PENN CENTRAL
POST®

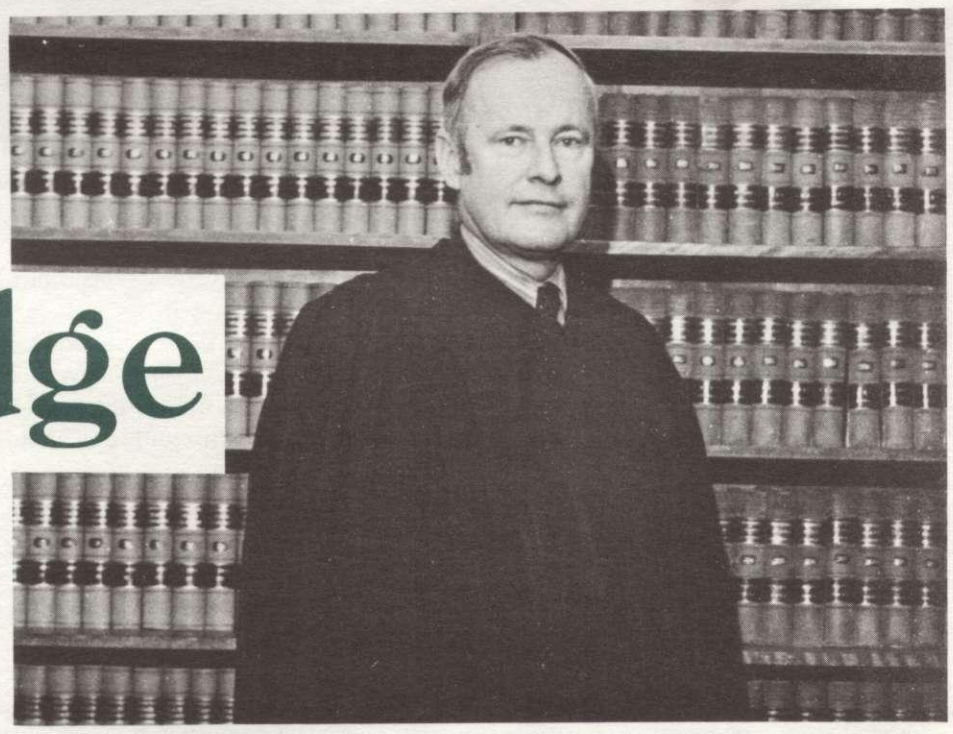
NEWS FOR AMERICA'S LEADING RAILROAD FAMILY

APRIL 1971

RAILROAD ON THE MOVE

See Page Four

The Judge



Judge John P. Fullam is a Navy veteran, attended Harvard Law School under the GI Bill.

The Trustees

Making plans: George P. Baker, Willard Wirtz, Richard C. Bond, and Jervis Langdon, Jr.

The President

President William H. Moore, constantly traveling across PC, visits Collinwood Yard.

Shaping PC's Future

The court clerk calls out, "All rise!"

A squarely-built man in a black robe walks across the raised platform and takes his seat behind the bench.

"The court is now in session," announces the clerk.

And another day's hearing begins "In the matter of Penn Central Transportation Company . . . in proceedings for the reorganization of a railroad."

The current history of the Railroad is being written in this Federal courtroom at Philadelphia. Here is where every plan and action of major importance comes under scrutiny for its effect on the Railroad's future.

Presiding is John P. Fullam, Judge of the U.S. District Court for the Eastern District of Pennsylvania. He was chosen by lot among the 13 District Judges to take charge of reorganization of Penn Central Transportation Company under Section 77 of the Federal Bankruptcy Act.

It's a mammoth task.

Probably no other reorganization proceeding has ever involved a company so large and so vital to the economic well-being of the country. It is difficult to conceive of America's rail system operating without the Penn Central and its network of tracks threading through 16 states and the District of Columbia, containing more than half the country's population, and 2 Canadian provinces.

But the fact that Penn Central is so essential does nothing to ease its problems. The Company is engaged in a continuous struggle to obtain sufficient funds for day-to-day expenses, necessary improvements, and urgently needed additions to the car and locomotive fleet.

The Size of the Problem

The magnitude of Penn Central's problem is illustrated by a single staggering statistic:

More than 100,000 persons, companies and government agencies are estimated to have financial claims against the Railroad.

Those who have not already filed proof of their claims have been requested to do so by June 21, and the Railroad's computer system will be used to classify and record this tremendous mass of records. Notices of this deadline are being placed in newspapers in Penn Central's 16-state area.

Before this could be done, the Trustees had to file a petition with Judge Fullam and obtain his approval.

That is the procedure they have already followed on more than a hundred matters, and will continue to follow in hundreds and hundreds more. The legal documents connected with the reorganization already run to several thousand pages. Before the case is closed there will be more pages than a man could read in many years.

On one busy day, December 22, the Trustees filed eleven petitions, affidavits, reports and statements. Examples:

Petition for authority to sell certain pro-

Continued on Page Two

perty in Providence, Rhode Island.

Petition for authority to pay certain claims.

Petition for authority to make capital expenditures to replace Dover Street Yard, Boston.

Affidavits to support a petition for authority to acquire 137 locomotives.

Affidavits to support a petition for an order directing the Pittsburgh & Lake Erie to make certain payments to Penn Central Transportation Company.

The details are endless. Directing all such matters are the four Trustees.

The Trustees' Goal

While President William H. Moore manages the operations of the Railroad and directs a wide-ranging program to improve its efficiency and upgrade its service, the four Trustees concentrate on financial and legal matters to keep the Railroad going through the present cash emergency and to formulate plans for restoring the Company to financial stability.

That is their goal. They don't guarantee sucess; but they say there is a "reasonable prospect" of achieving this over the next three or four years.

The four Trustees were selected by Judge Fullam to contribute varying backgrounds and talents to the great undertaking.

George P. Baker, former transportation professor and business school dean at Harvard, is a soft-spoken, scholarly Ph.D. with a nationally recognized background in transportation.

Richard C. Bond, former president of the John Wanamaker store in Philadelphia, is an outgoing man, widely involved in civic activities and widely experienced in the "people" side as well as the financial side of business.

Jervis Langdon, Jr., quiet and unassuming in manner, earned his reputation as a top-notch executive of railroad management over a period of 40 years, and served as president of the B&O and the Rock Island.

Willard Wirtz, former U.S. Secretary of Labor, law school professor and successful Washington attorney, is noted for his courtroom eloquence and has a wide knowledge of the governmental processes that will have great bearing on the Railroad's reorganization.

The Trustees at Work

Conferring around an oval table in what used to be the PC's executive dining room, these four men make basic decisions that will shape the Company's future.

They have disagreements, of course. But when a decision is reached, they speak with one voice. And they are unanimous in their belief that preservation of the Railroad as a going enterprise will best serve the interests of the creditors, as well as the employes, the Railroad's customers, and the Nation.

During the final months of 1970 and in January, 1971, the Trustees' chief worry—the shortage of cash—reached a critical point. However optimistic they were about the Railroad's long-range future, there would be no future if the cashbox went empty. The Railroad would have to shut down.

The Trustees mounted an emergency effort to obtain government help. They, together with President Moore, appeared before committees of the U.S. Senate and the House of Representatives. They had meetings with officials of the U.S. Department of Transportation. Everything, they said, depended on:

"Vital government help at a crucial time, which is now."

All possible sources of new loans had been explored; but no one was willing to lend money to the debt-burdened Railroad unless the Government would guarantee that the loans would be repaid.

Waiting for Congress

The Trustees watched, with mounting alarm, as action was deferred by Congressional involvement with the many other matters of governmental concern.

On December 22, the House of Representatives passed a bill authorizing the U.S. Department of Transportation to guarantee loans totaling $125 million for railroads in reorganization. However, the Senate adjourned for the Christmas holidays, and did not give its approval until December 31.

The support for this measure was far from unanimous. It passed in the House by a vote of 165 to 121; in the Senate, 47 to 29. The opponents either were not convinced that the Railroad's plight was as serious as stated, or said they were opposed in principle to government help of this sort for a private corporation.

As soon as President Nixon signed the bill, the Trustees made application to the Department of Transportation for a guarantee for $110 million of trustees' certificates, which would be sold to banks and other lenders. The Department of Transportation approved only $100 million. It specified, as a condition for granting the guarantee, that the Department would have an option to purchase or lease PC properties if the Railroad should cease operations. The Department also required the Trustees to prepare a plan for abandonment of lines which are uneconomical and not required; and a plan for the sale of assets not connected with transportation.

R.W. Blanchette, Counsel for Trustees, was director of America's Sound Transportation Review Orgn. (ASTRO).

The approval of Judge Fullam was also necessary for issuance of the trustees' certificates.

The Cash Emergency

Meanwhile, cash had run so low that the Railroad had to take advantage of grace periods for the January installments it owed for cars and locomotives bought "on time" or obtained through lease. Otherwise, it could not have met the payroll.

A hearing on the proposed sale of trustees' certificates was held before Judge Fullam on January 11 and 13. Mr. Baker was chosen by the Trustees to appear on the witness stand.

Directing the Trustees' presentation was Robert W. Blanchette, counsel for the Trustees. A slim, youthful, dark-haired man, he is an honors graduate of Yale Law School, studied in France under a Fulbright Scholarship and a Woodrow Wilson Fellowship, and became a railroad bankruptcy expert while serving five years as general counsel under the Trustees of the New Haven Railroad.

Ironically, the present Trustee and counsel of the New Haven Railroad estate appeared at the hearing to oppose issuance of the Penn Central trustees' certificates. The New Haven estate still has financial claims against Penn Central Transportation Company. The PC trustees' certificates would give the Federal Government a lien on the Penn Central's assets ahead of all other creditors, including the New Haven group.

On January 15, Judge Fullam issued an opinion approving the sale of the certificates. But the Trustee for the New Haven filed an appeal to the U.S. Circuit Court.

However, one week later, steps were completed to dismiss the appeal and this action was approved by the Court of Appeals and by Judge Robert P. Anderson, who has jurisdiction over the New Haven Railroad reorganization proceedings.

As a result of these court decisions, the appeal rights of the New Haven Trustee were unconditionally terminated.

The Loan Goes Through

The certificates went on sale January 26, and were all sold the same day to a group of underwriters, who, in turn, sold them to investors.

The $100 million was put in three banks. Each withdrawal will have to be approved by Judge Fullam.

The Trustees' first request, on January 26, was for $15 million to be used for payroll and related taxes. This request, too, required a hearing in open court and approval for the withdrawal was granted on January 28.

The second withdrawal, approved by Judge Fullam on February 11, amounted to $50 million. Of this, $30 million was to cover the payment of retroactive pay increases and related taxes, and $20 million was to cover current payrolls.

Presently, the Trustees' major assignment is a plan for creating viability in Penn Central Transportation Company—that is, a program of proposed actions aimed at restoring the Company to a self-sustaining enterprise. **(See article below)**

When this is accomplished, plans for the reorganization of Penn Central Transportation Company can go forward.

Trustees' preliminary report to U. S. Court

TO ACHIEVE VIABILITY*

After six months in office, the four Trustees have reached certain conclusions regarding the necessary conditions to a successful reorganization of Penn Central Transportation Company.

They have set forth their views in a preliminary report to U. S. District Court Judge John P. Fullam.

The creation of sufficient viability in Penn Central is their first objective. This is because viability is a condition precedent to reorganization.

"A real beginning has been made under Penn Central's new management," the Trustees state. **(See Page Four.)**

"But despite the solid progress already made and planned for Penn Central's recovery, a great deal more is needed before this giant property can become viable.

"It is a fact that Penn Central is presently locked by circumstances beyond managerial control into a situation which had best be recognized now as completely precluding viability unless certain constraints are removed, or other arrangements are made to compensate for their effects."

What must be done is set forth by the Trustees in the 15-page report to the Court. Significant portions follow at right and on the next page.

Passenger Service

Penn Central will contribute to Railpax (National Railway Passenger Corporation) what is believed to be unique in the railroad industry: Passenger service in the Northeast Corridor that produces a positive cash flow.

Obviously, this should be taken into account when payments by the government for the takeover are calculated.

To the extent that Railpax designates Penn Central passenger service for inclusion in the system, Penn Central will be prepared to identify

***Viability: Ability to live, grow, and develop.**

the relevant costs. A special team of experts has been in the field for this special purpose.

One crucial requirement is **adequate funding of Railpax by the federal government** to permit the take-over and subsequent operation to be accomplished on a sound and fair basis.

Plant Rationalization

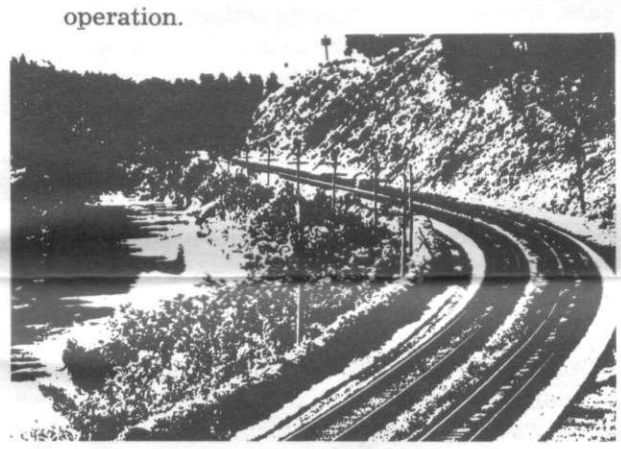
It is estimated that Penn Central's plant should be reduced by about 40% in terms of route miles.

Nearly 20% of present route miles can already be identified as redundant. More lines will become surplus in response to changes in railroad operating methods, pricing, and the requirements of shippers and receivers.

The economics of transportation dictate that most of the traffic now moving on light density rail lines should be handled by truck and/or piggyback trailers and containers.

The current regulatory procedures for branch line abandonments co-mingle two quite separate issues:

1. Whether a loss is being sustained by the railroad, and,
2. Whether public convenience and necessity require that the branch line continue in operation.



The problems of the carrier and the community could be resolved by requiring the Interstate Commerce Commission first to determine the facts as to losses incurred by the carrier.

If losses are established, the railroad would at once be compensated by public payments which would in effect constitute a subsidy to the communities and to the users of the service. Such payments would continue unless or until a subsequent decision authorized abandonment.

In either event the railroad would be able to eliminate the loss.

Price Restructuring

In recent years, various proposals have been advanced to relax railroad rate regulation, and it is understood that further proposals may be submitted to the Congress this coming spring.

In the past, this has been a highly controversial subject, and nothing of significance has been accomplished. In three directions, however, it ought to be possible to move constructively and with a minimum of controversy, and Penn Central would be greatly benefited.

First, the Congress should condemn as unlawful any rate which is below the cost of providing the service. This would automatically require the raising of hundreds of below-cost rates that in the case of Penn Central are producing losses estimated at more than $80 million a year.

In those instances where the below-cost rates are required in the maintenance of relationships deemed essential in the public interest, the authority enforcing the below-cost rates should be required to respond with a subsidy to cover the related carrier losses.

Second, there should be authority for all regulated carriers to publish "agreed charges." Here the United States could follow the experience in Canada, where today about 30 percent of railroad freight traffic moves on "agreed charges," which are similar to contract rates, but they are published and open to all shippers similarly situated. Contract carriage is freely available on the highways and waterways in this country and should be equally available on the railroads.

Third, in the transition to more effective pricing policies, provision should be made to separate through rates between the elements covering (a) terminal services and (b) line haul between terminals.

The reason is clear. In recent years **terminal costs have increased three times faster than line haul costs,** and yet the general percentage rate increases have proceeded on the assumption that both elements have increased uniformly.

The result has been that the Penn Central, which has the heaviest concentration of terminal operations of any major U.S. railroad, has not been compensated for its skyrocketing cost increases.

It is vital to have the terminal and line haul elements of all through rates separately stated in the tariffs. Rate increases could then be appropriately matched with cost increases.

Labor Matters

Penn Central labor costs (wages, payroll taxes and fringe benefits) in 1970 were approximately $1.1 billion.

This exceeded by at least $120 million anything which could be considered a "rational cost" figure.

Labor costs at Penn Central are running at **66%** of railroad operating costs. This has increased from **63%** in 1960 (using combined Pennsylvania, New York Central, and New Haven figures for comparison).

In 1969, the most recent year for which industry-wide figures are available, **the Penn Central figure (66%) exceeded the industry-wide figure (58%) by a large margin.**

The particular difficulty which has developed in aggravated degree at Penn Central, because of its labor-intensive terminal operations, arises from the "work rule" situation.

(1) The retention in three States (Indiana, Ohio and New York) of full crew laws, which all other states except Arkansas have repealed.

(2) Various work rules which have been repeatedly considered by various Presidential Boards or Commissions and have uniformly been found to be unjustified.

(3) Other work rules which in the light of modern conditions can no longer be justified by management.

The extra cost to Penn Central was $120 million in 1970, and will be $165 million by the end of 1972 if the rules remain in effect and presently prospective wage increases are made.

The rationalizing of employment and labor relation policies and costs is the most critical single condition to making the Penn Central viable and permitting its successful reorganization.

The development of employment terms and conditions and the settlement of labor disputes in the railroad industry have become a combination of negotiation, mediation, arbitration, litigation and legislation, which is condemned on all sides.

The short of it is that collective bargaining is not working in the railroad industry.

Yet the prospects for putting the Penn Central on a sound basis depend, in an important degree, on resolving the problems. The enterprise cannot carry the labor costs it does now.

In the judgment of the Trustees it is imperative, if this situation is to be resolved, that there be acceptance of a procedure and a principle which experience clearly indicates to be needed.

Proposal: A Labor-Management Standing Committee

The procedure is essentially that proposed unanimously last November by Presidential Emergency Board No. 178, to be applied, however, to the particular situation at Penn Central.

This would mean the establishment of a joint labor-management Standing Committee at Penn Central, with a neutral member as Chairman, to review the whole disputed work-rules area.

The Trustees propose, with the Court's approval, to authorize and instruct the Penn Central officers to attempt to establish this type of procedure by agreement with the Unions.

General wage levels would not be considered within the authority of the Standing Committee.

It would be contemplated that all pending, unresolved work rule issues raised by either the Company or the Unions would be taken up by the Standing Committee.

Procedures would be developed for settlement within the Committee on a fully agreed basis of as many of these issues as possible, hopefully all of them.

Provision would be made, at the same time, for the resolution of issues, where necessary, by a majority vote of the Committee, with the Chairman participating.

The Committee determinations would be accepted by the parties.

The Trustees propose, subject to the approval of the Court, to authorize the development in negotiation with the Unions of this dual principle of reciprocal equity:

1. On the one hand, any employee affected by a change in work rules will accept any changes in assignment which reasonable considerations of economical and efficient operation warrant and which place no undue burden on the employee.

2. On the other hand, full equitable compensation is to be made to any employee who loses his job or whose earnings opportunities are reduced as a consequence of changes in work rules.

The development of this principle would necessarily be subject to negotiation.

If it turns out, as it may, that the resultant costs of applying this principle are more—during a transitional period—than the enterprise can at the particular time afford, the Trustees will be prepared to make proposals for allocation of those costs consistent with a recognition of the public interest in implementing change.

Conclusion

It is appreciated that the conditions to Penn Central's viability are hard and introduce factors that go far beyond the normal boundaries of the railroad reorganization proceeding.

But in the firm opinion of the Trustees, nothing less has a chance.

Penn Central, of course, is a merger of three major railroads, no one of which had any railroad earning power prior to the merger.

The New Haven was then **in bankruptcy and slowly being liquidated**. And the Pennsylvania and New York Central entered the merger with **marginal earnings that depended on income from sources other than the railroad** (such as Norfolk & Western dividends in the case of the P.R.R., and Park Avenue properties in the case of the N.Y.C.).

Add to this record of poor pre-merger earnings the post-merger spiralling of Penn Central's terminal expenses and deficits from passenger service, and there comes into focus a clearer picture of what it takes to create Penn Central viability.

But the overriding problem of Penn Central remains. It is found in an obligation to perform as a public service company in certain areas and under certain conditions which simply do not lend themselves to profitable operations, no matter who the operator is, or how efficient.

The only possible remedy here is for public authority to lend its hand to a speedy elimination of the conditions which produce the losses, or respond with adequate compensation if it insists upon a continuance of the conditions.

RAILROAD ON THE MOVE

When William H. Moore came to Penn Central on September 1, 1970, the first thing he did was to request reports on all shippers' complaints.

If a complaint wasn't handled satisfactorily at the local level, he would give it his personal attention, he promised.

He was determined to make sure the shipper wouldn't have to make the same complaint twice.

This pledge to provide better service has been backed up by Penn Central people all over the System.

Result:

Shippers' complaints have been reduced very substantially, Mr. Moore reported.

"We are securing new business and have welcomed the return of former customers," he said.

"And we will not relax our determination to provide a level of service which will completely eliminate any cause for customer dissatisfaction."

Increased efficiency and better service are the goals of a far-reaching improvement program that is revitalizing Penn Central. Some of the elements of this program are detailed below.

Extensive changes have been made in the Railroad's management structure.

Streamlining: The System management team was made smaller, more tightly coordinated, to streamline the Company for effective action. The number of vice presidents was reduced from 34 to 11; assistant vice presidents, from 39 to 21. There has been a phased elimination of more than 1000 supervisors and support personnel in the several departments.

Advancing Operations: A new vice president-operation is completing a closely-knit organization. The huge System has been divided into Operations-East and Operations-West, with an assistant vice president heading each section, providing on-the-scene management. Renewed emphasis is being given to first-line supervision at the divisional level.

Yard Program: An assistant vice president was assigned to devote full time to yards and terminals, to concentrate on eliminating congestion and speeding freight movement.

Simplification: System headquarters assumed direct charge of a number of departments that formerly were under the supervision of the general managers of the Regions. They include Accounting, Personnel, Labor Relations and Industrial Engineering.

Accounting Functions: Accounting and related data processing is being concentrated at three field locations, instead of six, to gain more efficiency and eliminate duplication of paperwork.

Productivity: Duplication of supervisory and administrative functions, which had persisted since the merger, was eliminated in many departments to increase efficiency and productivity and reduce expenses.

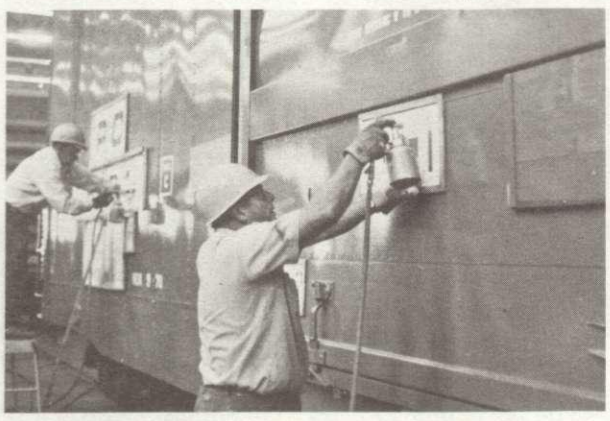
President William H. Moore reviews plans with J. Bruce Addington, recently appointed Vice President-Operation.

Service is benefiting from significant advances in facilities and equipment.

Buckeye Yard: Completed in 1970, it's the sixth large electronic yard on the System. Located on 460 acres, with 80 miles of yard track, just outside Columbus, Ohio, the new yard is fast assuming its key role in speeding service at an important Midwestern traffic crossroads.

Morrisville Yard: This Pennsylvania yard, serving steel and other industries, was upgraded in 1970 with automatic switching, weight-responsive retarders, centralized train control, and track changes.

Locomotives: The backlog of locomotives awaiting repair has been reduced more than 30 percent. And 147 new locomotive units were received and placed in service during 1970.



Romoldo J. Merilli and Richard H. Wood stencil a newly built boxcar at PC's Samuel Rea Shop, Hollidaysburg, Pa.

Freight Cars: Penn Central people rebuilt or did heavy repairs on 5300 freight cars during 1970. A total of 1838 new freight cars were added.

Faster Interchanges: Mutual arrangements have been made with other railroads to pre-block large groups of freight cars, permitting more direct movement through interchange points.

Car Control: An Assigned Car Control Center has been established for day-to-day check on movement of specialized freight cars to gain optimum use and profitability from these expensive cars.

New Terminals: Freight in containers, moving between railroad flatcars and ocean-going vessels, will get superior handling in a newly opened terminal built by the Port of New York Authority at Port Newark-Elizabeth, and operated by Penn Central. At Weehawken, N. J., Penn Central has opened the first piggyback terminal in the East exclusively for the handling of refrigerated piggyback trailers of fresh meat, received from Western points.

Passenger Service: The quality of service has improved in functioning of equipment, cleanliness and courtesy. Information and ticketing services have been upgraded at major stations. A fast new information system using microfilmed data has gone into service at Penn Station, New York. The TurboTrain now operates into Penn Station for a direct link with Metroliners. Additional ticket offices have been opened in the heart of Washington, and a new Metroliner station in the suburbs.

New Trains: A substantial number of new trains hauling carload and piggyback freight have been put into service, providing more convenient loading schedules and more timely delivery for shippers and receivers in many parts of the System. The unit train concept is being expanded not only in coal and grain but other bulk commodities.

A wide-ranging improvement program is the Railroad's goal for 1971.

More Freight Equipment: The Railroad's goal is to reduce the ratio of unserviceable cars from 7.4 percent to about 4 percent. This will require the repair and upgrading of about 20,000 cars; and, if funds can be provided, the addition of about 7300 new cars.

More Power: The Railroad is receiving 102 new locomotive units ordered under 1970 programs. Minimum needs for 1971 are estimated at 126 additional units and major overhaul of 137 units.

Track Maintenance: Work scheduled for the spring will remove "slow order" restrictions on train speeds along several principal routes.

Enola Expansion: The Federal Court has authorized the Trustees to go ahead with a $532,000 improvement program at the locomotive inspection and repair shop in Enola, Pa., boosting its capability from 30 units a day to 37.

Maintainer Gail E. Peevey covers trench containing a new communications cable at Bay View Yard in Baltimore, Md.

Yard Improvements: Edge Moor Yard, Wilmington, Del., is to be rebuilt as a flat-switching yard, with six new receiving and departure tracks. Bay View Yard at Baltimore is being rebuilt for flat switching with new classification tracks, and longer receiving and departure tracks.

Tunnel Improvement: Penn Central plans to lower the tracks in the Detroit River tunnel to allow higher clearance for large boxcars and trilevel auto rack cars, and eliminate need for roundabout routing.

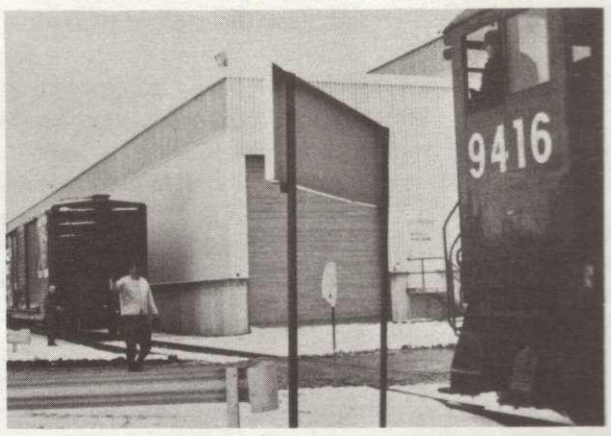
New Connection: To expedite interchange of cars with the Alton & Southern Railway, a major new connection is being built near St. Louis.

Computer Advance: A new system is being set up to gather and dispense instantaneously a variety of information on the location and movement of all on-line freight cars. It's called TABS (Transportation And Billing System). It will aid immeasurably in expediting freight bills, prevent car delays and improve distribution of empty cars.

Intercity Passenger Service: Penn Central is joining other railroads in assisting the transfer of intercity service to Railpax. A task force is preparing information for negotiating Penn Central's operating contract with Railpax.

Metroliner Service: A new station for park-and-ride Metroliner passengers is scheduled to open in North Jersey in June. Mechanical changes are being made in Metroliner cars to increase reliability. A new shop is being built at Sunnyside Yard, N.Y., to service Metroliner and Jersey Arrow cars.

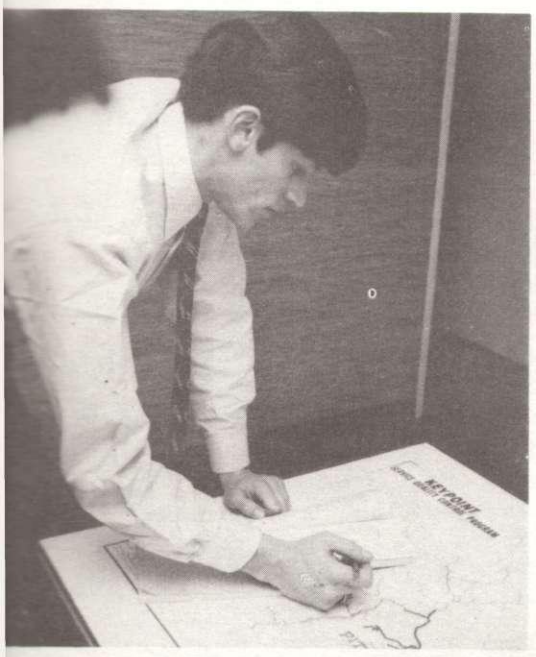
Vote of Confidence: New or expanded industries placed along the Penn Central lines in 1970 involve an investment by these companies of $1.3 billion. Industrial development activity for 1971 holds even more promise, with about two-thirds as many projects already committed as were completed during all of 1970. This is an impressive vote of confidence by industry in the future of Penn Central service.



Engineman Orville Fischbogt, Conductor Edward L. Saundry and Brakeman Robert Humble provide service for the new center of Stop and Shop, Inc., North Haven, Conn.

QUALITY CONTROL

Taking a sharp look at Penn Central service*



Mike Basilio uses a map of the Pittsburgh "keypoint" to trace typical car movements.

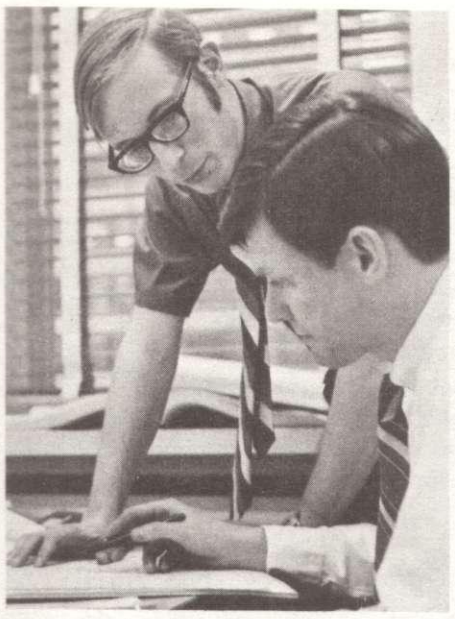
The shipper was unhappy.

He'd been shipping freight to New England and it hadn't been getting there on a consistent schedule.

So he wrote a letter to the Railroad.

And Quality Control moved into action.

Quality Control is the job of a team of PC people in the Marketing Department dedicated to upgrading service to the customer's satisfaction. They're the people who analyze computer reports on car movements to find new and better ways of moving freight.



Tom Collard and Tom Boyd discuss certain cars that were late leaving origin yard.

Cindy Berger types a constant flow of reports to the System and Region offices.

Here's what they did about this complaint:

They checked the movements of all this shipper's cars over the period of a month. Sometimes the cars made one train, and sometimes they went on another train. That resulted in varying delivery times, and the shipper never knew what to expect.

The Quality Control people recommended that the local switching schedule be arranged so that the shipper's cars always made the same train.

Operating officers agreed.

The Region made the changes.

Result: a satisfied shipper.

Quality Control is a big thing on Penn Central these days in the all-out drive to gain new customers and win back customers who left because of unsatisfactory service.

The Quality Control team is headed by Don Washburn, manager of freight service planning.

He's a youngish, fast-moving fellow who started railroading as an agent in a small freight station.

"When you're a freight agent," he said, "you're on the front line. You learn pretty fast what makes a customer happy or unhappy."

Quality Control is a wide-ranging program to find out how good the service is all over the system, Don Washburn explained.

"We ask everybody," he said. "We ask PC operating people. We ask the PC computer organization. We ask people on foreign railroads. We ask people who run the yards and dispatch the trains. And, of course, we ask shippers."

"A shipper isn't primarily interested in trains," pointed out Mike Basilio. "What he wants to know is when his loaded cars will be switched out of his plant and when they'll arrive at his customer's plant.

"Dock to dock—that's the shipper's view. And that's the view Quality Control takes."

Mike Basilio is one of four service planning analysts in Don Washburn's section. The others are Pete Waddington, Tom Boyd and John Lassahn.

Pete Waddington looked up from his scrutiny of lists of cars hauling beer.

"We follow cars from the beginning of their trip to the end, even if they started on another railroad," he said. "And by the way—we've had no complaints about this traffic I'm studying now. We watch these beer cars every week to **prevent** complaints."

At another desk, Tom Boyd said, "We rely heavily on the people who feed data into the computer. I mean **yard clerks, billing clerks and car control clerks** who teletype car movement information to the central computer at System headquarters."

Added John Lassahn:

"Their facts have to be correct. If there are errors in reports of these clerks, we're licked before we start."

The work of the service planning analysts is coordinated by Tom Collard, senior analyst. He's a slender, serious type who divides his leisure time between duties as a Church School superintendent and writing papers for the American Society of Traffic and Transportation.

"Some of us travel to the scene of the action to check with people there to make sure we really can do what we tell our customers we can do," Tom Collard explained.

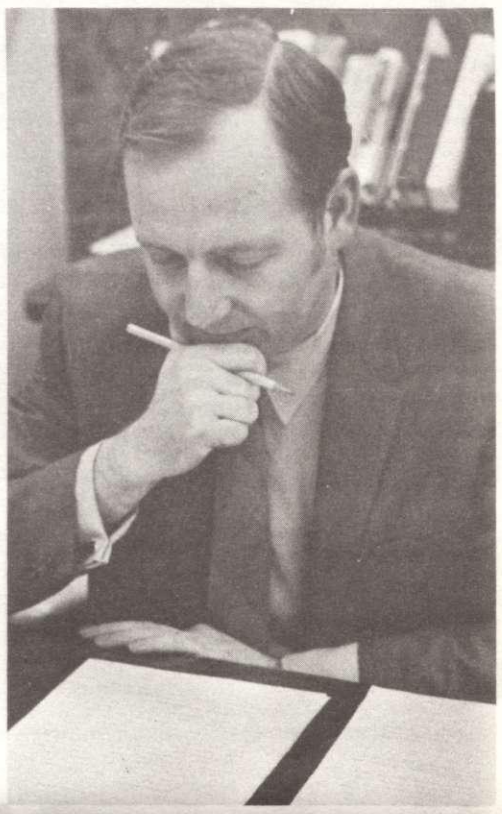
Bill Wulfhorst, assistant manager of freight service planning, pointed out: **"Many shippers plan their whole production schedule around the Railroad's scheduled delivery times."**

Bob McPherson, supervisor of freight schedule planning, explained that Quality Control uses several methods of studying freight movements:

"One man may study movements of all cars in and out of a metropolitan area we call a 'keypoint'. Another man may study cars for one particular customer, and a third may watch one particular type of car."

When all the information from a study is assembled, it's put into a concise report, and blonde Cindy Berger types it for distribution.

Don Washburn says, "The Quality Control methods being used on Penn Central are fairly new to railroading. We're constantly developing even newer techniques.



Don Washburn, head of Quality Control, checks a report proposing service change.

"And we know they're working," he adds.

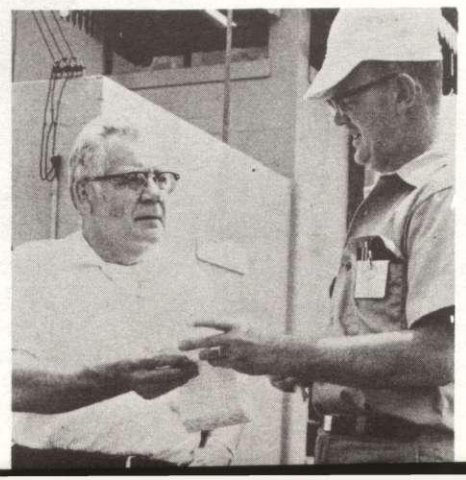
"We can see this very plainly in our charts and graphs.

"But more convincing is the fact that more and more shippers who left us because of unsatisfactory service in the past are giving us their freight again."

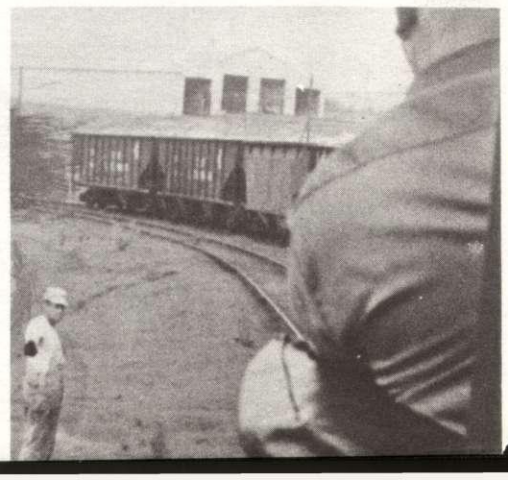
Quality Control's recommendations are only theory till they're carried out by operating men. Like Alec Amastas, hump conductor at Perlman Yard, Selkirk, N.Y.

By their accuracy and thoroughness, yard clerks like Robert Scott, of Jeffersonville, Ind., have a key role in making Quality Control a reality for customers of PC.

Quality Control depends on classification of cars without errors. Here Yardmaster Howard Hosbrook gives cut list to Conductor William Hardt at Piqua, Fort Wayne.



Quality Control means careful and on-time delivery, as illustrated by Conductor William Carson and Engineman MacKenzie Malcolm at Benson Mines, New York.



***TO MAKE IT BETTER**

ASTRO

What it means to the Railroads
What it means to the Nation

William A. Lashley, vice president-public relations, is one of many Penn Central people actively engaged in telling the public about the ASTRO program.

He is serving as area coordinator for this informational program in Connecticut, Rhode Island, New York and Pennsylvania. This is one of 19 area groupings covering the entire country and involving the volunteer work of employes of many railroads.

In this article, Mr. Lashley answers some questions about ASTRO.

Q. What exactly is ASTRO?

A. The letters stand for America's Sound Transportation Review Organization. It's a group of experts who were asked by the railroad industry to study the railroads' ills and offer remedies.

Q. What motivated the industry to do this?

A. The railroad industry is in deep financial trouble. Something has to be done before the situation becomes a national disaster. Railroad people feel that the public and Congress will respond if they are given adequate information. The ASTRO program seeks to do this.

Q. Hasn't the Penn Central crisis alerted the public to the industry's plight?

A. Only partly. Most people don't know that three other major railroads are also in reorganization under the Bankruptcy Act, and half a dozen or more others are on the brink. It's really an emergency situation.

Q. But some railroads are prosperous, aren't they?

A. A few are. But taking the industry as a whole, the rate of return—the ratio of earnings to the investment in railroad property—has dropped to the lowest point since the Depression of the 1930's. About one-third of the major railroads operated at a net loss last year.

Q. Perhaps people don't worry about this because they don't realize how essential the railroads are. They know there are other carriers available—trucks, for example.

A. The fact is that railroads move more ton-miles of intercity freight than trucks, barges and airplanes combined. For example, we provide more than two-thirds of the transportation for the coal, cotton, lumber, canned and frozen foods, household appliances, new autos and auto parts, primary metal products, and paper moving across the country. America's industry would soon come to a jarring halt without the railroads. But you're right—a lot of people aren't aware of this. It's up to us railroaders to inform them.

Q. Well, what is ASTRO proposing?

A. Basically two things. First, that the Government start giving railroads the same kind of support it gives to highway trucking, barge lines and air lines. Second, that the Government free the railroads from some of the regulations that were imposed upon them when they were a 19th Century monopoly.

Q. Is Government money being requested?

A. Yes—but it's a drop in the bucket compared with the multi-billions the Government has been spending for many years to help trucks, barges and air lines. ASTRO proposes that a single Transportation Fund be set up, with contributions in the form of user taxes from all types of transportation, including the railroads.

Q. What would the railroads receive from this fund?

A. ASTRO proposes that the railroads get at least $400 million a year for maintenance-of-way and other plant improvements. This is justifiable in view of the heavy Government financing of the "rights-of-way" used by trucks, barges and air lines. ASTRO also asks that research into railroad operation improvements be increased to $100 million a year—which is far less than the Government is spending on other transportation research, such as aircraft development.

Q. What about equipment?

A. ASTRO recommends that the Government guarantee loans which the railroads would use to buy cars and locomotives. It also asks the Government itself to provide low-interest loans for purchase of types of cars in short supply. Another alternative would be for the Government to create a non-profit corporation to acquire a fleet of general purpose freight cars in order to relieve shortages.

Q. Is ASTRO asking new funds for grade crossing protection?

A. No. What ASTRO is asking is that the States be required to use the entire 10 percent of their Highway Trust Fund money which they are authorized to spend for crossing separation or protective devices on Federal highway systems. Most States spend only a fraction of the funds available for this purpose. ASTRO proposes that States be allowed to use this money also for protection at State and local highway crossings, where most of the safety hazards exist.

Q. What about railroad taxes?

A. ASTRO proposes that the railroads be relieved of State and local taxes on their rights-of-way, and that the Federal Government reimburse the States and local communities for this loss of taxes.

Q. You spoke about relieving railroads of governmental restrictions. What exactly is requested?

A. The aim is to give railroads the right to operate more like other businesses. For example, ASTRO recommends that railroads be permitted to reduce rates on certain commodities to attract new business that would increase earnings. It asks that state regulation of rates be eliminated as a burden on interstate commerce. It asks that some minimum rate controls be removed as an experiment to see if such controls are really needed.

Q. What about passenger service?

A. ASTRO has proposed three things: Partnership between local, State and Federal governments and the railroads to preserve and improve commuter operations. Expanded experimentation, with greater Federal participation, in medium-distance "corridor" service. And putting all intercity passenger train operations under a single corporation. This last proposal is already becoming a reality under the Railpax program.

Q. How is the ASTRO program being publicized?

A. Committees of railroad people are being formed all over the country to spread the message. Railroaders are addressing civic clubs and other organizations. Information materials are being sent to government officials, legislators, newspapers, magazines, radio and TV stations.

Q. Where does railroad Labor stand?

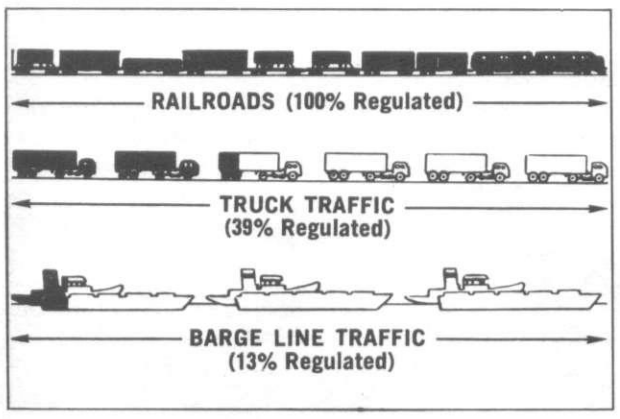
A. A committee of national Labor officials voiced agreement in principle when the ASTRO report was issued last July. George E. Leighty, chairman of the Cooperating Railway Labor Organization, stated: "We're glad to lend our support to the ASTRO recommendations, which we feel represent a giant stride toward solving many of the problems of mutual concern to both Labor and Management." Also on this committee were Charles Luna, UTU; C.L. Dennis, Clerks; Harold C. Crotty, Maintenance of Way Employes; and James Yost, Railway Employes Department, AFL-CIO. And a representative group of general chairmen on the Penn Central have affirmed their support. **(see next page)**

Q. How can railroaders help?

A. By talking about the ASTRO program wherever the opportunity presents itself—to our families, to our friends, at meetings and in bull sessions, at the store or the barbershop. The subject won't be hard to bring up. Everybody has an opinion on how to run the railroads.

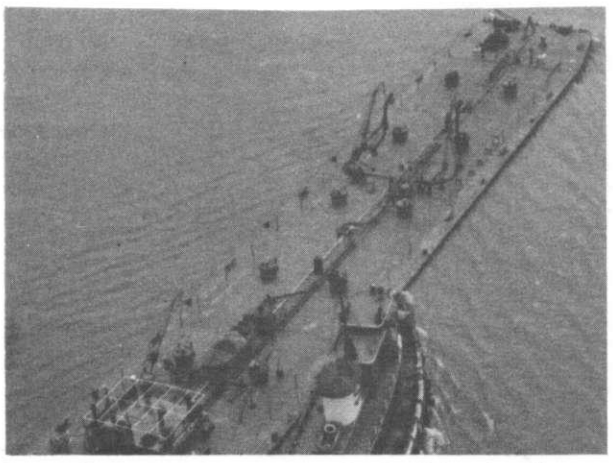
Q. What about writing to Congress?

A. When Congressional committees formulate bills relating to the ASTRO program, all railroad people will be informed. It will be important for railroaders and their friends—individually and through organizations to which they belong—to urge their Senators and Congressmen to vote favorably on the bills that will help the railroads and provide the Nation with the better transportation it must have.



All railroad freight rates must be published and are subject to approval of the Interstate Commerce Commission. The rates of competing carriers are regulated far less.

Airlines pay landing fees and fuel taxes, but not nearly enough to repay the $21 billion the Government has spent on airports, airways. Railroads pay their own way.

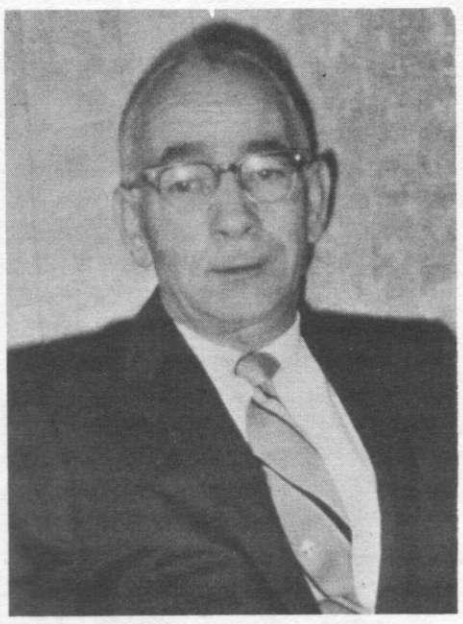


Barge lines use waterways maintained by the Government, and pay no fees—a free ride at taxpayers' expense. Railroads maintain right-of-way at their own expense.

Labor Leaders who represent PC people support ASTRO program

"For many generations, the railroads had a monopoly in transportation, resulting in the Government taking proper measures to control this power. Today, competitively the railroads are squeezed by airlines, truck lines, pipe and barge lines. Why should Government regulations still restrict the railroads as though the monopoly still exists? It is time these monopolistic regulations were brought up to date."

Joseph P. Carberry, Executive Secretary, Penn Central General Chairmen's Association, Brotherhood of Locomotive Engineers.



"The ASTRO program was reviewed by national leaders of railroad unions, and they have expressed their approval. We general chairmen on the Penn Central want to add our support, and we urge all members of our unions to get behind this effort to persuade Congress to give a fair break to the railroads."

J. A. Lyons, Co-Chairman, Penn Central Federated Committee of General Chairmen, United Transportation Union.

"Every year we see vast sums of Government money poured into highways, airports and waterways. Such favoritism hurts not only the railroads and railroad employes but the entire Nation, because the Nation needs a healthy railroad industry to supply its transportation needs. Equal treatment is what the railroads are asking in the ASTRO program, and we Labor representatives support this reasonable request."

J. W. Price, Co-Chairman, Penn Central Federated Committee of General Chairmen, United Transportation Union.

"The ASTRO program gives promise of restoring the Nation's railroads to their former prosperous levels and the Nation's railroad workers to their former leadership among transportation workers in wages, hours, pensions, working conditions and other benefits."

Eugene Attreed, International Vice President and Director, Railroad Division, Transport Workers of America, AFL-CIO.

"The recommendations of the ASTRO task force reflect the new feelings of cooperation between Labor and Management. We are glad to support this report because, when implemented, it will help solve many problems of mutual concern to both Labor and Management."

Howard E. White, President and Directing General Chairman, District 22, International Association of Machinists and Aerospace Workers.

"Management and Labor sit on opposite sides of the negotiating table, and often disagree. But we always agree on the need for a healthy railroad industry, so it can serve the public efficiently and provide good jobs and good wages. The ASTRO report points the way toward a more healthy industry, and we support its recommendations."

Sal R. Freccia, General Chairman, New York Central Division, Brotherhood of Maintenance of Way Employes, AFL-CIO.

Laying tracks before there were settlers, rail builders meet a wagon train.

What about the Land Grants?

Railroads complain that their competitors have been getting favored treatment for many years.

Intercity trucks operate on a highway system built and maintained by Federal and State governments at a cost of **more than $300 billion.** Trucks pay user charges, but not nearly enough to offset the costs.

Airlines benefit from **more than $21 billion** of government spending for airways and airports. The airlines pay user charges, but the full cost is never recovered.

Barge lines benefit from government expenditures of **more than $14 billion** on the nation's waterways—and the barge lines pay no user charges at all.

When railroad spokesmen point out these facts, the question is often raised:

But what about the land grants?

Didn't the Federal Government give the railroads huge tracts of valuable land? Isn't what the Government now does for the other forms of transportation the same thing it did for the railroads?

The answer is:

No—not the same thing at all.

Land grants were given solely to enable railroads to open the western wilderness to settlement.

Land grants were given to foster newly formed rail companies, not at all like the mature, established companies now receiving highway, airway and waterway aid.

Land grants applied to **only 8 percent of America's total rail mileage**—and not at all to the rail lines in the East. This contrasts with aid to the railroads' competitors all over the country.

Finally, land grants were not gifts—the railroads repaid them ten times over.

Here's the story. It started in 1850.

Congress wanted to attract settlers to the West and sell them Government land. But, as Senator William R. King, later Vice President, stated during the Congressional debate:

"Unless some mode (of transportation) of the kind proposed be adopted, it (the unsettled land) will never command ten cents."

However, no railroad company would or could build rail lines into the wilderness before there were people to use the rails.

So, to enable them to build ahead of settlement, Congress passed the first Land Grant Act, offering railroad builders the right-of-way. Ten-mile-deep sections of land were marked out on either side of the track. Half the sections went to the railroad builders, and half were kept by the Government.

The railroad companies sold most of their land to help pay for the construction.

Prior to 1850, the Government had offered this land for sale at $1.25 an acre, with few takers. As soon as the first Land Grant Act was passed, **the Government doubled the price to $2.50.** And, with the assurance of rail transportation, settlers eagerly bought it up.

Thus, the Government got back full value, even though the railroads had been given half of these sections of land.

But even so, the land grants were not really gifts.

In exchange, the railroads were required to carry all Government traffic at reduced rates—50 percent off for government freight and passengers, 20 percent off for mail.

And even railroads that had not received land grants but wanted to carry Government traffic could do so only by charging the special low "land grant rates."

This continued for most Government traffic until Congress abolished the requirement in **1946.**

It was calculated that the lands granted to the railroads had been worth $126 million. But the reduced rates the railroads gave the Government in return amounted to **a repayment of $1,250,000,000—or about ten times the value of the lands received.**

One last point—the matter of Government cash assistance.

The Government helped the pioneering Pacific railroad companies by buying $65 million worth of the bonds they issued.

The railroads paid the Government back, including interest, a total of $167 million—**or over $100 million more than they had received from the Government.**

PENN CENTRAL
POST
6 PENN CENTER PLAZA
PHILADELPHIA, PA. 19104

How would you like to do 40% of the work for only 14% of the pay?

Last year the railroads hauled more freight than all of the trucks and barges and airlines combined.

This adds up to 1,476,500,000 tons of not only coal and iron ore and chemicals, but oranges, canned peas and round steak. The public too often thinks of railroads carrying only heavy bulk commodities, and not relating everyday staples to rail transportation.

"But we must remember," the Secretary of Transportation said recently, "that those goods are shipped in bulk at vital stages of their manufacture or processing, and that without the mass movement capabilities of our railroad system... shopping bags could soon be empty."

Of the overwhelming number of products that are delivered finally by truck, rails play an indispensable role in their earlier movement and distribution.

The very fact that last year 3,487,668 trailers travelled piggyback on rail cars attests to the tremendous importance of a smooth, integrated, intermodal system of transportation.

For doing their 41.1% part in meeting our transportation needs, the railroads received 14.1% of the pay. But the fact that we pay far less to ship by rail than by other modes is not the problem. The railroads are proud to provide a dramatically economical way to ship. The problem is they lack the freedom to apply these economies intelligently to changing needs and situations.

The rules governing one part of our transportation system differ in concept and application from rules governing another.

Today's railroads are forced to operate under a concept of restraints that dates back to the 1870's.

These cumbersome and complex federal regulations are further complicated by overlapping state regulations.

There is no freedom for railroads to raise rates where rising costs have made it necessary.

There is no freedom for railroads to lower rates where possible.

There is no freedom for experimentation to streamline the rail system to operate efficiently within our modern day competitive economy, for its own health and that of our economy.

But there is a railroad crisis.

And it is a crisis that burdens every consumer with high cost and inefficient transportation.

It is a crisis perpetuated by laws that treat the railroads as a 19th century monopoly, rather than part of a 20th century intermodal transportation system.

The President himself has stated in his Economic Report to Congress that these laws are no longer justified.

It is time to end the crisis.