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94-69 PROPOSED ACQUISITION BY SOUTHERN RAILWAY OF  
THE PENN CENTRAL LINES ON THE DELMARVA  
PENINSULA  
DOCUMENTS

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THE LIBRARY HEARING  
KANSAS STATE UNIVERSITY BEFORE THE  
SURFACE TRANSPORTATION SUBCOMMITTEE  
OF THE  
COMMITTEE ON COMMERCE  
UNITED STATES SENATE  
NINETY-FOURTH CONGRESS  
SECOND SESSION  
ON  
PROPOSED ACQUISITION BY SOUTHERN RAILWAY OF THE  
PENN CENTRAL LINES ON THE DELMARVA PENINSULA

MARCH 1, 1976

Serial No. 94-69

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# PROPOSED ACQUISITION BY SOUTHERN RAILWAY OF THE PENN CENTRAL LINES ON THE DELMARVA PENINSULA

MONDAY, MARCH 1, 1976

U.S. SENATE,  
COMMITTEE ON COMMERCE,  
SUBCOMMITTEE ON SURFACE TRANSPORTATION,  
*Washington, D.C.*

The subcommittee met at 10 a.m. in room 6226 of the Dirksen Senate Office Building; Hon. Glenn Beall presiding.

## OPENING STATEMENT BY SENATOR BEALL

Senator BEALL. Ladies and gentlemen, the hearing will come to order.

Today, the Commerce Subcommittee on Surface Transportation is holding hearings on the proposed acquisition by Southern Railroad of the lines of the Penn Central on the Delmarva Peninsula.

Since the expiration of the February 11 deadline for an agreement by Southern Railway and railroad labor, we have been in daily contact with Secretaries Coleman and Usery, urging them to call around-the-clock negotiations to end this impasse.

Through their good efforts, the parties resumed negotiations on February 13. Reports which I received indicated these negotiations, if anything, deteriorated. On February 19, I urged congressional hearings so that the "public spotlight could be focused on the involved parties, the issues, and the overriding public interest." Commerce Committee Chairman Magnuson and Senator Hartke, chairman of the Surface Transportation Subcommittee, kindly consented to this request.

On Wednesday and Thursday of last week, Secretaries Coleman and Usery again succeeded in bringing the parties to the bargaining table. Although these negotiations extended long into each night, the negotiations collapsed and frustration returned to the citizens of the three-State Delmarva area. I was hopeful that these negotiations would have produced a settlement, making today's hearing unnecessary. Unfortunately, that desired development failed to materialize, and one of the purposes of this hearing is to find out, in the name of the public, why is an acquisition so clearly in the public interest endangered?

To understand the depth of feelings and anger by Delmarva citizens over the failure of the talks, one must understand the efforts and events leading up to the present crisis.

Staff members assigned to this hearing: Thomas G. Allison and Paul A. Cunningham.

First, the initial DOT plan would have eliminated much of the trackage on the Delmarva Peninsula, including the main north-south artery.

Later, when the United States Railroad Association, USRA, issued its preliminary plan and hearings were held on that plan on Maryland's Eastern Shore in March of 1975, witnesses again numbered over 100.

When Southern expressed an interest in acquiring the Delmarva lines, there was nearly unanimous support for the Southern proposal.

The reorganization of the railroad system following the bankruptcy of the Penn Central represented the most massive transportation reorganization in the history of this Nation. Many parties worked with Congress on the landmark legislation. We worked too long and too hard on this reorganization and the necessary legislation to have our efforts now fall apart.

In the railroad reorganization legislation, the Regional Rail Reorganization Act of 1973, and the recently enacted Railroad Revitalization and Regulatory Reform Act of 1976, we provided generous worker protection to railroad labor. We were also generous in the protection that we provided Southern Railroad against deficiency judgments. In short, everything was done which the parties indicated was needed to effectuate a smooth transition.

During the writing and shaping of the two landmark acts, there was no indication that the parties could not, or would not, work out an agreement. When some of the potential problems were raised, we were told not to worry, that a new era in labor-management relations in the railroad industry was with us. What happened to that new cooperative spirit and enlightened era?

With the recent turn of events, an acquisition so clearly in the public interest and so essential to the future development and employment on the Delmarva Peninsula is now in jeopardy. As one who managed the 1973 act for the minority and as one who was deeply involved in the recently enacted 1976 legislation, I, for one, feel betrayed.

And make no mistake about it, the public interest in this instance is clear and overriding in favor of the Southern acquisition. If an agreement between Southern and the involved unions is not forthcoming, a way will be found by the three States to continue the important rail service on the peninsula. But for the foreseeable future, the best that the citizens of the Delmarva Peninsula can expect would be a continuation of the same bankrupt service over the same sorry track.

It is true that some limited rehabilitation, by necessity, would be undertaken, but there is no way that the major investment of \$25 to \$30 million which Southern has promised to make will be expended. There is no chance that the first-class track and service that Southern will deliver will be duplicated.

Furthermore, the State of Maryland, if the acquisition is not completed, will have doubled the number of rail miles to subsidize under the local rail services continuation provisions. I am advised that this may mean that Maryland will be able to subsidize its light density lines for only 2 years rather than the 5 years provided in the law.

Ladies and gentlemen, make no mistake about it, this controversy is no more private disagreement. The interest of the public is paramount in this dispute. After all, it was the public interest that made Congress act to rescue the rail system of the Northeast. It was the public interest that prompted Congress to authorize billions of dollars in taxpayers' funds for the northeast railroad rescue operations. Absent the overriding public interest, we would have allowed Penn Central to proceed under normal bankruptcy procedures and not worried who picked up the pieces. It is the same public interest that must produce an agreement in this instance.

Given this overwhelming public interest effort and investment, it is imperative that the parties to this dispute rise above their own self-interest to the public interest.

No one can say that the railroad industry does not gain from the landmark 1973 and 1976 acts. No one can deny that railroad labor was not given worker protection more generous than most, if not all, other labor in the Nation.

If this chapter in the reorganization process is left unfinished, with everyone gaining except the public, then I predict it will be a sad day for all, and a day all will regret.

I am hopeful that, as a result of these hearings, some way, somehow this impasse will be broken and that impediments to the Southern acquisition of the Delmarva lines will be eliminated.

Senator BUCKLEY, do you have any opening statement you would like to make?

Senator BUCKLEY. I do not have an opening statement, Mr. Chairman, but I want to say I am going to listen to these hearings with a tremendous interest, because we have a similar situation elsewhere in the Northeast. I speak of the Chessie negotiations for the acquisition of trackage which would insure competitive service in important areas of my own State.

I might suggest that perhaps hearings should also be called on that particular problem, after these are completed.

Senator BEALL. Senator Roth of Delaware.

#### STATEMENT OF HON. WILLIAM V. ROTH, U.S. SENATOR FROM DELAWARE

Senator ROTH. Mr. Chairman, I want to thank you for holding these hearings. I do have a statement, but rather than read it in its entirety, I would ask that it be included, and make just a few comments at the moment.

Senator BEALL. Without objection, your statement will be included.

Senator ROTH. I am happy to join today the distinguished chairman, Senator Beall, who is responsible for holding these hearings. I also would like to associate myself in his remarks as to the importance of the Southern offer to the economic vitality of the Delmarva peninsula.

One of the things I want to stress is that what we need in this part of the peninsula is improved service, not reduced or barely adequate service to accommodate present needs. I think that the importance of good, dependable rail service was very much highlighted

3 years ago when the railroad bridge that crossed the Chesapeake and Delaware Canal was damaged. As a result of that one link being damaged, thousands of jobs on the peninsula were threatened; raw material, equipment, grain, and supplies could not be delivered. The entire economy of the region was seriously threatened by the loss of essential rail service.

I think that one incident underscores the very importance of moving forward with the job.

Frankly, I was greatly encouraged when I learned of Southern's offer to purchase and operate the lines on the peninsula.

As I said in the letter authorizing these hearings, and I would like to repeat that, it seems to me the work done by the Congress during the past 3 years to restructure and rehabilitate the Northeast railroads should not be forgotten. Congress was generous when it provided an unprecedented assistance to both labor and the carriers.

Throughout this period, Congress worked in good faith to insure a successful acquisition to this line. Senator Beall has pointed out there was no indication from either party that an agreement would not be reached. Despite that background today, the negotiations between the parties are at a standstill. This important acquisition which is in the public interest, is thus endangered.

I am hopeful that these hearings will bring the parties back together and they will move forward in good faith on negotiations. It is important we get the parties back on track, and I want to say, if there is anyone, I think, who can do a good job in bringing the parties together, it is our distinguished Secretary of Labor, Mr. Usery.

Mr. Chairman, I again want to reiterate the importance of this rail reorganization to the Delmarva Peninsula and emphasize to the parties, both parties, that it is important there be a little give and take here, because the acquisition is in the public interest.

Thank you.

Senator BEALL. Thank you, Senator Roth.

[The statement follows:]

STATEMENT OF HON. WILLIAM V. ROTH, JR., U.S. SENATOR FROM DELAWARE

Mr. Chairman, I would like to make a few brief remarks before the witnesses are called this morning. First, I would like to commend the Commerce Committee and particularly its distinguished member, Senator Beall, for the work that has been done to reorganize and rehabilitate the deteriorated railroad system in the northeast. I appreciate this opportunity to participate in this hearing of major importance to my constituents.

For many years, the people on the Delmarva Peninsula have noticed a deterioration of rail service. They've watched the ties rot, trains derail, trains be limited to speeds of 8 miles an hour, and the number of trains reduced to a few a day. While the railroad contended that the reduced service was due to a decline in traffic, those of us on the Peninsula recognized that the quality of service offered by the railroad was declining so dramatically that the only economic thing to do was to switch transportation modes. The axiom appears to be: The poorer the service, the fewer the customers. Even under ConRail, without massive rehabilitation of the lines, there is little chance of increased traffic.

But the question of fewer customers has nothing to do with need. There are industries on the Peninsula that presently require rail service and others that could be attracted to a modern, competitive railroad. There is a tremendous need for rail service.

What concerns me now and has concerned me throughout the reorganization process, is that the Delmarva Peninsula needs improved service—not reduced

or barely adequate service to accommodate present needs. The importance good, dependable rail service was highlighted three years ago when the railroad bridge that crosses the Chesapeake and Delaware Canal was put out of order. The destruction of the primary rail link to the Penn Central mainline as a result of that one link being damaged, thousands of jobs on the Peninsula were threatened, and raw materials, equipment, grain, and supplies could not be delivered. The entire economy of the region was threatened by the loss of service.

According to the Final System Plan, ConRail will operate the mainline through Delaware and several branch lines. ConRail will not operate the line below Snow Hill, numerous branch lines, and the car float operation.

I recognize that subsidies are available to operate many of these lines. But, let's be honest with ourselves. What is going to happen after 1978 when the subsidy program ends? What potential does the Peninsula have of attracting new industries and new jobs when there is inadequate rail service at best? Does the loss of rail service foretell of future job reductions in industries? Will industries find that they can no longer compete economically without rail service?

The potential short term and long term effect on the economy of the Peninsula appears bleak without improved rail service. I cannot emphasize too strongly that the future economic growth and prosperity of the Delmarva Peninsula depends on an excellent rail transportation system.

Finally, let me say for the record that I was encouraged when Southern offered to purchase and operate the lines on the peninsula. I have confidence in private enterprise and endorsed the rehabilitation of the lines by Southern. At this point, let me say I should like to reiterate what I said in my letter requesting these hearings.

FEBRUARY 20, 1976.

HON. VANCE HARTKE,  
*Chairman, Subcommittee on Surface Transportation,  
Senate Commerce Committee,  
Washington, D.C.*

DEAR MR. CHAIRMAN: The inability of Southern Railway and several railroad unions to reach an agreement prior to the February 11 deadline is a matter of considerable concern to me and to thousands of people in Delaware, Maryland and Virginia who depend on the continued operation of a railroad on the Delmarva Peninsula.

The line that passes through the State of Delaware to Cape Charles, Virginia is an important north-south corridor artery for oversize freight. The many branch lines on the Delmarva Peninsula serve a variety of industrial and agricultural needs. Nevertheless ConRail decided that abandonment of a major portion of the main line, and numerous branch lines, was necessary. Southern Railway then offered to purchase the entire Penn Central system on the peninsula. In addition, the railroad promised to upgrade the lines to a Class I railroad, to continue operations on several branch lines, and to invest \$30 million in rehabilitation.

It seems to me that the work done by the Congress during the past three years to restructure and rehabilitate the bankrupt northeast railroads should not be forgotten. Congress was generous when it provided an unprecedented labor relations agreement, and at the same time, relieved the various profitable carriers from the burden of a deficiency judgment. Throughout this period, Congress worked in good faith to eliminate any obstacle to a successful acquisition to this line. During this entire time, there was no indication from either party that an agreement would not be reached. Today, the negotiations between the parties are at a standstill, and this important acquisition—so clearly in the public interest—is endangered.

Because I believe it would be helpful for the Commerce Committee to ascertain the issues that are preventing the parties from reaching a settlement, I request that a special hearing be convened immediately by your committee.

With best regards,  
Sincerely,

WILLIAM V. ROTH, JR.,  
*U.S. Senator.*

Senator BEALL. Our next witness is Congressman Robert Bauman from Maryland's First Congressional District.

Congressman Bauman, it is a pleasure to have you before the committee today.

**STATEMENT OF HON. ROBERT E. BAUMAN, U.S. REPRESENTATIVE  
FROM THE FIRST DISTRICT OF MARYLAND**

Mr. BAUMAN. Mr. Chairman, thank you very much.

I want to particularly compliment you, Senator Roth, and the other members of the subcommittee for having the foresight to call these hearings so that all of these issues can be laid out on the table for full discussion in the public view. Up until this point discussions have been behind closed doors and, quite frankly, I think those negotiations have reached a stage where the public, which will be affected, has a right to know what is going on.

I also want to compliment all of those who are here today including Governors of the various States. I haven't seen this much interest displayed in the Delmarva Peninsula collectively, except perhaps on summer weekends whenever the residents of Washington head for Rehobeth and Ocean City. I think it is a very strong recognition of the dire economic plight which faces the people of the Delmarva Peninsula unless the Southern Railway negotiations are fruitful.

I say that because there is no comparison between what will happen to Delmarva if these negotiations fail and what will happen if ConRail takes over in April as the law provides. It is the difference between a solvent carrier spending between \$25 and \$30 million to upgrade these rails and the nearly \$6 million that ConRail has slated for the entire State of Maryland. It is the difference between our becoming a spur rail out of Wilmington, a backwater line that may eventually collapse; and the difference between a maintenance of a major north-south rail route on the east coast which is vitally important not only to our economy but to the Nation's, as well, as was proven during the Second World War.

I do not understand why a few hundred union members in their recalcitrance can jeopardize three-quarters of a million people and their economic welfare. It is beyond me, and I think the blame must rest on the Congress of the United States which wrote the law originally.

We gave the unions a final veto in this instance, but what we have also apparently given the unions is a veto over the welfare of many, many hundreds of thousands of people in my area. I would like to tell your committee this morning that if these negotiations finally do collapse, it will be my intention to sponsor legislation to change the ConRail Act to remove this powerful weapon the unions are using in this instance so that they can no longer impose this stranglehold over many, many people beyond the membership of their unions.

I think the offer that Southern has made is eminently fair and reasonable, and should be accepted. The union leadership should be frank to their members. They should understand that while their jobs and pensions may be guaranteed under this Federal law, the eventual outcome may well be destruction of rail services in this

important area. And in my opinion, this collapse will contribute to the great difficulties ConRail will have because of the added imposed cost.

I don't want to take more time this morning—you have expert witnesses before you who will detail the great damage that can be done if these negotiations ultimately fail. I thank the committee for permitting me to appear. I will submit my statement for the record.

Senator BEALL. Thank you, Congressman Bauman. We are delighted to have your testimony, and we appreciate your taking the time to come here this morning.

We have received statements from Senators Harry F. Byrd, Jr., and Joseph Biden, Jr., also from Representatives Pierre S. DuPont, IV and Thomas N. Downing, which will be placed in the record.

[The statements referred to follow:]

STATEMENT OF HON. HARRY F. BYRD, JR., U.S. SENATOR FROM VIRGINIA

The Delmarva Peninsula has historically been served by the now-bankrupt Penn Central rail line. Under the Final System Plan of the United States Railway Association, the Delmarva line was not recommended for inclusion in the new northeastern rail network.

Preservation of vital rail service for this region then became dependent upon the working out of an agreement for acquisition of the former Penn Central facilities, including the important Little Creek-Cape Charles ferry link, by the Southern Railway.

This acquisition, in turn, was dependent upon the working out of satisfactory labor agreements between the Southern Railway and the labor organizations representing the affected employees. While some such agreements have been reached, others have not, and it is my understanding that as of this time, negotiations have been broken off.

I wish to urge in the very strongest terms that negotiations be resumed and brought to an equitable conclusion. I feel confident that the Congress will be receptive to any reasonable time extensions required for arriving at a labor agreement.

The Virginia section of the Delmarva Peninsula is a heavily agricultural area. Eighty percent of the fertilizer required for farm operations on the Eastern Shore of Virginia, as this region is known, comes by rail, as does most of the poultry feed.

Canneries on the Eastern Shore also require rail service, as do such industries as concrete and fish meal.

The Delmarva rail line is a vital element in the economy of the Eastern Shore of Virginia and the Maryland and Delaware portions of the Peninsula. Loss of this service would certainly result in escalation of costs to agriculture and industry, with the closing of some facilities and resultant unemployment.

Three years ago a bridge accident interrupted rail service to the Eastern Shore, and the economic consequences were most severe. A permanent loss of service would be little short of catastrophic.

Under these circumstances, I urge that the parties bend every effort to reach agreement, and that the Congress afford any reasonable extension of time that may be necessary to accommodate this process.

STATEMENT OF HON. JOSEPH R. BIDEN, JR., U.S. SENATOR FROM DELAWARE

I would like to take the opportunity to commend Senator Beall for taking the initiative in getting these important hearings held. I also extend my appreciation and that, I'm certain, of all of the people living in the Delaware portion of the Delmarva Peninsula to Transportation Secretary Coleman and Labor Secretary Usery for their tireless and determined efforts in trying to achieve a timely labor settlement.

The failure by Southern Railway to take over the Delmarva Branch of the Penn Central will impose significant economic hardship on Delaware, particularly the agricultural and industrial areas of Kent and Sussex Counties.

The alternative to absorption by Southern Railway takeover is to allow the transfer of the main line to ConRail and to use the Federal subsidies, provided by the United States Rail Reorganization Act (USRRA), to operate, improve and maintain the light-feeder lines, which are running at a deficit.

Since Delaware does have a relatively small number of miles of this type of branch line compared to the amount of federal subsidy available to the state, we do not find ourselves in the unfortunate situation of our neighbors in Maryland.

Delaware's problem goes to the condition of the *main line* and a likely time table for its improvement. It is my understanding that the Delmarva main line is well down the list of ConRail's priority for improvement. Given the enormous task facing ConRail, it is likely to be many years before this line is improved. The entire track is presently in terrible condition and is rapidly deteriorating. It is of little value to make the branch line improvements without improvements to the main line.

We on the Delmarva Peninsula have been suffering with miserable rail service for many years. Many residents of that area considered the bankruptcy of the Penn Central as something positive since it was thought that a government takeover could only result in an improvement.

You can imagine their disappointment when they saw what U.S. Rail Reorganization Act offered last year in the preliminary system plan.

We were rescued by the fact that Southern and others looked favorably to purchasing the line. Southern made a most attractive proposal. A major aspect of this proposal was an aggressive capital improvements program that would result in not simply a level of rail service to maintain the economic health of the Peninsula. It would go beyond this. It would offer opportunities for much needed economic growth. If the negotiating impasse persists much longer, we apparently are to be denied again.

I am truly at a loss to understand why these negotiations have failed to reach a successful conclusion. With the generous labor protection provisions granted to the railroad unions in the Rail Reorganization Act and the accommodation of Southern's request for a limit on liquidated damages, the Congress certainly was given both sides what they stated was necessary to effectuate the conveyance of this line.

Since the national interest dictates that the conveyance date for the entire ConRail System not be extended beyond the April 1, 1976 date provided by law, the period remaining for achieving a settlement only a month away. I, therefore, strongly urge both sides to continue negotiating with a sincere commitment to reaching a settlement.

As I said earlier, it is my opinion that the economic impact, both immediate and future, of an alternative to Southern's purchase, would be disastrous to the Delmarva Peninsula. I respectfully request that this committee hold further hearings either to consider extending the conveyance date for the Delmarva portion *only*, or investigating the necessary action required to have ConRail provide the same level of service offered by Southern.

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STATEMENT OF HON. PIERRE S. DUPONT, IV, U.S. REPRESENTATIVE FROM DELAWARE

Mr. Chairman: Thank you for giving me this opportunity to testify on the proposed purchase of the Delmarva Peninsula Railroad System by Southern Railways. As you know, I represent the entire State of Delaware. I mention this because I want to make clear that my concerns extend to the State at large and not one particular area. I want to express my support for the Southern proposal because in my discussions with individuals throughout the State regarding railroad services, one concern has consistently surfaced—people in Delaware feel that having a private corporation operating at a profit is better than having the government provide the same service. In this regard I believe that the opportunity we now have at hand for Southern Railway to purchase and operate the Delaware line must be encouraged. Southern has an excellent reputation as being a top-notch corporation. It has a long record of having demonstrated that it can provide excellent rail service at reasonable prices. Southern has indicated that it is ready, willing and able to make the huge expenditures which are necessary to improve and upgrade the Delmarva facilities. This transaction would help promote a viable, healthy railroad system in this country by promoting transportation competition, by meeting the needs of the region served and by preserving existing patterns of service as much as

possible. But above all this purchase by Southern would keep the railroad within the private enterprise system where it belongs. It has always been my belief that a private enterprise is far superior in delivering services to the public than any public or quasi-public enterprise.

The alternative to this proposal is to have Delmarva subsidized by the government and to have ConRail provide the service. This would further decrease limited federal resources, and the cost would initially have to be paid by the taxpayer. I fear that the Delmarva Peninsula would occupy a very low status in competing for the limited funds available to ConRail for improvements. By contrast, Southern has expressed the desire to retain service on several vital branches which the Preliminary System Plan has labeled as ripe for abandonment, particularly the Norfolk Car Float and the Georgetown-Lewes branch spur.

The Federal Government has already put several billion dollars in loans and grants into ConRail to get it established as a profit-making, private rail company. But federal investment in ConRail has just begun, and there is question as to just when the government will start getting a return on its securities. The cost to run Delmarva should not have to be subsidized by the taxpayer if a private, solvent railroad can acquire it and provide the service without involving federal funds.

In view of the importance of the Delmarva Peninsula Railroad System to Delaware's economy, it is my hope that the apparently substantial differences between Southern Railway and the several railroad Unions can somehow be reconciled. I believe that the purchase by Southern would result in a higher return in service to the public the railroads serve. I would urge this Committee to use its offices to get the parties together again, and to make it clear that legislation will be ready when the parties have reached agreement. I assure you that I will support such legislation.

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STATEMENT OF HON. THOMAS N. DOWNING, U.S. REPRESENTATIVE FROM VIRGINIA

Mr. Chairman, members of the Committee, allow me to express my gratitude for the opportunity to make this statement and my regret that I am unable to present it personally. A previous commitment to make an inspection tour of areas of the Chesapeake Bay in my district that have been severely damaged by a catastrophic oil spill precludes my presence today.

I shall be brief and to the point. The need for a viable, functioning railroad on the Delmarva Peninsula, connecting Wilmington, Delaware, with Norfolk, Virginia, is obvious and pressing. The economic life of the entire area is dependent upon it. I am in complete support of the acquisition by Southern Railway of the Penn Central line on the peninsula. It is, in my opinion, a sure way to maintain, and in the future to improve, the peninsula's economy. When the Penn Central finally abandons the line, there is certain to be a severe and immediate adverse impact on the largest sector of the area's economy—the agricultural community—unless a fully operational rail line is standing by ready to assume the abandoned trackage. Southern's offer to step in and take over is one that has met with the general approval of rail users on the peninsula and with the sanction of the Congress itself with the passage last month of the Railroad Revitalization and Regulatory Reform Act.

There is no need to go into the particulars of the difficulties surrounding negotiations by Southern with certain unions that prevented the scheduled purchase February 11, 1976, of the Penn Central line by Southern. It is my hope that it is not too late for the necessary agreements to be reached and that Southern may still acquire the trackage. I would urge that consideration be given to amending the legislation setting the February 11 deadline and extending it. I would also recommend that equal consideration be given to certain legislative proposals made by the Delmarva Advisory Council's Railroad Committee that I believe may play a significant part in bringing the negotiations between Southern and the railroad unions to a speedy and mutually satisfactory conclusion.

It would be impossible to overemphasize the need for efficient rail transportation on the peninsula. The poultry and farming industries would be hard put to continue operating if their products could not be shipped by rail. I do not need to tell you of the hundreds, perhaps thousands, of jobs that would be affected if poultry producers and farmers were forced out of business. With a national unemployment rate of about eight percent, every effort should be made by labor, management and government to prevent further job losses.

I feel it is incumbent upon the Congress to take whatever further action may be necessary to expedite the purchase of Penn Central's Delmarva line by Southern.

Thank you for your consideration, Mr. Chairman.

Senator BEALL. Next, we have two members of the President's Cabinet in the room. And I would ask that if it's not contrary to the procedures and protocol, they would come to the witness table together. I think we could have a fruitful discussion. That would be Secretary of Transportation, Mr. William Coleman and the Secretary of Labor, Mr. William Usery.

Let me first thank both of you for taking the time and changing your plans to be here this morning. We think this is an important matter, and obviously you think it is a very important matter, also, or you wouldn't be here.

**STATEMENTS OF HON. WILLIAM USERY, SECRETARY OF LABOR;  
HON. WILLIAM COLEMAN, SECRETARY OF TRANSPORTATION;  
ACCOMPANIED BY ASAPH H. HALL, FEDERAL RAILROAD AD-  
MINISTRATOR; AND MICHAEL L. BROWNE, SPECIAL ASSISTANT  
TO THE SECRETARY OF TRANSPORTATION**

Secretary COLEMAN. Mr. Chairman, members of the committee, I would first like to thank you for the opportunity to appear before you today. I have often appeared before this committee, and I have come to have great admiration for its ability to obtain results for the American people.

I do remember 3 days ago at 1:30 a.m. in the morning, when we were leaving the office, a reporter, I think, from the Wilmington Times stopped me and said, "Why is this matter so important that two Cabinet officers would be there?"

I indicated it was so important that this situation be resolved that—speaking for myself and, I think, for Secretary Usery—we would be willing to devote all of our time to get it resolved.

I appear today to discuss the serious situation confronting all of us in our attempts to revitalize rail service in the northeastern part of the United States, and specifically, for the people of Maryland, Delaware, and the Commonwealth of Virginia.

The situation is serious because we now face the likelihood that rail service on the Delmarva Peninsula is going to wither away or, at least, be further downgraded. But even more important is the fact that there was an opportunity for an upgrading and enhancement of such service which will now be lost. The situation is not only serious, but also tragic, for it could and should have been avoided.

I assure you that anyone who knows the issues would say it's a great public tragedy that the parties have not been able to get together, and frankly I am very angry at myself for being unable to bring this about.

I am angry at the unions; I am angry at the company; and if I can be and not be held in contempt, I am partly angry with the Congress—

Senator BEALL. I am, too.

Secretary Coleman [continuing]. For pressing us without resolving this issue first.

As you know, the condition of most of the rail facilities on the Delmarva Peninsula is extremely poor. In most places there has been virtually no maintenance for some 15 years. The result is a system that is only barely functional. I am told that in many places traffic moves at only 6 to 10 miles per hour. Operations have been so unprofitable that the Penn Central has continually sought to reduce or eliminate service. Thus, for the communities, industries, and shippers of the Peninsula, there could have been no better news than that contained in the United States Railway Association's final system plan—that the Southern Railway Co. proposed to purchase the rail properties of the Penn Central there. For the final system plan designated the rail properties between Wilmington, Del., and Cape Charles, Va., including a number of associated marine and terminal facilities, to be transferred to the Southern. And not only was rail service going to continue, but it was going to be operated and radically upgraded by one of the industry's most successful carriers. For the affected communities, this meant not only preservation of existing industries, but also the likelihood of the development of new industrial establishments and better access to national markets—because the Delmarva would be connected into the Southern's national rail system.

For the Southern Railway, these properties represented a unique opportunity to offer rapid service to the Wilmington market by avoiding the Richmond-Washington-Baltimore bottleneck, and it provided the Southern with access through Wilmington, Del., to important interchanges with the upper Atlantic and New England regions.

The price to the Southern for these properties, \$6 million, was, I believe, certainly reasonable, based as it was on the new liquidation value of the properties; moreover, the Southern was to be provided with deficiency judgment protection by the United States. As you know, Mr. Chairman, at one time I opposed that deficiency judgment provision, and you had me up here on several occasions. You convinced me I was wrong and that you were right, so therefore the administration supported it. That is the way it got into the Railroad Revitalization and Regulatory Reform Act of 1976, because you pointed out the wisdom of its inclusion therein. Although we don't do it as much as you would like, we followed the wisdom of the Congress in this case. In announcing its intention to purchase this property, the Southern also declared its commitment to invest approximately \$30 million of its own money to rehabilitate and improve the presently worn-out facilities.

The law provides, however, that before this purchase could be consummated, the Southern had to negotiate successfully labor agreements with the employees who presently operate the Penn Central properties on the peninsula. These employees, to the extent needed by the Southern, would have the first rights to jobs with the Southern to operate the transferred properties. Mr. Chairman, I am extremely disappointed to say that the Southern Railway and the labor unions have been unable to reach such agreements. And it now appears that the Southern acquisition will never take place.

The impact of this on the people of the Delmarva Peninsula will be significant. ConRail will now be designated to operate the rail properties. ConRail, however, will operate as part of its mainline system, only approximately 185 of the 460 miles of the total present system on the Delmarva. The remaining miles, unless they can be subsidized by the State, with a diminishing Federal participation, and then only temporarily, will be abandoned. The Southern, on the other hand, would have operated almost the entire 460 miles. Moreover, the properties acquired by ConRail will not be rehabilitated and improved, as they would have been by the Southern. It simply makes no sense for ConRail to operate all of, or rehabilitate those properties which are only tangentially connected to its main rail network. As part of the Southern system, however, the properties would have provided that railroad with a link to new markets and would have justified operation and rehabilitation. The future of industry, including the 350 shipping and receiving points, on the Delmarva Peninsula is therefore now seriously threatened.

Mr. Chairman, to try to put this in perspective, before I discuss what efforts have been made in the past few days to try to put the Southern acquisition of the Delmarva back together, I want to point out that there is another tragedy taking place, simultaneously with that of the Delmarva, as a result of these unsuccessful labor negotiations.

Under the final system plan, the Chessie system had offered to purchase and operate most of the properties of the Erie Lackawanna and Reading Railroads, thereby allowing the Chessie to serve most of the Northeastern United States. This expanded Chessie system would have provided competition for ConRail throughout most of the region and influenced ConRail to be more efficient. Of signal importance, the Chessie had committed itself to investing between \$500 and \$800 million of its own money to upgrade and rehabilitate the 2,000 miles of Erie Lackawanna and Reading property that it intended to acquire. This money, and the \$30 million that the Southern intended to spend on the Delmarva line, was to be in addition, and I repeat in addition, to the \$2.1 billion Federal investment in ConRail, which was provided for in recent legislation. Thus the Chessie and Southern purchases meant the infusion of anywhere from \$530 million to \$830 million of private capital into the northeastern/midwestern rail system.

The failure of the Chessie system, like the Southern Railway, to obtain labor agreements means that this purchase and infusion of additional capital will not take place. The Erie Lackawanna and Reading lines will instead become part of a bigger ConRail. I believe this to be an extremely unforunate occurrence. To begin with, ConRail will not have the competition required to make it as efficient as it might be. Second, ConRail will not have the incentive to rehabilitate and improve those properties as the Chessie would have had. Vis-a-vis unified ConRail, large sections of these properties, especially on the Erie Lackawanna, are redundant. Because ConRail will need to consolidate and rationalize the many rail properties that it acquires, large parts of the Erie Lackawanna will be downgraded by ConRail. This means the loss not only of rail service, but also of several thousand jobs.

If the Chessie purchases the Erie Lackawanna, it would undertake a major rehabilitation program on that line creating hundreds of new jobs. But under an even bigger ConRail, the Erie Lackawanna becomes a totally redundant property except for local services, because ConRail already has two routes from the Midwest to the eastern seaboard—the former New York Central and the former Pennsylvania Railroad. Thus the elimination of the Erie Lackawanna as a through traffic route is virtually assured. In addition, Erie Lackawanna yards and terminal operations in such places as Marion, Niles, Mansfield, and Dayton, Ohio, Scranton, Pennsylvania, and Syracuse and Utica, N.Y. will be downgraded from their present role, or closed. Terminal operations in Buffalo, Chicago, and Youngstown will probably be rationalized and reduced. Other facilities at Hornell, N.Y., and Meadville, Pa., will be closed or their operations curtailed.

As a result of this downgrading of the Erie Lackawanna, most of the thousands of employees of that carrier will either be transferred or severed. While the Chessie would not take on all of the Erie Lackawanna people, and no doubt would reassign certain personnel, the overall impact in terms of severance or moves would be far less under the Chessie than under the so-called unified ConRail.

What we lose, in the context of the broader picture, are the incentives which a competitive spur would give to ConRail, and that happy combination of Federal assistance and private initiative which could be the salvation, in my judgment, of the railroad industry in the Northeast and in the Midwest.

Under the law, the Southern and the Chessie were required to obtain labor agreements prior to accepting finally the offers of rail properties designated to them pursuant to the final system plan. These designations were to terminate 7 days after the date of the enactment of the Railroad Revitalization and Regulatory Reform Act of 1976, February 5, unless the carriers had secured labor agreements and accepted the offers. The negotiations were to be handled by the parties themselves with the assistance of the U.S. Railroad Association [USRA]. It was only after USRA, management, and labor could not produce an agreement that the administration concluded that it had to intervene.

Because of the long-range effects on the entire rail system in the Northeast and Midwest and the immediate effects on the people and industry of such States as Maryland, Delaware, and the Commonwealth of Virginia, that the failure of these labor negotiations will have, Secretary of Labor Usery and I last week decided to ask the parties involved to meet with us to see if a resolution of their differences could be found.

On Wednesday, February 25, beginning at 9 a.m., we met in my offices with the top representatives of both management and labor. After 16½ hours of continuous discussions, we recessed at 1:30 a.m., Thursday. We resumed deliberations Thursday at 2 p.m. and met continuously until 3:30 a.m., Friday. Secretary Usery and I made every effort to try to get the parties to resolve their differences, but at 3:30 a.m. on February 27, the talks broke off without success.

Mr. Chairman, it was a bitter disappointment to me, and I know to Secretary Usery, that we were unable to resolve this issue last week,

for I firmly believe that a resolution of the differences between the Southern and the Chessie and the unions could have been obtained and should have been obtained. The issues are ones which should be resolved. Moreover, Mr. Chairman, with the cooperation of Congress, the legal tools exist to implement those transactions even now, if we could get labor agreements—although I do not mean by this an extension of the April 1 conveyance date. But we are rapidly running out of time.

I should emphasize, Mr. Chairman, that I definitely do not believe that the April 1 date for conveyance of the properties of the bankrupt railroads should be delayed.

I should also emphasize that I do not believe the answer lies in providing any more Government money for ConRail to operate and rehabilitate the properties that the Chessie and the Southern would have acquired. Vis-a-vis unified ConRail, those properties are largely redundant or only marginally connected to ConRail's mainline rail network. To force such operations and rehabilitation onto ConRail would seriously interfere with its chances of successful operation of the bankrupt properties.

If the present situation is not reversed, Mr. Chairman, by speedy resolution of these labor disputes, it will be a tragedy for thousands of people and for the future of rail transportation in this country.

I will be happy to answer any questions you may have. I thank you very much, Mr. Chairman.

Senator BEALL. Thank you, Secretary Coleman.

With the indulgence of the other members of the subcommittee, before we ask questions, I think it would be good to hear Secretary Usery. But before we hear from you, I would like to hear from the chairman of the subcommittee, Senator Hartke.

Senator HARTKE. I am glad to be here, but you continue.

Senator BEALL. Secretary Usery, we are happy to hear from you. You may proceed as you wish with your formal or unprepared remarks.

Secretary USERY. Thank you, Mr. Chairman. I do not have a formal prepared statement.

I appreciate the opportunity to appear, because, immediately after discussing this matter with Senator Hartke on about February 5 and 6, and hearing his concerns as to how we might get moving, I had discussions with several union officials and management officials.

In the meantime, since I had not been directly involved in this dispute, but knew the parties quite intimately over the past 7 years in other disputes we have had and the difficulty sometimes of arriving at agreements, I immediately asked Secretary Coleman for a full briefing on ConRail and where we stood.

It became obvious to me immediately that in the public's interest, we should do everything we possibly could. The administration and Congress have sought to prepare a way to have vital rail service for the public in the Northeast. During the busiest time of my entire life, the time I was seeking confirmation, going through confirmation, and the swearing-in, I spent approximately 4 days on this problem.

On February 6, after talking to Senator Hartke, I called a group to meet on Saturday, February 7. I spent some time with them, saying

it was essential that we get started in bargaining. Prior to that time, they had been bargaining in various cities in the Northeast. We were concerned both about the Chessie and Delmarva Peninsula, or Southern, acquisitions.

On that Saturday, I talked to Mr. Claytor, president of Southern Railroad; I talked to Mr. Hayes Watkins, president of the Chessie system, to understand their views. It became obvious to me very quickly that there had to be a real incentive for both parties to achieve an agreement, if an agreement could be achieved.

It was obvious that the overriding issue was the public interest, and both had to be willing to make concessions to arrive at a satisfactory agreement.

The following Monday, we called meetings in my office, and for the first time, we sought to call everybody together at one place.

It became very quickly obvious that the Southern acquisition of the Delmarva Peninsula portion was less complex than the Chessie acquisition or that portion. It became obvious, also, that to have a viable rail system, we truly need the competition of the Chessie system and, certainly, the transportation for the Delmarva Peninsula.

I recognized that it was a business transaction, as it related to the Southern, and how much were they willing to invest to make it operate.

The second problem was, how much were the unions willing to make concessions to achieve a workable agreement. And, therefore, it became my duty and responsibility to try to see if I could get both sides to make enough concessions in the public's interest.

Now, as we moved along, Secretary Coleman and I jointly called meetings, and to a large degree, we took off our hats as mediators and sought to be negotiators for the public's interest, to try to achieve agreement on behalf of the public.

I had discussions with you, Mr. Chairman; I had discussions with Governor Mandel; I had discussions with a number of influential people who were very, very concerned about this, including officials at the White House.

Now, in the past, we had had a measure of success. It has been a number of years since we had a labor dispute in the railroad industry. And I was very desirous of not coming back here. We worked so hard to avoid these hearings today.

Mr. Chairman, I am sure the parties both will testify. I understand the problems encountered, looking basically to the Delmarva Peninsula and recognizing the seriousness, as Senator Buckley has, of the Chessie System. But that is another issue and one that concerns me very much.

Recognizing the Delmarva case as being less complex and easier to bring together, we centered on trying to arrive at an agreement on Delmarva, believing that we were much closer together than we were with the Chessie System.

I think, Mr. Chairman, simply this: did the parties bring themselves together in the public's interest? Was that the overriding incentive to reach an agreement? You see, this was not a collective bargaining relationship in the true sense that we normally have in labor disputes: there was no threat at the end of the line about what

was going to happen; there was no strike. The problem was long run; what would happen to the system? That in itself made it very difficult, if you could not convey to both parties the sincere need and the intent of Congress to try to achieve an agreement in the public interest.

Well, we tried operating with the associations and the Southern separately. We put them together collectively and tried to lecture them on why we should bring this about.

But, to put it simply, Mr. Chairman, it would appear that Southern did not want to go far enough from the union's point of view, and the association generally was not willing to concede enough to get to the Southern's position.

What does that really mean? I think, in general, the Southern wanted an extension of their present system, operating generally and basically under their rules and under their Southern contract.

And the unions saw it as a need to protect benefits that they had gained in Penn Central and not to give up those rules and things. So where the Penn Central rules and, in some cases, rates of pay and other things were higher than they were on the Southern system, the Southern would not come to the point where they would pay that which they had said had caused tremendous problems as far as the Penn Central was concerned.

And from the viewpoint of the associations, they could not bring themselves to have people take cuts and give up many of the benefits that they had negotiated in the past.

Now, in a number of these areas, we were able to reach understandings. We were able to reach compromises. In fact, on several occasions, we thought we were very, very close to putting together an agreement.

I could run through some of the issues, Mr. Chairman; I think it is just generally that the associations had more with Penn Central; Southern did not feel that they could operate with their present employees on Southern and grant those concessions and, also, from a business point, could not go that high.

As I say, each party could speak for themselves. But I come back to what I said earlier—I had to ascertain immediately, was there great enough incentive? Did Southern want to acquire the Delmarva portion enough to pay the extra required to get there?

Did the unions want to go to Southern enough to give up some of the things they had? And I think that is generally where it stood.

Congress attempted to write ConRail fairly and equitably for the associations and employees concerned, and I think, everyone concerned, including the public. The associations had protection under ConRail that they would not have had by the acquiring railroad. That was part of the discussion.

Sections 505(d) and (e), for instance, involved Southern as the acquiring railroad. The railroad took one position, and the unions took another position.

We tried to figure out a way to settle that by arbitration and later, through some formal court. That is generally where I think we were, Mr. Chairman.

If I might say, when we met previously with them, I first tried to say, gentlemen, do you really want to enter into an agreement? I

think they both were concerned about the public's interest. I think there was a desire; the desire just was not strong enough to make those concessions, to make an accommodation to arrive at it.

And I talked previously to the president of the Southern Railroad. He went into great depth to tell me how much money he was willing to put into it, and how much it would take to revitalize the trackage and all the other problems, and that he had to be able to operate the Delmarva section as an integral part of his Southern system.

On the other hand, the unions felt they had to protect what they had already gained out of Penn Central. We were down to two or three issues, I thought, at one time.

We tried very hard, and I, along with Secretary Coleman, appreciate what you said, Senator. I have been here for 7 years trying to resolve disputes. I have never before seen two Cabinet officers spend as long as we spent in trying to bring about the solution of this dispute.

It is unfortunate we are here. Along with Secretary Coleman, I have become very, very frustrated and disappointed that we have not been able to bring this off, not for the unions, not for Southern, but in the public interest, and what we thought was for everyone's best interest, including both Southern and the associations. It is most unfortunate.

And I might say that, any way that we can, we are willing and ready to try to help implement an agreement, because I think it is in the best interests of all concerned.

Senator BEALL. Thank you, Secretary Usery.

Each of you has indicated that there is no question but that this acquisition is clearly in the public interest. As a matter of fact, there seems to be unanimity of opinion among everyone it is in the public interest. And I cannot for the life of me understand, if it is so much in the public interest, why the parties cannot recognize this and come to a resolution of their dispute.

Now, am I right in assuming the parties were close to resolving their differences?

Secretary COLEMAN. I would say, Mr. Chairman, that the matter is complicated because you are dealing with different unions. At one time, we felt that the parties were very, very close. But, even though one union would be willing to make concessions, if the other unions would not make the same concession or changes, then, obviously, the leadership of the one union could not agree to something to which the other unions would not agree.

Senator BEALL. Do you feel that there is any way to get these negotiations started again?

Secretary COLEMAN. Sir, the Secretary of Labor is the expert on how you bring about such transactions.

Senator BEALL. I ask the question of both parties.

Secretary COLEMAN. Speaking not as a labor negotiator, my gut reaction, which is really prejudiced by the fact that I think it is so important to the public, is that the issues could be resolved if the parties were willing to spend the time working on it.

I think it is very important that the April 1 date should not be changed, and I think Senator Hartke would agree with me on this.

But I do think there is a legal way by which the transactions could be accomplished without changing the April 1 date.

Secretary USERY. May I speak to that, Mr. Chairman?

Senator BEALL. Yes; Secretary Usery.

Secretary USERY. I do not at all disagree with Secretary Coleman. Someone called me and told me the parties were willing to meet. I have always been able to get railroad unions and carriers to meet.

Now, being willing to meet is one thing. Being willing to make concessions is a second thing. We could, obviously, get the parties back together very quickly.

As I say, there is a desire, I think, on both sides to achieve an agreement. Whether that desire goes deep enough, even as a result of these hearings and the public interest, to make additional concessions and compromises to each other to achieve a workable collective-bargaining relationship, I am not sure of that.

We are certainly prepared, willing and ready to spend all the time necessary to try to bring them together.

Senator BEALL. Do you think if an agreement is not reached in not too long a time, both parties will come to regret their inaction?

Secretary USERY. As I stated to both parties in a joint meeting, I am convinced they will both come to regret it, both from their own interest and also the public's interest. It is the short-term problems that face the unions, as I say, giving up immediately some of the concessions that they have achieved over the years. Over the long run, I believe they would be much better off.

And I believe, also, that Southern will regress if they are not willing to make some concessions.

Senator BEALL. One of the main objectives of Public Law 92-236 was the protection and promotion of competition. This is obviously being thwarted if agreements are not reached in those cases.

If that is the case, do you think Congress should reexamine the benefits given to both labor and industry as a result of this sort of thing?

Secretary COLEMAN. Sir, I would not go that far. I think it is important that the reorganization go forward, if at all possible, on April 1, if for no other reason than if it does not go forward, the Government will have to put in almost \$1 million a day just to keep the status quo. But I feel that it would be a great loss to the entire concept if there were no competition. With the Chessie and the Southern out of the transaction, there will be no competition. Senator Hartke, since he knows this bill better than anybody else, along with Mr. Allison back there, may want to correct me, but I think the union and the Southern could get together in 3 hours. Therefore, that transaction could go forward. With respect to the Chessie, I think once the Southern deal is made, within 7 days of really tough bargaining that transaction could be made, if both parties realize it is the will of Congress and the people that it be done.

If at that point both agreements were consummated and we actually had written labor agreements, the administration would then come back to the Congress and ask for a joint resolution which would provide with respect to the Southern that the acquisition would be effective on April 1, and with respect to the Chessie, the transaction

would go forward on April 1, with ConRail operating the property on the Chessie account and within 30 days Chessie would assume control of the property.

In other words, ConRail would take over the property and operate it, but it would be operated on the account of the Chessie. Then there would be no need to merge the property with ConRail's property and to have to unmerge them the next day.

Senator BEALL. At the time we were considering this legislation did you have any thought that we would get into this kind of difficulty at this point in the game? That is a difficult question for you to answer.

Secretary COLEMAN. I am in a tough spot, because if I said I never thought about it, I would demonstrate I am a lousy public servant.

Senator BEALL. Did you expect it?

Secretary COLEMAN. No; if you stand back and look at the transaction, it is good from the point of view of the Southern, good from the point of view of the Chessie, good from the point of view of the union, and it is also good from the point of view of the public. There is really no reason on Earth why this transaction should not go forward, because everybody would benefit by it.

My only remedy, to the extent I had any, would have been to reluctantly adopt the undertaker theory, that if you ever want to get paid for a funeral, you get your money while the tears are still running. If I could have gone back to the Congress and said, "Hold up everything until this is resolved," that is the way it might have been accomplished.

I think Senator Hartke would bear me out on this. Even though it was important to stick to the April 1 deadline, I think with my charm, I could have worked on Senator Hartke and said, "Delay it up to 30 days until you have the agreement."

Is that a fair statement, Mr. Chairman?

Senator BEALL. Is it your feeling that the parties to the dispute are aware of the public interest involved here and the amount of public pressure that is mounting on them to bring a resolution of this problem?

Secretary COLEMAN. Yes sir, I would say this is the only time in my experience where the heads of the major unions and the heads of two major companies would sit down and brief me. Even though we were negotiating with the Southern all during that time, the chairman of the board and chief executive officer of Chessie sat in the other room waiting to resume discussions. In fact, the next day when we said we would concentrate on the Southern, he stayed in town. I know he would be willing to negotiate further.

So all I can say is that either myself, the president of the unions, or the president of the company has really goofed, and we just have not been able to bring this off.

Senator BEALL. One final question before I turn to Senator Hartke. I read in the paper where you have on occasion, Secretary Usery, locked the door on the negotiators to a dispute.

Do you think this is the kind of dispute, if you got the parties in the room and locked the door, they could resolve their difficulties?

Let me put it another way. Are you both willing to use your good offices to the fullest extent to see that this problem is resolved?

Secretary USERY. Yes, sir, we are prepared to do that.

The point, Senator, is that I think this could be better answered after you talk to the principals in this case, the Southern and the associations, because they both have their point of view.

I say, again, from the associations' standpoint, they have to give up some benefits that their members now are enjoying. And do they, in the public's interest? Are they willing enough to enter into an agreement?

Now, to not give up too much, is Southern willing to go further than they presently have said they will go to try to achieve an agreement?

So, I think it is going to take some action on both sides to achieve an agreement. There are certain practices that have been enjoyed by the associations which may no longer be needed on the Delmarva Peninsula. Are the associations willing to, in principle, accept the Southern's contract and bring their people under the Southern contract? Those are the real key issues.

Now, I might say, Mr. Chairman, we put quite a bit of heat on both parties during the night; in fact, to the extent that there might have been some unhappiness with us. But I do not think it lasted very long, because everyone was aware of what we were trying to do. We were trying not only to avoid this hearing; the real thing was to put together an agreement in the best interest of all concerned.

Senator BEALL. Senator Buckley?

Senator BUCKLEY. Thank you, Mr. Chairman.

I would like, if I might, to educate myself a little about some of the considerations that seem to have frustrated the attempt at reaching an agreement, given the fact that everyone understands and agrees to the importance of the matter at hand.

Would it be fair to say that the 1973 act created totally understandable pressures on the parties, and the most recent act, that foredoomed negotiations?

If the 1973 act wholly protects the position of the workers on the lines to be transferred in the event there is no agreement, is it reasonable to expect the union leaders to settle for less?

Secretary COLEMAN. Could I answer that?

Senator Buckley, you have to realize here that every union person had an option. If he decided he did not want to go to work for the Southern, he remained under the protection of the other contract—that is, until a new contract were negotiated with ConRail. So, I do think that it would be unfair to say that Congress had so weighted the scales one way that an agreement was prevented.

You must realize that the Southern would take over the property. It would determine how many men would go. But it would then advertise the job, and anyone who did not want to go had a statutory and absolute right to remain with ConRail. So, therefore, it is hard to say that, really, they were to give up their choice. You might give it up if you lived on the Delmarva Peninsula, and your wife did not want to change locations, your children did not want to change schools, and you liked working that part of the line.

But here you did not have that right. The Southern had only the option to try to get these men to go over, but the men had the right to stay with ConRail.

Senator BUCKLEY. And continue to work?

Secretary COLEMAN. Well, they would, in part, continue to work. But the Congress, knowing there would have to be some major revision said that ConRail would have more right to move the labor people around than normally is the case. And the remedy for those who ultimately get bumped and do not have a job is a \$250 million fund out of which they would be paid over a period of time.

I firmly believe, even though up on the Hill in other testimony people say things to the contrary, that every American would prefer working for a good wage than not having a job and being paid. So I think that the people, all things being equal, would prefer working rather than just receiving the money and not having to work.

Senator BUCKLEY. So there is not really a disincentive to coming to an adjustment, as you see it?

Secretary COLEMAN. As I see it. Of course, the union or company may feel to the contrary, but as I understand the statute, if the people did not want to work for the Southern, they could work for ConRail. And if, for some reason, ConRail did not have a job for them, they had a duty to pay them over a period of time out of the \$250 million.

Senator BUCKLEY. From the point of view of acquiring railroads, Secretary Usery, in your judgment and experience, how disruptive would it be to have, in effect, two types of labor working for the same company, two sets of rights?

Secretary USERY. Well, Senator, I have been thinking for a number of years, the quicker we can get to somewhat uniform rules in such a vital industry, the better off we would be.

I think if you have one set of rules on one part of your line and another set in another, it is not the best situation. But they have lived with it in the past.

The unions, in this case, made a strong argument that the peninsula is isolated, that they have had these rules, that they could continue with some of these rules, and they would not be on the full Southern network. The opposition argument with the Southern is that the unions will try to push the rules over on the entire Southern system. How do we have an integrated work force in the system that we have?

Picking up on what Secretary Coleman said; if a person chooses not to go with ConRail, and he opts to stay with Southern, a year from now, if he comes under Southern rules, he can be then transferred to some other part of the system, Atlanta, Savannah, or some other place where, if he had the protection he has under the old rules, he would not have to move or transfer.

It is very simple, but as you sit down to go through it, it is very, very complex on the rights and the protections of employees.

But, to answer your question, certainly, I think it is better to try to get one overall integrated contract for the interest of the system.

Senator BUCKLEY. You spoke of the Delmarva as being somewhat isolated. This is not true in the case of the Erie Lackawanna Railroad, is it?

Secretary USERY. The Erie Lackawanna and others get far more complex. I am not an expert, and I do not know how they might run. As I look at the larger Chessie system, what disturbs me is, we may not have as many workers, and we may not have as many cities served, and we may not have as much transportation. Everybody loses if we are not able to put that together. We also lose a competitive system to make both work better.

Senator BUCKLEY. Secretary Coleman spoke about the fact under the existing law, everyone has security, even if they may be receiving payments without working. And, as he also pointed out, people would rather work and get paid than be idle and get paid.

If these two acquisitions do not go through, what will be the net layoff in terms of jobs?

Secretary USERY. I do not think anyone really knows at this time, Senator. I have asked the same question. And I guess it depends on how the system finally works, what part the management of ConRail says will work and what will not work.

I am convinced if there are not two systems, there will be a net loss in jobs.

Senator BUCKLEY. Significant net loss?

Secretary USERY. Significant, I would think.

Senator BUCKLEY. I am talking about railroad employees exclusively at this point.

Secretary USERY. Yes, sir.

Senator BUCKLEY. Again, looking at it from the point of view of the railroads, are their economic forecasts in terms of profit and loss persuasive to you, in terms of the inability to afford the acquisition of a higher cost to the labor force?

Secretary COLEMAN. Sir, my understanding is that Southern—and they are here—would say that this transaction, if you made the normal calculations of men making decisions, would be marginal. There is not that much give in it.

On the other hand, there is a tremendous intangible if the Southern gets into those markets. I think Senator Roth can better evaluate the value to the Southern of getting into the Wilmington, Delaware chemical market.

With respect to the Chessie, they indicate it is marginal, too, but the fact is, they are willing to put up \$500 million of their own money to upgrade the properties. And, knowing Mr. Watkins, I do not think that under those circumstances, it is that marginal for him. To warrant a \$500 million investment, it must have some very good economic advantages.

Senator BUCKLEY. I think we would all agree one of the objectives of this whole exercise is restore a viable rail system. The public interest is obviously very much involved here, a tremendous interest throughout the system served.

By the same token, if we were to force a solution on the Chessie, there is a danger that we may create a situation that would lead to further bankruptcies.

Do you have a magic formula? You spoke about the numbers of days that would be required, in your judgment, to bring a meeting of minds about. Do you have any magic formula for forcing the parties to come together?

Secretary COLEMAN. No, sir. This is a free, democratic society, and it really would go against my grain to see a working man, who did not want to work for a company, forced to work for a company. I think it has to be resolved through the collective bargaining process.

Senator BUCKLEY. You obviously could not force somebody to work, but, in terms of bringing about negotiation of the work terms which, then, the worker would be free to either accept or not under the legislation that would take the state of the ConRail system.

The clock is ticking away. Communities have a fear of being stranded. Both of you have testified that to have ConRail assume failure of these acquisitions to take place would substantially cut into competitive aspects that were part of this plan. The Congress is faced either with allowing the worst to happen; namely, nothing to happen; or to revise existing legislation or enact legislation that would somehow create an environment that would encourage the outcome that all of us desire.

What I am groping for is, do you have any ideas of what would have to be done?

Secretary COLEMAN. I would have to think that one through. Someone can correct me, but Congress has never said, these are the terms of the contract, and I have great difficulty with Congress attempting to do that.

Senator BUCKLEY. I would, too.

Secretary COLEMAN. On the other hand, I feel with all this talent back here and talent that we have in the Office of the Secretary of Labor that something could be done. As I see it, there are seven issues. At 2 o'clock in the morning, I figured out in my own mind an answer to each one of them. But I have not been able to get the other people to do the same.

I may be wrong on some of them, and I do not want to give them to you, because, contrary to what the Congressman said, I do not think it is in the public interest that we have negotiations where public officials are permitted to come into a room where both sides let their hair down and then have those public officials stand up in a public forum and recite what the issues were.

But I do think the issues are such that each one ought to be and can be resolved.

Senator BUCKLEY. Mr. Usery, would you like to——

Secretary USERY. May I just speak to that, Senator?

I think that we should do everything we can to encourage and use everything that we have to try to get the parties to bring about a peaceful settlement among themselves. I would be opposed to any legislated or forced settlement. I do not think it would benefit in the long run what we are trying to achieve in the first place.

I think when you force people to do something beyond their will, it is not good. I think that once we bring as much pressure to bear on both sides as we can, and after listening to both sides, we can see if we can find some accommodation that can work.

But I have, again, watched the putting together of contracts in the rail industry, and where some have had to give up benefits and other rights. What we need is a good work force, good morale, and people really interested in the transportation system, to make this system

viable. I would just hope we can find some way to bring about the two systems we are looking for and it be an accommodation between the parties.

Senator BUCKLEY. Thank you.

Mr. Chairman, in closing, I just would like to really compliment once again Secretary Coleman for, I think, an extraordinary personal involvement in problems of great importance. I am referring to the Concorde, as well as this, Mr. Secretary, and also you, Mr. Secretary.

Secretary COLEMAN. Please do not put both of those burdens on me at the same time.

Senator BEALL. Senator Roth.

Senator ROTH. I have only one or two additional questions.

I would like to reiterate what Mr. Buckley said. I cannot think of two gentlemen more able in government to bring together a resolution of this most important matter.

Do I correctly understand you, gentlemen? At this time, you see nothing further the Congress could do, at least legislatively, or is there anything further that you think that we can do to help negotiations?

Secretary COLEMAN. I would think not. I certainly do not believe that you should extend the April 1 transfer date. I think that those of you in the Congress—and I see some of you sitting up here that have carried the battle for the railroads correctly and the battle for the labor unions correctly—ought to indicate privately to the parties involved that if this deal is not brought about properly in the public interest, you would not look as favorably upon their requests in the future as you have in the past. I have told them that. I hope they believe me. And it would be nice if some of my friends up on the Hill would try to get that word to both sides.

We have gone very far in terms of some of the things, for example, that the rail bill does in trying to give the railroads more flexibility in freight rates. I know that you gentlemen, in voting for those provisions, made some of your other friends in the water barge business and the trucking business less happy with you than they have been in the past. But you had the political courage to do that. With respect to the labor unions, I know you did it.

With respect to the question of how much money we could commit, I assure you it was difficult in these times of budget restraint to go along with an authorization of \$2.1 million. So I say, and I have said it to them privately and I will say it publicly, I think the railroads and unions are both making a great mistake if they do not resolve this issue and resolve it promptly.

Senator ROTH. I cannot recall any other circumstances where Congress really has gone further to be protective of the legitimate interest of both the carriers and the unions. And I must say, for that reason, I find it most disturbing we cannot bring them back together.

I would like to ask one further question. There is a great deal of discussion about the workers' having to make a selection whether they join Southern or ConRail. Is the fact they have to make this determination today a key factor in the current dispute?

Do some employees want to maintain their rights with respect to ConRail if they join Southern? Is that what is causing part of the difficulty?

Secretary USERY. I guess I could answer you one way, Senator. One association, for instance, realized that to go into Southern where I think they have 120 members, that the Southern would only use 75. Well, we could handle that one.

The point was, further down the road, it was recognized that if Southern did not buy one of the rules the union presently has, that could be reduced even further, by 15 or 20 people.

Secretary Coleman and I got together on how we could find some way that those 15 or 20 people would be protected under ConRail.

I think there is a net loss of people in this. And, as Secretary Coleman said, if workers make their choice early, they are protected by ConRail. If they go with Southern, then they may not be protected in some rights as far as transferring.

We tried to look at every area that we possibly could to be sure people were protected in what I would like to think was the spirit of Congress in ConRail, because it does not speak to the future under the acquiring lines in the same way it speaks to ConRail.

Senator ROTH. Earlier, I think in answer to a question of Senator Buckley, you spoke of a desirability of getting a uniform set of rules. Does that mean that one possible approach is trying to phase this in, rather than trying to do it today? Is there any way of delaying the triggering mechanism so that not too many employees are adversely affected, or is that impossible?

Secretary USERY. I guess, Senator, you would make a good mediator, too. The last thing we tried early in the morning was to suggest a grace period, that you keep all your present rights for 3 years, and we protect those in the 3-year period. At the end of 3 years, it would be renegotiated, and you would renegotiate how you would work between the two.

We were not able to make that fly. Certainly there are other suggestions we could have made, but we made as many suggestions as we could in this whole area to try to put it together at this time and maybe negotiate it later.

There was at one time, I thought, some thinking on both sides to try to do this. We talked about grandfathering in all the present employees. Whatever a present employee is making, he would forever make that much more than is negotiated. He would keep that differential.

We tried many, many angles. In some of these areas, we reached an agreement. Unfortunately, you have to reach agreement with everybody, with every association, or you do not have an agreement. That was the tough problem. Some of the associations have some problems the other associations do not have. The operating unions have separate problems from the nonoperating, as you readily understand.

In fact, I guess the maintenance work force would be maybe double what it presently is, where in some of the other areas, the work force would come down. That would vary with the problems within the various associations.

Senator ROTH. My last question would be: Is there any way the importance of this to the public sector can be brought to bear on the negotiating parties?

Do you feel that in negotiations, you need other people there, beyond which are currently attending them?

Secretary USERY. No, sir; I do not think we do. I do not know of any. We have had the principles of both sides, as Secretary Coleman has said. We have had Mr. Watkins, Mr. Claytor, and we have had the top officials of the unions, plus the negotiating committees.

As you recognize, it gets somewhat complicated, too, especially in the Chessie portion, where you have an association which has several political subdivisions. And they have—those political subdivisions have rights under the Constitution to stand on, so it gives some of the associations more problems than it does the other ones.

But we had all of the principals there, including the negotiators, including the people from the various lines.

Senator ROTH. Thank you, Mr. Chairman. That is all.

Senator BEALL. Thank you, Mr. Roth.

Senator HARTKE.

Senator HARTKE. First, I would like to say to both Secretary Coleman and Secretary Usery, I want to personally extend my thanks to them for the efforts they have made in this field, because there is no question in my mind, you have taken that extra step, and especially Secretary Usery, under the tragic circumstances you had personally in your family.

I would like to emphasize one other thing. Secretary Coleman and I have had a number of conversations, and we feel that one thing needs to be done. That is, to preserve the April 1 transfer date. We are in 100 percent agreement on that.

Also, I would like to say my judgment is that the Congress is of the mood to try to do what needs to be done legislatively, if we know what the needs are. That is the heart of the problem. I do think that sometimes we lose sight of what we are trying to do here, why we are trying to do it.

In the first place, the present situation on the Delmarva Peninsula, as far as the service is concerned, and the equipment and the rail, and everything else, is short of disaster. We are not dealing with whether or not you are going to take a beautiful new structure here and whether it is going to be used in good shape. What we are talking about is restructuring the whole system of the railroad in the Midwest and Northeast.

And that in and of itself is of such magnitude we ought not to decide on the ultimate end purpose while we are dealing with these interim operations. It is not a really simple matter, because you talk about good faith or special benefits or whether somebody is feathering his nest, or the whole operation.

In the first place, when we talk about the public interest, I want to point out that if it is in the public interest, then the public ought to bare the expense. And that means that, as far as the acquiring railroads are concerned, the Southern in this case, with the Chessie in the other case, and the unions, why shouldn't, if it is in the public interest, they pay the bill?

That question immediately comes to me. Should the Government put in additional funds under title V to take care of a situation which neither the Southern nor the unions created? They did not create this situation.

Secretary COLEMAN. Mr. Chairman, no, sir.

Senator HARTKE. I just think sometimes people think maybe the unions or maybe the Southern are asking for something that they did not get. What they are talking about is we, the people, the Congress, have forced a change of ownership of that railroad. It is going to either go to ConRail, or it is going to go to Southern. It is not going to be where it was.

Now, you have got certain employees, and you say to them, as far as they are concerned, where are you going to go to work? We are going to take your old job, and let it out, which was in private hands. And we are going to take that job away from you. Whether that happens down the road or not is another matter, but we are going to take that job away from you by fiat. We are going to do that.

If this is really in the public interest, why should the public not pay the bill? Why should Congress not appropriate money to pay the bill?

Secretary COLEMAN. Sir, simply, as a unified operation it is very uneconomical, and it does not make sense for the public to be spending money on something that is uneconomical. But if Southern—

Senator HARTKE. Does not make sense?

Secretary COLEMAN. If it is uneconomical. If you keep this as a unified ConRail, you then are operating an uneconomical system which will never be economical, but if the Southern comes in, then it makes a lot of economic sense.

But the answer to your question is: If you do not bring about the Southern takeover, you should not perpetuate a situation which is uneconomical and will probably cause another bankruptcy or cause the public to put in much more money and get nothing in return.

Senator HARTKE. I think you misunderstand. Under title V of the bill which is the labor provision, the Government has gone in and underwritten \$250 million worth of expense. We have already made a decision legislatively in the whole big ConRail that that part of it is going to be picked up by the public, in the public interest.

Now, what I am talking about is, in this operation, why should we not then take the next step right now and say, in the public interest, that we would make sure that the provisions as far as the union members are concerned in this operation, would receive the additional benefits under title V?

In other words, that we would put the money through title V to take care of these people, simply because of the fact that you want the Southern to take the offer, it is not Southern's responsibility and it is not the union members' responsibility to sacrifice their own self-interest in the interest of the public when, as far as they are concerned, they did not create it?

Secretary COLEMAN. Sir, I have great restraint; I think I should not tell you publicly, but I assure you that observation is incorrect. No one who works on the Penn Central who opted to go over with Southern, would lose 1 penny for the rest of his life, as compared to his present earnings in his present job.

The dispute is that if you have 75 people that are going to come over and if any of those persons occupies job 1 for 2 days and then dies or retires, does that now mean that job 1 is always considered as though it were under a Penn Central contract?

The Southern is perfectly willing to say that the people who come over will be red circled or grandfathered so they will not lose money, but they do not go as far as to say that their positions thereafter would always remain under Penn Central terms, even when a different person is occupying that position.

Senator HARTKE. Mr. Secretary, that looks at it from a different angle. That is not where you are starting from. This is the heart of the problem, and that is why it is so easy to oversimplify this and make it appear as though somebody is really looking out for their own interest when in the totality, what we are looking out for here is that the Government is providing for a very massive reorganization of what heretofore has been a private railroad system. And the private railroad systems have failed. That is the essence.

That is why we are in this business in the first place. The private systems failed the country.

Now, really, if you want my own feeling of being upset, I am upset at some people who come along and insist that the service that they want in this section be performed, yet they are willing to go ahead and criticize those of us who have voted for the money to pay for the service. I am not talking about you, but I am going to tell you there are people in the Congress who voted against this whole proposition who still come back now and insist that something should be done to make sure that everybody is taken care of.

Now, that is a very nice place to be. That is like I have said about revenue sharing. I am for revenue sharing, but what we are doing here is the same thing. You are saying to the people, look, on the one hand, you want the service and, on the other hand, you are saying I do not want anybody to pay for it. I do not want the public to pay for it.

Now, what I am saying to you is that, as far as the union members are concerned, they could stay in ConRail and make sure that, as far as their ultimate end result is concerned, they are in no worse shape than they were or probably in better shape than they are. As far as the unions are concerned, they are in better shape if they stay in a unified ConRail.

Secretary COLEMAN. And they have the right to do that.

Senator HARTKE. Not only the right to do so, but if I were a union official and did not insist on protecting that right, I would think the union official would be derelict in his duty.

Secretary COLEMAN. That is not the problem.

Senator HARTKE. Well, I think that ultimately it is, in a peculiar sort of a way. What you are dealing with is these rules. I understand that. And you are not dealing with maybe one individual.

Secretary COLEMAN. The problem is that nobody who will be working for ConRail, if this transaction is made, has any need to go to work for Southern. If he or she refuses to work for Southern, they must be offered the opportunity to work for ConRail.

Senator HARTKE. I understand you are talking about individuals. I am talking about the proposition of a situation. I understand the difference.

Does this not really raise the whole question of a very substantial philosophical discussion as to the viability of the so-called controlled transfer process?

Secretary COLEMAN. Yes, sir, it does.

Senator HARTKE. That is exactly what is involved. And that is why I have been of a little different opinion than you, Mr. Secretary, upon whether or not a controlled transfer process is a viable proposition in a free society without nationalization.

In other words, what you are saying to people, quite honestly, is, you are going to force them to do something. Well, not people, but "people." You are forcing the unions. So as far as ConRail is concerned—let me make the statement, and you see if you disagree with it—probably there is no advantage in them going ahead and seeing this property transferred to Southern and the Chessie.

Secretary COLEMAN. I do not think that is so. I think some people in ConRail and USRA feel that way, but I think that is 100 percent false.

Senator HARTKE. The initial cost to ConRail may be a little more, but down the road, they are going to be able to pay out faster with big ConRail.

Secretary COLEMAN. They tell you that, but the reason they have not been up here asking for more money is because I say I am not going to support it. You may have talked with the USRA people, but I assure you that if the big ConRail goes through, they will be back here for more money sooner than they otherwise would.

Senator BEALL. On that point, that may be true with the Chessie, but it is not true with the Southern. Is that not correct?

In other words, there is no way ConRail can profit by having the Delmarva Peninsula.

Secretary COLEMAN. I do not know the exact details, but I think they feel that by just using the main line they will either profit or have less loss than they would by preserving the whole 450 miles of line.

Senator HARTKE. Let me ask you if you would agree with this, as far as Delmarva Peninsula is concerned. The question here is not the viability of the system, but it is a question of type of service they are going to get in the area.

Secretary COLEMAN. The more basic issue is if the Southern can come into Wilmington, Del., and thus opens up a profitable new field to them, that whole area would then be served in a better fashion. It would make ConRail more active and it would make the Southern more active.

Senator BEALL. While Senator Hartke is waiting to ask his next question, I will make the point again: Every employe now employed by the railroads is protected for life; is that not true in that case?

Secretary COLEMAN. The answer is yes, with respect to earnings protection based upon his present position, save for those that have less than 5-years service.

Senator HARTKE. Mr. Secretary, the fact of it is, and Mr. Claytor is here and I would hope he would correct me if I am wrong, the work rules of the Southern are less generous than those on the Penn Central, are they not?

Secretary COLEMAN. Mr. Claytor can speak for himself, but unless he changes what he has been telling me, he would say that is not necessarily so. They are different. They are more efficient, but not necessarily less generous.

I guess every employer thinks he is a very generous person.

Senator HARTKE. Is it your contention more Federal assistance is going to be needed if the Southern and Chessie acquisitions fail?

Secretary COLEMAN. It is my contention that more should not be needed. It is also my regret, since I have been Secretary of Transportation, that on all these issues, whether they be private companies, quasi-private companies, or public people, everybody thinks the only way to resolve any problem is to come up here and ask for more money.

Senator HARTKE. I am trying to get this thing back into a place where we do not make too many assumptions. I am reading from your statement now.

"Thus the Chessie and Southern purchases meant the infusion of anywhere from \$530 million to \$830 million of private capital into the Northeastern rail system."

Secretary COLEMAN. Yes, sir. That is the property that, basically, under unified ConRail would never be a part of a unified ConRail.

Senator HARTKE. I understand that.

Secretary COLEMAN. Because vis-a-vis unified ConRail, it is redundant; vis-a-vis the concept of competition, it is a very valuable acquisition for the Chessie. You do not solve the problem by just saying, put up \$500 million to retain lines which are redundant.

Senator HARTKE. Let me just say to you, I hear what I saw, Mr. Secretary, and I understand that is a political thing to say, but—

Secretary COLEMAN. No; it is not. It is not politics; it is the fact.

Senator HARTKE. Let me make my own assertion. I think that is a political thing to say, it is going to cost more money. I am going to say here, and I know this is not the political thing to say, I am saying to you that in the long run, you are going to have to make sure that you have got enough money to get the job done. My judgment is that if the Chessie and the Southern acquisitions do not go through, the initial cost will be more and the ultimate cost will be less.

As far as the public is concerned, if you assume that this bigger ConRail is less expensive and more viable—if you assume that USRA is right, then, we have lessened the competition, but we have a much more successful, viable and potential—

Secretary COLEMAN. I realize that is the thought in town. But I think that thought is 100 percent wrong. Fortunately, I will not be around, you probably will, to determine who is right and who is wrong. But I am just saying I do not think that is right.

Senator BEALL. That only applies to the Chessie portion and not to the Southern portion. The Senator would agree to that.

Senator HARTKE. Yes, I agree with that, but you have the question of service in here, too. The fact of it is these were not unanticipated problems. And I will say for USRA that they anticipated it, and, therefore, the April 1 date goes right straight on with the alternative proposal.

I mean, this is not something that all of a sudden descended upon us. I will say this: It is unfortunate that a lot of people who should have been concerned about this 3 and 4 years ago did not pay a heck of a lot of attention to it.

Now, as far as the Delmarva Peninsula is concerned, if these people in this room want that service, somebody is going to have to pay the bill. That is all there is to it.

Now, you can make up your mind. If you want to force it down the unions' back—I am not talking about individual employees—you can force it down the unions' back, and I think if you try to do that, you would run into a constitutional question. You can force it down the Southern's back, and you run into a constitutional question.

In my judgment, there ought to be a thought here as to whether or not the people want the benefits, the people, the shippers—I say this to you, Governor—if the people want the benefits, I am not one who is adamant against the public picking up the check. That is it. I just want to say that.

In other words, I am willing to go ahead and take it on the chin, even though I know that is the nonpolitical thing to do. But I do not see, Mr. Secretary—I say Secretary of Labor, now, how you can move in this fashion in the absence of any binding arbitration. I mean, maybe you can get them together.

All I can say to you, I think all the members of any committee will agree, if you can come to an understanding on time, you will have no problem in the Congress of getting the technical requirements of moving that date forward. But I for one, and Secretary Coleman and I agree on this, am not going to go ahead and jeopardize this system changing the date of conveyance. USRA understood what the situation was and provided for the alternative, and, in the absence of any agreement, the alternative will go into effect and a bigger ConRail becomes a reality. That may mean better service for the rest of the people. The Delmarva Peninsula, on the other hand, is going to suffer with less service.

I think that is a fair statement.

With that, Senator Beall, I am going to leave.

Senator BEALL. Thank you, Mr. Chairman.

I appreciate, Secretary Coleman and Secretary Uesry, your accommodating your schedules to be at the hearing this morning. We appreciate your testimony, and we know that you share our concern in this matter. And I am happy to hear your good offices are available for the parties to get together again and start talking.

Secretary COLEMAN. Thank you, Mr. Chairman.

Senator BEALL. Our next witnesses are the Governor of Maryland, the Honorable Marvin Mandel; the Governor of Delaware, the Honorable Sherman Tribbitt, and the Secretary, Department of Transportation and Public Safety of the State of Virginia, the Honorable Wayne Whitham.

As the Governors take their position, first of all, let me welcome you to the committee this morning and at the same time apologize for keeping you waiting before you had the opportunity to testify. I recognize you, too, have accommodated your schedules to be here today, and I had no idea we were going to be this long in getting to you.

But, as you can tell, this discussion has raised a certain amount of heat, and I apologize. Therefore, I will not delay any further. I will ask you to proceed as you wish to give your testimony. Governor Mandel, you may start off.

STATEMENTS OF HON. MARVIN MANDEL, GOVERNOR, STATE OF MARYLAND; HON. SHERMAN W. TRIBBITT, GOVERNOR, STATE OF DELAWARE; AND WAYNE A. WHITMAN, SECRETARY, DEPARTMENT OF TRANSPORTATION AND PUBLIC SAFETY, COMMONWEALTH OF VIRGINIA

Governor MANDEL. Senator, I heard Secretary Usery said keep the heat on these parties. If they had kept as much heat on these parties as on us in this room here, I think we would have it all settled.

Senator BEALL. Maybe we can lock this door.

Governor MANDEL. I have no prepared remarks, and I, quite frankly, have been very interested in hearing the discussion.

First, let me say that I think we owe a debt of gratitude to both Secretary Coleman and Secretary Usery for the interest they have shown. I have never seen such cooperation as we have received from these parties. And I think the Congress, all of those that have been involved, we owe a debt of gratitude.

I would like to say that, before I make some remarks, that you know it is inconceivable to me that legislation could be written in such a way that it leaves three States, the Federal Government, and all the people of our State hostages to an agreement between private parties.

And that is just about where we are. I have heard the questions of Senator Hartke. I do not know a thing about the Chessie, and I do not profess to. But I do know that since the beginning, we have been involved with the Delmarva Peninsula, and particularly from my point of view, with the Eastern Shore.

Senator, we are not talking about a rail line. We are talking about a lifeline, as far as this part of the country is concerned. This is the lifeline of the Eastern Shore of Maryland. ConRail is going to cut off part of that lifeline.

And we can say all that you want about more dollars, more dollars are not going to solve this problem. Here you have a private railroad willing to come in and take over what everyone has described as a marginal operation. They are willing to come in because, of course, it would be a benefit to them. But, even so, they are willing to come in and spend their dollars to make a viable railroad system.

The way that system has been allowed to depreciate over the years, the dilapidated condition it is in, it cannot be made viable without the infusion of a lot of money.

Now, the State of Maryland, if my figures are correct, will receive \$5,400,000 over the next 2 years from the Federal Government under the program. And I think quite sincerely that, as this legislation was moving through and as it became known that Southern Railroad was interested and would take over the responsibility, that less thought was given to what would happen if ConRail took over.

Because I will say this to you, from the standpoint of the State, until Southern Railroad got involved, we were ready and going to oppose the ConRail plan, because it is a disaster for the Eastern Shore of Maryland. As I said earlier, here we are with three-quarters of a million people whose lifeline is the rail line.

And for those on the committee that do not understand the nature of the whole problem, there is no other means of transportation that will be viable to keep the Eastern Shore of Maryland economically sound.

Now, we have met with all the people involved, including industry. I can tell you as of right now, if ConRail comes in, we all lose, over there, about 1,800 jobs. We have surveyed all of the industry presently there. They will have to reduce or close down their operation if ConRail comes in to the Eastern Shore. It will mean a loss of payroll of about \$13 million a year.

That is just the beginning. There are industries ready to move in who are waiting to see what happens as far as whether or not Southern Railroad will come into the Eastern Shore. I think that it is absolutely essential, whether it means—and I hope it means—going back to the negotiating table and working these problems out. But I think if it goes beyond that, it is absolutely essential that Congress take some action with this legislation to require a method, whether it be by binding arbitration, whether it be some other way, but some method to solve this problem.

I do not know the details of why they are at an impasse; I do not profess to know. I do know what it means to the Eastern Shore of Maryland. I think—and I say it over again—we are talking not about a rail line; we are talking about a lifeline, an economic lifeline of that whole Eastern Shore.

And I think there is so much involved, when Senator Hartke said that an infusion of new dollars, an infusion of new dollars under the ConRail plan will not solve our problem. Because they are going to stop at Salisbury. That is as far as they are going to run this line. Below that, we will have no rail service.

If we try to subsidize it, you have got a line there that can only maintain traffic at about 6 miles an hour. There is no way it could be made to operate economically.

Southern has agreed to put anywhere from \$25 million to \$30 million in to upgrade that line. But the State, with an infusion of new dollars, still cannot solve the problem if ConRail goes into the Eastern Shore. And I think it is essential.

I am glad you called these hearings. I do not want to take all the time here, but I think this committee has got to understand, and I think you do, Senator, and I know you do, the very nature of the problem.

It is a problem that is the lifeblood of that Eastern Shore. And I think there has to be a solution.

Senator BEALL. Thank you, Governor.

I think you indicated there are 1,800 jobs involved in the Eastern Shore of Maryland, and these are outside the railroad industry.

Governor MANDEL. These are not the railroad jobs. These are industry that will either have to close down or reduce their operations, because rail line would not be available to them, and they have no other method of transportation that can allow them to operate.

Senator BEALL. These 1,800 jobs compared to what? The Secretary said 129 jobs involved as far as the railroad operation is concerned. All of these people are protected for life.

Governor MANDEL. These are outside of the railroad operation. This, again, Senator, I might point out to you again, there are a number of industries ready right now to move into that area. It will mean an additional number of jobs who are not under the ConRail plan, and will not.

Senator BEALL. Thank you, Governor Mandel.

Governor Tribbitt of Delaware. Governor, we are happy to have you.

Governor TRIBBITT. Thank you very much, Senator Beall, and my Senator from Delaware, Senator Roth, and my colleagues on the right and left: I want to thank you, sir, for the opportunity to be here briefly this morning, as per your telegram which advised me that this hearing was being held on the proposed acquisition of Southern Railroad with respect to the Delmarva Peninsula.

I want you to know, Senator, I am here representing the people of Delaware and our interest in the Delmarva Peninsula, which involves also your constituency.

I would like to offer this statement with regard to the proposed acquisition of the Delmarva Peninsula Penn Central Rail Lines by the Southern Railroad.

I might say, Senator, Mr. Chairman, that when I first learned of Southern's proposal, I think in the fall of 1973, by some of the chief executive officers of Southern Railway, I thought it was the answer to the economic development of the Delmarva Peninsula. I felt that way then; I continue to feel that way, and I continue to feel that way today as I testify before your committee.

The State of Delaware and the Delmarva Peninsula have a vital interest in the continued operation of the north-south peninsula rail line from Wilmington to Cape Charles, Va. and the Chesapeake car float operation to Norfolk. This float operation and the Summit railroad bridge over the Delaware Canal are the only gateways to the peninsula by rail. The near-disastrous economic consequences of the accidental February 1973 closing of the Summit bridge over the canal made it all too clear to the State of Delaware that the float service across the Chesapeake Bay must be maintained not only as insurance against future bridge outages, but as a viable north-south rail routing on this portion of the eastern seaboard.

In the final system plan produced by the USRA, the Southern Railroad is offered substantially all of the rail lines on the Delmarva Peninsula, including access to the Northeast corridor in Wilmington, Del. This proposal received almost unanimous support from all levels of government, industry, and the general public, both at hearings in Salisbury, Md. in March of last year, and in the news media.

Southern Railway's sincere proposal to acquire the rail line, upgrade—which is so important—its operation and create a logical and desirable extension of the Southern Railway system into the Northeast was by far the most appealing option available to the State of Delaware, and it would have provided competition in the rail industry which was wisely called for in the Regional Rail Reorganization Act of 1973.

The inability of the Southern and the labor unions to reach agreement prior to the February deadline should not be news to anyone.

The disappointment shared by government and economic interests throughout the tristate peninsula area also goes without saying. The possibilities for economic stability, to say nothing of economic growth, for the peninsula, were excellent with the availability of a strong, progressive railroad such as the Southern. Experienced personnel, firm commitments for rehabilitation, strong marketing forces, opportunities for industrial recruitment, a clear-cut link to the southern part of the United States, all of these points meant continued growth to the Delmarva Peninsula.

With the passing of the deadline for labor protective agreements, a tristate meeting was called in order to plan for the mandated implementation of the ConRail system. Under the United States Railway Association's final system plan, it was recommended that ConRail operate the peninsula rail line only as far south, as Governor Mandel said, as Pocomoke City, Md.

In addition, it would operate a major branch line extending southeast from Harrington, Del., to Snow Hill, Md. Service to the entire western portion of the Eastern Shore of Maryland, and from Georgetown to Lewes, Del., was to be either terminated or subsidized.

As a result of the meeting, Maryland, Virginia, and Delaware agreed to do everything possible to assure continued rail service to those industries now using it for a period of at least 2 years. The money for the subsidies will be provided 100 percent by the Federal Government in the first year and 90 percent Federal support combined with 10 percent State and local support for the second year. The possibilities for continued subsidies beyond the 2-year period will be subject to the availability of Federal funds and commitments on both State and local levels.

The irony of the rail situation on the peninsula is obvious. On the one hand, we had the opportunity for a free enterprise solution to a bleak economic situation. I think this is important. Southern Railway would extend its system by approximately 560 miles and in so doing was committed to rehabilitation and competitive service. The Southern operation would generate considerable traffic between the Southern United States and the Northeast, because the Delmarva system would join up with the existing Southern system in the vicinity of Norfolk.

With ConRail operation, we will be subsidizing a railroad which only serves a portion of the peninsula, while the tristate interests will provide for the balance of the rail system down the peninsula, across the Chesapeake and into Norfolk. With this arrangement, ConRail will justifiably route north-south traffic over its own all-land corridor route and deprive the peninsula line of much of the traffic Southern would have routed through Delmarva.

In routing north-south traffic through the Wilmington-Baltimore-Potomac corridor, ConRail can contribute to its own economic well-being, but this will deprive us on the Delmarva Peninsula of the economic benefits which will be needed to keep the tristate extension of the Delmarva system alive. In short, we need the competition which Southern can provide in order to keep the lifeblood in the Delmarva line.

Another undesirable feature of ConRail acquisition is the priority of effort in rehabilitation of the Delmarva line. As a new railroad

company, with growing pains of start up, and over 10,000 miles of deteriorated trackage, ConRail will be forced to do some lines ahead of others. We feel the Delmarva line will be low on their priority list, and we will be forced to continue living with a deteriorated system.

On the other hand, Southern is known as a well-managed, well-maintained rail system, and it will be able to concentrate its attention on our trackage as a matter of high priority. We have been assured rehabilitation efforts would begin at once, and \$30 million would be spent by Southern in restoring the Delmarva system.

I hope that the Congress, the Departments of Labor and Transportation, the Southern Railway and the labor unions will all hear the urgings of the people here today and do everything in their power to effect a solution to this problem.

Senator BEALL. Thank you, Governor.

Our next witness is Mr. Wayne Whitham, Secretary, Department of Transportation and Public Safety, State of Virginia.

Mr. Whitham, I would like to welcome you on behalf of Senator Harry Byrd of your State, who would be here except for the fact he had to chair another hearing this morning, so he is in another part of the Hill holding another hearing. But I have entered the statement of Senator Harry F. Byd, Jr., of Virginia.<sup>1</sup>

Mr. Whitham, you may proceed.

Mr. WHITHAM. Thank you, Mr. Chairman.

Of course, I am sorry the Governor also couldn't be here this morning to address this important subject, but he does appreciate your holding these hearings to bring this issue into the public forum.

My prepared statement dealt primarily with the public interest, and I feel it has been covered adequately here this morning.

I can paint a bleaker picture than my friends from the North in the sense of the Southern acquisition of the Delmarva Peninsula. The State of Virginia on the Eastern Shore would have no railroad service to the city of Norfolk, not to Pocomoke City, or through the two counties on the Eastern Shore. They were not included in the final system plan.

We have been hopeful, of course, the Southern acquisition plans would go through, but realizing that problems were being realized in these negotiations, we went ahead with our plans to have the Delmarva lines, including the car float to Norfolk, included in a rail continuation service subsidy program.

We were quite hopeful, and the figures we developed with the Penn Central Railroad, the Virginia Port Authority, the RSPO, and the State of Virginia, thinking that this could be possible to inure to the benefit of both Maryland and Delaware and Virginia until more recently, when we began talking to ConRail about just what this operation would mean.

The figures that they developed would indicate to us that the subsidy required by ConRail to operate the entire segment in Virginia, including the car float, would far exceed the subsidy moneys available to us under the railroad program.

<sup>1</sup> See p. 7.

Therefore, I come before you this morning somewhat dejected, in that most of our plans are going overboard. I haven't had an opportunity to tell Governor Mandel or Governor Tribbit of this.

But we realize that the Virginia lines and the car float themselves are vital not only to Virginia, but to Maryland and Delaware. It's also vital to the Norfolk area, where we have so many military establishments. And in the absence of the continuation of this Eastern Shore line, they are not going to be able to continue their high and wide loads. They will have to go considerably west to get to the northeast.

And this was proven to be quite an important element of transportation, of course, during the 1940's.

I, therefore, would like to say one more thing. We have received some contact with the employees of the Penn Central Railroad on the Eastern Shore. And I don't know whether their message has ever gotten to their people or not, but without exception, the employees of the Penn Central Railroad on the Eastern Shore have encouraged us to do all we could to bring about an acquisition by the Southern Railroad.

Those are the remarks I have this morning, Senator. I would be happy to answer any questions you might have.

Senator BEALL. Thank you very much, Mr. Whitham.

I understand that, Governor Mandel, the State's analysis, when it submitted the State rail plan which it has to do, is on the presumption that the Southern was going to take over the lines not recommended for transfer in this case.

Governor MANDEL. That is correct.

Senator BEALL. Therefore, you have to change your priorities, and it's going to throw out of schedule all of the financial arrangements Maryland has made to improve rail transportation throughout the State.

Governor MANDEL. That's absolutely as I said in the very beginning, we were prepared to oppose the Rail Act because of its impact on the Eastern Shore, but when Southern Railroad got into the picture and with all the assurance we had received after numerous meetings that Southern Railroad would be in the act, we then prepared our plan based on that assumption.

I might make one other statement which I think is very important here, Mr. Chairman. That is that Southern Railroad in addition to what it's required to do under the act has also agreed on those lines that would have been abandoned to at least preserve those lines, not operate, but preserve those lines for a period of years so that we could, if necessary, activate those lines for operation again.

This will not happen under ConRail or under any means of subsidizing that the Federal Government has allowed us in the act. I think that is a very important feature that we should not overlook.

A number of those lines presently would be abandoned, totally abandoned. Once you abandon a line, you can forget it.

Under the Southern plan, at least with the State, discussions we have had, they will maintain those lines that would have been abandoned under the ConRail plan, until such time as either we can make them operational again or sometime in the future, if they have to be abandoned.

Senator BEALL. Just so long as the record is clear, because I think there is some confusion as a result of a headline that appeared in the Cambridge Banner on February 11. It says Delmarva will not lose rail service regardless of the talk's outcome. Delmarva will lose service if Southern doesn't take over.

Governor MANDEL. There is no question of that.

Senator BEALL. That is the case, the reported statement and testimony notwithstanding.

Governor MANDEL. I don't think there is any question about that.

Senator BEALL. Senator Roth?

Senator ROTH. Mr. Chairman, since I am not a member of the committee and in the interest of time, I won't ask any questions, but to welcome Governor Mandel, here today. Thank you.

Senator BEALL. I would like to thank the Governors and Secretary for being here, also, and again apologize for keeping them waiting before they testified this morning. We are delighted to have your testimony. It has been very helpful.

Now, although the schedules show we have other witnesses who are representative of the Delmarva to appear next on the program, I think perhaps the flow of the hearing and our overall objective might be better accomplished if we skipped down to the tail end of the page and out of order called up the representatives of the railroad and the involved unions, so we can hear their side of the story, and then move back to the Delmarva representatives at the conclusion of the testimony from the railroad and union people.

So, Mr. W. Graham Claytor, Jr., the chairman of the Southern Railway System. Mr. Claytor, I point out that when we drew the schedule, we weren't aware of your recent promotion to chairman of the board. And we only have you listed as being president. And you are accompanied by Mr. George Paul, executive vice president. In addition, will Mr. C. L. Dennis, president of the Brotherhood of Railroad Clerks, and Mr. Al H. Chesser, president, United Transportation Union, also come forward so we will have all the parties together.

If you will take your seats, please. And whomever you gentlemen would like to accompany you may come forward also.

And Mr. Claytor, since you are sitting in front of the microphone, do you want to begin the discussion?

**STATEMENTS OF W. GRAHAM CLAYTOR, JR., PRESIDENT, SOUTHERN RAILWAY SYSTEM; ACCOMPANIED BY GEORGE PAUL, EXECUTIVE VICE-PRESIDENT; AND C. L. DENNIS, PRESIDENT OF THE BROTHERHOOD OF RAILROAD & AIRLINE CLERKS; AL H. CHESSER, PRESIDENT, UNITED TRANSPORTATION UNION; ACCOMPANIED BY JAMES E. BURKE, VICE PRESIDENT; AND WILLIAM G. MAHONEY, ATTORNEY**

Mr. CLAYTOR. Thank you Mr. Chairman.

First of all, I would like to say that the failure to achieve an agreement has been as great a disappointment to us as the witnesses which have appeared before me.

We have been working on this for better than 2 years. We looked upon this as a chance to make a real contribution to preserving private enterprise railroading, and doing so in an important area of the country and hopefully, of course, we hoped down the road, at least I would have to admit we hoped eventually to be able to make a profit of it.

As has already been testified, the railroad is barely operable, it's in appalling condition, it's a collection of collapsed branch lines, and we have to build it from relatively little back into a first-class line.

It has also been stated, and I want to emphasize again from our standpoint, this is plainly a very high risk operation, a very questionable business investment.

In addition, when we allow for the \$6 million purchase price, we would have to spend between \$30 and \$35 million in cash money in the first 5 years to get this railroad back in shape.

The first year of operation, our estimates would indicate will result in a loss to our system, an operating loss of about \$3.5 million.

The second year would probably also be a loss. Hopefully by the third year, we could break even, but that's a business risk.

We are prepared to take a chance on that. And down the road, I hope—because I have great confidence in the territory served—I hope that we can build up our business to where, if we could operate it as an integral part of the Southern System, we could make a profit.

From the beginning, and I think we made this clear, it's our plan to operate the Eastern Shore lines as an integral part of the Southern System, integrated with the rest. It would operate as half of the division, the other half of which would be operating on the other side of the bay.

I think we were a little naive in not thinking this would present too much of a problem. Perhaps we were led to this, because just a couple of years ago, we took over a railroad down in Virginia called the Norfolk Southern, which would be the connection with the Eastern Shore.

The Norfolk Southern runs out of Norfolk through southern Virginia and North Carolina. It was also a railroad that was marginal, to say the least—it was badly deteriorated.

It barely broke even and did that only by skimping on maintenance and was, in effect, not much larger than Delmarva. It was about 600 or so miles as against the roughly 450 of Delmarva.

From the beginning of those negotiations, we made it clear that we could only justify taking over that collection of deteriorated lines if we were able to operate it integrally with the rest of Southern.

That meant, of course, operating it under Southern's labor contracts which are relatively standard labor contracts, but which do not have more restrictive or make-work provisions in them than many others.

We did succeed in negotiating agreements that provide that all of the crafts would come over when Southern took over the Norfolk Southern. The Southern contract would be applicable. That has worked very well.

I don't think anyone feels they are put upon by it. And we have been able to operate it efficiently, and I think it's going to turn out

to be a success although that acquisition, too, was a high-risk operation.

Now, when we come up to Delmarva, we thought we would be able to accomplish the same thing. And at the outset of negotiations which have gone on for most of a year, it looked as if we would.

But as we began to get down to the wire, it became clear that we were going to be faced with a demand that, from at least certain of the crafts, we take over the Penn Central contracts and restrictive provisions in those contracts that we did not think we could live with.

We tried very hard, and in the last round of negotiations I must say that Secretary Coleman and Secretary Usery just did a wonderful job of trying their very best, and we tried to cooperate.

We made a number of concessions to work rules that we had never contemplated making from the beginning, because I did not think that there was any way we could justify doing this unless we could follow the basic pattern we set out from the beginning of running this as part of Southern, not taking over a piece of Penn Central and running it as part of Penn Central.

We did make concessions. But we could not in good conscience agree to spend this money, take over a broken down line which was going to be marginal even under our best operations for some years, and take over with the restrictive agreements from the Penn Central contracts that we did not think we could live with.

And if we did take them over, we felt certain the next step would be to move those agreements across the bay into Southern's system, because how can I justify saying to my people: Well, I have agreed to take over strangers on a marginal, broken down operation, and give them all kinds of restrictive agreements and not give them to you.

I did not think we could live with that. So that's really where we are.

Again, we are interested in the show; we think this is an opportunity to perform a public service with our money. And I guess that opportunity to perform a public service with your own money is always available, but this is one we were willing to do.

We were willing to do it, however, only if we could bring to the shore the kinds of efficiencies that we operate the rest of the system on. And we could not possibly operate the shore railroad under the practices under which it has been operated heretofore, and there is no possibility of our being able to do that.

Now, I would like to turn this over to George Paul, who could be a little more specific.

Mr. PAUL. Mr. Chairman, just building on what Mr. Claytor said, rather than repeating any of it, we would plan to employ more people on the Delmarva Peninsula than are now employed. In some crafts it would be less; in some it would be more; but in total, it would be more employees when we set the operation into being.

As Mr. Claytor said, the Delmarva operations will be part of an operating division. To operate half the division on one set of rules, and the other half on another set of rules would be very disruptive, to say the least.

We basically are talking about the people not yet hired on that peninsula; the present employees who would come over from Penn

Central, it has been pointed out, on a volunteer basis, would have the same protection they are going to have if they stay with ConRail.

To just summarize and indicate what kinds of problems we are talking about, the Penn Central Railroad had a transportation ratio, that is, its transportation costs as related to their revenues of 46.2 percent.

Southern Railway had a transportation ratio of 31.4 percent. And this is 1974—I don't have 1975 figures—if we were to impose the same transportation ratio on Southern Railway, it would have increased our expenses \$125 million.

We made a net profit in 1974 of \$88 million, so we would have gone from a profitable situation to a loss situation. To measure it another way, the compensation ratios, that is, the wages and salaries and dollars paid out as a percentage of total revenues, on Penn Central Railroad in 1974 were 51 percent.

On the Southern Railway in 1974, they were 32.5 percent. To impose the 51 percent compensation ratio on our system, Southern's System, would have increased our expenses \$168 million, almost twice our net profit.

And to repeat the point that Mr. Claytor made, we don't think it would be possible, and certainly we would not be living up to our moral obligation to our present employees to set a pay system and set of work rules in existence for approximately 570 people and ignore the 17,000 union employees that are now working for our system.

Senator BEALL. Thank you, Mr. Paul.

Mr. Dennis, do you want to move to the center of the table so you can get next to the microphone?

Mr. C. L. Dennis, the president of the Brotherhood of Railway and Airline Clerks, and, Mr. Dennis, I would like to thank you also for accommodating your schedule to be here today. Because I know there is a great deal of inconvenience and we appreciate the effort you made to be here.

Mr. DENNIS. Senator, I have a brief statement on the background of negotiations with the Southern Railroad, with the assistance of the Secretary of Transportation, William T. Coleman and Secretary of Labor, William J. Usery, Jr., on February 25 and 26, 1976.

The Southern and Chessie presidents and vice presidents, as well as all of the large railroad labor representatives were present. Both Secretaries explained the reasons why they felt the acquisitions proposed by the Chessie and the Southern should be accomplished in the interest of the public.

After considerable discussion it was announced that our organization would be dealt with first, as it was felt that while many open issues were common to all of the unions, it was well recognized that all unions must be in agreement or the acquisitions could not take place. Also it was decided to discuss the Southern acquisition first as it was less complicated than the Chessie.

Discussions were then entered into by Southern Railroad representatives and BRAC representatives for more than 8 hours with strenuous mediation services being performed by both Secretaries. The following was accomplished as a result of our combined efforts:

I will first list the open issues and the results agreed to.

One: Number of positions and/or employees to be transferred from Penn Central to Southern Railroad.

BRAC agreed that: Of the 109 clerical and telegrapher employees now working on the Delmarva division, 75 would be accepted by Southern; 20 would be temporary for 3 or 4 months, after which time they would return to ConRail. This provision would be necessary for the 20 block operators, who are represented by BRAC on PC and whose work would be absorbed by train dispatchers on the Southern System of operations.

Two: Train order rule that was in effect on the PC, which is very important to our members.

BRAC agreed that: BRAC would give up this request which we were entitled to under the law with persuasion from one of the Secretaries.

Three: Centralized traffic control—a class of work our members performed on the PC.

BRAC agreed that we would give up on this question as to whom would perform this work on the Southern.

Four: discipline rule: provisions of the PC which were far superior to those discipline rules on the Southern.

BRAC agreed that we would give up this request which we were entitled to under the law and accept the provision of the discipline rule presently in existence on the Central of Georgia, a Southern-owned-and-operated railroad company.

Five: sick leave rule: provisions of the PC which was a standard bona fide rule in existence on the majority of all large railroad properties.

BRAC agreed to accept the provisions of the Central of Georgia sick leave rule.

Six: Question of a provision in the acquisition agreement that sections D and E of article V was not applicable—this provision was agreed to with all of the other 21 or 23 carriers who signed such agreements.

BRAC agreed to permit the agreement to be blank on this question and the law stand as is until a declaratory judgment is made. Southern agreed to this as they saw no need to transfer employes outside the Delmarva division.

Seven: PC, as all other railroads, pays time and one-half for work on the sixth day. Southern in some instances pays only straight time for work on the sixth day.

It was agreed that employees would not be worked on the sixth day for straight time pay.

Eight: On the PC employees who are training on a job receive the full rate of the position. On the Southern, they refer to training as "cubbing" and the employee is not paid.

Southern would not agree to apply to the PC rule for trainees.

Nine: On the PC employees who are required to train other employees, receive 56 cents an hour over their regular rate of pay.

Southern would not agree to apply the PC rule for trainers.

Ten: The 75 positions to be transferred from PC to Southern on the Delmarva division to be established at the same rate of pay as in existence at the present time, in accordance with the long-established

provisions of the "preservation of existing rates of pay" principle, going back some 40 years to the Washington job protection agreement of January 1, 1936.

Southern would not agree to establish the same rates of pay for the 75 positions transferred; they would only agree to the highest rates of pay in existence on the Southern for the same kind of work.

Eleven: Protected or preservation of rates of pay for the present incumbents of the 75 positions to be transferred to the Southern from the PC.

This principle was agreed to but Southern would not agree to apply the PC rate of pay for vacancies on these positions which may occur in the future.

Twelve: The question of applying the general cost-of-living pay increases to the protected rates of pay as was done by agreement with PC.

Southern indicated that they would apply the general cost-of-living pay increases to the protected rates of pay if ConRail applies the PC agreement.

Thirteen: Acquisition agreement must be similar on basic points with all unions involved.

This principle agreed to.

Fourteen: A "Save Harmless Clause" must be included in the agreement.

This principle agreed to.

After giving up on many of the working conditions that the employees had on the Penn Central, we indicated that we could not agree to reduce the established rate of pay for positions.

At the termination of mediation conferences on Friday morning after 3 a.m., February 27, 1976, both Secretaries indicated their great disappointment with all parties involved.

We felt that we had made many concessions to the Southern, endeavoring to work out an agreement giving up many working conditions that the employees had secured after many years of collective bargaining, which by past practices, rules, and by law we were entitled to retain.

BRAC, as an organization has a great desire to work out acquisitions, transfer of work, consolidation, automation and/or stabilization agreements, as our past record will indicate. We also are greatly concerned with avoiding nationalization of the railroad industry. However, we have not in the last 40 years agreed to reduce rates of pay in similar circumstances once established by mutual agreement, and it seems to us that it is very unfair for anyone to expect us to do so, in violation of the applicable law.

BRAC did agree to change many of the working rules, endeavoring to reach agreement, because of the great respect we have for both Secretary of Transportation William T. Coleman and Secretary of Labor William J. Usery, who involved themselves in this matter. However, the provisions of the working agreement which pertains directly to compensation must be retained, in accordance with all practices and agreements followed in the railway industry for many, many years.

Thank you.

Senator BEALL. Thank you, Mr. Dennis.

Mr. Al Chesser, the president of the United Transportation Union. Mr. Chesser, thank you also, sir, for accommodating your schedule to be with us this morning. I know this has been a great inconvenience to almost everybody because of the speed with which these hearings were called and I appreciate the cooperativeness of all the witnesses in being here.

You may proceed, sir, with your statement.

Mr. CHESSEY. Thank you, Mr. Chairman. I am happy to be here, it's my obligation as president of this union to be here. And especially in view of this important matter before the Senate.

I have with me Mr. Jim Burke, who is our vice president and who is in charge of coordinating all of our negotiations on the acquisition of the Erie-Lackawanna by the C. & O. and also the purchase of the Delmarva line by the Southern.

And Mr. William G. Mahoney, our counsel.

I am certainly not here to try to assess the responsibility of management because an agreement wasn't made. I am not here to assess the responsibility of any of the unions including my own that wasn't made. A little bit of that has been done in the papers and that didn't help negotiations one little bit.

I believe all parties, to the best of my knowledge, did take into consideration the public interest and did try very, very hard to make an agreement.

The position probably that we are all in here is very new to us, and I am sure to the carriers; these two transactions are business transactions.

The C. & O. knew about how much money they could spend in acquiring the Erie-Lackawanna. I have no doubt in my mind whatsoever that the Southern Railroad knew the amount of money that they would spend to acquire the Delmarva, but it does narrow negotiations. And it isn't like negotiations of mergers of railroads which we have all been through before and which is very time consuming.

I am not making excuses for either one of us. I want the record to show what in my opinion are some of the reasons. The time frame for negotiations was a pressure from the very beginning. It was not only negotiations involving Southern and Delmarva. The same general chairman of my union that was negotiating with the Southern Railroad was also involved in negotiations on parts of the C. & O. acquisition of Erie-Lackawanna.

As you know, that was the most difficult, the acquisition by the C. & O. of Erie-Lackawanna. That's 2,000 miles of railroad we are talking about. There are many separate entities, not just one as we find here.

So this time frame, and again I am not saying that anybody in the Congress is responsible for this, but it's there. It's a time frame. And it was absolutely very close, I think we came close to making an agreement on the C. & O. acquisition of Erie-Lackawanna and did make some agreements.

We have made agreements with 23 railroads. But I want to say to you it is not as easy as I have heard some people sit here in this chair this morning say that it is.

I would gladly let them come into these negotiations and hear what goes on.

Now, as to the public sector, I want you to know we have spent over a quarter of a million dollars, the United Transportation Union has, in working on this problem. A quarter of a million dollars to us is a lot of money. It may not be to the Congress and it's not near as much as what railroad management has offered to put into this plan. But as you compare the two, it's as much.

So I think we do have the interest of the public in mind, but to be very candid about it, I am sure our negotiators, those that are responsible, they have just a little bit of self-preservation and they also know that they are negotiating for several thousands of people who are in the public sector.

There were some wide differences and a few probably on the issue in hand here today. So I will defer to Mr. Burke. I have the highest regard for the Secretary of Labor and Secretary of Transportation. I think they did under the circumstances an excellent job.

I only disagree with Mr. Claytor on one point. We had no make-work rules in dispute that I knew of. It wasn't a question of that. Maybe our difference wasn't as wide as some of the other unions. But again, I say to you, Mr. Chairman, it's easy to sit here today and in theory say this should have been done and that there is no excuse for it.

That's not a fair statement. It's not a true statement. Because for any of those that think that we haven't been in sincere negotiations; both sides, I invite further ones. And we are not only willing but ready to try to negotiate further.

We did everything within our power. In our union, our general chairman on individual properties have the authority to make agreements. That authority does not rest with me. I have had these people in my office on both sides, both railroads. We have discussed the problems at length.

But I do not have authority myself to step in and negotiate an agreement here that pertains to one railroad. And I don't think I should have that authority. That's pretty well home rule in our union and those committees are on their own autonomy.

And I believe that that was a proposal by this Congress in a good many investigations. You know, "those labor leaders with horns." Well, they never gave me a chance. So we have taken care of those wants of the Congress back in those days when it was holding all the investigations.

So we are now in the position where our general chairman negotiates a contract pertaining to one union. With your permission, I would like to defer to Mr. Burke for any additions that he might have, Mr. Chairman.

Senator BEALL. Fine. Mr. Burke.

Mr. BURKE. Mr. Chairman, some background just to indicate to you the efforts that have been made by organized labor.

This includes all of the labor groups. We have out an organization form representing each of the groups, one representative from each one. We have been meeting consistently since the final system plan was put into effect and which it was under consideration. We took

the initiative when we knew these acquisitions had to be made and starting in October, this particular group made arrangements to get certain quarters and we lined it up with all of the acquiring carriers.

We gave them notice we would be available to them in Washington all under one roof as a preliminary to getting all of the information available at that time and making arrangements for each of the individual groups to meet with these individual carriers.

In other words, we tried to concentrate as much as we could in Washington, D.C., to make it convenient to everyone. October 9 and 10 we had four railroads in. Actually, that should be five. October 22, 23, and 24 we had six. On November 9, 10, and 19, we had the Chessie in and the Southern as I recall came in on the October 9 and 10 dates.

From that point each of the various labor unions made their own arrangements to negotiate with the various carriers. I think one thing that did some damage to us all was the various deadlines that arose and went by. I recall in one instance in my own group, we worked 12 days; that was the first deadline we had.

This included the weekends, working until 1 or 2 o'clock in the morning; when the deadline came and went we came into another. By the time we got to the third one, some of the enthusiasm had dissipated. At the meeting a week ago when it was called under the auspices of Secretary Usery, he proposed that the Southern was at a bad time, their problems were not compatible to the Chessie so they were excluded for the time being.

The Secretary proposed that labor get seven people to represent the various groups, meet with the Chessie people and try to find the common issues. We did so and as you know these negotiations did not bear any fruit.

The meetings of the last week, Secretary Coleman made the same proposal. We did try to sit down and we did have a group. We got the common issues more or less laid out. And even on those issues, they were somewhat different as regards each of the unions. Different problems were rate of pay, but even with the rate of pay situation it was a different application with the various unions.

It did narrow them down to about two or three primary agreements or primary points at issue. But I think in my own mind the basic thing that sort of restricted the negotiations was what President Chesser referred to. Both the Chessie and Southern had a cap on their investment. It was as they plainly stated, a business venture. They had a certain limit they would go to and this, needless to say, did restrict the latitude people might have in negotiations.

So we stand right now simply with a case as far as the UTU is concerned. At least I might mention we never did get into any definite negotiations. We did, after getting these common issues over, never receive any counter reply to them.

As it stands right now, the issue of the UTU is primarily that of the contract. The Southern contract versus the Penn Central contract.

Senator BEALL. Thank you. In order to put this in some perspective, is it fair to say that each of the witnesses agrees that the take-over by the Southern of the Delmarva branch of the Penn Central is in the public interest? Is there any disagreement on that?

Mr. CLAYTOR. We think it would be in the public interest, Mr. Chairman. But the problem is that I suppose it would also be in the public interest for us to take over the whole ConRail and run it, too. I would think that would be very much in the public interest.

Senator BEALL. We aren't talking about that.

Mr. CLAYTOR. My point is we have a problem here. We think if we took it over it would be good for everybody on the shore and we think we could make it go, but we also are clear that we couldn't make it go unless we can operate it as an integral part of the Southern system. And if we cannot do that, we are not interested in taking it over because it will be a failure.

Senator BEALL. Mr. Dennis, do you agree it's in the public interest that the Southern take over the operation of the Delmarva branch of the Penn Central?

Mr. DENNIS. Not entirely. I believe that ConRail's new management that takes effect April 1 is going to try to operate a good property. I happen to know Dick Spence, the president of operations, president of ConRail, and I know Al Leaghers, the vice president of personnel. And I know they intend to go all out and operate a successful railroad.

Now, therefore, I believe that there is a real public interest involved in seeing to it that ConRail gets off to a good start. And I really believe that there is not that much difference between the two contracts on the Penn Central and the Southern or the Penn Central and the Chessie that it would make that kind of difference.

I think with the right people operating the railroad, this will make a lot of difference. And I believe that Dick Spence comes from the Southern Pacific with a great record, a great background.

Therefore, I believe he is going to do everything he can do in the public interest. I don't know the details of how much of the Delmarva division ConRail is going to operate. I haven't gotten into those details.

Senator BEALL. That's a very important detail, though, isn't it?

Mr. DENNIS. I realize that. That's why I qualify my remarks. And I believe that we have heard a condemnation of big ConRail here today. And I saw that I believe they can do a job of operating the ConRail property. And I believe they will do a job within the means that they have to do it.

Senator BEALL. I think we all hope that ConRail succeeds, because a lot of us put a lot of time and effort into developing the legislation and the process that produced the final system plan. And I hope we do have good, alert, progressive management.

I think, however, to make the record clear, Mr. Dennis, we should point out the final system plan doesn't envision ConRail taking over the total Delmarva line. You have heard the testimony of the Governors this morning that absent Southern taking it over, there is no way that they can take over the line.

So my question to you, each of the witnesses, is do you agree it is in the public interest, that being the case, that Southern acquire the Delmarva line as far as the public interest on the Eastern Shore?

Mr. DENNIS. Yes, if Southern applies practices and rules and regulations that have been in effect for the last 40 years, ever since the Washington Job Protection Agreement was signed.

Senator BEALL. I am just talking about the public interest outside of the rules and regulations, because it seems to me you have to separate the two.

Mr. DENNIS. I believe that the union people are the public, also.

Senator BEALL. They certainly are.

Mr. DENNIS. And I think when you have conditions for 40 years, I think you are entitled to have those.

I don't know why the union employees should have to give up something to the Southern Railroad, a pretty prosperous railroad.

I admire Mr. Claytor for the success he has on the Southern Railroad, but I think this morning we have been comparing Southern Railroad and their organization with old Penn Central and the kind of organization they conducted.

Now, we are going into a new ball game commencing April 1. I say given the means I think ConRail should be able to function about as good as Southern.

Senator BEALL. On the Eastern Shore?

Mr. DENNIS. If they are given the means, the proper means.

Senator BEALL. ConRail is not interested in the total line and will not make the investment Southern contemplated. I ask that the audience restrain themselves from making any kind of reaction.

Mr. DENNIS. I agree with what Senator Hartke said this morning, that the public has a little obligation in this thing. And that is to see that enough is provided so that whoever gets the job of operating the Delmarva division would have the means to operate it.

Senator BEALL. I don't want to be placed in an adversary position with any of the witnesses here this morning. We want to make sure we are bringing all the facts on the table and hopefully, as a result of doing that, having a free presentation of facts, we can get to some resolution of this problem.

But I heard a couple of witnesses mention how difficult negotiations have been. I am sure negotiations are indeed very difficult with this circumstance. And I recognize you are operating under time restraints, but I remind both railroad management and railway labor it was very difficult, also, to come up with \$250 million that guaranteed that no employee of any railroad, the Penn Central or others, who were going to be acquired were going to suffer as a result of any acquisition or takeover by ConRail or others.

I remember very vividly a couple of years ago when Senator Hartke and I both promised the Members of the Senate \$250 million would be the maximum that they would be called upon to come up with in order to satisfy the labor protection agreements to do the job in this instance.

I suggest that was difficult, too, because I am sure most of you remember the debate on this subject matter at the time.

But be that as it may, let me ask this question. Is it true that, as far as the negotiations are concerned now, that present employees are taken care of satisfactorily? We aren't talking about people anymore, but we are talking about positions? Is that the case we are in? Because when you read over your litany of things, Mr. Dennis, I got the impression—and correct me if I am wrong—that you suggested that all of the people issues had been solved but we were talking about position issues.

Mr. DENNIS. In one instance we are talking about positions, and in another instance we talk about people on the trainee rate and trainer rate. That is people.

But Southern has agreed to pay the 75 people who will get reduced down to 55 in 3 or 4 months if that can be worked out with ConRail. Southern has agreed to pay them a protected rate, which keeps them whole, incumbents coming over the 75.

However, once those incumbents leave, die, quit for any reason, then the job would be reduced to the rate of the Southern.

Senator BEALL. But my question was the people currently employed are protected.

Mr. DENNIS. No. The people taken over by Southern, 75 out of 109, those people will be protected by Southern for the full rate. They will get the Southern rate of the job plus the protected rate, which keeps them whole with their former Penn Central rate.

Senator BEALL. So none of the workers are hurt.

Mr. DENNIS. None of the present workers are hurt. But the jobs will be reduced for any reason that any of those present workers leave.

Senator BEALL. The position then is changed. As I understand it, the people who are currently employed on the Penn Central would be brought over under the current agreement with all of their pay privileges protected as they are now. Is that correct?

Mr. DENNIS. Not all of their pay privileges, but with this rate of pay. But they will not have the other increments of the compensatory rules.

Senator BEALL. Fine.

Mr. DENNIS. Unless Southern would agree to it.

Senator BEALL. But the rate of pay wouldn't change until those people leave the job and new employees come on the job.

Mr. DENNIS. That is the rate of pay of the position will change, but the rate of the individual occupying the job will not change because they will be on a protected rate.

Senator BEALL. Without suggesting this is either right or wrong, was the rationale for this protecting the position?

Mr. DENNIS. The protective rate goes back to the Washington Job Protection Agreement of 1936 and all subsequent ICC orders that have ever been handed down guarantee the present rate of the job that the man holds prior to the merger or the consolidation or pooling of work, whatever. And that is as old as the hills.

And the rate of the position, positions are rated and not employees under our rules agreement. And the Southern rates of pay are down here, and Penn Central's are average, up here. They are average considering all other railroad rates of pay in the country.

Senator BEALL. Mr. Paul, before you speak, I don't want to get into open debate here before we give other Senators the opportunity to question the witnesses. And I think I ought to spread the opportunity around a little bit.

I would ask one more question before I call on the other Senators, however. Are all the parties to the dispute willing to continue negotiations?

Mr. CLAYTOR. Yes.

Senator BEALL. Immediately, now?

Mr. CHESSEY. Senator, we are. I am not the negotiator and do not have the authority to make the agreement. I want that understood.

Senator BEALL. Well, I won't ask you to speak where you don't have the authority, but is it your understanding those who do have the authority to make the agreement are willing to go back into negotiations?

Mr. CHESSEY. He will be there.

Senator BEALL. Is that true of your unions?

Mr. DENNIS. Yes, we are willing.

Senator BEALL. True of your management, Mr. Claytor?

Mr. CLAYTOR. Yes, sir, absolutely.

Senator BEALL. Do you think an agreement can be reached if we locked the door, for instance? Would that be an inducement to reaching an agreement?

Mr. CLAYTOR. After personally going through the 2 days, including 16 hours in one day, I am afraid we have put everything out we can put and justify the business decision to go ahead.

So, unless again we can get the principle accepted that after this is over, after the individual people who are protected are taken care of, we are going to run this railroad under Southern contracts the way we run the rest of Southern, we can't justify taking the risk involved to do it.

So unless that issue can be resolved, I don't think we can reach agreement. But we are prepared to meet and carry on as long as anyone else is.

Senator HARTKE. Let me ask you, here is a problem you have, as indicated. In other words, you have a different set of operations, really, than the old ConRail system.

Mr. CLAYTOR. That's right.

Senator HARTKE. What you are saying is when you take over this line you don't want to go ahead and operate part of your railroad on one set of circumstances and one principle and the other part on the other?

Mr. CLAYTOR. It is even worse than that, Senator. That is correct, but, of course, it isn't as if this was a big thing like the Chesapeake and Ohio and Baltimore and Ohio were going together. We are on a rescue operation for a brokendown railroad that is going to be just a little segment on the end of our division. We will not operate that unless we integrate it with the division, and that includes the work rules and restrictions.

Senator HARTKE. I think that is a point which was missed from the very beginning—the question of a merger, whether you are dealing with a merger type situation or dealing with a rescue.

What we are trying to do with the Penn Central and the related bankrupt railroads, is take them out of the depths of despair and bring them back into a viable operation. That is what is involved.

Once you understand that, then some of these issues come to the front. That gives you some problems which you wouldn't have in a merger situation.

Mr. CLAYTOR. Senator Hartke, that is right. We have tried to make it clear from the beginning, in my opening speech in practically every negotiation, this is not a merger or the usual type of major acquisi-

tion as to which there are a series of sort of precedents and rules. This is a unique situation in which we really have been a volunteer to make in effect a rescue.

Senator HARTKE. Let's not become too sanctimonious here. There is some advantage for the Southern getting this route. You go right into Wilmington directly.

Mr. CLAYTOR. We hope there will be some advantage. We are gambling, but again the principal advantage to us will be to serve this area, particularly the Eastern Shore of Virginia, Maryland, and southern Delaware, rather than any through connection in Wilmington.

We hope to develop some through service through Wilmington, but the ferry service presents such a service disability that, as someone said here, it is a great alternative to going through Washington.

We do not foresee that there will be any significant diversion of traffic through the Washington gateway to here except for the high, wide loads that can't go that way, because of the service disability involved in the ferry, which is not only a disability but extremely expensive to run. And it is one of the things that gives us a problem here.

Senator HARTKE. That is why it doesn't make an awful lot of difference to the ConRail operation what happens here.

Mr. CLAYTOR. That's right.

Senator HARTKE. The question I ask you, is it possible for you to execute an agreement on this peninsula which would be justified there and not apply elsewhere on the Southern?

Mr. CLAYTOR. It is possible, but we are not willing to do it because we think—

Senator HARTKE. Isn't that the heart of the problem?

Mr. CLAYTOR. Yes.

Senator HARTKE. As long as that is binding, there is really nothing legislatively we can do to get you out of that bind.

Mr. CLAYTOR. I have been trying to think of something legislatively to suggest for the last 2 weeks, and I agree with you. I haven't been able to come up with anything yet.

Senator HARTKE. Let me say—I think that Senator Beall would agree with this—the time element to which Al Chesser was speaking a moment ago may have presented some difficulties, but I think we are prepared to go ahead and make that move necessary to adjust the time.

I don't think at this moment we are in a position to do anything else, other than nationalize the railroad, which would take care of the problem. I do think there is something, even as far as the employees are concerned, for example, employees are going to get a special benefit. I think the unions have to look down the road, too, and look at this thing. There are certain work rule benefits and other things they get through ConRail for the positions, but on the other hand, under the law which we have passed, in the \$250 million which is in the bill, there are certain things which union members heretofore have never been required to give up, and that is the fact they have never been required to go ahead and give up their right of transfer.

These people who are in this area, for example, in this peninsula, can be transferred out of that area when ConRail takes over because

ConRail is not going to provide that service there. That is a fact of life. Since the service is not going to be there, they are not going to need the people, and ConRail can move those employees wherever they want to, whether the employee wants to move or not. And if he doesn't move, he doesn't get his money.

So, I think it comes back basically, and I would hope that people here in this room would understand, at the other service end of this, this is not a case of where the unions or the Southern or ConRail really, in my judgment, are specifically looking out for themselves at the expense of the public. The public is caught in a situation where you have had, like you said, Mr. Claytor, a whole railroad go down and now what we are trying to do is put a rescue operation in. It is a very difficult thing to rescue it. That is the problem.

I don't have anything else to say.

Senator BEALL. Senator Buckley.

Senator BUCKLEY. Thank you, Mr. Chairman.

I'm afraid that, in having come in late on the discussion, I won't know quite which questions to ask, so I pass.

Senator BEALL. Senator Roth.

Senator ROTH. I have only one question.

You talk about a time frame. I think the chairman said that problem could be taken care of, but do any of you have any solution how to get these negotiations back on track? You have all indicated a willingness to go back, but is there anything you see we can do legislatively or otherwise to get this thing moving again? Anyone?

Mr. CHESSER. Legislativewise, I have no idea. I would say it would be very difficult because Mr. Claytor said he has gone as far as he is going to go. I am not criticizing him for that point. He knows how far he can go, I suppose.

With that kind of statement, you don't have much to negotiate about. That's the problem. As far as our willingness, I guarantee it's here, and we will be there.

Senator ROTH. Could I just ask this question? You already were asked if it was in the public interest. If the Southern Railroad takes over and could come to agreement, does anybody disagree it won't be in the interest of their union as well as the railroad? If you can get satisfactory terms would it mean more jobs in the long run or would it not?

Mr. CHESSER. If we had satisfactory terms and it's in the public interest, I can answer that right question and it's in the public interest. Now, if Mr. Claytor has gone as far as he is going to go on public interest it's going to be hard for us to move on public interest also. I am being very candid, and I don't want it recorded here I am not in favor of this. We are. But I would be less than honest with you if I didn't point this out. You know, speaking about negotiations, at 4 o'clock in the morning, you don't have to lock anybody in the room; you're too tired to leave by that time and Usery never gives you anything to eat.

So you don't have many places to go here and we are ready to negotiate from now on, but I want to be fair about it as I think Mr. Claytor has. We have made agreements. We have made agreements faster than any union every made them in their history. We have

made agreements on 23 railroads. You can't call that bad faith negotiations on either side.

So we are in this predicament. If I had a suggestion, I would love to give it to you. I don't have.

Senator BEALL. Well, I don't think there is any bad faith on anybody's part. You do have a difficult situation, as Senator Hartke and Mr. Clayton have pointed out.

What I can't understand here is in this instance you're going to have more railroad employees as a result of the acquisition than you had before the acquisition. You're going to have, as the Governor of Maryland testified, more private employees than you had before the acquisition. You're going to have every worker now working on the railroad protected except those who have worked less than 5 years.

So, no present employee is going to be hurt or suffer any loss of wages. You're going to have 20 or 30 million dollars spent to build a better railroad.

Under those circumstances, I can't understand why both parties can't get back to the table where everything seems to be so far reasonable and come to a resolution of the problem because everybody is going to benefit.

The railroad is going to benefit. The workers on the railroad are going to benefit because there will be more of them and the public will benefit because better service is going to be provided that will result in better jobs. I don't see how you cannot come to a resolution of a problem when all of those conditions exist.

Mr. CHESSEY. Some of that is in theory, Mr. Chairman. You have two pieces of bread, but you didn't put all the in between stuff. There is going to be butter, baloney, or ham.

Senator HARTKE. Mr. Chairman, will you yield?

I do think there is one element here in which Secretary Coleman and I have this big difference and that is the viability of the theory of control transfer and that is what this is. This is a controlled transfer situation. The Secretary really had always indicated that that is what he really had been looking forward to.

Now, when this situation was presented to the USRA Board, they rejected it. And they didn't reject it on a close vote; it was rejected unanimously. Because a controlled transfer theory sounds good just like Al Chesser said.

A lot of this theory sounds good but when you come down to the end result you're coming down to something entirely different. That's why I hope that we can move off this. Let me ask you, Mr. Clayton, as far as you are concerned then any additional business which would come out of Wilmington might just as well move down through Washington over ConRail down to—Richmond?

Mr. CLAYTON. No; it goes to Potomac yard. We reach Washington.

Senator HARTKE. You pick them up there and as far as you are concerned really to come on down to the Southern line doesn't really present to you any significant difference?

Mr. CLAYTON. We don't anticipate any large amount of new business coming there. The business that comes through Potomac yard will remain our primary gateway because of its service advantages.

But the area that would be served we think we can build up. We are gambling on that.

Senator HARTKE. Let me ask another question then. As far as the area concerned seems to be in trouble is to the advantage of the Southern. By Southern coming through there, they will get the main line traffic. Therefore, for the State to come in and subsidize it, it does not present the same type of liability as for the Southern to come in.

Mr. CLAYTOR. That's right, Senator Hartke. I perhaps overstated a little bit here. It's clear of course, business to the Norfolk area, eastern half of North Carolina, and that whole area would have a much shorter haul by Cape Charles and Wilmington. That traffic is moving that way now. We would hope to build that up. And if Cape Charles isn't there that traffic has to go all the way around through the yard.

It would probably go that way, but it would be longer and more expensive. The traffic I'm talking about in the Potomac yard is the main traffic that comes from Atlanta to the northeast, and it would almost surely continue to move that way. But there will be some through traffic that will be lost if the Cape Charles ferry is closed, because it would naturally move that way if the service is any good because it's shorter to destinations to the eastern part along the coast there.

Senator HARTKE. Let me oversimplify the situation. If you could see your way clear to avoid this principle, if you could move into a separate type of agreement in this area, then that would leave some room for negotiation.

Mr. CLAYTOR. But the actual cost of doing that with the difficulties that would be involved in operating a yard in Wilmington, now, we have got to operate a yard in Wilmington. Our concept considered that yard would be operated with all the advantages from the standpoint of efficiency and reduction of people, using computers and everything else that we use at Savannah, say, which is a comparable yard.

If we go in under the Penn Central contract, I am very dubious about whether they would be able to accomplish that at any time in the reasonably foreseeable future.

The additional cost would be such we are not prepared to risk it.

Senator HARTKE. How much?

Mr. CLAYTOR. I don't know. We know very high. We run, we think, the most efficient yard in the United States. That's where most of the money gets lost. We are willing to gamble we can do it in Wilmington and on the line if we have our contracts and our agreements. If we don't, maybe we could do it down the road somewhere but the gamble then becomes sufficiently great and the amount of money involved is so great that I am not willing to take a chance.

Senator HARTKE. I think I understand perfectly.

Senator BEALL. I must say this is a rather frustrating experience because the conditions seem to me to benefit everybody. The ultimate objective seems to benefit everybody.

Senator HARTKE. Agreement on that the conditions will benefit everyone if you get the conditions you want, that's the point.

In other words, Mr. Claytor can tell you if he gets what he wants he can go ahead, that's their problem. But the unions find that unacceptable. If you get what the unions want, Mr. Claytor finds that unacceptable. I don't think this is a mutually advantageous proposi-

tion for everyone concerned under the same type of conditions. The conditions are not, and I think this is the point Al Chesser was trying to make, without some major changes in what is going on. Everybody is in the same situation.

The simple fact is that you do not have a totally integrated transportation rail system. That is the point.

Senator BEALL. Let me follow finally and ask Mr. Dennis. Take an individual employee. What will be the difference for an employee now working for the Penn Central if he goes to work for the Southern?

Mr. DENNIS. Well, if he doesn't have the advantage of the same compensatory rules that he had on the Penn Central. We have given up the sick leave rule, given up the discipline rule, we have given up the centralized traffic control rule, we have given up the train order rule, and we have agreed to take only 75 jobs out of 109.

But we will not give up on the preservation of rate. We will not give up for the rate of the position. We will not give up on that because that goes back, we would be the laughingstock of the whole railroad industry if we gave up on that principle of preserving the rate of pay.

Senator BEALL. Clarify this again for me. You're talking here about position and not person, is that correct?

Mr. DENNIS. Right. The positions are rated under all of our working agreements, not employees' positions, but when there is a merger then an employee who is directly involved gets a protected rate of pay, a guarantee of his former rate with his former railroad. He gets a guarantee of that. The position would be advertised at the Southern rate of pay and the difference between the Southern rate and the Penn Central rate would be added on as a protected rate.

Senator BEALL. As I understand this, this isn't a merger, of course; it's a rescue.

Mr. DENNIS. It's a takeover of 75 jobs and supposedly these 75 jobs of these 109 are not going to be moved. They are still going to be there on the Delmarva division and the only thing that is going to change is the rate of their position as it is advertised.

Senator BEALL. As I understand it, these individuals that are going to be transferred from one employer to the other are going to be transferred with their rate of pay protected?

Mr. DENNIS. That's right.

Senator BEALL. But after these individuals are no longer on the job, you're suggesting the same rate of pay should apply even though it doesn't apply to other Southern employees?

Mr. DENNIS. They were the 75 positions.

Senator BEALL. I assume your union has the contract with Southern.

Mr. DENNIS. Yes.

Senator BEALL. And you have negotiated a rate of pay for certain positions with the Southern Railroad?

Mr. DENNIS. Down South and we have different rates of pay on the Central of Georgia Railroad which the Southern also operates.

Now, the Southern said that is so hard for them to operate Delmarva division with different working rules, they operate the Central of Georgia Railroad with completely different rules.

They took over the Central of Georgia some years ago. And the working rules have never been integrated.

Senator BEALL. The rates of pay?

Mr. DENNIS. The rates of pay have never been integrated, different rates of pay.

Mr. PAUL. Senator, may I respond to that? The final offers we made to the Clerks Union—and I was going to make the point you just asked is this a union we negotiate with—Mr. Dennis' union, would be a third of those rates are higher than the rates on Penn Central, they are not all lower. The sick leave rule that Mr. Dennis is complaining about, he and I personally negotiated that rule. This is not some foreign union that they just find out about; these are the same unions. One-third of the rates are higher.

Mr. DENNIS. While some are higher, some are lower.

Senator HARTKE. Let me ask you a question, C. L.

In the first place, I am not so sure it is worth pursuing further negotiations the way things are now. I say that sincerely.

Mr. DENNIS. I agree with you if Mr. Claytor stays with his position.

Now, Mr. Paul and Mr. Claytor have said what their position was from the beginning and they have stuck pretty close to that.

Senator HARTKE. Now, let me ask you this, is it worth pursuing the possibility you would protect the positions and certain rights for a period of years?

Mr. PAUL. We have offered to protect—

Senator HARTKE. I am talking about legislative negotiating.

Mr. DENNIS. That would be possible if we protect all of the compensatory conditions. How about the trainee rate on the Penn Central, when a fellow trains on the job he gets the full rate of the job. On the Southern he gets no pay.

Senator HARTKE. Is it worth pursuing the possibility of making some type of an approach legislatively toward that situation.

Mr. DENNIS. I think if we had a chance of getting it, it would be worth pursuing.

Mr. CLAYTOR. I think it would be very difficult to work out in practice. And I am not sure that could be done at all. I have no objection to exploring anything, but I don't really think that it is going to present a viable solution.

Senator HARTKE. Come on.

Mr. CLAYTOR. I don't.

Senator HARTKE. Let's be a little bit more flexible.

Mr. PAUL. Senator, we offered to leave the Penn Central contract for 1 year to provide a transfer.

Senator HARTKE. I am talking about legislation. After all, we have done some things in this legislation which have never been heard of in the railroad industry before. You know that we are out in a whole lot of new territory. And we are not sure at all how it is going to work out.

Mr. CHESSEY. Senator Beall, you asked a question about an employee that would go from Penn Central to Southern and you didn't get the answer due you.

Senator BEALL. No, I didn't.

Mr. CHESSEY. Let me—

Senator BEALL. That's under the most favorable offer you have received so far.

Mr. CHESSEY. Let me say to you there are unions involved here that are not represented at this table. So, there is no way that you could take an employee. You would have to take an employee from all of those involved. I am trying to help you with your question.

Senator BEALL. How about with your union?

Mr. CHESSEY. Very difficult. Well, I can't tell you sitting here right off the top of my head. I could take two jobs and get our general chairman to give you that difference. That is not impossible.

Senator ROTH. Could I ask a question?

Senator BEALL. Yes.

Senator ROTH. I think it was Mr. Dennis who said the work rules and others were not integrated but there were already separate work rules and separate contracts.

I would like to ask Southern whether it is true you already have the precedent of working under different work rules.

Mr. PAUL. It is true to this extent: in two cases with the clerks organization, we have separate contracts, with the Central of Georgia Railroad and the other the Interstate Railroad. These were railroads where the total railroads were acquired. They were also railroads that were acquired before Mr. Claytor and I were responsible for this. We have not done that since our tenure. When I took over this responsibility, we had over 250 labor contracts on the Southern Railway System and we have been very hard at work to reduce that number with the objective in mind that we would have one contract with each craft on the entire system. We ultimately, of course, would like to have one labor contract on the entire system.

Senator ROTH. I can appreciate that but, it seems to me, Delmarva is a unique circumstance, that you are opening up a new area that has some advantages too. I just would hope that in an effort to get negotiations reopened that Southern might give some thought as to whether there could be any flexibility in this area.

Mr. PAUL. Well, it is a different situation. In both these cases they were entire railroads. Delmarva is not an entire railroad, not even an entire division. It will be a part of an operating division. And I guess, having inherited the Central of Georgia contract, it is just good evidence we ought not to do it again. It has been a very difficult arrangement to live with.

Senator ROTH. Thank you.

Senator HARTKE. Is it worth trying to resume negotiations? Everyone is talking about going back to the bargaining table. I think Bill Usery was really saying he doesn't have any problem getting people to sit at the table. They are not mad at each other. This is not a case where you have people admit to hating each other because you are dealing with each other every day but what I am asking, as a practical matter, is it worth going back into negotiations at all?

Mr. CLAYTOR. My evaluation is the same as Bill Usery's. I don't think so. But I am willing if anybody else thinks so.

Senator HARTKE. There are a lot of people out there on the shore.

Mr. BURKE. May I comment on this, Senator?

The situation, as I said before, is we have the situation as we have it today. And I made the statement before Mr. Claytor has evaluated

this thing, he has so much money to put into it, he figures he has to have a contract. That is the big stumbling block. There are certain spinoffs to that. Delmarva Division—you are dealing with two different segments. You are dealing with Delmarva, per se, with the employees in that area, and the Edgemoor yard, which is Wilmington. I don't know the details, but I think they are 50-50 as far as the use is concerned. If these people are given the option of coming over under a contract, which they feel is not favorable to them they will reject the proffer of employment and stay with ConRail. We can very well wind up with a situation where the Southern Railroad would not have sufficient employees to run the railroad.

Mr. PAUL. We will run that risk.

Mr. BURKE. Which means we will take a railroad with no employees, that is as simple as you can get.

There is another factor. We have the Reading Railroad. And any man in the railroad business will tell you end-to-end merger is much simpler than what is involved with the E.L., per se.

With the Chessie, we were very close to the agreement. I am speaking for the UTU. We had a couple of hangups, but we were very close with the Reading, which was an end-to-end deal. It was with the Reading contract, with the E.L. element; it was with the E.L. contract being phased out. There are certain parts of the Penn Central contract, which would be going backwards 30 years and if we were to give it—and I speak for the Chrismen Rule, which should have no monetary value whatever—We have on the Penn Central what is called the deferred suspension. When we put that rule in back in 1963, we calculated over a 2-year period our membership lost pretty near \$1 million in wages.

Today, when a man is found guilty of some offense such as hitting a car on the sideways, whatever, if he is given 15 days' suspension, that is overhead. He does not serve; it has a 6-month probationary period. If he keeps his nose clean, it stays on his record, but he does not serve it. When we are talking about 15 days suspension, we are talking about half a month's pay. That takes a member a large number of months to recoup that. We do not have that on the Southern.

We have a direct suspension system on the Southern. When the man is found guilty, he serves time immediately. When we tell our people, "You have to give that up," we very well run the chance he will say, "I will stay with ConRail," so he can enjoy it. That is one rule I speak of.

Senator BEALL. Let me ask a question, Mr. Claytor.

You said there was a cap on how much the Southern could invest in this Delmarva line.

Mr. CLAYTOR. I think someone else used that expression.

Senator BEALL. The unions did.

Mr. CLAYTOR. There is no way one could do a financial study and come up with the dollars and cents figure on that. We were very clear from the beginning on two things. Two principles. One principle was that when the price came out at \$6 million that was all we could afford to pay for it in view of all the reconditioning money we had to commit, and if we were exposed to deficiency judgment of unknown nature, that was too much. The other one was that in order to make it

go at all we have got to be in a position to run it like we run the rest of our system, which is the issue we are talking about today.

I haven't tried to put dollar for dollar figures on that. I don't want to undertake it at all if I am going to try to run with all kinds of Penn Central operating and working rules and that is really the problem. I don't think we could do the job; we wouldn't give you the service we promised even if we spent the money and I am not willing to try something I don't think I can succeed at.

Senator BEALL. I have nothing else except I do think that in this instance it is extremely important that the parties get back to the negotiating table and try to resolve their difficulties.

This is an unusual situation.

We have labored long in the last couple of years, coming up with this legislation, trying to protect everybody's rights, but I am primarily concerned in this instance, with the preservation of the best service possible on the Eastern Shore of Maryland and the whole Delmarva Peninsula.

The only way we can do that is to have the best service. We can have good service by having the Southern Railroad take over that line.

I would hope everybody would recognize they have responsibility in this instance to put the service factor first, and I hope, if they put the service factor first and recognize there is going to be a lot of public pressure on us. If this thing falls apart, we would be a little bit different in dealing with the benefits in legislating to both railway management and railway labor and, I think, no one can deny that there is a growing interest in railroad transportation or that Congress has been very favorable to the industry recently.

Therefore, I think there is an obligation on the people in this industry to do everything they can to recognize the unique necessity of this situation and resolve the dispute and continue to talk to each other until the dispute is resolved.

I thank you for appearing here today.

Our next group of witnesses is in another area. I would ask that Mr. Edwin Hobbs, the chairman of the Railroad Advisory Council, Delmarva Advisory Council; and Mr. Edward H. Covell of the Delmarva Poultry Industries come forward.

If any of the witnesses want to consolidate their statements, they will be printed in their entirety. And if any want to summarize their statements, it would be fine.

Mr. Hobbs.

**STATEMENT OF EDWIN HOBBS, CHAIRMAN, RAILROAD ADVISORY COMMITTEE, DELMARVA ADVISORY COUNCIL; ACCOMPANIED BY ROY BEAUCHAMPS, PRESIDENT, DELMARVA POULTRY INDUSTRY, INC.**

Mr. HOBBS. Senator, I have a very short statement. I think I can accomplish as much by running right through it.

My name is J. Edwin Hobbs. I am vice president and manager of operations for Delmarva Power and Light Co. of Maryland, its asso-

ciated companies with offices in Salisbury, Md. Since January 1974, I have served as chairman of the railroad committee of the Delmarva Advisory Council. DAC is an economic development district organization formed in 1967 by the governors of Delaware, Maryland, and Virginia. It has had continued support of the three States since that time and Economic Development Administration support since 1967. DAC's area of responsibility includes the Delmarva Peninsula south of the Chesapeake and Delaware Canal.

The stated mission of this railroad committee is "the preservation of viable rail service on the Delmarva Peninsula including the through connection to Norfolk." The area situation remains such that nothing less will sustain the local economy.

The economic health, and possibly the economic survival, of the Delmarva Peninsula is closely linked to adequate rail transportation. There has already been some reluctance on the part of new industry to locate here in view of the uncertainty of future rail service. Several existing industries have deferred expansion plans and may close if rail service is lost.

The present service by Penn Central is slow and subject to frequent derailments, but freight does move. Our committee has evaluated both the Southern and ConRail proposals for continued operation. We find that ConRail cannot be expected to provide meaningful improvement in service for the next 2 to 5 years and will abandon service to more than half the trackage unless heavily subsidized.

In contrast the Southern plan not only would continue almost all service now offered but would infuse \$30 to \$50 million of private capital improvements into the system within the first 5 years of operation. This investment alone will generate hundreds of jobs in direct support of the rehabilitation effort. In addition, it will guarantee our present and prospective industries a continually improving level of service spurred by the backbone of the American economy, the pursuit of a profit.

We do not speak idly when we say that loss of rail service is crippling. In 1973 a freighter rammed the railroad bridge over the C. & D. Canal and the area was without overland rail service for 91 days. The record is replete with higher costs for movement of goods and industrial layoffs during that period for lack of supplies during this outage. The largest powerplant in the area saw its coal stockpile fall from a 65-day supply to 19 days despite a fleet of trucks ferrying in coal. We have experienced cutoff of service and have grave fears of a repetition.

We are totally at a loss to understand the position of a labor union which would exchange a few short-term benefits under a sharply curtailed ConRail operation for continued active employment by a permanent, efficient, proven railroad. We have the impression that possibly the labor provisions of title V of Public Law 92-236 were too generous to the point of removing work incentives normally found in the employer/employee relationship. In this case, if it is impossible for Southern and the unions to reach an agreement, the result can only be loss of jobs; a blight on the economic health of the Delmarva Peninsula; and an increased drain on the Federal purse.

We therefore urge that this committee move to mandate a solution to this problem even if necessary to reopen title V of Public Law 92-236.

Senator BEALL. Thank you Mr. Hobbs, for your testimony. It was indeed, very succinct: you very clearly stated the case and the need for a settlement. I thank you for being here.

Mr. Edward H. Covell.

Mr. BEAUCHAMPS. Mr. Chairman, Mr. Covell had to leave so I am going to present his testimony.

Senator BEALL. Fine. Identify yourself.

Mr. BEAUCHAMPS. Roy Beauchamps. My name is Roy Beauchamps. I am president of the Delmarva Poultry Industry, Inc.

Delmarva Poultry Industry, Inc., DPI, is a nonprofit organization whose primary function is to preserve, promote, and encourage the progress of the poultry industry on the Delmarva Peninsula, which includes the State of Delaware and the 11 eastern shore counties of Maryland and Virginia. Our membership consists of over 4,000 people and companies from all phases of the poultry industry and allied businesses plus "main street" businessmen—who are dedicated to the success of our industry under the principles of the free enterprise system.

The poultry industry on Delmarva is big business. The 12 integrated broiler companies on Delmarva employ over 9,000 people in their feed mill, hatchery, growout, processing, and related operations. We also contract with over 3,000 growers who produce these broilers. The value of our processed and delivered Delmarva broilers has been over \$400 million annually for the past 3 years.

In addition to the poultry industry employees and growers, there are also literally hundreds of industry supply people depending directly upon our chicken business for at least a portion of their income. On the Delmarva Peninsula we produce about 12 percent of the broilers grown in the United States. Furthermore, thousands of grain producers on the Delmarva Peninsula are affected directly by the broiler industry and our financial well-being since about 12 million bushels of soybeans and 31,750,000 bushels of corn are used in broiler feed alone. The estimated farm value of this grain was \$175 million in 1975 and over \$200 million in 1974. Indeed, the poultry business is the economic lifeblood of Delmarva and accounts for one-third of its farm income.

Through the years our poultry industry has relied quite heavily on rail service. However, during recent years the gradual worsening of the quality of rail service has forced us to use every other feasible means of transportation in order to insure a dependable supply of our needs.

We very strongly favor Southern's acquisition of Delmarva's railroads, since they plan to invest over \$30 million of their own capital, which comes from private enterprise—not taxpayers' money, in the rehabilitation and operation of Delmarva railroads within the next 5 years. This will generate hundreds of jobs by strengthening and encouraging the growth of existing industries and helping to bring in new ones.

Improved rail service and a viable railroad are imperative to Delmarva for several reasons:

One: Without rail service, local industries are economically disadvantaged. In the poultry industry, for example, our total cost of pro-

ducing broilers is at least 2 cents higher per pound of dressed product than some of our competition in the South. Because of the lack of dependable rail service on Delmarva in recent years, we have had to rely more on truck transportation, which is more costly. If rail service is not improved or if we lose our railroads completely, we would be entirely dependent upon trucks. With no competition, truck rates would undoubtedly go higher!

Two: The loss of the railroad bridge over the C. & D. Canal in 1973 further demonstrated our need for and dependence upon railroads. If it had not been for the car float at Norfolk, which enabled us to bring freight cars up from the South, our situation would have been much worse. ConRail proposes that the rail service through Virginia and the car float at Norfolk be discontinued—which puts complete dependence upon the railroad bridge over the C. & D. Canal.

Three: Normal agricultural and other business needs make it imperative that rail service through the peninsula be available, but another important need for this rail access from both ends of the area would be for national defense, as exhibited during World War II.

Four: Heavy industrial equipment and farm machinery cannot be moved by truck with today's highway restrictions. If rail service is not available, truck movement of this type will also create additional crowding and destruction of highways, increased air pollution, traffic hazards, and energy consumption.

Five: In case of drought conditions and local grain crop failures, such as occurred in 1966 and 1968 or the southern corn leaf blight that drastically reduced corn yields in 1971, sufficient truck service is not available to bring in enough grain to fill our needs—to say nothing of the additional energy requirement to even attempt it.

Six: On the other hand, if grain yields are high and local markets are not adequate, a good rail service would enable our grain growers to ship to other markets.

Seven: The probably increased use of domestic coal because of perfected mining procedures, other new research and relaxed air pollution standards make it necessary that good rail service be available on the peninsula for the coal shipments needed to convert our energy-generating capacity from oil to coal. With our present and potential population growth, our energy needs will continue to increase.

Eight: Each item that adds to the cost of food, fiber, or other goods and services must eventually be paid for by the consumer. Without Southern we feel that the consumer will not only be paying more but, as a taxpayer, will also be footing the bill for ConRail, as well as the other Federal, State, and locally funded rail lines.

Two new possibilities of expansion of rail usage if a viable and dependable railroad is available to us are: (1) passenger service to the northern metropolitan areas might again become popular; and (2), piggy-back rail delivery of trailer loads of processed poultry and other products could be a possibility—saving transportation costs and conserving energy.

We feel that ConRail would in this way be able to offer the service that Southern proposes. ConRail has extremely limited resources in comparison to the vast amounts needed to rehabilitate our railroads. Even with all-out attempts of State and local support, the out-

look for ConRail is not good. The profit incentive for ConRail to provide outstanding service would not be nearly as great as the private enterprise system of Southern.

In conclusion, we find it totally inconceivable that so few as those who are involved in the single labor union can stop the wheels of progress and development for the entire Delmarva Peninsula.

We definitely feel that the labor provisions of title V of Public Law 92-236 are much too generous to the point of removing work incentives. Therefore, we urge that everything humanly possible be done by officials at all levels in order to provide the much needed rail service on Delmarva—even if it is necessary to amend title V of Public Law 92-236.

Thank you.

Senator BEALL. Our next witness is Mr. Sterral F. Gregory, Local Union 24, International Brotherhood of Electrical Workers and the Delmarva Central Labor Council.

Mr. Gregory, we are happy to have you with us today.

And you may proceed as you wish.

**STATEMENT OF STERRAL F. GREGORY, LOCAL UNION 24, INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS, AND THE DELMARVA CENTRAL LABOR COUNCIL**

Mr. GREGORY. Thank you.

My name is Sterral F. Gregory. I am representing Local Union No. 24 of the International Brotherhood of Electrical Workers with my offices in Salisbury, Md. The headquarters of my local is in Baltimore, Md. I am also president of the Delmarva Central Labor Council, AFL-CIO, representing more than 23,000 union members from all the Delmarva Peninsula from the tip of Virginia to the Pennsylvania border of Cecil County, Md., and including all of Delaware except Wilmington and New Castle County.

On behalf of both the Central Labor Council and the Electrical Workers, I urge that the Congress take every possible and necessary action to enable Southern Railway to acquire the railroad network on the Delmarva Peninsula. We believe that successful acquisition by Southern will result in sound economic development of the Delmarva region which will result in hundreds and possibly thousands of new jobs for our labor force.

I understand that presently there are more than 7,000 jobs in industries in the four counties of the lower Eastern Shore of Maryland that are dependent on rail transportation. There are many more thousand rail-dependent jobs in Delaware, Virginia, and other Maryland counties. We are very fearful that ConRail service will be inadequate and result in the loss of many of these jobs which may result in a serious economic depression and high rate of unemployment for the three-State region.

We also believe that this unemployment could feed on itself and result in a downward spiral resulting in less rail tonnage and the eventual abandonment of the entire Delmarva rail system. This would be a catastrophe which would cause a serious economic setback for every business and every wage earner in the three-State region. We

respectfully urge that you take every measure to prevent the loss of rail service and make possible operation by the Southern System which we believe offers the best promise for prosperity and jobs.

Thank you.

Senator BEALL. Thank you, Mr. Gregory.

As I understand it, what you're saying is that labor generally on the Eastern Shore will suffer if this Southern takeover of the railroad doesn't take place?

Mr. GREGORY. Very much so.

Senator BEALL. I might ask you what company do you work for, Mr. Gregory?

Mr. GREGORY. What company?

Senator BEALL. You're with the union?

Mr. GREGORY. I represent Local Union 24, International Brotherhood of Electrical Workers and the Delmarva Central Labor Council, Eastern Shore.

Senator BEALL. What happens if one of your companies goes bankrupt?

Mr. GREGORY. I am unemployed. They are out of work.

Senator BEALL. So the railroad benefit in this case has been rather generous, is that correct?

Mr. GREGORY. Right.

Senator BEALL. Thank you, Mr. Gregory.

Our next witness is Mr. Grove Miller, president of the Maryland Farm Bureau, and accompanied by representatives of the Delaware Farm Bureau, Mr. Joseph Penuel, and Virginia, Mr. Delano. Apparently he is not accompanied by representatives of Virginia and Delaware.

Mr. Miller, it's a pleasure to see you. We are happy to have you.

You may proceed with your testimony as you see fit.

#### STATEMENT OF F. GROVE MILLER, PRESIDENT, MARYLAND FARM BUREAU

Mr. MILLER. Senator Beall, I am Grove Miller, president of the Maryland Farm Bureau. Our office is located at 8930 Liberty Road in Randallstown, Md.

Our membership of over 12,000 farm families reside in the rural areas of all 23 Maryland counties. Of this membership, over 4,500 families reside on the Eastern Shore.

Since I am also speaking for the Delaware and Virginia farm bureaus, I would like to add Mr. Delano and Mr. Penuel could not be here this morning. Mr. Gene Pooke, who is director of their activity, had to leave because of prior commitment.

I would hasten to add that the 1,748 Delaware farm families and over 800 families in Virginia Farm Bureau residing in the two Eastern Shore counties have as much at stake as our Maryland members.

Since, Mr. Chairman, I have already presented a written statement to the committee, I would just submit it to you so it will be part of the record and not read it in the interest of time. But we would like to thank you for your efforts on behalf of the Maryland citizens, Delaware citizens, and Virginia citizens in calling this hearing today.

I appreciate the opportunity to be here. I think we have learned much from the hearing today.

Senator BEALL. Thank you, Mr. Miller. We appreciate your attendance here today. The testimony is very helpful and the total statement will appear in the record.

[The statement follows:]

STATEMENT OF F. GROVE MILLER, PRESIDENT, MARYLAND FARM BUREAU,  
RANDALLSTOWN, MD.

Mr. Chairman, members of the committee, I am F. Grove Miller, president of the Maryland Farm Bureau. Our office is located at 8930 Liberty Road in Randallstown, Maryland.

Our membership of over 12,000 farm families reside in the rural areas of all 23 Maryland counties. Of this membership, over 4,500 families reside on the Eastern Shore.

Since I am also speaking for the Delaware and Virginia Farm Bureaus, I would hasten to add that the 1,748 Delaware farm families and over 800 families in Virginia Farm Bureau residing in the two Eastern Shore counties, have as much at stake as our Maryland members.

We are here today, to urge that all possible steps be taken to implement the purchase of the Delmarva Lines by Southern Railroad.

Farm bureau does not stand for farmers alone. We have a vested interest in the welfare of the total rural community. Farm families are purchasers of consumer goods just like their urban and suburban cousins. They are dependent upon many types of rural and town businesses for their supplies.

On the Eastern Shore of Maryland, just broilers, field crops, vegetables and swine represent \$375 million of production annually. These agricultural enterprises require vast quantities of bulk commodities such as fertilizer, feed, and farm machinery.

Past history of railroad strikes has forced farmers to acquire lessons in transportation economics. They have learned that it is not practical or economical to ship bulk commodities over long distances by truck. First, it is difficult to get trucks in the required numbers when you need them. Second, it takes several trucks to transport the equivalent of a rail car, especially a large hopper car.

To further explain, fertilizer ingredients may have to be shipped from Canada, Florida, or the Southwest. Feed ingredients often are shipped from the Midwest. Farm machinery is brought in from manufacturing plants in the Midwest. There is no question that the railroad is the most economical mode of transporting these commodities.

Our broilers, eggs, meat, grain, and soybeans already face stiff competition in our normal northeastern markets, from other areas of the country. Added costs of transportation would seriously and unfairly add an extra burden that could drastically effect future competitiveness.

The broiler industry alone provides one-fourth of Maryland's total farm income. They are all produced and processed on the Eastern Shore. The loss of rail service, or the lack of dependable rail service, would have a critical impact on the broiler industry.

Related to the Delmarva broiler industry is the grain industry. This commodity grew in response to the broiler industry's need for locally produced grain. Any reduction in the broiler business would represent a direct loss of local grain markets, and this loss would be critical to grain producers who have millions of dollars invested in land, equipment, and drying and storage units.

I remind you that farmers have been urged to provide all-out production. They have equipped themselves to respond to that urging. However, they must be able to operate their farming business at a profit. Their ability to do so is strongly influenced by other industries over which they have no control. One of these is the transportation industry. The goods that farmers purchase as well as the prices they receive for their products, may be greatly affected by the cost of transportation.

The original proposal by Southern to purchase the Delmarva lines, and the subsequent approval by the ICC seemed like an excellent solution to a serious problem. As pointed out by the ICC, service proposed by Southern would be much more extensive than the service expected from ConRail. Southern has

indicated that it would rehabilitate large amounts of Delmarva track. The Pocomoke City to Cape Charles Line, along with the car float, is a vital line to all of Delmarva. One needs only to look back to the accident that crippled Summit Bridge. Rail shipments from the South, via the float, were indispensable. It would also appear that a viable rail line on the Delmarva Peninsula would be essential as a national defense measure.

Mr. Chairman, the more than 7,000 farm families comprising the membership in the three farm bureaus represented on Delmarva, have a tremendous stake in the final disposition of the railroad issue. The quantity and quality of rail service will have great impact on agricultural production, related agri-businesses and support industries.

We sincerely hope that all possible procedures will be implemented to insure an early settlement of this serious dilemma.

Senator BEALL. Our next witness is Mr. T. Vernor Hansen, National Industrial Traffic League.

Mr. Hansen, if you would like to summarize your testimony—

#### STATEMENT OF T. VERNOR HANSEN, NATIONAL INDUSTRIAL TRAFFIC LEAGUE

Mr. HANSEN. I will try to be brief.

I didn't know until Friday I was going to make this appearance, so I will have to get our position on the record from previous statements I find on the surface transportation, as well as other statements.

Senator BEALL. We will keep the record open so any statement you want may be put in.

Mr. HANSEN. Thank you.

My name is T. Vernor Hansen. I appear on behalf of the National Industrial Traffic League, whom I will identify a little further, and I am also director of transportation for Southern States Cooperatives, whose headquarters are 7th and Main Streets in Richmond, Va.

Until 5 years ago I was a resident of your State, which I enjoyed very much. I served on various committees of the National Industrial Traffic League. And in 1974, I was appointed chairman of the league's special committee on the northeast regional rail organization.

The National Industrial Traffic League is a voluntary organization of shippers, shippers associations, boards of trade, chambers of commerce, and other entities concerned with traffic and transportation of all carrier modes.

The league is dedicated to the attainment and preservation of an adequate and efficient national transportation system privately owned and operated and to the protection of the shippers' interests in the field of transportation.

The league has been in continuous existence for over 65 years and through that time it has concerned itself with substantial issues affecting transportation both before the Congress and Federal regulatory agencies. It has about 1,600 members.

I will just state the league's position. The league strongly endorsed the concepts and principles presented by the United States Railway Association, that the plan which included Chessie System acquiring the Erie-Lackawanna & Reading Co. and the Southern Railway acquiring the Delmarva lines of Penn Central. The league believes that the Nation's interests will best be served by utmost consideration being given to presently solvent railroads taking over positions

of bankrupt lines. This would lessen the chance of Government ownership of these lines. The league, as a matter of policy, is admittedly opposed to Government ownership.

We are in favor, as the Secretary of Transportation mentioned this morning, of controlled liquidation.

Southern States Cooperatives is a farmer-owned regional operational cooperative association, organized and operating under Agricultural Association Act of the Commonwealth of Virginia. We have plants in various places, including a feed mill in Baltimore, Md., and a fertilizer plant, there, as well. We have a feed mill at Seaford, Del., and also a farm supply warehouse at Seaford, Del.

And our business is done primarily with farmer members. Primarily, all of our stores are located in rural areas, many of them on branch lines of railroads.

We have a study of USRA system. The final systems plan indicates we have 18 retail agencies located on branch lines of railroads, which are excluded from ConRail. There are two in the State of Delaware and 10 in the State of Maryland.

It is our considered judgment that if ConRail takes over the Delmarva lines, the surviving line of railroad from Pocomoke to Wilmington, Del., could not survive without the Cape Charles line and the car ferry. The USRA report indicated that this line originated and terminated over 15,000 cars in 1972. And while Mr. Claytor said he wouldn't switch any traffic over the car ferry route from the Potomac yards, these 15,000 cars, if the car ferry did not operate would have to go through Potomac yards in Alexandria, Va.

And this is practically an impossibility. These yards are congested today and delays are the constant thing.

I wouldn't mention the bridge. Previous witnesses have mentioned the fact that what happened when the bridge went out, how badly we needed the car ferry, but there is another matter the State of Maryland might be concerned with, that if these branch lines are abandoned on the Eastern Shore, as they will be, the impact on the highways. Let us assume for a moment this tonnage would be carried by rail to a railhead on the main line and then trucked beyond. We have two branch lines. One is in Chestertown and one ends at Centreville, Md. It is 44 miles from Clayton, Del., which would be on the main line to Centreville and 38 miles from Clayton, Del., to Chestertown. In this small area Southern States receives over 11,000 tons of fertilizer materials a year.

If this were all to be trucked, it would require 520 1-ton trucks to haul this material from Clayton to Kennedyville, Chestertown, Sudlersville, and Centreville. The normal fertilizer season is 7 weeks and 560 1-ton trucks working 8 hours a day for 10 weeks would mean 11 trucks per day moving over these roads. A further question is the availability of trucks which is not that easy to get for a seasonal move.

In sum, may I say, Senator, may I also echo what some of the previous witnesses have said in appreciation for their efforts in trying to get the railroads and unions together, Southern Railroad and unions together, I think it is just so vital to our operation and the farmer. Over there we calculate to truck this material from a railhead would be somewhere around \$5 or \$6 a ton and we have considerably

more expense than the farmers over there. I might point out while ConRail might expect to pick up some business if the rails go out of business on the branch lines over there we are going to take a serious look at bringing phosphates from Florida up by water, which would be no traffic as far as ConRail is concerned on the Eastern Shore and we can also bring potash out of Canada, around through the Panama Canal, because this has been done and the material has been handled through the Port of Baltimore in the past.

So, ConRail is looking at something that if they lose these branch lines over there and they presumably will, if the State can only subsidize them for 2 years, a development of water-borne transportation in there would just kill any possibility of ConRail ever being successful.

I do thank you for the opportunity, Senator.

Senator BEALL. Thank you for your testimony, Mr. Hansen. We appreciate your coming here today.

That is all of the witnesses we have on our list, but I understand there are some other witnesses in the room who would like to come to the table and speak briefly and put their testimony in the record and we would be happy to have them come up.

Mr. Rollie H. White, Jr., who is the executive director of the Chamber of Commerce of Salisbury, Mr. Wernor Gruber of Dressers Industry, Mr. Dick Lloyd of Campbell Soup and Mr. Gary Otto of Perdue, Inc.

If you gentlemen will come up to the table, we will be happy to hear comments from you and receive your testimony.

**STATEMENTS OF ROLLIE H. WHITE, JR., EXECUTIVE DIRECTOR, CHAMBER OF COMMERCE, SALISBURY, MD.; WERNER GRUBER, DRESSERS INDUSTRY; RICHARD J. LLOYD; A. J. BUDASH, CAMPBELL SOUP CO.; AND GARY OTTO, PERDUE, INC.**

Mr. WHITE. It is nice seeing you, Senator Beall.

I have the testimony, which I have submitted 75 copies to you, Mr. Chairman.

But I am not going to speak to that. I am just going to speak of the record because I have been sitting here now for 3 hours. And as a citizen of Salisbury, representing business, and not only business but the community and this is all the chambers of commerce and all the businesses in the area, I felt that I have been sitting at the death sentence of the whole area.

Your statement, your penultimate statement, which is a complaint statement, but your penultimate paragraph, in this chapter in the reorganization process is left unfinished with everyone gaining except the public. And I predict it will be a sad day for all and a day all will rue and regret.

We are the public in Salisbury with a concern in the whole area. We are not talking about business and labor and management of the families' whole future.

Now the area, you know the progress that has been made. It is like a developing country when the bridges came across in August 1952—25 years a developing country. We made great progress. Many companies have come in, many are waiting at the door. We look to you and we look to Senator Mathias, Congressman Bauman and Gover-

nor Mandel at this point. As I see, the participants have gotten up and left the arena and it hasn't been a very happy situation.

We the people to whom do we turn. We turn to our elected representatives and we depend on you. When you say it is a day we all rue, many of these people they win or lose, so meaning labor and the legislative. But it is us on the Eastern Shore who will be the losers if this does not go through.

Last Thursday, I went to a meeting of the Department of Maryland Transportation and came away clearly convinced that in 5 years there would be no railway on the Eastern Shore.

I do not mean to deal with personalities, but when Mr. Dennis says we are talking about the future positions, there won't be any future positions there to be protected.

To me, when you refer to 75 out of 108, we are talking in the hundreds of thousands' interests of millions of people. What a dichotomy of reason.

If democracy is going to succeed it will not succeed with such a travesty on the House, the Senate, the President; you work out the deficiency judgments, and right down to the line you come up with 75 out of 100 not directly affected but the successors being directly affected. Is this democracy? As I say, I cannot speak to this with less than emotion because our lives depend on it.

Thank you.

Senator BEALL. Thank you, Mr. White, for a very eloquent statement. That's one of the reasons we held this hearing today to hope we show the public interest, and emphasis on the word "public," is very seriously affected and certainly if we are going to keep Government in the role and supportive role in our society, then it's incumbent upon all of the parties of interest in this case to come to the table and resolve their difficulties.

Mr. WHITE. We look to you, sir.

Senator BEALL. Your statement will be included in the record. Of course, that goes for the other gentlemen.

Mr. WHITE. It has nothing to do with my oral presentation.

Senator BEALL. Both statements will be included in the record. Mr. Gruber.

Mr. GRUBER. Yes, sir. My name is Werner Gruber and I am employed by Dresser Industries in Salisbury as the manager of distribution. You have copies of my written statement also which ends with a statement to the effect that for these reasons we urge that Congress take whatever action is necessary to make it possible for the Southern Railroad to acquire and operate the Delmarva lines.

In listening to our talks this morning, we have a unique situation we probably have no precedent in law or labor relations regarding this particular situation.

Is it possible that perhaps some legislation could be suggested that would allow the Southern to—let's start back. The present employees on the railroad are already protected by the ConRail law. Therefore, they can go on until the end of their working days being protected financially.

Is there some way to allow them to be bypassed and allow the Southern to come in and man the Delmarva lines with their own people under their own contract and get on with this thing?

Sir, that is my suggestion.

Senator BEALL. There are all sorts of legislative possibilities, but it's important to separate the possibility from the probability in this instance.

I would say this problem deserves a quicker resolution than will probably come in as the kind of legislation you suggest. I think the problem is one that is going to best be resolved if the parties at the dispute would recognize the tremendous obligation on them not only in this instance but to preserve their public support in the future and move back to the table and get this vital issue resolved.

Of course, anything is possible legislatively. As I say, this is one suggestion, and an interesting one. We certainly will consider it and all possible legislative solutions that we can find.

Mr. GRUBER. The union wouldn't lose anything; they would be gaining members. We would be gaining a railroad.

Senator BEALL. That's the ultimate objective, of course, to make sure the people gain in this instance.

Mr. Lloyd.

Mr. LLOYD. Mr. Chairman, I would like to introduce Mr. A. J. Budash, on my right, from the transportation department of Campbell's Soup Co. in their general offices at Camden, N.J., who is here to lend any assistance he can in this proceeding.

My name is Richard J. Lloyd, and I am manager transportation for Campbell Soup Co. at Salisbury, Md., where my company has a major frozen food manufacturing facility and its largest frozen food shipping volume plant. In addition, we also have a large frozen food manufacturing and shipping plant at Pocomoke City, Md.

We have a definite interest in this proceedings as it affects our manufacturing and shipping facilities at Salisbury, Md., and Pocomoke City, Md. Total employment at both plants has been as high as 1,500 people and we are considered as one of the largest manufacturing and shipping operations on the Delmarva Peninsula.

It is our desire to have the Southern Railway operate the car float at Cape Charles, Va., and that portion of the Penn Central Transportation Co. from Cape Charles, Va., to Wilmington, Del. The carrier has proven to be an efficient and economically operated railroad.

The present United States Railway Association plans are to operate only that portion of the Penn Central Transportation Co. from Pocomoke City, Md., to Wilmington, Del. The existing balance of the route from Pocomoke City to Cape Charles, Va., is scheduled for abandonment including the Cape Charles car float to Norfolk, Va. Should this plan become effective, we will be required to move our shipments between Salisbury, Md., Pocomoke City, Md., and points in the South via Wilmington, Del. This will result in excessive mileage to be traversed at a higher cost and a useless waste of labor and energy. On shipments moving between our plants and destinations in the South, an additional 292 miles would be required. This is where the cost of transportation would increase and where labor and fuel would be wasted.

It is for these reasons we appear before this committee to appeal that all efforts be made to bring about the purchase of that portion of the Penn Central Transportation Co. located on the Delmarva Peninsula and the Cape Charles Ferry operation by the Southern Railway.

I would like to thank you for this opportunity.

Senator BEALL. Thank you, Mr. Lloyd.

Mr. Otto.

Mr. OTTO. Thank you, Senator.

I am not going to read my statement but submit it. I would just like to re-emphasize or re-echo a comment made by Governor Mandel, this is not a rail line but a lifeline to Perdue, Inc., and to the Delmarva Peninsula.

It's vital that we have for our business and for our growth of Delmarva.

Senator BEALL. Thank you, Mr. Otto, and I thank all the witnesses at the table.

Mr. WHITE. May I make one more statement, sir?

Senator BEALL. Certainly, Mr. White.

Mr. WHITE. In this hearing this morning one of the categories that Bob Cook and I and many others have been working on on the off shore oil situation, we went down to Louisiana and have gone through this. In these hearings, I haven't heard on the negotiations any reference made to that although I know the petroleum industry and oil companies are interested.

But if we are like a load to 1980-'85 with extensive offshore oil drilling off Virginia, Maryland, Delaware, and in Georgia, and no rail line going north-south in that area, a consideration you should keep in mind.

Senator BEALL. Thank you for that additional comment. That observation only adds further to scales already overwhelmingly tipping in favor of the acquisition.

[The statements follow:]

STATEMENT OF ROLLIE H. WHITE, JR., EXECUTIVE DIRECTOR,  
SALISBURY AREA CHAMBER OF COMMERCE

1. IDENTIFICATION

- A. My Name is Rollie H. White, Jr.
- B. I am the Executive Director of the Salisbury Area Chamber of Commerce.
- C. The address of the Chamber is 300 East Main Street, Salisbury Wicomico County, Maryland Tele. No. 301-749-0144.
- D. The testimony that I am about to give has been approved by the Board of Directors of our Chamber and I am authorized to speak for them.
- E. The Salisbury Area Chamber of Commerce serves all of Wicomico County.
- F. We have 684 members representing 384 business firms.
- G. Our membership represents those engaged in manufacturing retailing, agri-business, the professions, recreation and tourism, transportation, etc.
- H. The Salisbury Area Chamber of Commerce is one of the fully accredited (Circa 250) of Chambers of Commerce (Circa 5,000) in the U.S.A.

2. REASONS FOR TESTIFYING

To give the Chamber's reasons for its strong endorsements of the Southern Railways proposal *re* rail lines on the Delmarva Peninsula.

To furnish the "Community Audit" on Wicomico County, Maryland.

SUMMARY

Although the Chamber of Commerce is traditionally the "Voice of Business," in emergency cases it represents the interests of the entire community. Such is the crisis Delmarva faces today.

The impasse that has developed between certain railroad unions and the Southern Railway concerning labor contracts on the Delmarva rail system threatens the economic future and general well-being of the entire Peninsula.

We view the failure of Southern's plan being implemented as a death sentence to adequate rail service on Delmarva and the beginning of an economic blight over the entire area.

The Chamber at this time cannot be less than emotional. The situation is too critical.

For over a year the citizens of Delmarva watched as various problems were overcome to ensure that they would finally have a viable rail system. Necessary legislation passed the House and the Senate; the President signed the Bill; problems of deficiency judgement were resolved.

Now suddenly the hopes of a half a million people are being threatened by the reported failure of one union to agree on a labor contract. When the future of an entire area is threatened by the self-interest of a few, government must step in. Otherwise democracy fails.

#### THE SITUATION

A. Delmarva is a region of 14 counties.

B. The cost of switching to a truck transportation system here would be prohibitive to the shipper, receiver, and ultimately consumer, not to mention the wear and tear on our already heavy-traffic road system.

C. Many shipments come from the distant southern points such as nitrogen for fertilizer in this area. These shipments are expected to increase in the future and truck transport is certainly not the answer.

D. Many industries came to Delmarva on the basis of a North-South rail line. On Delmarva, it is not a question of "community impact" one by one, but "peninsula impact."

E. There is no evidence that "national defense" or national emergency" was considered in this report. From a strategic point of view, a viable freight line down the East coast near but not through major population centers would have its appeal. I need only mention the rail traffic into the Norfolk area during the World War II.

#### THE CHAMBER'S GENERAL OBJECTIVE TO THE CON RAIL PROPOSAL

One glance at the ConRail proposal tells this story—ConRail reaches in, takes "the tenderloin," and leaves the rest of the carcass to the fate of questionable subsidy. The decimated carcass would hardly be appealing on economic grounds. In short, the rail system on Delmarva should be considered as a package with the more profitable sections balancing the less profitable under one system.

#### THE CHAMBER'S ENDORSEMENT OF THE SOUTHERN RAILROAD PROPOSAL

The Chamber's Reasons for its strong endorsement of the Southern Railway's proposal *re* rail lines on the Delmarva Peninsula include the following:

1. On January 16, 1975, the Chamber officially endorsed Southern's proposal.
2. The president and staff of Southern Railway in December 1974 personally traveled over substantially all of the lines on Delmarva and inspected the facilities to evaluate traffic potential and compatibility with the Southern system. I should like to point out the Southern is the only company that has taken the time and effort to conduct such a survey. Their interest is not theoretic it is real.
3. Southern says it is "both willing and able" to provide needed rehabilitation and modernization of track, equipment and other facilities, with resultant improved operating economies in the cost of rail services.
4. Southern is looking forward to the future of Delmarva by all accounts, this peninsula is expected to experience considerable industrial growth on the East Coast during the last quarter of this century. Should off-shore drilling prove vast quantities of oil and gas in the Baltimore Canyon, the necessity for a North-South line would be that much more apparent. And Southern says "our industrial development expertise can be utilized to benefit all concerned through encouragement of new and expanded industry."
5. The Chamber feels Southern's proposal would be the best job assurance for those in railroad employment. I understand Dunn and Bradstreet last year rated Southern Railway as the second best-managed company in the United States. What better assurance could railroad employees want?

#### THE COMMUNITY AUDIT AND BRIEF INDUSTRIAL FACTS ON WICOMICO COUNTY, MD.

Life Magazine once reported that there is more buying and selling in the Salisbury Area than in any other community of comparable size in America.

On December 14, 1974, the *Baltimore Sun* carried a feature story entitled "Despite Recession" the Hottest Place in the State, Salisbury continues to boom. "Statistics concerning the Salisbury-Wicomico County area are included in the 'Community Audit' and Brief Industrial Facts on Wicomico, Maryland."

I am sure that the individual industries that testify at the Public Hearing provide the specific facts and figures, what a viable railway system means to them personally. In speaking for the Chamber, I not only speak for the rail users, the shippers, and receivers, I speak for the consumer. Salisbury has modern, competitive retail stores with an estimated shopping market of 350 to 400 thousand people in the surrounding areas. It is not only the industrial hub, it's the central market place.

Private enterprise is the strength and vitality of our country. Southern railway has such strength and vitality. It is "ready, willing and able" to help us with our problems. We welcome Southern's interest.

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STATEMENT OF WERNER GRUBER, MANAGER OF DISTRIBUTION, DRESSER-WAYNE,  
SALISBURY, MD.

My name is Werner Gruber. I am employed by Dresser Industries as Manager of Distribution of the Salisbury, Maryland plant. I am also affiliated with the Eastern Industrial Traffic League and the Eastern Shipper Motor Carrier Council and the Transportation Committee of the Salisbury Area Chamber of Commerce. I have been active in traffic circles for more than 20 years. I am here to speak for industry on the Eastern Shore of Maryland and to point out the importance of good rail service for these industries.

A recent survey shows that the lower four counties of the Eastern Shore of Maryland had 132 miles of rail track on which there were 80 rail user industries employing 7,437 employees with a payroll in excess of \$43 million dollars. Many other industries are directly affected by these rail users industries.

It is a deep seated feeling of industry that acquisition and operation of the Delmarva lines by the Southern Railway would result in good rail service and more traffic routed by rail as a result of this service. This would surely have a positive effect on the profitability of these lines and growth of rail related industries in the future.

On the other hand if ConRail acquires and operates these lines it is our deep seated feeling that service will deteriorate and that further loss of rail traffic will result. Loss of the car float operation at Norfolk will mean loss of all overhead traffic now moving on these lines thus creating an even greater operating loss, all of which will have to be subsidized by taxpayer dollars.

We sincerely believe that operation of these lines by ConRail will be the beginning of the end of rail service for Delmarva and the beginning of an economic blight for industry in this area.

For these reasons we urge that Congress take whatever action is necessary to make it possible for the Southern Railway to acquire and operate the Delmarva rail lines.

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STATEMENT OF GARY B. OTTO, DIRECTOR OF PURCHASING, PERDUE INCORPORATED,  
SALISBURY, MD.

My name is Gary B. Otto, Director of Purchasing for Perdue, Incorporated located on the Delmarva Peninsula in Salisbury, Maryland.

Perdue is one of the largest family-owned, integrated broiler producers in the Nation with poultry processing plants located in Accomac, Virginia and Salisbury, Maryland. In addition, an automated feed mill, a 9.0 million bushel grain storage complex, three hatcheries and a solvent extraction soybean processing plant are also located in Salisbury. Related support facilities include a main office, a computer center, an analytical laboratory, a diagnostic laboratory, industrial maintenance shops and an automotive-truck service facility to maintain a fleet of over 525 units are also located in Salisbury. Grain receiving stations are located in Cambridge and Linkwood, Maryland and Tappahannock, Virginia with a total capacity of 2.5 million bushels of storage.

In 1974, Perdue produced approximately 70 million broilers, bought and consumed over 7 million bushels of corn, manufactured more than 350,000 tons

of poultry feed, and processed over 7.4 million bushels of soybeans into soybean meal and oil. To accomplish this, we employ over 2200 local employees with an annual payroll in excess of \$16 million. In addition, Perdue contracted with approximately 900 broiler and breeder farms to grow chickens for an estimated payment in excess of \$9 million. Total sales for our fiscal year ending 3/31/75 will exceed \$152 million.

Present expansion plans call for development, over the next few years, of a complex in Eastern North Carolina that will be similar to our Salisbury operation, and will have an initial investment of approximately \$12 million. We are also near completion of our \$6 million protein reduction plant at Accomac, Virginia with an estimated mid-April, 1975 start up of production.

Perdue's principal production facilities are located approximately 3 miles east of Salisbury and are served by a Baltimore and Eastern branch line operated by the Penn Central. It is further identified as being the Willard Secondary Track, USRA Line No. 156. This portion of the Willard Secondary Track extends from Salisbury (milepost 42.7) to East of Salisbury, MD (milepost 45.7), a distance of 3.0 miles in Wicomico County, Maryland.

It is our understanding that this portion of the Willard Secondary Track is recommended by the USRA, to be included in the ConRail system; however, the data presented in the Preliminary System Plan in reference to this line is incorrect and should be changed for accuracy of the record. Your attention is directed to Volume II, page 492 of the Preliminary System Plan issued February 26, 1975. The Willard Secondary Track, Traffic and Operating Information presented by the USRA shows this line generated 423 cars in 1973. I challenge this number. I have record of the number of cars received to be 479. In addition we shipped 42 cars of soybean milfeed in 1973. This is a total of 521 cars generated on this line. In addition to this, we unloaded 62 cars through points in Baltimore and Pennsylvania due to the C&D Canal Bridge at Summitt, Delaware being inoperative in early 1973. Had this not occurred this line would have generated 583 cars in 1973, an average of 194.3 carloads per mile. With this in mind, we feel the data presented by USRA to be an unfair evaluation of the potential worth of our branch line.

Further testimony is given in respect to the Pocomoke Secondary Track USRA Line No. 166. This portion of the Pocomoke Secondary Track, formerly part of the Pennsylvania RR, extends from Pocomoke, MD (milepost 31.5) to Cape Charles, VA (milepost 95.0), a distance of 63.5 miles, in Worcester County, Maryland and Accomac and Northampton Counties, Virginia. This testimony is to include the PC Cape Charles freight-car ferry to Norfolk, Virginia.

It is our understanding that this portion of the track is not recommended to be included in the ConRail system.

Perdue does not, at this time, initiate cars on this track; however, our Accomac, Virginia rendering facility is scheduled to be operative in mid-April, 1975 with expected rail shipments to begin in June, 1975. Anticipated shipments of poultry by-product meal and hydrolyzed poultry feather meal are estimated at 300 carloads per year. The proposed site for rail loading is Tasley, Virginia which is located on this portion of the Pocomoke Secondary Track. Without rail service to this area, we would be forced to truck the products to our Salisbury facility for rail loading at a yearly additional cost of \$45,000.

In 1973, Perdue moved 105 carloads over the car-float and the Pocomoke Secondary Track; 78 of these moved into our Salisbury location while 27 were outbound to southern points. If we lose service of the southern access route via the Pocomoke Track and car-float for long-haul traffic out of the Southeast, at best we could count on a 3 to 10 day additional delay in delivery due to cars having to go through the Potomac Yard and back down to Salisbury via the Northern Delmarva Route. We also have future plans to move approximately 400,000 bushels of soybeans from our North Carolina operation to our Salisbury soybean processing plant. This would be an additional 114 rail carloads that would move across the car-float to Salisbury.

Perdue is depending on the continuation of rail service to our facilities in Salisbury, MD and Accomac, VA. It is essential to maintain the existing service if we are to continue to grow and expand. The tonnage involved and distant origin points make alternative means of transportation totally infeasible to Perdue. If it were possible to truck into our facilities the 34,000 tons of ingredients that we received by rail in 1973, there would be an estimated cost penalty in excess of \$350,000. This additional cost would be passed on to the

consumers who buy our poultry, resulting in higher food cost to them, and therefore contributing to a now rampant inflation.

There is doubt that the system proposed by the USRA will provide adequate rail service for the Delmarva Peninsula. Further doubt is expressed that an organization such as ConRail, organized and supported by the Federal Government, can provide adequate leadership to compete with well managed, established and profitable private enterprises. We are aware that the Southern Railroad Company has expressed an interest in the Delmarva Rail System. Perdue encourages this interest, and hopes that in the event Southern makes a concrete proposal, the USRA and the ICC will make every effort to facilitate Southern's rapid and complete take-over of the Delmarva System.

Senator BEALL. I thank all of the witnesses who appeared here today representing all of the groups.

Concluding this hearing, it's my understanding that parties to the dispute left the room indicating unanimous opinion as to the desirability of Southern Railroad taking over the Delmarva branch of the Penn Central and also indicating their willingness to continue to negotiate. I will be considering further steps and will be urging soon a resumption of negotiations.

And I hope the parties recognize the pressure on them not only to continue to negotiate but also negotiate this thing to a successful conclusion in a very short period of time. And I am hoping that would be the case. But as I indicated earlier, if it is not the case, certainly there should be every attempt made to find a legislative solution to the problem. One way or the other the public interest must prevail. If this does not occur, in the long run, I think everybody will suffer if this matter isn't resolved and resolved quickly, not just the people on the Eastern Shore of Delaware and Maryland and Virginia, who obviously will suffer the most, but also people all over this country.

The hearing is adjourned.

[Whereupon, at 1:57 p.m., the hearing was adjourned.]

Faint, illegible text, possibly bleed-through from the reverse side of the page. The text is arranged in several paragraphs, but the characters are too light and blurry to be transcribed accurately.

## ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

STATEMENT OF HUGH W. JOHNSON, DIRECTOR OF ENGINEERING,  
VIRGINIA PORT AUTHORITY, NORFOLK, VA.

My name is Hugh W. Johnston and I am Director of Engineering for the Virginia Port Authority, whose address is 1600 Maritime Tower, Norfolk, Virginia.

The Virginia Port Authority was created by an Act of the General Assembly of Virginia in 1952, and has the responsibility, among other things, to "—initiate and further plans for the development of the ports of this State and to keep informed as to the present and future requirements and needs of the ports of the State—to seek to secure the improvement of navigable tidal waters within the State, where, in its opinion, such improvements are economically justifiable—and, in general, to do and perform any act or function which may—be useful toward the development and improvement of the harbors and seaports of this State, and to the increase of commerce, foreign and domestic, through its harbors and seaports—".

My appearance here today is to emphasize several important points in connection with the railroad situation on the Delmarva Peninsula as it stands today, and to request that the federal congress take such steps as may be appropriate or required, to insure that adequate and economically-justified common carrier railroad service continues between Norfolk, Virginia and Wilmington, Delaware, as it has operated between these points for the past ninety two years.

The Virginia Port Authority's interest in this service is based on the acknowledged and well-understood requirement for reliable and competitive railroad service to and from the seaports of Virginia. The Authority's interest has been well established in hearings before the Interstate Commerce Commission and at other times, and it is not necessary to re-state it today.

The Authority recognizes, and is fully appreciative of, the current efforts that are being made to, hopefully, insure that at least a temporary arrangement is in prospect that will keep the railroad operating between Norfolk and Wilmington, and we express gratitude to all concerned who have worked so diligently over the past few weeks to make this possible.

But the Authority's position today is one of dismay that all of the carefully drafted laws, protracted negotiations, and other activity over the past two years that would have resulted in a private-enterprise profit making rail system on Delmarva now appears to have come to naught, and we are left with the prospect of a temporary arrangement, on what amounts to a welfare basis, for this necessary transportation service.

The federal law of 1973 that attempted to bring order out of the chaos that had developed from the bankruptcy of the Penn Central and several other lines, anticipated that private enterprise should take over and operate those rail lines involved that could be profitably operated. The railroad line between Norfolk, Virginia and Wilmington, Delaware, falls within this category. There is, and there has been for its entire ninety two year existence, sufficient rail traffic on this line for it to be operated profitably as long as reasonable operating practices are followed. This fact is confirmed by the bona-fide offer of a solvent railroad, in 1974, to purchase the line, upgrade it, and make it an essential link in its larger and profitable system. That this offer has not been translated into fact is a matter of deep disappointment to the Virginia Port Authority, whose interest, as earlier stated, is in reliable and competitive rail service to and from the Virginia seaports.

The Authority feels that, since the federal congress apparently intended that essential rail service on a profit-making basis continue where it existed on a profit-making basis, and since it has apparently become impossible for a profit-oriented rail line to acquire and operate the line between Norfolk and Wilmington, that the congress should take such steps as are appropriate to resolve the stalemate that has, so far, thwarted its plans to achieve this result.

The Authority, as earlier stated, is relieved to feel that temporary rail service will continue over this line, even if on a subsidised basis, but it also anticipates

that, at the end of the subsidy period provided for in the current law, the situation will have to be faced all over again.

On the other hand, acquisition and operation of the Norfolk to Wilmington line by a solvent carrier will insure several things:

1. The line will be upgraded without expense to the taxpayers.
2. The line will pay local taxes to the communities thru which it operates, again without expense to the taxpayers.
3. The line will be competitive, and will therefore actively solicit traffic for its own benefit.
4. The line will once again become a respected member of the business communities that it serves, as it had been for most of the ninety years prior to its present dilemma.
5. The line can and will be, interested in the solid development of the area it serves.
6. The taxpayers of the United States will not have to pay the bill.

The Authority urges that the congress take such steps as are appropriate to insure that the intent of its 1973 law is carried out.

Thank you.

WESTINGHOUSE ELECTRIC CORP.

March 1, 1976.

Hon. J. GLENN BEALL, JR.,

U.S. Senate,

Washington, D.C.

Attention: Neil Messick.

GENTLEMEN: We understand that the breakdown of negotiations between the Southern Railroad and the Unions has ended hope for acquisition of the Delmarva Peninsula Lines by the Southern Railroad. In regard to the Subcommittee on Surface Transportation oversight hearings on rail service in the Delmarva Peninsula, Westinghouse Electric Corporation, Power Generation Divisions' manufacturing facility, located at Essington, Pennsylvania is vitally affected.

Because of the large physical size and weight of rail shipments of electrical machinery manufactured at our plant in Essington, Pennsylvania, these shipments are captive to railroad transportation. There is no other efficient, economical means for their transport.

In earlier statements and hearings on the Regional Rail Reorganization Act of 1973, Westinghouse Electric had presented similar information. We had expressed our concern over the limited number of rail routes available now to handle this type of traffic which is known in the industry as high, wide and heavy loads or "clearance" shipments.

The Final System Plan of the United States Railway Association left the protection of some vital "clearance" routes dependent upon acquisition by profitable railroads or subsidy. Because of the aforementioned breakdown in negotiations, Delmarva Peninsula rail service is in jeopardy, and we ask your Committee to take whatever steps necessary to resolve this critical transportation problem in a way that will maintain rail service over this vital clearance shipment route.

Very truly yours,

R. J. BREITINGER, Director,  
Headquarters Traffic & Transportation.

FIRST OF TWO STATEMENTS OF ORREN BEATY, PRESIDENT, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS BEFORE THE RAIL SERVICES PLANNING OFFICE OF THE INTERSTATE COMMERCE COMMISSION

(Review of the United States Railway Association's Preliminary System Plan for Restructuring Railroads of the Northeast Region)

My name is Orren Beaty. I am president of the National Association of Railroad Passengers, an Illinois-based, not-for-profit corporation with offices in Washington, D.C. at 417 New Jersey Avenue, S.E., I am submitting this statement for NARP, and also on behalf of the RAIL Foundation, with which NARP is associated.

NARP is an Illinois not-for-profit corporation which operates as a membership consumer organization on behalf of present and would-be railroad passengers. NARP has about 5,000 members in all parts of the country. NARP's specific objective is to obtain modern train service wherever it is needed and useful, whether for commuters, for intercity travellers in "corridors," or for cross-country vacationers. Activities in furtherance of this goal include working for the passage of constructive legislation; participating in selected cases before regulatory authorities and the courts; and conducting a continuing educational campaign to acquaint the public with the advantages and benefits of good passenger service, and the underlying economic and political issues involved.

RAIL (Railroad Advancement through Information and Law) Foundation is a District of Columbia not-for-profit corporation. It was organized in May 1969 with the primary objective of furthering the development of modern rail passenger service. RAIL's principal activity is to sponsor academic and professional studies on a variety of questions relating to passenger service and railroading in general. Also, the Foundation undertakes litigation before administrative agencies and the courts when it determines that such action is required by the public interest in matters affecting rail service.

NARP supports the two basic recommendations for passenger service contained in the Preliminary System Plan: the establishment of a network of 80-mph corridor services on the routes shown in Figure 2 (at page 27 of the Plan), and the removal of through freight operations from the Penn Central's Washington-Boston mainline. We are concerned that the abandonment of some "light-density lines" in the Plan would be inconsistent with both the maintenance of existing Amtrak services and the institution of needed additional services. Our testimony at BSPO hearings in Washington, D.C. tomorrow will go into detail on these subjects.

The purpose of our testimony today is to urge the United States Railway Association to include the Delmarva main line of the Penn Central between Wilmington, Delaware and Cape Charles, Virginia in the final System Plan; to require upgrading of both the rail line and the supporting marine operation between Cape Charles and Norfolk, and to arrange for diversion to this line of a substantial portion of the freight traffic now moving between Wilmington and the Southeast via the Northeast corridor through Baltimore and Washington.

The Preliminary System Plan recommends abandonment of the lower portion of the Delmarva line, together with the Chesapeake Bay car float, despite finding that a new 60-car vessel costing \$7 million would enable a high volume of freight to move via the Delmarva line at least as economically as via the all-rail route through Washington.

While the Plan rejects the Delmarva line, it strongly recommends that most freight traffic now on the Penn Central between Washington and New York be transferred to the parallel Baltimore and Ohio line to clear the way for high-speed, high-frequency passenger service in the Northeast corridor (Washington-New York City-Boston). We are in agreement with the proposition that a shift of this freight traffic is desirable, perhaps even essential, if the potential for northeast corridor passenger service is to be fully exploited. However, we believe that the Delmarva line offers an alternative method of achieving this objective at a lower capital cost than upgrading the B&O. USRA has apparently not evaluated the Delmarva line in this context.

The cost of necessary upgrading of the B&O to handle Penn Central northeast corridor freight traffic is estimated by USRA at \$300 million. Were the Delmarva line used to divert freight traffic off the corridor south of Wilmington, much of this amount would be saved, including the expense of restoring double track on the B&O between Wilmington and Baltimore and the construction of track connections between B&O and PC at Perryville, Maryland and Baltimore.

From this substantial saving would have to be deducted, of course; the cost of purchasing new marine equipment and upgrading the Delmarva line itself, including the port facilities at Cape Charles and Norfolk. In the absence of an engineering study, the precise amount cannot be determined, but it seems quite likely that the cost would be less than upgrading the B&O south of Wilmington.

Distance-wise, the Delmarva line compares very favorably to the Washington-Baltimore route for freight moving between the Northeast and points on the two Seaboard Coast Line main lines: Wilmington, Delaware to Norlina, N.C. (formerly SAL) via Washington, 323 miles and via Cape Charles, 344 miles.

Wilmington, Delaware to Rocky Mount, N.C. (formerly ACL) via Washington, 346 miles and via Cape Charles, 345 miles.

While the distance via Cape Charles for Southern Railway freight between Charlotte, N.C. and Wilmington, Del., would be considerably greater than via Washington, this disadvantage might be compensated for by avoiding the delays inherent in switching freight through Potomac Yard.

We understand that Southern Railway would like to see the Delmarva line preserved and upgraded and has expressed tentative interest in acquiring the line itself. While this would be far better than abandonment, we believe that the line should be kept open to Seaboard Coast Line traffic as well as Southern, as the potential for diverting a large amount of north-south freight traffic onto the line is at least as great from SCL as it is from Southern.

A problem associated with diverting SCL freight traffic to the Delmarva line is the economic stake of the Richmond, Fredericksburg and Potomac Railroad in keeping as much freight as possible moving through Washington. There seem to be several ways of dealing with this problem, including giving RF&P a portion of the revenues on traffic moving via Norfolk; turning over the southern portion of the Delmarva line to the RF&P and Southern to conduct joint operations, or directly indemnifying the RF&P for lost profits as a result of diversion of some of its present traffic.

An important aspect of this problem is its impact on prospects for commuter rail service in the Washington area, along with improved Washington-Richmond corridor service. The Maryland Department of Transportation is working with the Chessie System to improve existing commuter rail operations between Baltimore and Washington. On the Virginia side of the District of Columbia, officials of various agencies, notably Prince William County, are working toward establishment of commuter rail service where none has existed for many years.

To the extent that freight traffic can be diverted from the Washington area to the Delmarva line, the prospects for establishing and improving attractive and reliable commuter rail and corridor services will increase.

Detailed consultant reports have supported establishment of commuter rail service to Virginia points from the District of Columbia, upgrading of Maryland services, and increased Washington-Richmond service including possible electrification. The reports are:

Washington Metropolitan Area Rail Commuter Feasibility Study, by Carl R. Englund, Jr., prepared for Urban Mass Transportation Administration, May 1971, Contract DOT-UT-10003.

Washington-Richmond Corridor Study: Engineering and System Analysis of High-Speed Rail Passenger Service, by Thomas K. Dyer, Inc., assisted by Peat Marwick Mitchell & Co., September 1973, for the Commonwealth of Virginia, Division of State Planning and Community Affairs.

Retention and upgrading of the Delmarva main line would aid the viability of several of the branch lines which are now in danger of abandonment. Main line freight operations would be an aid to industrial development in the area. Once the line was upgraded, the way would be open for restoration of Delmarva passenger service connecting Ocean City and Salisbury with the northeast corridor at Wilmington.

Finally, it is worth noting that the Delmarva line was once double track for almost its entire distance. If in future years the growth of traffic required additional capacity by restoration of double track, the right-of-way is already there.

NARP urges that the proposal it has presented here today be part of the Rail Services Planning Office's recommendations to the United States Railway Association for inclusion in the Final System Plan. Thank you.

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GOLDEN PRIDE POULTRY, INC.,  
Berlin, Md., February 23, 1976.

HON. J. GLENN BEALL JR.,  
U.S. Senate,  
Russell Senate Office Building,  
Washington, D.C.

DEAR SENATOR: On behalf of Golden Pride Poultry, Inc., a member of the Delmarva Poultry Industry, Inc., and an integrated broiler producer on Delmarva, I strongly urge that you do everything in your power to continue the negotia-

tions and to help insure that Southern Railway is able to purchase the Penn Central rail lines on Delmarva.

*If Southern does not purchase the railroads on the Delmarva Peninsula, we feel that it would mean economic disaster for our area.* If they do purchase them, both their plans and past performance indicate Southern would rebuild the railroads and improve our much needed rail service.

On the other hand, if ConRail has to take over our railroads, it will mean a greatly increased financial burden on U.S. taxpayers. Also, ConRail would abandon a large portion of Delmarva railroads—including the line through Virginia and the car float at Norfolk. We feel that if that were to happen, ConRail might decide that the rail traffic between Wilmington, Delaware and Salisbury, Maryland would not justify a railroad and we would soon lose all our rail service.

Southern has spent a great amount of time and money evaluating the potential of Delmarva railroads and feels that that the purchase would be economically feasible and profitable. It would be a tremendous waste, staggering economic loss to Delmarva and greatly increase financial burden on U.S. taxpayers if they are unable to do so because of a few unreasonable union demands.

Your assistance in this matter will be greatly appreciated.

Sincerely,

ROBERT K. HOLLAND,  
*Vice President, Purchasing.*

SHOWELL POULTRY INC.,  
*Showell, Md., February 25, 1976.*

HON. J. GLENN BEALL, JR.,  
*U.S. Senate,  
Russell Senate Office Building,  
Washington, D.C.*

DEAR MR. BEALL: We are very much concerned about the problems that Southern Railway is having in it's attempt to purchase the Penn Central Lines on the Delmarva Peninsula.

*If Southern does not purchase the railroad lines on the Delmarva Peninsula we feel that it would mean economic disaster for our area.* We receive key feed ingredients used in manufacturing the feed that goes to produce our chickens. Without these ingredients it could shut us down, as well as our competitors. This would cause mass unemployment and a chain reaction of business failures in our area.

It seems very unfair that several labor unions representing a very few individuals can halt a venture that would be a vital benefit to hundreds of thousands of people.

Southern has spent a great amount of time and money evaluating the potential of the Delmarva railroads and feels that the purchase would be economically feasible and profitable. It would be a tremendous waste and a staggering economic loss to Delmarva if they are unable to do so because of a few unreasonable union demands.

We stand ready to do whatever we can to assist Southern in this matter and we would appreciate any assistance you can give us.

Sincerely,

HUGH F. RENSHAW,  
*Director of Purchasing.*

MARYLAND DEPARTMENT OF AGRICULTURE,  
*Annapolis, Md., March 2, 1976.*

HON. J. GLENN BEALL, JR.,  
*U.S. Senate,  
Russell Senate Office Building,  
Washington, D.C.*

DEAR SENATOR BEALL: I want to thank you for your efforts to resolve the problem of the railroads of the Eastern Shore. Rarely, if ever, has the fate of 192 miles of rural railroad track received as much high level attention as was demonstrated at your hearing on March 1.

However, if I understand the situation correctly, it appears that a takeover of the Delmarva Railway system by Southern is doomed. The only word that I can use for that situation is "unbelievable." I am sure that from the viewpoint

of the general public a handful of railroad workers are jeopardizing the economic future of the whole peninsula. I believe that eighteen unions have already signed with Southern and the major holdouts are the Clerk's Union and the United Transportation Union. If it is true that, in fact, no incumbent union member will suffer either in salary or other benefits by this transfer to Southern, then, how can anyone justify a failure to act when action is so clearly indicated in the public interest. As you know, not only will thousands of people lose their jobs, but industry will be forced to relocate from the Eastern Shore and this will ultimately cost the State of Maryland billions of dollars.

On April 1, if ConRail takes over the Delmarva Railway system, it will have an extremely adverse effect on the rural development and the economic well-being of the entire Eastern Shore. Timely deliveries of farm fuels and fertilizers by rail are especially essential to these vigorous agricultural areas because of the seasonal nature of their needs. If these commodities are not delivered during optimum cultivation conditions, lower yields and higher production costs result.

Rail abandonments place a burden on the trucking industry that it cannot assume in the foreseeable future. Not only will trucks be competing directly with consumers for limited fuel supplies but the consumers will be confronted with higher shipping costs, increase environmental hazards, greater highway inconvenience, and higher taxes for highway maintenance.

To attain efficiency in realizing rural progress, a state rural development program normally encompasses broad areas of interests such as capitalization, transportation, production, marketing, and land use. All of these areas in the chain are interdependent—destroy one link and the whole chain falls apart—therefore, destroy the transportation system of the Eastern Shore and you have effectively destroyed rural development in the State.

There is at present a land use bill which has been introduced into the Maryland General Assembly. While it is premature for me or for anyone at this point to predict what sort of legislation may result, it does seem clear that we are moving towards state or national activities to protect agricultural land. Consequently, if we further restrict land use by reducing or restricting our transportation facilities, we lose all of our flexibility in implementing a viable agricultural land use program and we make our land use program even more difficult to administer.

Finally, I would add that it would be presumptuous on my part to recommend to Congress what they should do, but this much I do know that if action is not taken to get the necessary agreements so that Southern may operate the system, there will be a public outcry such as we have not seen in our time. Again, I thank you for what you have done and hope that you will continue your fight for the public good.

Sincerely,

YOUNG D. HANCE.  
*Secretary.*

PERDUE INC.  
*Salisbury, Md., March 2, 1976.*

HON. J. GLENN BEALL, JR.  
*U.S. Senate, Russell Senate Office Building, Washington, D.C.*

DEAR SIR: I solicit your review of the very serious matter of a railroad transportation network for the Delmarva Peninsula.

At the present time the Southern Railway has stopped negotiations on the purchase of the Delmarva railroad system. If the Southern Railway does not acquire the system, then ConRail will come into existence for the Delmarva Peninsula.

The existence of the ConRail System on Delmarva would result in the following:

1. A taxpaying corporation would refrain from coming to the Eastern Shore and in its place a tax liability would be assumed.
2. The amount of viable trackage would be greatly reduced.
3. The reduction of viable trackage would decrease the economic advantage of local industry, possibility to the point of rendering it inoperative.
4. The reduction of viable trackage would eliminate many possible plant sites for new industry to come to the Eastern Shore area.

It is imperative that a strong railroad transportation network be maintained for the Delmarva Peninsula. *Southern Railway transportation is a must if*

*Delmarva is to continue to be an active, progressive and growing area of this great Country.*

I would like to thank you in advance for your careful consideration to this important matter.

Sincerely,

GARY B. OTTO,  
*Director of Purchasing.*

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DEL-MAR-VA PENINSULA CENTRAL LABOR COUNCIL, AFL-CIO,  
*Salisbury, Md., March 9, 1976.*

HON. VANCE HARTKE,  
*Chairman, Senate Subcommittee on Surface Transportation, Senate Office Building, Washington, D.C.*

HON. VANCE HARTKE: As a Vice President of the Delmarva Central Labor Council AFL-CIO and a retiree of Amalgamated Meat Cutters and Butcher Workman of North America AFL-CIO Local 117, I am urging and appealing to you to use your power and influence to aid us in keeping adequate rail service on the Peninsula. Namely the Southern Railway.

On behalf of 23,000 members and all other working people and their families and industries will suffer to the point of greater unemployment.

If this should fail to materialize the whole Peninsula industry and workers alike will deteriorate to the point of a dying Peninsula.

This is an urgent matter and must be given your immediate attention and favorable consideration. We are counting on your support as our livelihood depends upon this decision.

We understand that further growth will cease should rail service be curtailed to a limited destination and not continued to Cape Charles, Va.

Again my appeal for your favorable action will be greatly appreciated.

Sincerely yours,

JOHN E. ADKINS,  
*Vice President.*

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AMALGAMATED CLOTHING WORKERS OF AMERICA—AFL-CIO,  
EASTERN SHORE JOINT BOARD,  
*Salisbury, Md., March 9, 1976.*

Senator VANCE HARTKE,  
*Chairman, Senate Subcommittee on Surface Transportation, Senate Office Building, Washington, D.C.*

HON. SENATOR VANCE HARTKE: This is an appeal for you to use your good office and whatever other influence you have to help us in our dilemma.

In order to give you the past history of the situation I shall digress.

The Peninsula is comprised of three States and is isolated and is becoming more so. Quite a few years ago Penn Central discontinued their passenger service from Wilmington to Cape Charles; however, freight service was still in operation. However Penn Central wants to sell their line to Southern Railroad and the deal was about to be executed with Southern Railroad when all of a sudden they want to withdraw their offer. We understand that it isn't a matter of finances. ConRail is interested in buying the line with a token service to Pocomoke City which leaves the lower end of the Peninsula; namely, Virginia in Limbo and everyone feels sure this would only be a matter of time until this would be discontinued.

Every working man and woman, union and nonunion, would be the ones to suffer as many jobs would be discontinued, as well as the various industries.

A number of meetings have been held with business and labor leaders to work out some plan to get negotiations started with Southern Railroad.

The Amalgamated Clothing Workers have about 2,000 members on the shore and the companies they work for are relying on the Southern Railroad services. On behalf of all clothing workers as the Manager of the Joint Board I urgently request that you give this prime consideration to bring this to a successful conclusion.

Sincerely yours,

NETTIE M. ADKINS,  
*Manager.*

LABORERS' INTERNATIONAL UNION OF NORTH AMERICA, AFL-CIO,  
LOCAL UNION 658,  
Salisbury, Md., March 9, 1976.

HON. VANCE HARTKE,  
Chairman, Senate Subcommittee on Surface Transportation, Senate Office Building, Washington, D.C.

HON. VANCE HARTKE: As the Secretary and Treasurer of Laborers' Local Union 658, I am urging and appealing to you to use your power and influence to aid us in keeping adequate rail service on the Delmarva Peninsula by the Southern Railway.

The 300 members of Local 658 are also anxious to have Southern Railway continue the service to the Peninsula. If this service is not continued it will put a great number of our members out of work along with hundreds of other working people on the Eastern Shore.

The Contractors on the Eastern Shore will be unable to receive the material they are now receiving by rail; especially those on the branch lines. This means industry and workers alike will deteriorate to the point of a dying Peninsula.

This is an urgent matter and must be given your immediate attention and favorable consideration. *We are counting on your support* as our livelihood depends on this decision. No doubt you know that further growth will cease should Southern Railway service be curtailed. This means a limited destination and not continuation of service to Cape Charles, Va.

Again we appeal for your favorable action and it will be greatly appreciated.  
Sincerely yours,

NELSON F. BRAGG,  
Secretary and Treasurer.

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COMMUNICATIONS WORKERS OF AMERICA,  
Salisbury, Md., March 9, 1976.

HON. VANCE HARTKE,  
Chairman, Senate Subcommittee on Surface Transportation, Senate Office Building, Washington, D.C.

HON. VANCE HARTKE: I am writing you on behalf of Local 2106 Communication Workers of America. My name is John P. Morrison, President, of the above Local. We represent three hundred and fifty members in Wicomico, Somerest and Worcester County.

We and our families are deeply concerned with the dispute that has arisen on the acquisition of the railroad network on the Delmarva Peninsula by the Southern Railway.

With the many industries depending on rail service to survive, they also depend on telephone communication which is how our people make their livelihood; with the loss of railroad, you can readily see how it would affect our people and thousands of others on the Delmarva Peninsula.

I am appealing to you and your Committee to put every possible effort to try and settle this dispute by preventing the loss of rail service to the Delmarva Peninsula.

I, and the people I represent, firmly believe that the acquisition by Southern Rail would best serve our people by preserving the jobs we now have and hoping for more in the future.

Very truly yours,

JOHN P. MORRISON,  
President.

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LOCAL UNION No. 876,  
CHAUFFEURS, WAREHOUSE & HELPERS,  
Salisbury, Md., March 9, 1976.

Re: Southern Railway Remaining on Delmarva Peninsula

HON. VANCE HARTKE,  
Chairman, Senate Subcommittee on Surface Transportation, Senate Office Building, Washington, D.C.

DEAR HON. VANCE HARTKE: I am writing to request that action be taken to preserve and maintain through rail service on the Delmarva Peninsula. Without this service, every wage earner and business will suffer. Studies have shown

that there will be a tremendous loss of jobs and business throughout the Delmarva Peninsula if Southern does not come to this shore.

As President and Business Representative of Teamsters Local Union No. 876, representing approximately 2000 members on the Delmarva Peninsula, I strongly feel that if Southern does not get on the Shore, hundreds of members will lose their jobs. This Local Union has several companies under contract that depend on this rail service; namely: Marvil Package Company, Acme Markets, Liquid Carbonics, Standard Chlorine, Suburban Propane Gas (located in Fruitland, Easton, Dover, Rehobeth, and Onley, Va.), Green Giant, W. O. Covey, General Foods, Oriole Chemical Carriers.

I have written to these companies and requested that they join hands with us to keep Southern Railway on the Peninsula to protect their interests.

We appeal to you for your help and assistance, as there is no substitute for adequate rail service.

Very truly yours,

RONALD REYNOLDS,  
*President and Business Representative.*

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GREATER SALISBURY COMMITTEE, INC.,  
*Salisbury, Md., March 9, 1976.*

HON. VANCE HARTKE,  
*Chairman, Senate Subcommittee on Surface Transportation, U.S. Senate, Washington, D.C.*

DEAR SENATOR HARTKE: I am writing on behalf of the Greater Salisbury Committee, an organization composed of the heads of the forty major firms in the area of Salisbury, Maryland. The purpose of this letter is to ask that every possible action be taken by the U.S. Government to preserve effective through rail service on the Delmarva Peninsula. If adequate rail service connecting Norfolk, Virginia and the South with Wilmington, Delaware and the Northeast is not preserved there is little likelihood that rail service to local communities on the Delmarva Peninsula will be continued in the future. If this rail service is discontinued hundreds of jobs will be lost and every wage earner and every business firm will suffer.

The Greater Salisbury Committee has been involved with the rail situation in the Delmarva region for a period of years and it is our strong opinion that a viable rail system can be developed only if Southern Railway acquires and operates the Delmarva rail system. I know that you are aware that there will be a tremendous loss of jobs and income if the Southern acquisition should fail and the Delmarva Peninsula will be thrown into a long-term economic depression. There are no alternative transportation modes to meet the needs of this region. For this reason we urgently appeal to you for immediate help in every possible way by the United States Government.

Sincerely

DAVID STEIN.

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INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE &  
AGRICULTURAL IMPLEMENT WORKERS OF AMERICA, UAW,  
LOCAL UNION 354,  
*Salisbury, Md., March 9, 1976.*

HON. VANCE HARTKE,  
*Chairman, Senate Subcommittee on Surface Transportation, U.S. Senate, Washington, D.C.*

DEAR SENATOR HARTKE: My name is Kenneth J. Willing, President of Local Union 354, U.A.W., Salisbury, Maryland. I am writing to plead with you and your committee that action be taken to preserve maximum thru rail service on the Delmarva Peninsula. I personally feel that without the rail service for all of Delmarva, every wage earner, business and industry will suffer. There would be loss of jobs, creating higher unemployment, a deterrent for any new industry coming to Delmarva or any further expansion of the industry we now have on the Delmarva Peninsula.

Every study that has been made shows that there would be a tremendous economic impact on the citizens of Delmarva because of loss of jobs and income.

To prevent an economic catastrophe which now looms over Delmarva can only be accomplished by acquisition of the Delmarva rails by Southern Railroad. We urgently appeal for your help because there is no other alternative for our absolute need for an adequate rail system.

Respectfully yours,

KENNETH J. WILLING,  
*President.*

BUILDING AND CONSTRUCTION TRADES COUNCIL, AFL-CIO,  
*Baltimore, Md., March 10, 1976.*

HON. VANCE HARTE,  
*Chairman, Senate Subcommittee on Surface Transportation, Senate Office Building, Washington, D.C.*

DEAR SENATOR HARTKE: In the interest of strengthening the economy of Maryland, especially that of the communities on our Eastern Shore, we respectfully request that you use your good offices to initiate whatever action is needed to authorize the Southern Railway Company to operate the rail system of the defunct Penn-Central Railroad that serves the Delmarva Peninsula.

Of the 15 counties embraced by our geographical jurisdiction, nine are on the Eastern Shore. It is in behalf of our members there that we ask for authorization to allow Southern Railway to operate the system.

In sharp contrast to the 105 miles of rail line without spur lines into industrial centers that Conrail would operate, Southern would service all major industrial areas with more than 500 miles of rail lines. Without the latter service the economy of the peninsula would be stifled; and instead of industrial advances to create desperately needed new jobs, there would undoubtedly be layoffs that would add to the already hosts of unemployed people.

Rail service is an urgent need throughout the peninsula, not just in the narrow area Conrail would serve. That is why we urge you to give your support to ways and means of granting authority to Southern to operate all the rail lines.

Sincerely,

EDWARD COURTNEY,  
*President.*

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS,  
LOCAL UNION No. 24,  
*Baltimore, Md., March 10, 1976.*

HON. VANCE HARTE,  
*Chairman, Senate Subcommittee on Surface Transportation, Senate Office Building, Washington, D.C.*

DEAR SIR: I represent Local Union No. 24 of the International Brotherhood of Electrical Workers with offices in Salisbury, Maryland. The headquarters of Local 24 is in Baltimore, Maryland. I am also President of the Delmarva Central Labor Council, AFL-CIO, representing more than 23,000 Union members from all the Delmarva Peninsula from the tip of Virginia to the Pennsylvania border of Cecil County, Maryland, including all of Delaware with the exception of Wilmington and New Castle County.

On behalf of both the Central Labor Council and the Electrical Workers, I urge that the Congress take every possible and necessary action to enable Southern Railway to acquire the railroad network on the Delmarva Peninsula. We believe that successful acquisition by Southern will result in sound economic development of the Delmarva region which will result in hundreds and possibly thousands of new jobs for our labor force.

I understand that, presently, there are more than 7,000 jobs in industries in the four counties of the Lower Eastern Shore of Maryland that are dependent on rail transportation. There are many more thousands of rail dependent jobs in Delaware, Virginia, and other Maryland counties. We are very fearful that ConRail service will be inadequate and result in the loss of many of these jobs which may result in a serious economic depression and high rate of unemployment for the three State region. We also believe that this unemployment could feed on itself and result in a downward spiral resulting in less rail tonnage and the eventual abandonment of the entire Delmarva Rail System. This would be a catastrophe which would cause a serious economic setback for every business and every wage earner in the three State region.

We respectfully urge that you take every measure to prevent the loss of rail service and make possible operation by the Southern System which we believe offers the best promise for prosperity and jobs.

Respectfully,

STERRAL F. GREGORY,  
*Assistant Business Manager.*

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INTERNATIONAL UNION OF OPERATING ENGINEERS,  
*Baltimore, Md., March 10, 1976.*

HON. VANCE HARTKE,  
*Chairman, Senate Subcommittee on Surface Transportation, Senate Office Building, Washington, D.C.*

DEAR SENATOR HARTKE: On behalf of the 200 members of Local #37, who live in the nine counties of the Eastern Shore of Maryland, we strongly urge that action be taken to authorize Southern Railways to operate the rail system which serves the Delmarva Peninsula, formerly operated by the defunct Penn-Central system.

We feel that the 500 miles of rail lines which would be operated by Southern would far better serve the economy of the Delmarva Peninsula than the 105 miles of rail lines that Conrail would operate. As you are aware, the unemployment figures on the Eastern Shore are probably higher in the Construction industry than any other part of the State. Southern Railways take-over would certainly spur the economy, create jobs and help eliminate unemployment.

We urge you to give your support in helping to grant authority to Southern to operate the system.

Sincerely yours,

WILLIAM L. KIRCHHOFF,  
*Business Manager.*

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BAKERY & CONFECTIONERY WORKERS INTERNATIONAL UNION OF AMERICA,  
AFL-CIO, LOCAL 68,  
*Baltimore, Md., March 10, 1976.*

HON. VANCE HARTKE,  
*Chairman, Senate Subcommittee on Surface Transportation, Senate Office Building, Washington, D.C.*

HON. VANCE HARTKE: I am writing to you on behalf of Local 68, Bakery and Confectionery Workers' International Union of America, AFL-CIO. Our Local represents some 1300 Members throughout the Maryland, Delaware, Virginia and West Virginia area.

Our Local, especially our Members on the Eastern Shore of Maryland, are deeply concerned with the dispute that has arisen over railway service on the Delmarva Peninsula. Our Members working in the Sweetheart Bakery, Salisbury, Maryland, and its depots located throughout the Delmarva Peninsula may be greatly affected by the loss of railway service especially since this plant is planning to expand.

We urge Congress to take every possible action to enable Southern Railway to acquire the railroad network on the Delmarva Peninsula. This acquisition would definitely help to preserve the jobs we now have and would greatly enhance job opportunities when our plant expands.

Very truly yours,

HENRY KOELLEIN, JR.,  
*Business Manager,  
Financial Secretary-Treasury.*

DELMARVA POWER,  
*Salisbury, Md., March 10, 1976.*

SENATE SUBCOMMITTEE ON SURFACE TRANSPORTATION  
*U.S. Senate,  
Washington, D.C.*

GENTLEMAN: This letter is written in the interest of maintaining and improving rail service throughout the Delmarva Peninsula. I am an officer of the three Delmarva Power & Light Companies serving electricity throughout the Peninsula. I am writing not only in the interest of the corporation, but also in the interest of our customers and employees.

I am also a member of an ad hoc committee consisting of representatives of labor and industry working together to supplement the efforts of many to effect the Southern Railway acquisition of the rail system on the Delmarva Peninsula and, thus, preserve economic stability in the area.

The only way adequate rail service throughout the Peninsula and across Chesapeake Bay to Norfolk, Virginia, can be maintained and improved is for Southern Railway to purchase the Delmarva rail system from Penn Central. It is imperative for the economic welfare of the area that the Southern acquisition is accomplished. If ConRail takes over, it will close down much of the rail system on the Peninsula. As a result, several thousand people will lose employment because of industry closing down, and rail service will continue to deteriorate. In addition, other industry now considering moving to the Delmarva Peninsula will cancel their plans. Such a situation would be economic disaster to our service area.

We, therefore, appeal to all members of the Committee, and to all who receive a copy of this letter, to do whatever is necessary to accomplish the Southern Railway acquisition. If new legislation is required, I recommend it. As you know, Southern will not only continue to operate most of the rail system on the Peninsula, but it will also spend 30 million dollars of its own private capital in the next few years to improve the roadbeds and the entire rail system, thus rendering much improved service to all customers. This is imperative for both labor and industry. Your continuing efforts are greatly appreciated.

Very truly yours,

THOMAS C. ROE.

CITY OF SALISBURY,  
Salisbury, Md., March 10, 1976.

SENATE SUBCOMMITTEE ON SURFACE TRANSPORTATION,  
Senate Office Building,  
Washington, D.C.

DEAR SENATORS: The City of Salisbury, a large number of local civic organizations, and a number of Eastern Shore regional organizations have been struggling for the past 2 years to obtain an agreement whereby the Southern Railway Company can takeover the bankrupt Penn Central Railroad Lines on the Eastern Shore. These efforts appeared to be very successful until approximately 6 weeks ago when 1 union of approximately 75 men blocked this takeover by Southern by vetoing Southern's offer of settlement on wages for future employees. Negotiations are still continuing with this 1 union but it appears that no settlement can be reached. The union's fall-back position appears to be the takeover of the Delmarva Lines by Conrail. This apparent solution is unacceptable to my community since it will cut off rail transportation to our Southern markets.

The Regional Rail Reorganization Act of 1973 has provided effective protection for the existing labor unions. I feel that the takeover of the Delmarva Railway Lines by the Southern Railway Company is the only effective long-term solution to our railroad problem and our economic future. I do not feel that it is fair for 1 union to have the veto power over the economic future of over a quarter million hard-working people. I also understand that a similar situation exists with the Chessie System on the Western Shore. I do not feel that the takeover by Conrail on the Delmarva Peninsula or on the Chessie System is an effective long-term answer to our railroad problem. I prefer to see our railroad in the hands of a private owner rather than under Government sponsorship.

I propose that the Regional Rail Reorganization Act of 1973 be amended as soon as possible to take out the veto power of labor unions after honest and lengthy negotiations have been conducted with these unions. I request that this amendment be effected before the 1 April 1976 deadline when ConRail is scheduled to takeover a portion of the Delmarva Railroad System.

Sincerely yours,

ELMER F. RUARK, Mayor.

MARVEL PACKAGE CO.,  
Hebron, Md., March 10, 1976.

HON. VANCE HARTKE,  
Chairman, Subcommittee on Surface Transportation, Senate Office Building,  
Washington, D.C.

DEAR SENATOR HARTKE: Since approximately 90% of our inbound freight is received by rail, it is imperative for our operation that adequate rail service be maintained on the Delmarva Peninsula. We are responsible for the movement on

Delmarva of between 800 and 1,000 car loads per year of packaging supplies to be used in the poultry, produce, and seafood industries. Most of this traffic is routed to our Hebron location, while some cars are shipped directly to customer sidings in Delaware and Virginia.

Without rail service, transportation cost would almost double, which means passing on up to one half million dollars each year to our customers. It would also require 500,000 gallons of fuel annually to truck this material from our southern manufacturing plants. We would be at an extreme disadvantage competitively—in fact, I feel that it could possibly deal a “death-blow” to our company.

After carefully considering the situation, I am not at all optimistic about the future of rail service under ConRail. I think it is of the utmost importance to our company and this entire area that Southern Railway acquire the Delmarva lines.

We urge you to exercise your power and influence to bring about a satisfactory settlement to this serious problem.

Thank you.

Respectfully,

RICHARD L. WATSON,  
*General Manager.*

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ECONOMIC DEVELOPMENT DEPARTMENT OF TALBOT COUNTY, MD.,  
*Easton, Md., March 11, 1976.*

CHAIRMAN, SUBCOMMITTEE ON SURFACE TRANSPORTATION,  
*U.S. Senate Office Building,  
Washington, D.C.*

DEAR MR. CHAIRMAN: Talbot County, Maryland needs the railroad.

Our major industry, agriculture, would suffer seriously because there is just no other way that some of its needs may be served. The loss of our agricultural industry would mean not only high unemployment, but would seriously decrease the amount of food that is sent to many areas beyond the Delmarva peninsula.

Only recently we have started to develop some light manufacturing jobs through new industries locating here. But, those that depend on the rail will move away. It is not easy to attract jobs producing industry to our area without rail service.

Our labor force of 13,520 and an unemployment rate of less than 3% adds up to a healthy economy for Talbot County today. The loss of rail service would drastically change this situation with a potential loss of as much as 50% of our jobs either directly or indirectly affected by the loss of rail service.

23,000 people in Talbot County are looking to Congress to prevent the impending tragedy of the failure of allowing the Southern Railroad to purchase the rail system throughout Delmarva.

Please use every means at your command to help us. Thank you.

Sincerely,

ARLENE E. BAYBUTT,  
*Executive Secretary.*

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OFFICE OF MAYOR AND COUNCIL,  
*Federalburg, Md., March 11, 1976.*

CHAIRMAN, SENATE SUBCOMMITTEE ON SURFACE TRANSPORTATION,  
*U.S. Senate Office Building,  
Washington, D.C.*

DEAR SIR: I am writing your office to implore you to spare the rail lines on the Delmarva Peninsula. Should Southern Railway not absorb these lines, it would ring a death knell to future economic prosperity and hope in this area. This area is rural agricultural with some industries scattered throughout. There is an obvious need to see that these goods are moved to the market place.

Should the rails stop, commerce will stop or will at best be prohibitively expensive. This means job loss, higher consumer prices, and retarded growth in an area already economically depressed.

Please do not let us down, and spare the rails.

Sincerely,

ALBERT GERARDI, *Mayor.*

V. V. HUGHES & SONS,  
Salisbury, Md., March 11, 1976.

CHAIRMAN, SENATE SUBCOMMITTEE ON SURFACE TRANSPORTATION,  
U.S. Senate Office Building,  
Washington, D.C.

DEAR SIR: As a small business on Maryland's Eastern Shore, we are very concerned with the railroad problem on Delmarva. We deal in farm machinery and many of our products are of such size that rail transportation is the only way to move it. The north-south route from Cape Charles is almost the only way we can get a large piece of machinery.

We urge your committee to do everything possible to overcome the impasse between Southern and the Union.

Sincerely yours,

DON B. HUGHES.

POCOMOKE CITY, CHAMBER OF COMMERCE, INC.  
Pocomoke City, Md., March 11, 1976.

CHAIRMAN, SENATE SUBCOMMITTEE ON SURFACE TRANSPORTATION,  
U.S. Senate Office Building,

DEAR SIR: The Pocomoke City Chamber of Commerce supports the Southern Railroad taking over the Delmarva Tracks and urges that an agreement be made between the railroad and the unions as soon as possible.

The only alternative to the Southern taking over is Conrail, which is more government—something we don't need. Also, Conrail proposes to stop the main line at Pocomoke which would make the Delmarva line a spur line instead of a through line.

The next move would be to reduce the line further, perhaps stopping it at Salisbury, and after that who knows what will happen. It could be that in ten years there would be no line on the Peninsula at all.

Whereas Southern has a plan for using the line as a through line that will make money. They are also planning to spend thirty million dollars on the shore tracks to upgrade them.

In Pocomoke City there are plans to purchase about twenty acres of property adjacent to the railroad for the beginning of an industrial park. Without the Southern this property is practically useless.

Southern Railway's taking over the old Delmarva rail system is the only acceptable answer to this serious problem.

Sincerely,

WILLIAM H. KERBIN,  
President.

E. S. ADKINS & Co.,  
Salisbury, Md., March 11, 1976.

CHAIRMAN, SENATE SUBCOMMITTEE ON SURFACE TRANSPORTATION,  
U.S. Senate Office Building,  
Washington, D.C.

DEAR SIR: I would like to inform you on how our Company will be affected if the rail lines are discontinued on the Eastern Shore. Our Company receives around 250-railroad cars a year of different types of building materials. About one-fourth ( $\frac{1}{4}$ ) of these are delivered from the south which uses the Norfolk ferry. If the railroad is discontinued, it would mean that we would have to receive our building materials by truck and since around seventy-five percent (75%) of our materials are received from the far west, it would mean that this would be an impossibility and would affect our organization in many ways.

I think this would also affect the growth of our community and since the Eastern Shore has been very fortunate in progress and growth, it would certainly become a depressed area in some ways. We would certainly hope that the Southern Railway will be given the opportunity to obtain the Penn Central lines on the Eastern Shore.

Very truly yours,

HENRY S. PARKER,  
Vice President.

MARYLAND NATIONAL BANK,  
Salisbury, Md., March 11, 1976.

CHAIRMAN, SENATE SUBCOMMITTEE ON SURFACE TRANSPORTATION,  
U.S. Senate Office Building,  
Washington, D.C.

DEAR SIR: We would like to take this opportunity to express our concern and our feelings regarding the Rail Crisis which is threatening the economic future of Delmarva.

The continuation of the rail service is an intricate part of industry on Delmarva. We are directly affected in that the majority of our loan portfolio consists of loans to agricultural related businesses, building suppliers, chemical manufacturers, poultry concerns, local utilities and the consumer.

The poultry industry depends on agriculture, which depends heavily on fertilizer manufacturers who get the majority of their raw materials via rail. The building industry depends on the local suppliers who also get the bulk of their raw materials by rail. The Delmarva Power & Light Company, the Peninsula's only producer of electricity, has a major power plant in Indian River, Delaware, which is dependent entirely on coal. This type fuel must be shipped by rail because of the vast quantity consumed daily.

As you can readily see by the interrelationships of the various industries, the economic future of Delmarva depends heavily on continuing maximum rail service availability. Because we are a peninsula, alternative methods to the rail are most impractical, and in many cases impossible. An estimated 7,000 jobs are dependent on rail service, and some \$13 million in income is at stake.

We strongly urge that maximum effort be given to consummate Southern Railway's acquisition of the rail lines on Delmarva.

Very truly yours,

DANIEL E. ULM,  
Vice President.

TOWN OF PRINCESS ANNE, MD.,  
March 11, 1976.

Re: Delmarva Rail Situation

CHAIRMAN, SENATE SUBCOMMITTEE ON SURFACE TRANSPORTATION,  
U.S. Senate Office Building,  
Washington, D.C.

DEAR SIR: The Town of Princess Anne has been active in participation to retain rail service on the Delmarva Peninsula and especially a through service to Norfolk.

Initially, the Town of Princess Anne was instrumental in having the Federal Rail plan extend its service from a point in Fruitland to a point just south of the Town of Princess Anne.

It was most gratifying to this community to have Southern Railway express an interest in the acquisition of the rail lines on the Delmarva Peninsula primarily because we at a mid point on the Peninsula are only too familiar with the poor service rendered by Penn Central to this area.

It is the opinion of the Town of Princess Anne that the operation of ConRail to Pocomoke City, Maryland would in effect put us at the bottom of the operational planning of the ConRail system. We are certain that such take over by ConRail without a through service on the Peninsula would not up-grade the existing service and the ultimate effect would be a complete deterioration of the government sponsored rail system.

We are extremely concerned that no major obstacles be allowed to interfere with the Southern Railway acquisition of the defunct Penn Central lines on the Delmarva Peninsula. It is inconceivable that any small group of union members could be permitted under any logic to block and prevent the possibility of a viable rail system on the Peninsula.

Specifically in Princess Anne, we are in great need of increased industrial activity as we are part of Somerset County which has the highest unemployment rate in the State of Maryland. The Town of Princess Anne has worked for several years to develop an industrial area and encourage industrial development within the Town and in the community surrounding the Town. It is our experience that

the kind of businesses that we might encourage into this area will not move to this location when in fact the cost of production is increased either by the absence of any rail service or by a rail service that cannot operate consistently without accidents, delays and loss of equipment and merchandise as has been experienced with the Penn Central.

We are convinced that if ConRail is the rail carrier to this area, we can expect a maximum of five years operation and then it is our opinion that such rail service would be terminated in this area for a multitude of bureaucratic reasons especially lack of future funding. We cannot risk this possibility and therefore request that every effort be made to encourage Southern Railways acquisition of the lines.

The loss of any rail system will directly effect all of the broiler growers in this area and private industry has in fact expressed the opinion that with the loss of rail service it would be a necessity for them to move to other areas in order to be able to compete on a favorable basis with other areas served by rail.

We suggest that your committee direct its attention to the majority of the people of this area as well as the majority of the people concerned with the economy of this country rather than to a minority of union members who appear to be able to control the economy and the destiny of the entire Delmarva Peninsula.

Thank you for your very kind concern in this matter.

Very truly yours,

GEORGE P. VOLENIK,  
*Town Manager.*

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AD HOC COMMITTEE TO PRESERVE,  
THROUGH RAIL SERVICE ON DELMARVA,  
SALISBURY, MD., March 11, 1976.

CHAIRMAN, SENATE SUBCOMMITTEE ON SURFACE TRANSPORTATION,  
*Senate Office Building, Washington, D.C.*

DEAR SIR: The attached editorial appeared in the Wednesday, March 3, 1976, edition of "The Daily Times," Delmarva's largest newspaper.

It reflects their attitude on the rail crisis and we are enclosing it herewith for your perusal.

Sincerely,

ROLLIE H. WHITE, Jr.  
*Secretary.*

[From the Daily Times, March 3, 1976]

#### GOVERNMENT RAILROAD

The Southern Railway's plans to buy most of the rusting railroad system on Delmarva for \$6 million and attempt to revitalize it with upwards of \$30 million more in improvements has apparently gone down the drain.

Efforts to revive negotiations in a Senate subcommittee hearing Monday brought out that most likely nothing could come of such efforts.

The railroad and some of the operating unions couldn't get together on terms. One particular union, the clerks, wanted to continue on with Southern under the contract they had with the bankrupt Penn Central lines. Southern balked on this proposal on ground that it couldn't give one group of employes a contract different from the others.

Aside from the workers immediately affected, there was the long range aspect. It was admitted in the hearing that Southern had agreed to "keep whole" the 75 members of the clerks union who would transfer from Penn Central to Southern. But the union was insisting that "position rates" of pay that are higher on Penn Central than on Southern would have to be maintained after the departure of those now affected. Southern says its Delmarva operation would be a marginal gamble at best and that it couldn't take a gamble if it had to commit itself to the rules believed part of the reason for Penn Central going bankrupt.

The roots of Southern's futile effort are in the Railroad Reorganization Act itself. The measure provides generous benefits to the affected employes. Indeed, it is so generous, that a handful of the affected in this instance had no reason to

care whether or not Southern took over. Indeed, with the quasi-government agency known as ConRail becoming their employer, their chances of continued employment or continued pay checks in the event there is no work, are much better.

The pity of all of this is that Southern would have refurbished most of the tracks, including the important car ferry at Cape Charles. ConRail, under terms of the legislation, will take over only about half of it, the main line from Pocomoke City to Cape Charles, and the car float must operate under federal and state subsidy.

In time, the subsidies will stop. If these spurs and the lower main line and care float are to go on, they will require local subsidies. The prospect is that little or no improvements can be made to the Delmarva system, service will continue to deteriorate and in the end, the peninsula may well be without any rail service on day.

What we have witnessed is a private enterprise trying to buy a bankrupt property with a promise to upgrade the service as opposed to it being taken over by a government operation, subject to all of the politics and inefficiency of government in business. And the taxpayers will in the end have to pay the freight if need be. Employees will be dealing with politicians instead of businessmen in time of fiscal crisis.

It's a perfect example of the great power now in the hands of organized labor in this country.

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SALISBURG BRICK CO., INC.,  
Salisbury, Md., March 11, 1976.

CHAIRMAN, SENATE SUBCOMMITTEE ON SURFACE TRANSPORTATION,  
U.S. Senate Office Building,  
Washington, D.C.

GENTLEMEN: The north-south railway system on Delmarva is a vital concern to us. If maximum rail service is not continued then our business will suffer greatly.

Ninety percent of our supply is shipped by rail. Our supply of brick cannot be converted to truck because of the distance points involved such as North Carolina, South Carolina, Tennessee, Georgia, Mississippi, Ohio and Pennsylvania. Trucking this commodity would raise our prices right out of the market.

We receive approximately 185-200 cars a year. We have a total of twelve employees with an estimated annual payroll of \$160,000.

In conclusion if rail service is terminated then we will be out of business and our employees will be out of work.

Very sincerely yours,

DICK YOUNG,  
President.

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WESTERN PUBLISHING COMPANY, INC.,  
Cambridge, Md., March 12, 1976.

CHAIRMAN, SENATE SUBCOMMITTEE ON SURFACE TRANSPORTATION,  
U.S. Senate Office Building,  
Washington, D.C.

DEAR MR. CHAIRMAN: A ConRail takeover of the Delmarva Peninsula Rail System would severely affect the economic stability of the Eastern Shore of Maryland.

Cancellation of rail service and the lack of a competitive alternative service places Western Publishing, a 300 employee operation, located in Cambridge, Maryland in an unfavorable competitive position. The net result of such action would most certainly curtail production, cut back employment and make continued production at this location questionable.

Southern, in our opinion, can best serve our needs and provide continued maintenance of a competitive rail facility. Their intention to continue the operation of the Norfolk, Virginia car float is vital to the efficient operation of the system. The Southern Railway is a viable private railroad and their acquisition of the rail lines on Delmarva is the only practical answer to this serious problem.

Very truly yours,

JAMES BENJAMIN,  
Plant Manager.

WICOMICO COUNTY, Md.,  
Salisbury, Md., March 12, 1976.

CHAIRMAN,  
Subcommittee on Surface Transportation, U.S. Senate Office Building, Wash-  
ington, D.C.

DEAR SIR: For more than two years, citizens of the Delmarva Peninsula have been working diligently to preserve rail transportation here and, with the intended purchase of the Penn Central Lines by Southern Railway, the probability that this goal could be achieved was in sight. A viable north-south railway, linking the Peninsula with the Norfolk, Wilmington, Philadelphia, and New York metropolitan areas is essential. Its loss would have a crippling impact on the economy of this region that would touch the lives of each one of its nearly quarter of a million inhabitants. This is not conjecture but fact based on our experience with the loss of rail transportation more than a year ago when an accident on the C and D Canal damaged a railway bridge and severed this vital rail artery. In the many months which followed, during the bridge's repair, thousands of jobs and millions of dollars were lost as industries were forced to slow or cease production, being unable to receive production materials or ship their finished product.

The only acceptable long-range solution to continuation of railway service is the acquisition of this trackage by a private and successful railroad, such as the Southern. Our history is full of countless examples of dismal failures when government at any level has tried to compete with private enterprise.

The ConRail approach to retaining railway service in the northeastern part of the United States may be the only solution in some areas. Were it not for the location of the Delmarva Peninsula relative to the rest of the Southern Railway System, it would not be economically feasible for Southern to purchase the Penn Central Lines, upgrade them, and probable restore railway service in this area to a level not known here for a number of decades.

The ConRail System also excludes many miles of railroad track which is important to the economy of the Peninsula. We are told that these marginal lines, if they are to continue, must be subsidized by the State's local government and railroad users. The States of Maryland, Virginia, and Delaware have already realized that their resources are not sufficient to maintain the subsidy levels which would be necessary. Local governments are also in no position to be able to carry this burden. Without major subsidies from State and local governments, private shippers too, in many instances, will find the subsidy payments out of their reach. In the end, the effect will be the same, that is the loss of railroads. As marginal spurs wither and die, the main line then will also gradually experience a reduction in use and, in time, we could predict the possible loss of railway service throughout the Peninsula as, over the years, the resources of ConRail will surely become strained.

As far as the Delmarva Peninsula is concerned, all of this is unnecessary. Southern Railway, a profitable railroad, wants to buy the bankrupt Penn Central Lines, and the only remaining obstacle seems to be the inability of Southern to reach an agreement with labor unions representing a relatively few individuals.

The Congress of the United States must surely be able to find a way around this dilemma in a manner which will allow Southern and the unions to negotiate an agreement for the Delmarva lines which will not adversely affect the contracts between Southern and all of its other operating unions throughout the Southern Railway System.

The settlement of this crisis within anything less than the assured permanent continuation of through railway service on the Delmarva Peninsula will be little more than a postponement, a delaying action, a slow strangulation of our total economy. This cannot be allowed to occur.

Very truly yours,

MATTHEW E. CREAMER,  
Administrative Director.

TOWN OF EASTON, MD.,  
March 12, 1976.

Chairman, Subcommittee on Surface Transportation, U.S. Senate Office Building,  
Washington, D.C.

DEAR SIR: This is to urge you to press for the acquisition of the Penn Central Railroad on the Delmarva to the Southern Railway. This will affect, directly, the Town of Easton if there is no direct rail connection to the north and south. It would make this a depressed area and hinder future growth.

Anything that you can do to break the impasse and negotiations between the unions and Southern Railway will be most beneficial to the people on the Eastern Shore.

Very truly yours,

HENRY H. PURDY,  
*Mayor.*

EASTERN SHORE ASSOCIATION OF MUNICIPALITIES,  
*Eastern, Md., March 17, 1976.*

Mr. WILLIAM T. COLEMAN,  
*Secretary of Transportation,*  
*Washington, D.C.*

DEAR MR. COLEMAN: As Chairman of the Eastern Shore Association of Municipalities, I am writing to notify you that during our meeting held in Cambridge, Maryland on March 16th, a motion was duly made and passed that we write urging you to help in getting the Rail Reorganization of 1973 Bill changed so that we can continue to have north and south railroad service on the Eastern Shore of Maryland.

Anything you can do will be greatly appreciated.

Very truly yours,

HENRY H. PURDY,  
*Chairman.*

PETROLEUM EQUIPMENT DIVISION, DRESSER INDUSTRIES, INC.,  
*Salisbury, Md. March 12, 1976.*

Senator VANCE HARTKE,  
*Subcommittee on Surface Transportation, U.S. Senate Office Building,*  
*Washington, D.C.*

DEAR SENATOR HARTKE: As a responsible businessman in Salisbury, Maryland, I am very concerned about the lack of progress being made in the negotiations between the Southern Railroad and the Brotherhood of Railway and Airline Clerks, which is a prerequisite to the purchase of this railroad by the Southern Railroad from the Pennsylvania Railroad Company.

The main line of this road runs from Norfolk, Virginia to Wilmington, Delaware and passes next to our factory herein Salisbury. In this factory we employ about 600 people in the manufacture of service station gasoline pumps and automotive lifts. The loss of a viable rail facility would certainly have an impact on our business and I certainly do not favor permitting the unreasonable demands of a small group to interfere with the economic well being of an entire region.

I solicit your support and assistance in furthering the sale to Southern Railroad.

Very truly yours,

JAMES C. SMITH,  
*President.*

NORTHWOOD INDUSTRIAL PARK,  
*Salisbury, Md., March 12, 1976.*

CHAIRMAN,  
*Subcommittee on Surface Transportation, U.S. Senate Office Building,*  
*Washington, D.C.*

DEAR SIR: The uncertainty of railroad service in this area, where unemployment is more than double the national rate, is creating a chaotic situation that your Committee can help alleviate.

As developers of Northwood Industrial Park, a pre-planned industrial community, we have been working closely with local and state agencies seeking to relieve the unemployment situation by bringing new industry into the area.

In the past four years we have succeeded in obtaining plants of Burroughs Corporation, Firestone (Plastics Division), Hoffman-LaRoche Company and Georgia-Pacific Corporation.

All four plants have constructed sidings on Penn Central Railroad which passes through the Industrial Park and are good customers of the railroad which

hauls in the raw materials in each instance. Without availability of rail service we could not have obtained these plants that represent a capital investment in excess of fifteen million dollar.

With the uncertainty of rail service from the south, via Norfolk, Va., if Conrail takes over the line, it has been virtually impossible in recent month to interest industry in locating here.

We can attract more industry and lower unemployment if Southern Railway acquires the Penn Central line on the Delmarva Peninsula. It would make available adequate rail transportation to both northern and southern states.

We urge your Committee to act as quickly as possible to relieve the impasse that is delaying and definitely threatening consummation of the Southern-Penn Central transaction.

Very truly yours,

CHARLES J. TRUITT,  
*President.*

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CRISFIELD RETAIL MERCHANT'S ASSOCIATION,  
*Crisfield Md., March 13, 1976.*

Senator J. GLENN BEALL,  
*State Office Building*  
*Washington, D.C.*

DEAR HON. BEALL: We, the members of the recently re-organized Crisfield Retail Merchant's Association, feel that it is in the best interest of our area, the Eastern Shore of Maryland and Virginia, that the existing Rail System be operated by the Southern System, rather than the Conrail System. *The economy of this area is such that we need expansion of industry. The proposals of the Southern System appear to offer more growth potential than the alternative, and we foresee great economic problems developing for the lower Shore with the loss of a viable rail system.*

Respectfully submitted,

MARSHALL L. KILLMON,  
*President.*

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BURROUGHS CORPORATION,  
*Salisbury, Md., March 15, 1976.*

CHAIRMAN,  
*Subcommittee on Surface Transportation,*  
*U.S. Senate Office Building, Washington, D.C.*

DEAR SIR: The continuation of rail service on the Delmarva Peninsula is of vital importance to Burroughs. A reliable north-south system is necessary for our Salisbury facility to continue a competitive operation. This is the only means of transportation by which we can receive sufficient quantities of raw materials.

Without satisfactory rail service, we could very likely be faced with a cost situation, which would make it economically not feasible to continue manufacturing operation on the Eastern Shore.

We currently employ approximately 200 people, for the most part in the printing crafts, and a loss of these jobs would impact heavily on the Salisbury economic community.

Therefore, we support the Southern Railway's acquisition of the rail lines on Delmarva. We look forward to continued growth in our Salisbury facility, but can only do this if dependable rail service is available.

Sincerely,

WILLIAM H. MIRACLE,  
*Plant Manager.*

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MAYOR AND COUNCIL OF CHESTERTOWN,  
*March 17, 1976.*

CHAIRMAN,  
*Subcommittee on Surface Transportation, U.S. Senate Office Building, Wash-*  
*ington, D.C.*

SIR: As Mayor of Chestertown I would like to voice my support of continued railway service on the Delmarva Peninsula. Public response and interest in this community has been intense in the last few months concerning this matter.

Businesses and farmers alike are concerned with the spectre of continuing economically without a railway system in an already depressed area.

I would appreciate your consideration of this letter as a vote of support to Southern Railway's attempt to acquire control of the railway system on the Delmarva Peninsula and a request that your committee give this matter serious consideration.

Sincerely,

P. H. BROOKS, Jr.,  
*Mayor.*

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MAYOR AND COUNCIL OF HURLOCK,  
*Hurlock, Md., March 17, 1976.*

CHAIRMAN,  
*Subcommittee on Surface Transportation,*  
*U.S. Senate Office Building,*  
*Washington, D.C.*

DEAR SIR: The Mayor and Council of the Town of Hurlock, Maryland, wish to express deep concern over the awesome prospect of losing rail service on the Delmarva Peninsula. This service is essential to the economic growth of this area.

In Hurlock alone, the increased cost of other modes of transportation would place a great hardship on industry and residents alike, and this is true of dozens of towns. The main industries which would be affected here are:

Agrico Chemical Company, which handles nitrogen, potash and phosphorus;  
Continental Can Company, which receives and ships a large volume of cans;  
International Harvester, which receives all types of farm equipment, such as combines, tractors, etc.;

Adkins Lumber Co. and Hurlock Lumber Co. each receive various kinds of building material;

The State Highway Department receives many carloads of road building material, such as stone, slag, etc.

Hurlock is a switch-over point for coal and cable going to the Delmarva Power & Light Co. at Vienna.

It is imperative that Southern Railway and certain railroad unions reach agreement for continued through rail service to Delmarva in order to preserve the flow of commerce without further hardship and to promote the economic growth of this area.

Yours very truly,

OLIVER HARDING,  
*Mayor.*

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CRISFIELD AREA CHAMBER OF COMMERCE,  
*Crisfield, Md., March 18, 1976.*

CHAIRMAN,  
*Subcommittee on Surface Transportation,*  
*U.S. Senate Office Building,*

DEAR MR. CHAIRMAN: The Crisfield Area Chamber of Commerce would at this time like to express their concern regarding the present railroad situation on the Delmarva Peninsula.

I am sure you are aware of the major economic impact the proposed deep water port and inland industrial park project for Somerset County will have on the lower eastern shore counties of Maryland, Delaware and Accomac County, Virginia. One very important factor in the success of this project is the continuation of rail service on the peninsula.

The Chamber feels the only future for the rail system on the Peninsula is for Southern Railroad to purchase the system from Penn Central. Any action you can take in support of Southern Railroad obtaining the rail system on the Delmarva Peninsula will have a great bearing on future economic development in Somerset County and the entire peninsula.

As of January, 1976, the unemployment rate in Somerset County was 19.4% with 14% in Worcester County. The overall unemployment rate for the state of Maryland for January was 8%. Somerset County is a depressed area and any

future growth of the area will be dependant on the north-south railway on Delmarva.

Any support and assistance you can give us will be greatly appreciated.

Sincerely,

MICHAEL WIGGLESWORTH,  
*President.*

[Telegram]

CRISFIELD AREA CHAMBER OF COMMERCE,  
*Crisfield, Md., March 29, 1976.*

President GERALD FORD,  
*Washington, D.C.*

DEAR MR. PRESIDENT: Will you please support legislation to repeal the veto power of the Unions under the railroad re-organization act of 1973, which presently threatens to prevent private enterprise or Southern Railroad from taking over the defunct Penn Central Railroad on the Delmarva Peninsula.

The effect of not having the rail system over the whole Delmarva Peninsula would be a disaster to the economy of our area. Since the unemployment rate for Somerset County for January was 19%, the continuation of rail service on the entire Peninsula is a must for the growth and survival of our area.

Mr. President, we appeal to you to use your good offices to resolve this issue so critical to so many. You are our last hope.

Respectfully,

MICHAEL WIGGLESWORTH,  
*President.*

[Telegram]

SOMERSET COUNTY MARITIME DEVELOPMENT COMMITTEE.

President GERALD R. FORD,  
*Washington, D.C.*

DEAR MR. PRESIDENT: Will you please support legislation to repeal the veto power of the Unions under the railroad re-organization act of 1973, which presently threatens to prevent private enterprise or Southern Railroad from taking over the defunct Penn Central Railroad on the Delmarva Peninsula.

The effect of not having the rail system would be a disaster to the proposed deep water port and industrial park project planned for Somerset County and the entire lower peninsula. With the current unemployment rate for Somerset County being 19 percent, the continuation of rail system over the complete Delmarva Peninsula is a must for the growth and survival of our area.

Mr. President, we appeal to you to use your good offices to resolve this issue so critical to so many. You are our last hope.

Respectfully,

CHARLES McCLENAHAN,  
*Chairman.*

THE DELAWARE STATE GRANGE,  
*Wilmington, Del., March 19, 1976.*

CHAIRMAN, SENATE SUBCOMMITTEE ON SURFACE TRANSPORTATION,  
*U.S. Senate Office Building,*  
*Washington, D.C.*

DEAR SIR: I want you to know that the agricultural community is very much concerned with the railroad situation on the Delmarva Peninsula.

We are convinced that a takeover by ConRail of rail services on the Delmarva Peninsula would be very expensive and, in the long run, unsatisfactory and would, in our opinion, have many of the disadvantages of the existing rail services as well. We are convinced that the purchase and operation of these lines by Southern Railway is by far the most promising prospect that we have. We are aware that there is a deadlock between Southern Railway and the Clerks Union and this has put a serious block in the way of a settlement in this matter.

We, the Grange, are asking you to do all you can to bring about the finalization of a purchase by Southern Railway as a means of solving our rail transportation problems on Delmarva.

Thank you.  
Sincerely,

RALPH J. O'DAY,  
*Master.*

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SALISBURY LIONS CLUB,  
*Salisbury, Md., March 19, 1976.*

*To whom it may concern:*

We need this railroad on the Eastern Shore, as well as they need a transit system in Baltimore or a subway in Washington. We know we are small here on the Eastern Shore, but we must look big around election time or if they need extra taxes. I also think it's about time we separate union people, from nonunion people. The poor man and the middle class people are carrying the unions anyway you look at it. Unions put the cost up and nonunion pays for it. What I am getting at is, we need this railroad here on the Shore. Now why do we have to start a major war because of a few hoodlums trying to block it. Not ConRail but Southern all the way.

S. WALLACE HENRY,  
*President.*

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[Telegram]

SOMERSET COUNTY BOARD OF EDUCATION,  
*Princess Ann, Md., March 29, 1976.*

Senator J. GLENN BEALL, Jr.,  
*Washington, D.C.*

DEAR SIR: Will you please support legislation to repeal veto power of the union under the Railroad Reorganization Act of 1973 which presently threatens to prevent private enterprise from taking over the defunct Penn Central on the Delmarva Peninsula. This will have an adverse effect on our industry, causing them to leave the Shore. 7,000 workers are dependent upon this rail service.

FRED W. MADDOX,  
*President.*



