF THE RAILWAY
LABOR ACT

To investigate an unadjusted dispute between the Georgia & Florida Railroad, a carrier, and certain of its employees represented by the Brotherhood of Locomotive Engineers, Brotherhood of Locomotive Firemen and Enginemen, Order of Railway Conductors of America, and Brotherhood of Railroad Trainmen.

AUGUSTA, GEORGIA
JULY 7, 1945

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July 7, 1945.

THE PRESIDENT,
The White House.

DEAR MR. PRESIDENT: The Emergency Board appointed by you on June 16, 1945, under section 10 of the Railway Labor Act to investigate an unadjusted dispute between the Georgia & Florida Railroad and certain of its employees represented by the Brotherhood of Locomotive Engineers, Brotherhood of Locomotive Firemen and Enginemen, Order of Railway Conductors of America and Brotherhood of Railroad Trainmen, has the honor to herewith submit its report.

Respectfully submitted.

JAMES P. HUGHES, *Chairman.*
RUSSELL WOLFE, *Member.*
EUGENE L. PADBERG, *Member.*

II

**REPORT TO THE PRESIDENT BY THE EMERGENCY
BOARD APPOINTED JUNE 16, 1945, PURSUANT TO SEC-
TION 10 OF THE RAILWAY LABOR ACT OF 1926 AS
AMENDED**

*In re: Brotherhood of Locomotive Engineers, Brotherhood of Firemen
and Enginemen, Order of Railway Conductors of America, and
Brotherhood of Railroad Trainmen and Georgia & Florida Rail-
road.*

INTRODUCTORY

By proclamation dated June 16, 1945, the President, pursuant to the provisions of section 10 of the Railway Labor Act, created an Emergency Board to investigate and report upon an unadjusted dispute as described in the above caption composed of Judge James P. Hughes, of Greencastle, Ind., Judge Eugene L. Padberg, of St. Louis, Mo., and Russell Wolfe, of Philadelphia, Pa.

The Board as thus constituted first met at the Green Room of the Hotel Richmond, Augusta, Ga., on June 22, 1945, at 10 a. m. It organized by electing Judge Hughes as chairman, and approved the appointment of Frank M. Williams & Co. as its official reporter, and appointed W. C. Brandenburg, a representative of the official reporter, as its secretary.

The appearances for the operating employees were as follows: E. E. Oster, vice president, Brotherhood of Railroad Trainmen, also representing the Brotherhood of Locomotive Engineers, Chattanooga, Tenn.; J. H. Rodgers, vice president, Order of Railway Conductors, also representing the Brotherhood of Locomotive Firemen and Enginemen, Louisville, Ky.; T. B. Folsom, general chairman, Brotherhood of Locomotive Engineers, Georgia & Florida Railroad, Augusta, Firemen and Enginemen, Georgia & Florida Railroad, Augusta, Ga.; A. F. Dixon, general chairman, Brotherhood of Locomotive Firemen and Engineers, Georgia & Florida Railroad, Augusta, Ga.; J. J. Richardson, general chairman, Order of Railway Conductors, Georgia & Florida Railroad, Augusta, Ga.; E. L. Cartrett, general chairman, Brotherhood of Railroad Trainmen, Georgia & Florida Railroad, Augusta, Ga.

The carrier was represented by Messrs. Hull, Barrett, Willingham & Towill; by James M. Hull, Jr., Esq., and J. J. Willingham, Esq.,

Southern Finance Corporation Building, Augusta, Ga. The following executives of the railroad also appeared at the hearings: Mr. H. W. Purvis, one of the receivers and general manager and Mr. L. O. Todd, assistant to the receiver.

The foregoing representatives of the employees attended all of the hearings and acted jointly throughout the proceedings. Public hearings and conferences were held at the Green Room, Hotel Richmond, Augusta, Ga., on June 22, June 23, June 25, June 26, June 27, June 28, June 29 and June 30, 1945.

The record of the proceedings, consisting of reporter's transcript and the exhibits as identified therein, has been transmitted to the National Mediation Board and is hereby made a part of this report.

Efforts made by the Board from June 27 to June 30, 1945, to bring about an adjustment of the controversy were without avail. However, in this connection, it is pertinent to note that both the representatives of the Brotherhoods and the representatives of the Carrier presented their respective cases with the utmost fairness and cooperated in every respect in enabling this Board to explore the situation fully.

THE EMERGENCY

Georgia & Florida Railroad operates a system having a total mileage of 407.88 miles. The main line extends generally north and south from Augusta, Ga., to Madison, Fla., via Valdosta and Douglas, Ga., and from Augusta northward through South Carolina to Greenwood, S. C. The operation includes three branch lines, one extending from Douglas, Ga., to Relee, Ga., one extending from Nashville, Ga., via Sparks, Ga., and Adel, Ga., to Moultrie, Ga., and the third extending over leased lines from Stevens Crossing, Ga., through Garfield, Ga., to Summit-Graymont, Ga., and through Garfield to Statesboro, Ga.,. At Augusta there are connections with the trunk line systems of the Atlantic Coast Line and the Southern Railway, and with the Charleston & Western Carolina Railway, the Central of Georgia Railway and Georgia Railroad. There are connections at Greenwood, S. C., with the Piedmont & Northern Railroad, the Charleston & Western Carolina Railway, the Seaboard Air Line, and the Southern Railway. At the southern terminus, Madison, Fla., there are connections with the Seaboard Air Line, which affords connection with Jacksonville, Fla. At Augusta there is an outlet over the Savannah & Atlanta Railroad, the Seaboard Air Line, and the Central of Georgia Railway to the port of Savannah. There are numerous junction points along the main line of this railroad with other lines, thus affording an additional interchange of traffic with other railway systems of the southeastern part of the United States.

At or near Augusta, Ga., are located Camp Gordon, and the Oliver General Hospital. On the main line, 11 miles north of Valdosta,

Ga., there is located the Moody Air Field. At the present time intensive training is being conducted at this field with two-engine bombers and plans are being formulated for converting it into a field for the four-engine type. The Georgia & Florida Railroad is the only railroad available to Moody Air Field. One of the important industries located in Augusta is the Babcock & Wilcox Co., which is turning out very high refractory material, all or most of which is being utilized by the Army and Navy. Although this plant has available other rail lines, the principal ingredient for these refractories is mined at Hephzibah, Ga., about 16 miles south of Augusta on the main line of the carrier. There are numerous smaller industries located along the line of the carrier which turn out or process materials used directly or indirectly in the war program. Substantial amounts of timber products are manufactured at certain points along this system, the greater part of which appear to be going into the packing of ordnance material. Certain canned and processed foods are furnished by several packing and canning companies along the system, about 60 percent of which are consigned to the combat forces. Several tobacco redrying plants participate in furnishing tobacco for the British Government and the lend-lease program. A substantial amount of naval stores are produced along the line of the system, all of which at present are absorbed by the United States Government. A very large percentage of the pulpwood which is obtainable along the line finds its way into cartons and containers used in packing ordnance material and other articles used in the war program. In addition to the industries referred to as on this line, there are other industries to and from which traffic is handled by switch movement from other and competing lines. Thirty-eight communities rely upon the carrier for their only rail service. The Georgia & Florida Railroad traverses 1 county in Florida, 13 counties in Georgia and 4 counties in South Carolina.

Continuation of operation of this system is therefore essential to the prosecution of the war. If operation were to cease or were suspended, interstate commerce within the territory served by the carrier would be seriously interfered with and curtailed. Furthermore, inasmuch as the system is to some extent used as a bridge or overhead for traffic originating outside of its territory and consigned to destinations outside of its territory, cessation or interruption of operation would further congest the other rail systems of the southeastern United States.

PARTICULAR ISSUE INVOLVED

The operating employees of the Georgia & Florida Railroad engaged in engine, train, and yard service have demanded that effective April 30, 1945, their wage rates be advanced to those which are standard in the southeastern United States. Such increases are to apply not

only to basic daily rates but also to arbitrary and miscellaneous rates and to all guarantees. The brotherhoods base their contention not on any factor of substandards of living arising out of any disparity between the compensation which these operatives receive and the standard paid to corresponding operating employees by the other carriers which enter Augusta or are operating in southeastern United States, but on the inequality requiring those who perform work corresponding to that done on the other railroad properties, perhaps under more difficult conditions than on other railroads, to accept materially less pay in each class of employment. The operating employees affected by this controversy number about 125.

The carrier's position in substance is that it is impossible to accede to these demands if it is to continue to meet the present operating and fixed charges, which are irreducible, and to fulfill other unavoidable obligations which it has been holding to a minimum. The carrier also raised the question as to whether any advances in existing wages to employees would not directly result in disturbing the stabilization program of the National Government.

WAGE SITUATION PRIOR TO THIS CONTROVERSY

Considerable data have been introduced by the carrier's witnesses on the subject of rates of pay of engine and train service employees and of nonoperating employees prevailing at various stages on the Georgia & Florida system from November 1921 to date. A considerable volume of statistics pertaining to the relation of wage payments to revenue and income and to other outlays is part of the record. Particular emphasis has been placed on statistics relating to increases since May 31, 1941, doubtless for the purpose of maintaining the carrier's proposition that wages in force on December 27, 1943, have outdistanced wages in effect May 31, 1941 (wages then being the same as on January 1, 1941), by a far greater percentage than the familiar 15 percent formulated by the Federal authorities regulating labor relations in war time. However, the fact remains that wages of the operating employees of this carrier now range from 64.81 percent of so-styled standard rates to 76.32 percent thereof. The average is according to the computation of the railway management 71.36 percent. The carrier presented in complete detail figures on its rates for every classification of operating employee and on so-called standard rates (exhibit Q); corresponding items of wages in dollars and cents introduced by the brotherhoods vary only slightly from similar data presented by management and the insignificant discrepancies which were disclosed would seem to favor the carrier. The employee representatives have not disputed the percentage items referred to. It might be noted in connection with this phase of the situation that throughout the history of this railroad since its inception, the only period during

which wages recognized as standard were paid was from November 1, 1918, to August 31, 1920. During those 22 months Government control followed by Government guaranty was effective, and this control and guaranty embodied a policy of subsidizing operating losses. By a correlative policy rates of pay were standardized, if necessary, at the expense of the Government. During the period beginning January 1, 1941, the management has invariably fallen in line with the Nation-wide increases as recommended by the constituted authorities. In one instance it negotiated an increase for certain of its employees. Provision for 1 week's vacation with pay, which prevails on most of the carriers throughout the country, is now recognized on this railroad, such compensation having been inaugurated for the year 1944.

THE HISTORY OF THIS CONTROVERSY

The claim for adjustment of wages of operating employees so that there would be parity with existing standard rates in southeastern United States was submitted by letter dated March 31, 1945, by the local chairmen of the four railway labor organizations involved. Then followed correspondence and conferences between representatives of these organizations and the receiver and general manager of the carrier, which eventuated on May 21, 1945, in a definitive decision in writing by the receiver that any additional increase in the wage rates of any of the employees could not be granted. A strike ballot was then submitted to the employees represented by the brotherhoods which resulted in a vote to leave the service. On May 23, 1945, the representatives of the four brotherhoods notified the carrier in writing that the engine, train, and yard men represented would withdraw from the service at 6 a. m. May 26, 1945, unless settlement were reached in the interim. On May 24, 1945, the National Mediation Board assumed jurisdiction under the appropriate provision of the Railway Labor Act for the purpose of harmonizing the respective positions of the parties, but the efforts of the mediator who appeared were unsuccessful. Following the usual procedure under the Railway Labor Act, arbitration was suggested to both of the parties to the controversy but was declined in writing on June 12, 1945, by each of the parties. On June 15, 1945, the representatives of the brotherhoods served written notice on the carrier that the operating employees would withdraw from the service of the railroad in an authorized strike at 6 a. m. Monday, June 18, 1945, unless satisfactory settlement of the issues were reached in the meantime. On June 16, 1945, the President's proclamation, pursuant to section 10 of the Railway Labor Act, was issued to the effect that an emergency existed by virtue of the continuance of the dispute. The appointment of this Emergency Board followed immediately upon this proclamation.

APPLICATION OF STABILIZATION POLICY TO THE INSTANT SITUATION

Although the carrier urges that in view of the increases which have been in effect since May 31, 1941, there would result a departure from the 15 percent advance recognized in the Little Steel Formula it must be noted in fairness that its position on the issue is grounded on what it regards as more fundamental considerations. This attitude and its basis will be taken up later in this report. However, under an amendment approved June 30, 1944, section 4 of the Emergency Price Control Act of 1942, a board such as this is charged with a serious responsibility to weigh the effect of the acceptance of its findings and the adoption of its recommendations by the parties on the national program for controlling inflationary tendencies. The fact that its certification thereto is to be conclusive makes its duties and responsibilities in this respect paramount. Would any finding by this Board that wage levels in the service of these employees should be raised be in violation of the spirit of the legislation and directives which are in force for the purpose of preventing inflation? The principle of established wage differentials which have had such recognition in particular industries as to become customary or have been normalized through wage agreements is soundly invoked in suppressing inflationary tendencies, particularly where the increase would result in another elevation in the spiral of prices generally. However, here the highest wage paid is so far below the standard recognized in the Southeastern States that we have in that fact alone a gross inequality. Furthermore, the differentials that have long existed in this railroad system have not been the result of determinations based on the factors that are normally present in healthy railroad operation. The Georgia & Florida Railroad and its predecessor never enjoyed revenues that would permit the prevalent standards in wages to be seriously discussed. Therefore, with respect to this railroad property it is evident that wage disparities, although almost always existent, were never in the proper sense normal; a study of the wages paid since 1921 and a study of the railroad's resources during the corresponding periods indicate that wage rates were always compulsory under the carrier's financial and economic condition. This board must conclude that any action on its part that will tend to correct the inequalities which exist should not be withheld because of the provisions of the Stabilization Program.

The carrier in urging the application of the principle of continuing the differentials below standard rates of pay in furtherance of the policy of stabilization maintained that the improvement in substandard wages on short lines has been justified by boards handling wage disputes in recent years only when a previously existing differential had suffered impairment from the wage earner's standpoint, or when

the carrier was an appendage of a system which had sufficient operating revenue to extend standard rates to its short-line affiliates. If there were less of a hiatus between existing standard rates in the instant situation and if this board had under consideration the propriety of passing upon a narrow range of increases, a study of the decisions of boards of arbitration and of emergency boards in various recent railroad labor rate contraversies would be helpful; but it is questionable whether any of them can be controlling in this highly individual situation.

The reasoning as to the extent of the increase is based upon considerations that are dealt with in a subsequent part of this report, but this board in this connection concludes that the hourly increase that it believes applicable does no violence to the national policy to prevent inflation.

FINANCIAL HISTORY OF CARRIER

The carrier was first organized as the Georgia & Florida Railway in 1907. In financing the original railway \$6,650,000 of first and general mortgage bonds was issued. In 1915 this railway was placed in receivership in the Superior Court of Richmond County, Ga. The Georgia & Florida Railroad was incorporated in Georgia on October 4, 1926, and in South Carolina on November 26, 1926. On January 5, 1927, the property and franchises of the former Georgia & Florida Railway were acquired by the new corporation. In the reorganization that occurred at this time the holders of the first and general mortgage bonds surrendered their securities and put up an additional \$1,150,000, receiving in return for those securities and this payment income non-mortgage bonds and common and preferred stock. At the time the new corporation was launched, construction of the 59-mile extension from Augusta, Ga., to Greenwood, S. C., was projected and financed by an issue of \$5,154,000 first mortgage bonds which apparently represented actual cash outlay. Further in connection with the construction of the Greenwood extension it was found necessary to obtain additional cash in the amount of \$950,000 over and above that provided through the issuance and sale of the first mortgage bonds. Owing to the destruction to the line resulting from disastrous floods in the fall of 1929, the railroad was forced into a receivership under the Federal District Court for the Southern District of Georgia; W. W. Griffin and H. W. Purvis were appointed receivers. It became necessary immediately to borrow \$600,000 principal on receivers' certificates bearing interest at the rate of 7 percent. This rate was subsequently reduced and since December 1, 1937, has been 4 percent. Early in the receivership it was found necessary to obtain additional funds by borrowing \$354,721 from the Reconstruction Finance Corporation. This latter loan bore interest at the rate of 6 percent. This interest rate has subsequently been reduced, and since November 1, 1933, has

been held to 4 percent. Interest has been paid on the first mortgage bonds only for 2½ years covering the period from November 1, 1926, to April 30, 1929. It seems probable that the investors in these bonds have completely discounted their investment and regard it as totally worthless at this time. No interest has ever been collected by the holders of the nonmortgage bonds, and, in view of their position in the financial set-up, the holders of these bonds are doubtless even more skeptical regarding their present value. No interest has been paid since May 1, 1929, on the \$950,000 obtained to complete the construction of the Greenwood extension. Apparently the only constructive steps the receivers have been able to take in connection with the financing which had its inception in the days of reorganization involved the discharge of the \$750,000 balance of equipment trust certificates remaining in connection with the original purchase of 500 box cars and 30 gondola cars. They have succeeded in clearing this obligation by surrendering a considerable part of the equipment supplied at the outset and compromising for the unpaid balance. This obligation was eliminated in 1943.

FINANCIAL CONDITION OF CARRIER

The representatives of the operating employees have not attempted to demolish the range of \$125,000 to \$130,000 as the estimate for additional revenue needed if the demands of the engine, train, and yard employees are to be granted. Even if this approximation were corrected downward that resultant would be overwhelmingly convincing, in the light of revenues and earnings in the past, that a perfect adjustment to 100 percent of standard wages existing in the Southeastern States of the United States is beyond the possibilities of accomplishment at this juncture.

Income of this carrier available for fixed charges in recent years is as follows: 1941—\$202,514; 1942—\$138,804; 1943—\$212,079; 1944—\$122,893. Apparently no corresponding figure for the first 4 months of 1945 was brought to the attention of this board, but other data that have been considered clearly indicate that the trend of operating revenues is now downward. But, even if it is assumed that the 1943 figures can again be approached, other considerations regarding this carrier's financial condition preclude any expenditure toward wage increases commensurate with the demands made by the operating employees.

In arriving at a conclusion that the carrier could not meet the full demand of the operating employees for standard pay, this board has definitely discarded any consideration of the corporate indebtedness as distinct from the fixed obligations of the receivers. The witnesses for the management have introduced the figure of \$57,154 as the net

income for 1944 after servicing receivers' obligations, whereas the net deficit for that year after all fixed charges are reflected is \$658,542.

The carrier owes delinquent taxes in an amount approximating \$532,000. It is understandable that the taxing and municipal authorities may have been induced to withhold action upon their rights to enforce tax liens because the final result of such action as they view it might be the scrapping of a valuable means of transportation, but how long can a carrier rely on the continuance of this policy? Moreover, the holders of receivers' certificates and of certain other liens created under the present receivership might at any juncture regard the continuance of these tax liens as too threatening to their securities and might accordingly seek recourse in such judicial measures as might lead to the sale of the railroad property for dismantlement.

This board is further constrained by the serious situation that seems to be developing, in fact which seems to have developed, in the policy of the management toward its obligations of maintenance of the right of way and other operating property. The management is in arrears about 90,000 or 100,000 track-tie renewals and approximately 25 percent behind in the maintenance of its bridges, trestles, and buildings. There was also testimony by the receiver that rail renewals on parts of the line should be made in the immediate future. The duties of management to overtake this deferred maintenance seems to this board to be paramount to any requirement to elevate wage levels.

CONCLUSION

It would serve no useful purpose at this stage of the controversy to report in any detail upon the relative consideration given to the various segments of the testimony introduced by both parties and to the many tabulations offered by the carrier. All of the oral data that seem to be germane have been studied and statistics and information embodied in various exhibits that appear to have a direct bearing on the issues have been analyzed as fully as the time at the disposal of this board under the Railway Labor Act has permitted. It is the conclusion of this board that an increase of four (4) cents per hour could be afforded the operating employees of this carrier without jeopardizing the primary obligations of the receivers and without conflicting with the standards legally established for the purpose of controlling inflationary tendencies.

RECOMMENDATION

This Board accordingly recommends that the carrier increase the basic rates paid to its operating employees by four (4) cents an hour, said increase to be effective as of April 30, 1945 (such increase to be reflected in all arbitrary and punitive and miscellaneous rates, special

allowances and guarantees) and that the operating employees who are a party to this proceeding accept this advance as a fair and reasonable settlement of their demands.

CERTIFICATION

In conformity with the provisions of the Stabilization Act of October 2, 1942, as amended by section 202 of the act approved June 30, 1944, this Board finds and certifies that the changes in rates of compensation proposed and recommended in this proceeding are consistent with the stabilization standards now in effect, established by or pursuant to law, for the purpose of controlling inflationary tendencies.

Respectfully submitted.

JAMES P. HUGHES, *Chairman.*

RUSSELL WOLFE, *Member.*

EUGENE L. PADBERG, *Member.*