1941 National Con

REPORT

TO

THE PRESIDENT

BY THE

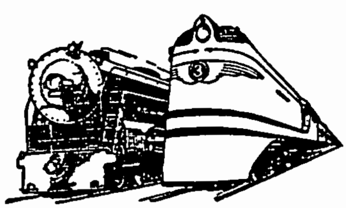
EMERGENCY BOARD

APPOINTED SEPTEMBER 10, 1941
UNDER SECTION 10 OF THE RAILWAY LABOR ACT

TO INVESTIGATE THE FACTS AS TO THE DISPUTES BETWEEN CERTAIN COMMON CARRIERS BY RAIL AND CERTAIN OF THEIR EMPLOYEES RESPECTING VACATIONS WITH PAY, RULES OF SERVICE, AND WAGE INCREASES, AND TO REPORT THEREON.

November 5, 1941

E.B. 11



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THE FRED J. RINGLEY CO., CHICAGO

LETTER OF TRANSMITTAL
SETTING FORTH RECOMMENDATIONS

Washington, D. C., November 5, 1941

THE PRESIDENT
The White House

MR. PRESIDENT:

The Emergency Board appointed by you on September 10, 1941, in accordance with the provisions of the Railway Labor Act, has the honor to submit herewith its findings and recommendations based upon the record made by the parties at the Board's hearings on the pending nation-wide railway labor disputes.

The Report of the Board sets forth in some detail the pertinent surrounding facts and circumstances involved in the disputes, the contentions of the parties, and the Board's findings and recommendations on each of the issues of the case. Subject to certain modifications and qualifications as stated in the Report, the major recommendations of the Emergency Board are as follows:

(1) The Board believes that the many uncertainties besetting any analysis of the economy of this country for the duration of the existing national emergency make it unwise to recommend changes in basic wage rates at this time except for minimum rates hereinafter suggested for the railroads. Therefore, all wage increases recommended by the Board are proposed as temporary additions to wages, effective as of September 1, 1941, and to terminate automatically on December 31, 1942, unless the parties extend the arrangement by agreement. This Board recommends that on or about December 31, 1942, the wage structure in the railroad industry should be examined in light of the existing economic conditions of the railroad industry and of the country.

(2) The employees in the Five Operating Brotherhoods should receive a wage increase of seven and one-half percent over their present wage rates.

(3) The employees in the Fourteen Cooperating Railroad Labor Organizations should receive an addition of 9 cents per hour—equivalent to an average increase of thirteen and one-half percent.

(4) A week's vacation of six consecutive working days, effective January 1, 1942, should be granted during the year of 1942 and each year thereafter to those employees of the Fourteen Cooperating Railroad Labor Organizations who were regularly attached to the railroad industry during the year preceding their vacation.

It shall be understood that wherever more favorable arrangements exist with regard to vacations either by agreement or custom, these arrangements shall be continued.

(5) The rules dispute between the carriers and the employees in the Fourteen Cooperating Railroad Labor Organizations should be re-submitted for further consideration and determination under the procedures of the Railway Labor Act. This Board assumes that whatever changes may be made in the application of present rules,

the basic guarantees to railroad labor as to seniority and craft and class lines will be preserved.

It is the Board's opinion that the rules dispute is one which lends itself to settlement by negotiation, mediation, arbitration, or hearings before a Special Emergency Board. It is not one which should be settled by a test of economic force. If a Special Emergency Board is appointed to hear the dispute, it should have among its members persons thoroughly versed in the practical problems of railroad labor and of railroad operations.

(6) The employees of the Railway Express Agency should receive a wage increase of seven and one-half cents per hour.

(7) It is to be understood that the wage increases recommended by the Board for the period to December 31, 1942, shall be added to present wage rates. However, the Board further recommends that a permanent basic minimum wage of forty cents per hour shall be established for the employees of the so-called Short Lines, and a permanent basic minimum wage of forty-five cents per hour shall be established for all other employees in the railroad industry, including the Railway Express Agency, and that no one shall be paid below these basic wage figures for his class of employment. Except for the employees of the Short Lines, these recommendations involve no further monetary addition since the wage increases as recommended will bring railroad workers in their respective classes up to or above the suggested basic minimum wage rates.

(8) The Emergency Board is unable to recommend a specific wage increase for the employees of the so-called Short Lines beyond the proposed forty cent minimum, because the record of the case does not contain sufficient data on which to base an intelligent wage recommendation applicable to them. Most of the Short Lines are in a precarious financial condition and are characterized by other distinguishing factors justifying further consideration of their wage problem through the procedures of the Railway Labor Act.

Hence, it is the opinion of the Board that some wage increase for the employees of the Short Lines should be agreed upon among the parties through the processes of negotiation, mediation, arbitration, and if necessary, the findings of another Emergency Board.

(9) The above recommendations, except insofar as they are qualified in this Report, shall be applied to the employees of all parties listed in the Proclamation of September 10, 1941.

The Board is pleased to report to you, Mr. President, that the conduct of the parties throughout this case has exemplified a most desirable way to be followed by American employees and employers in settling their differences over labor relations. The hearings have demonstrated the value of the judicial process in which reason reigns as contrasted with the procedures of economic force in which might seldom makes right.

The members of the Board await your further pleasure.

Respectfully submitted,

WAYNE L. MORSE, *Chairman*
THOMAS REED POWELL
JAMES C. BONBRIGHT
JOSEPH H. WILLITS
HUSTON THOMPSON

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APPENDICES

REPORT TO THE PRESIDENT BY THE EMERGENCY BOARD APPOINTED SEPTEMBER 10, 1941 UNDER SECTION 10 OF THE RAILWAY LABOR ACT

To investigate the facts as to the disputes between certain common carriers by rail and certain of their employees respecting vacations with pay, rules of service, and wage increases, and to report thereon.

II. INTRODUCTION

The jurisdiction, powers and duties of this Emergency Board were created and established by the terms of a proclamation issued on September 10, 1941, by President Franklin D. Roosevelt.

The proclamation reads:

"WHEREAS the President, having been duly notified by the National Mediation Board that a dispute between the carriers listed on the attached exhibit "A"* and certain of their employees as they are represented by the following labor organizations:

Brotherhood of Locomotive Engineers
Brotherhood of Locomotive Firemen and Enginemen
Order of Railway Conductors of America
Brotherhood of Railroad Trainmen
Switchmen's Union of North America

"WHEREAS the President, having been duly notified by the National Mediation Board that certain disputes between the carriers listed on the attached exhibit "B"* and certain of their employees as they are represented by the following labor organizations:

International Association of Machinists
International Brotherhood of Boilermakers, Iron Ship Builders and Helpers of America
International Brotherhood of Blacksmiths, Drop Forgers and Helpers
Sheet Metal Workers' International Association
International Brotherhood of Electrical Workers
Brotherhood Railway Carmen of America
International Brotherhood of Firemen, Oilers, Helpers, Roundhouse and Railway Shop Laborers
The Order of Railroad Telegraphers
Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employes
Brotherhood of Maintenance of Way Employes

* See Appendix C-1.

Brotherhood of Railroad Signalmen of America
National Organization Masters, Mates and Pilots of America
National Marine Engineers' Beneficial Association
International Longshoremen's Association

"WHEREAS the President, having been duly notified by the National Mediation Board that certain disputes beween the carrier listed on the attached exhibit "C"* and certain of its employees as they are represented by the following labor organizations:

Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employes
International Association of Machinists
International Brotherhood of Blacksmiths, Drop Forgers and Helpers

which disputes have not heretofore been adjusted under the provisions of the Railway Labor Act, as amended, now threaten substantially to interrupt interstate commerce to a degree such as to deprive the country of essential transportation service;

"NOW, THEREFORE, I, FRANKLIN D. ROOSEVELT, President of the United States of America, by virtue of the power vested in me by the Constitution and laws of the United States, and by virtue of and under the authority in me vested by section 10 of the Railway Labor Act, as amended, do hereby create a board to be composed of five persons not pecuniarily or otherwise interested in any organization of railway employees or any carrier, to investigate the aforementioned disputes and report its findings to me within 30 days from this date.

"The members of this board shall be compensated for and on account of such duties in the sum of seventy-five dollars ($75) for every day actually employed with or upon account of travel and duties incident to such board. The members will be reimbursed for and they are hereby authorized to make expenditures for expenses for themselves and of the Board, including traveling expenses and in conformity with Public, No. 212, 72d Congress, approved June 30, 1932, 11:30 a.m., not to exceed five dollars ($5.00) per diem for expenses incurred for subsistence.

"All expenditures of the Board shall be allowed and paid for out of the appropriation 'National Mediation Board Appropriation Act, 1942' on the presentation of itemized vouchers properly approved by the chairman of the Board hereby created.

"IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the seal of the United States to be affixed.

"DONE at the City of Washington this 10th day of September in the year of our Lord one thousand nine hundred and forty-one, and of the Independence of the United States of America the one hundred and sixty-sixth."

* See Appendix C-1, Exhibit "C," referring only to Railway Express Agency, Inc.

On September 11, 1941, the President appointed the following persons as members of the Emergency Board: Wayne L. Morse of Oregon, Chairman; Thomas Reed Powell of Massachusetts, James C. Bonbright of New York, Joseph H. Willits of New York, and Huston Thompson of the District of Columbia. The letter of appointment received by the members of the Board from the President stated in part:

> "The Board will organize and investigate promptly the facts as to such dispute, and on the basis of facts developed, make every effort to adjust the dispute and make a report thereon to me within thirty days from September 10, 1941."

The time for completing the Board report was extended to November 1, 1941, by written stipulation of the parties approved by the President on September 16, 1941, and further extended by written stipulation until November 5, 1941, approved by the President October 22, 1941.*

The Board, with all members in attendance, met in Chicago, Illinois, on September 15, 1941, held a prehearing conference with the representatives of the parties, agreed upon rules of procedure which should govern its hearings, appointed an official reporter, and informed counsel for the parties that the first public hearing on the dispute would be convened at 10 A.M. September 16, 1941, in the auditorium of Kimball Hall, Chicago, Illinois. Thereafter public hearings presided over by the Board continued for thirty-one hearing days, being concluded at 5:30 P.M. Wednesday, October 22, 1941. Witnesses were heard, exhibits introduced, and arguments made. The resulting transcript totaling 7,130 pages plus 436 exhibits comprises the massive record which was submitted by the parties to the Board for analysis and evaluation. This report is based upon that record.

The employees were represented by the Conference Committee of the Transportation Organizations and by the Conference Committee of the Fourteen Cooperating Railroad Labor Organizations. Appearances for the Conference Committee of Transportation Organizations were entered by Charles M. Hay and Carroll J. Donohue, its attorneys, and by officers** of each of the several organizations involved. Appearances for the Conference Committee of Fourteen Cooperating Railroad Labor Organizations were entered by Frank L. Mulholland and Willard H. McEwen, its attorneys, and by B. M. Jewell, its Chairman, and officers** of each of the several organizations involved.

The railroad carriers generally were represented by the Carriers' Conference Committee and by the Carriers' Vacation Conference Committee. Appearances for the Carriers' Conference Committee were entered by J. Carter Fort, Allan P. Matthew, Daniel P. Loomis, William H. Swiggart, Edwin A. Lucas, William T. Joyner, William T. Faricy, Elmer A. Smith, Bruce Dwinnell, Burton Mason, and Burnham Enersen, its attorneys.

Appearances for the Carriers' Vacation Conference Committee were

* See Appendix B.
** See Appendix C-2 and C-3.

entered by Joseph F. Johnston, R. J. Hagman, and E. R. Brumley, its attorneys.

The Railway Express Agency appeared in its own behalf, and appearances were entered for it by Albert M. Hartung, L. P. Bergman, C. J. Leary, W. J. MacGreevy, and J. E. Skaggs, its attorneys and officers. The Agency employees, consisting of members of the Clerks, Blacksmiths, and Machinists Organizations, were represented by the Conference Committee of the Fourteen Cooperating Organizations.

The short line railroads were represented by the American Short Lines Railroad Association, appearances being entered by C. A. Miller, its attorney, and by J. M. Hood, its president.

W. R. McMunn appeared specially in behalf of Merchants' Despatch Transportation Corporation to protest its inclusion in the present investigation and report, upon the ground that the company operates a private refrigerator car line only.

The Toledo, Peoria & Western Railroad appeared by Robert G. Sprague, its attorney. The jurisdiction of the Board was conceded. However, Mr. Sprague asked that the Board's recommendation as to this carrier be limited to rates of pay for power house and railway shop employees, contending that only these wage rates were in dispute, as shown by the records of the National Mediation Board.

The Hudson & Manhattan Railroad Company appeared by John E. Buck, its general counsel. Mr. Buck conceded the inclusion of his carrier in the President's proclamation. Nevertheless, he protested its inclusion in any action of the Board because of the successful conclusion of wage, rules, and vacation agreements with its brotherhood and organization employees through the National Mediation Board before the date of the proclamation.

All other appearances representing parties protesting the jurisdiction of the Board and all requests for special appearances before the Board or for special consideration from the Board were made in writing and not in person. The record of such written appearances and requests and the claims which they urged are set forth in an Appendix to the transcript of record of the Board's hearings.

III. BACKGROUND OF THE PRESENT CONTROVERSY

The controversies which led to the President's proclamation originated at various times and between various parties. The carriers are divided into three main groups, the Eastern, Western, and Southeastern. The employees are divided into two groups. The operating men, represented by the Conference Committee of Transportation Organizations, belong to what are commonly known as the Five Brotherhoods. The non-operating men were represented by the Conference Committee of Fourteen Cooperating Railroad Labor Organizations to which they respectively belong.

The proposal for vacations with pay was initiated on May 20, 1940, by a notice served by some or all of the non-operating organizations on some or all of the rail carriers in each of the Eastern, Southeastern, and Western regions. Thus the vacation dispute is one between substantially all non-operating employees and substantially all carriers, except the Railway Express Agency.

Five days after the vacation proposal, on May 25, 1940, most of the Western carriers served a counter proposal for a reduction in pay to offset any increase in costs in case vacations with pay should become effective. None of the Eastern and Southeastern carriers joined in this counter proposal.

Conferences on the vacation issue were held on the individual properties, but no agreements were reached. It was not until some eight months later, on February 15, 1941, that the fourteen non-operating organizations submitted a strike ballot to their members. On March 14, 1941, the National Mediation Board proffered its services, and mediation proceedings were conducted in Washington, D. C., between March 14 and May 31, 1941. On this latter date the Mediation Board advised the conference committees of the employee organizations and of the carriers that no further mediation was possible. It then proffered arbitration, which on June 16, 1941, was declined by the organizations representing the employees.

In the meantime, issues as to rules of service and as to wages had arisen. On May 26, 1941, all of the Eastern and Western major trunk line carriers notified the five transportation organizations, representing the operating employees, of proposed changes in rules of service. The Southeastern carriers made similar proposals to the operating organizations on June 2. Seven days later those Western carriers which had proposed changes in the operating rules presented to the fourteen non-operating organizations proposals to change the non-operating rules. In this they were joined by all but two of the Southeastern carriers. The Eastern carriers joined in the proposals to change the operating rules but not in those which affected the non-operating rules.

Conferences between the carriers and the two groups of employees involved in the rules issue were held in Chicago from July 24 to July 31, 1941. The rules proposals were rejected by the operating brotherhoods on July 30 and by the non-operating organizations on July 31, and on these two days the disputes were submitted by the carriers to the National Mediation Board.

Meanwhile the wage issue had been initiated on June 10, 1941, by notices sent by some or all of the five operating brotherhoods to the carriers listed in Exhibit "A" of the President's proclamation, and by notices sent by some or all of the fourteen non-operating organizations to the carriers listed in Exhibits "B" and "C" of the President's proclamation. The proposal of the operating brotherhoods was that, effective July 10, 1941, all existing basic daily wage rates be increased 30 percent with a minimum money increase of $1.80 on the minimum day. That of the non-operating organizations was that, effective July 10, 1941, wages be increased by applying to all rates then in effect an increase of 30 cents an hour, with a minimum hourly wage of 70 cents.

Following the receipt by the carriers of the wage proposals, different sets of committees of the carriers and of the operating and non-operating groups of employees conferred with respect to them from July 30 to August 5, 1941. In each case the carriers rejected the proposed increases in wages, and neither dispute was at that time submitted to the National Mediation Board.

Upon this failure to come to an agreement, each of the employee groups on August 5 circulated strike ballots returnable September 5, 1941. The five operating brotherhoods listed the carriers' proposal for changes in rules and the brotherhoods' proposal for wage increases. The ballot of the fourteen non-operating organizations listed four issues: vacations with pay, the counter proposal for a 10 percent reduction in pay served by most of the Western carriers, wage increases, and the rules changes proposed by certain carriers. The canvass of the ballots showed an almost unanimous strike vote in each instance.

On August 11, 1941, the National Mediation Board served notice that the carriers had invoked its services, and mediation proceedings embracing all parties and all disputes started on that date. During these mediation proceedings it was agreed between the carriers and the five operating brotherhoods that their rules dispute be held in mediation until the final settlement of their wage dispute. No such agreement was made between the carriers and the fourteen non-operating organizations.

The remaining mediation proceedings were terminated by the National Mediation Board on September 4, 1941, with an offer of arbitration. This offer was accepted by the carriers but declined by each of the employee groups. Five days later, on September 9, 1941, the five operating brotherhoods notified the National Mediation Board that a strike was to become effective on September 15, 16, and 17, 1941. The strike of the fourteen non-operating organizations was called for September 11, 1941. The President's proclamation creating this Emergency Board was issued on September 10, 1941.

The history of the dispute between employees and the Railway Express Agency calls for separate recital because of the separate record made and because of other circumstances presently to be noted. On June 10, 1941, all of the Express Agency employees represented by three organizations separately served notices on the Agency of demands for an increase of wages. These three organizations were the Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employes; International Association of Machinists; and International Brotherhood of Blacksmiths, Drop Forgers and Helpers. The notices of two of the organizations conformed substantially to the wage notices served by other non-operating employees on carriers other than the Express Agency. The notice of the Machinists differed, in that it fixed August 1, 1941, as the proposed effective date of the increase and in that it made no demand for a fixed minimum wage. No proposal for vacations was made to the Express Agency.

On the same day on which the wage demands were served by the employees, the Agency served separate formal notices on the three organizations for changes in the working rules to effect a restoration of the 48-hour week in lieu of the existing 44-hour week, and to limit the existing vacation rule to employees who have worked not less than 250 days or 2,000 hours during the preceding calendar year. Conferences were held, but no agreement was reached. On July 18, 1941, the services of the National Mediation Board were invoked. The dispute was handled by the National Mediation Board separately from the general wage dispute between the railroads and the non-operating employees. However, the Railway Express Agency was included in the general strike order of the non-operating employees called for September 11, 1941, but it was classified separately in the President's proclamation of September 10, 1941.

IV. THE ISSUES PRESENTED TO THE BOARD

1.

Before presenting in detail the particular proposals on which the Board is asked to make findings and recommendations, it may be well to restate briefly what parties are involved in each dispute and to point out such changes as have taken place with respect to the issues before the Board as compared with the proposals initially made by the parties to each other.

The only proposals made by the employees are for an increase in wages and for the granting of vacations with pay. All of the employees are parties to the wage dispute, but only the non-operating employees presented the vacation proposal. Both proposals were made to rail carriers in each of the Eastern, Southeastern, and Western regions. The wage proposal but not the vacation proposal was made to the Railway Express Agency.

The only wage-reduction proposal was the conditional one of the Western carriers to offset the cost of complying with any vacation proposal.

Only the Western and Southeastern carriers presented proposals to the non-operating employees for changes in rules of service. The rules proposals made by all carriers to the operating employees were postponed for continued mediation pending the report of this Board on the wage issue. Those made to the non-operating employees were submitted to the Board, but counsel for the carriers in his opening statement relieved the Board from the duty of making specific recommendations for the adoption of the particular changes proposed.

The carriers initially filed with the Board no counter proposals to the general wage proposals of the employees. Toward the close of their case in chief, however, the carriers submitted an offer in the form of a so-called Emergency Payment Plan which would adjust wages for a limited time by variations above but not below the present basic rates.

A counter proposal initially made by the Railway Express Agency to its three non-operating organizations asked for changes in rules which would bring about a restoration of the 48-hour week and for a modification of the existing vacation rule, so as to equalize past benefits and the cost of the proposed wage increase. Under date of October 16, 1941, the formal confirmation of withdrawal of this counter proposal was filed with the Board, such withdrawal having been made orally at the opening hearing of the Board. The Express Agency made a separate record before the Board and asked for a separate recommendation "that as to the dispute between the Railway Express Agency and its employees represented by the Clerks, Machinists, and Blacksmiths Organizations, mediation should be resumed" for the reason that the dispute "was still in mediation when the proclamation was issued."

2.

The various proposals and counter proposals are stated in greater detail as follows:

Wages: Proposal made by the operating employees:

> "That effective July 10, 1941, all existing basic daily wage rates be increased thirty (30) percent with a minimum money increase of $1.80 on the minimum day. The same percentage of increase applied to the basic day will be applied to all arbitraries, miscellaneous rates or special allowances and to daily and monthly guarantees."
>
> Proposal made by the non-operating employees:
>
> "That effective July 10, 1941, there be applied to all rates now in effect an increase of thirty (30) cents an hour, provided that no employee shall be paid less than seventy (70) cents an hour."

The counter proposal of the carriers presented near the close of their case before the Board is in summary as follows:

> A sliding-scale "emergency compensation payment" to run from November 1, 1941, to December 31, 1942, effective only above the basic rates of pay and applicable only to them, with a ceiling of 15% increase calculated on weekly wages up to $30.00—that is, a maximum of $4.50 per week for men receiving $30 or more per week.
>
> The percentage factor of variation to be determined from a composite index based on gross revenue and the cost of living, one-half the gross revenue increase being averaged with the full change in the cost of living.
>
> The payment to be applied for a three-month period based on the composite index for November 1, 1941, with adjust-

ments at quarterly intervals, but no adjustment to be made unless the index has moved five points or more from the date of the last adjustment.

Vacations with pay: The non-operating employees submitted to all of the carriers designated in the President's proclamation with the exception of the Railway Agency the following proposal:

"All employees, upon the completion of one year's service, and who are regularly employed, shall effective with the year 1940 and thereafter be given annually two consecutive calendar weeks vacation with pay.

"All other employees, upon the completion of one year's service, shall, effective with the year 1940 and thereafter, be given an annual vacation of one working day with pay for each month during which they earned compensation during the preceding calendar year.

"During the vacation period, the basis of pay for hourly rated employees shall be eight times the hourly rate for the service last performed prior to vacation, and for employees paid on piece work, mileage, daily or monthly basis, at the regular daily rate for the service last performed prior to vacation.

"The vacation period shall generally be between April 1 and September 30 and employees in each seniority district shall be entitled to preferential vacation dates consistent with the requirements of the service and their standing on the seniority roster; provided, however, that by agreement between the Committee representing the employees and the management arrangements may be made for the granting of vacations to individual employees at times outside the limits herein specified."

The sole counter proposal by the carriers was submitted by the Western group as an offset to the vacation with pay proposal of the non-operating employees to compensate for the cost to the carriers of the granting of such vacations. In his opening statement counsel on behalf of the Western carriers stated that this was not an independent proposal for a wage reduction, but only a counter proposal.

He added also that the 10 percent fixed in the notice was inserted before ascertainment of the cost by the carriers, "with the idea that when the cost of applying the vacation demands as made was ascertained, the 10 per cent figure could be adjusted to such an amount as would be necessary to offset the cost."

Changes in Rules: The rules changes proposed by the Western and Southeastern carriers in their demands on the non-operating employees are in the form of a long memorandum* not fully informative unless read against the background of the rules themselves. Briefly the pro-

* See Appendix C-4.

posal, according to the carriers, was to revise some rules so that, while recognizing and confirming the existence of craft and class lines, essential work may be accomplished without disproportionate sacrifice of reasonable efficiency and economy, so that the rules may be clarified to permit some flexibility in hours, assignments, and starting times, and so that the revised rules would place on a uniform basis the limitation provisions for the presentation and handling of claims and grievances of employees.

Counsel for the carriers, in outlining the rules proposal in his opening statement, informed the Board that the carriers would ask, not for a recommendation in favor of the adoption of the proposed changes but merely for a condemnation of the existing rules as unduly restrictive and for a recommendation that the issue be submitted to mediation and arbitration if adjustments were not otherwise agreed upon.

V. WAGE CONTROVERSIES IN THE RAILROAD INDUSTRY SINCE 1920

Labor disputes in the railway industry have been a matter of Federal concern for over half a century. It is unnecessary to give the details of that history in the present report. However, the present controversy may perhaps be better understood if a brief resume of important labor disputes and settlements is presented here.*

The developments of greatest interest date from the period of World War I. During this war period, unprecedented rises in prices occurred and the cost of living seriously outran the wages received by the railway employees. Demands for increases were already pending when, on December 28, 1917, the Federal government took over the railways. A commission, known as the Lane Commission, was appointed by the Director-General of Railroads to investigate the demands of railway labor for wage increases. This Commission, on April 30, 1918, recommended substantial wage increases on a sliding scale percentage basis for the bulk of railway labor, primarily on the ground that wages of railway labor had not kept pace with the rise in the cost of living. The recommendations, with slight modifications, were made effective by the Director-General on May 25, 1918, by General Order No. 27.

Dissatisfaction on the part of railway labor continued despite some upward wage adjustments granted to particular groups by the Director-General on the recommendation of the Board of Railroad Wages and Working Conditions, a board established in accordance with one of the recommendations of the Lane Commission. In the latter part of 1919 railway labor urged a general increase in wage rates in order to adjust them to the continued rise in the cost of living and to align them with the higher wages paid in other industries. Nothing was done about wages, however, due to the fact that termination of Fed-

* For a fuller description of the history of railway labor controversies see the 1938 *Report of the Emergency Board to the President*, pp. 3-8.

eral control of the railways was pending. President Wilson, while holding that the problems presented by labor should be dealt with after the roads were returned to their owners, assured labor that there would be provided a mechanism for the consideration of their claims. The Transportation Act of 1920 set up such a mechanism by providing for the establishment of the Railroad Labor Board which was authorized to deal with controversies relating to wages and working conditions.

On July 20, 1920, after considering the claim of railway labor that wages were inadequate, the Board granted wage increases ranging from 12.5 percent to 26.2 percent and averaging about 22 percent for all railroad employees. Due to the business recession of 1920-21, which caused a substantial decline in net operating income, the carriers pressed for a decrease in wages, and proceedings were instituted before the Board. On June 1, 1921, the Board granted wage reductions averaging 12.2 percent. Further reductions in wages covering varying groups of railway employees were granted in 1922.

For a number of reasons both labor and management grew increasingly disinclined to invoke determinations by the Railroad Labor Board, and undertook to deal with wage problems by direct negotiation. In 1926 the Board went out of existence as a result of the enactment of the Railway Labor Act of that year.

The provisions of the Railway Labor Act of 1926 placed emphasis upon the settlement of railway labor disputes through processes of negotiation, mediation, and arbitration. These procedures were used to dissolve controversies concerning one or another group of employees. Up to 1929, increases in wages on the basis of individual agreements were secured by almost all groups of railway employees, though in general, wage rates equivalent to those established in 1920 were not re-established.

The onset of the depression in late 1929 ended further upward wage adjustments. As the depression deepened and net railway operating income declined, the carriers undertook to secure a general reduction in wages. Such a reduction was effected on a national basis by an agreement, reached on January 31, 1932, between the officials of the carriers and the representatives of the employee organizations. This agreement provided that, for a period of one year beginning February 1, 1932, there should be a deduction of 10 percent from the pay check of each employee covered by existing contracts. This agreement provided not for a reduction in the basic wage scales then existing, but for a temporary deduction from basic wages. The agreement was later extended to October 31, 1933, and again to June 30, 1934.

On April 26, 1934, an agreement was reached between the carriers and railway labor for the restoration of the 1932 deduction. It was provided that 2½ percent be restored on July 1, 1934, an additional 2½ percent be restored on January 1, 1935, and the final 5 percent on April 1, 1935.

In 1937, with the improvement in business conditions, railway labor moved to secure an increase in wages. After prolonged negotiation and mediation, the National Mediation Board, on August 5, 1937, and on October 3, 1937, succeeded in securing settlements which gave to substantially all groups of railway labor wage increases amounting to 5 cents an hour for non-operating service and 5½ cents an hour for train and engine service. Hardly had these agreements been reached when business recession set in and substantial declines in railway net operating income were suffered. This led to an effort on the part of the carriers to effect wage reductions to the amount of 15 percent. Negotiations were entered into early in 1938 by the carriers and the labor organizations to handle the matter on a national basis. Efforts to settle the controversy by negotiation and subsequently by mediation were unsuccessful, and it appeared that a nation-wide strike would be called if the wage reduction proposals of the carriers were not withdrawn. In view of the seriousness of the situation and the threat of the interruption of interstate commerce, the President created an Emergency Board, under section 10 of the Railway Labor Act, to investigate and report respecting the dispute. After extended hearings the Board reported to the President, on October 29, 1938, and presented its conclusion "that no horizontal reduction upon a national scale of the wages of railway labor should be pressed by the carriers at this time." On November 4, 1938, the railroads advised the President that the notices for a 15 percent wage reduction would be withdrawn.

VI. MAJOR CONTENTIONS OF THE PARTIES

The case of all the employees against all the carriers on all the issues was presented on a consolidated record. The non-operating employees presented their case first, and the operating employees adopted as their own much of the testimony and many of the exhibits introduced on behalf of the non-operating organizations. This was especially true with respect to the employees' case on the financial situation of the carriers. There were, however, separate opening statements and separate briefs presented on behalf of the non-operating and of the operating groups.

For the carriers, the situation was somewhat different. The defense of the Railway Express Agency was made on a separate record and was supported by an independent opening statement and an independent brief. The special defense of the Short Lines, although made on the consolidated record, was confined to contentions predicated on their special situation with respect to employees and to the physical and financial peculiarities of their operations.

The other carriers were united in their contentions against the wage proposals of both groups of employees, and the vacation proposal of the non-operating organizations. They were, however, represented by separate committees on the two issues, with separate counsel, separate opening statements and separate briefs. There were also independent representation, argument, and brief in support of the rules proposal advanced by the Western and Southeastern carriers.

With respect to rules, the carriers involved were the moving party, and the issue is sufficiently separate from those in the wage and vacation controversies to make it advisable to state the opposing contentions in the section confined to the rules dispute. The employees advanced their wage and vacation contentions equally, and without differentiation, against all the carriers, except that the Railway Express Agency was included only in the wage dispute. Their special case against the Express Agency was in the nature of rebuttal against the Agency's claims of independence, separability, and differentiation. These contentions will stand out more clearly when summarized in the section confined to the Express Agency.

With these qualifications we proceed to outline the major contentions of the employees and the major contentions of the carriers. The contentions on both sides were supported by elaborate statistical data. Such proof will not be summarized here, but will be dealt with in the two succeeding sections on railroad wages and their adequacy and on the financial situation of the carriers. The summary which follows is confined to an abstract of the principal arguments of the parties, with no implication of concurrence or dissent on our part.

A. CONTENTIONS OF THE EMPLOYEES

1. *The Fourteen Cooperating Railroad Labor Organizations.*

The employees in the non-operating services based their *wage case* on two main contentions: (1) that the railroad industry is enjoying a high level of prosperity and can afford to grant wage increases; and (2) that both absolutely and relatively the railroad employees are entitled to the wage increases which they have put in issue.

The present prosperity of the carriers is the result of the great expansion in the volume of traffic. The employees express their confidence that still further expansion is inevitable. As volume increases, net income increases at a still higher rate. The recent improvements in operating efficiency and in plant and equipment have already lowered the ratio of wage costs to total costs and will progressively reduce that ratio as traffic approaches nearer and nearer toward full utilization of the combined facilities of the carriers. Other costs than wages will also be less per unit of traffic as the same rails and equipment are more fully employed. A still greater enhancement of net earnings will accrue to those roads which because of past distress have been reorganized with resulting decreases in their fixed charges.

The present and prospective improvements in the condition of the railroad industry as a whole will, it is argued, be reflected in corresponding amelioration of the financial status of most individual roads. If there are still marginal lines which face reorganization, it should be recognized that some of them have long been in a hopeless condition and that some are controlled by more prosperous roads for which they are remunerative feeders. While the necessity for reorganization is to be regretted, the necessity is due to already existing conditions for which reorganization is the imperative cure. The losses to investors thus registered through reorganization are losses that have long been accruing or accrued. The remedy of reorganization restores the industry itself to a firmer financial position with new safeguards against future deficits in net income. Whatever the unhappy prospects of a few roads, the employees assert that the Board in recommending wage rates for the entire industry should not be influenced by the condition of these marginal lines. It would be essentially unreasonable to penalize the workers of an entire industry because of the uneconomic position or the improvident operation of a small number of roads.

While the carriers in recent years have had to meet competition from which they formerly were free, they have made definite progress in meeting it, and further progress is to be anticipated, as the carriers continue to improve their services and as competing forces of transportation become increasingly subject to governmental regulations and their employees become increasingly unionized.

The employees pointed to factors which would cushion any postwar slump such as occurred after the first World War. Even this recession was a temporary one, and for approximately a decade thereafter the railroad industry enjoyed great prosperity. The carriers, it was protested, advance a peculiar and untenable argument in respect to cycles of depression and of prosperity. Presumably they would resist any attempt to raise wage levels in periods of low earnings, yet they similarly resist such efforts in periods of prosperity, on the theory that, while existing conditions may appear to justify an increase in wages, these conditions may not continue. At the present time, railroad revenues are soaring, properties are being improved, competition is being mastered and financial burdens are being lightened. Hence it was concluded that, if ever there was a time when labor might justifiably press for a larger share in the fruits of the railroad industry, that time is now.

Apart from the improved financial position of the railroads, the employees presented a number of reasons as justifying wage increases and which were summarized under five main heads: (1) wages in the railroad industry have not improved for twenty years; (2) railroad employees possess a high degree of skill in comparison with employees in other industries and for which they are not adequately rewarded; (3) railroad wages are lower than those in other and corresponding employment; (4) railroad employment is irregular; and (5) the cost of living is rapidly advancing.

These contentions, like those dealing with the financial condition of the railroad industry, were supported by extensive statistical material. The various contentions and the data presented in their support were applied also to the issue of the minimum wage.

In advancing these claims for increased wages, the employees declared that they sought, not a favored position among industrial workers, but merely equality of treatment. The requirements of service exacted by railroad employment are as severe as those imposed by any industry upon its employees, and due recognition should be given to the skill and to the responsibilities of the employees involved in performing their work. The railroad workers have for two decades observed a steady improvement in the wages of the American worker, an improvement in which they have not participated, and in which they believe they have a right to share.

With reference to the financial condition of the carriers, the employees drew the conclusion that when the movement for a wage increase comes at a time described as one in which the railroads are receiving a bounteous portion of the mounting earnings of industry, it is essentially unfair that all of the increased profits be diverted to management and invested capital. The employees suffered in the season of depression even more than did the railroads, and now ask for themselves a just division of the fruits of prosperity.

In support of their plan for a two weeks *vacation with pay* for the non-operating groups the employees offered the following propositions: (1) Enlightened thinkers everywhere have considered vacations socially desirable because they provide necessary relief from industrial fatigue and afford opportunity for leisure and change of environment which will contribute to the development of faculties essential to good citizenship. (2) There is a strong and increasing trend toward the granting of vacations to industrial workers. (3) This movement may be extended to the railroad industry without encountering practical difficulties growing out of either the physical structure of the railroads or the present volume of their traffic. (4) The cost of granting vacations to railroad employees would be negligible in view of the financial condition and future prospects of the industry. These propositions were elaborated by citations from reports of employers stating the good effects which have resulted from the adoption of vacation plans for their employees, by records of the rapid increase of agreements providing for vacations, and by testimony as to the important function of vacations in the improvement of the social order.

The vacation plan, it was pointed out, did not propose vacations for those who had not had one year of service. While an employee who had not had substantially full employment during the preceding year might be eligible for a vacation, it was noted that an employee on furlough does not lose his connection with the industry. The railroad service of a furloughed employee is not considered as having been interrupted by a temporary cessation in the performance of active duties. This continuity of the service relationship, though the employment may be intermittent, is recognized by both the Railway Labor Act and the Railroad Unemployment Insurance Act.

2. *The Five Operating Brotherhoods.*

The only issue presented to the Board by the employees in the operating services was that of an increase of wages. Inasmuch as the non-operating organizations had opened the case for the employees and had dealt at length and in great detail with the financial situation and prospects of the carriers, with the claims of the employees that their wages were lower than those of employees in similar occupations in non-railway industries, and with the rising cost of living, the contentions of the operating brotherhoods on these points were mainly cumulative and therefore need not be stated in detail.

The basic contentions of the operating brotherhoods were thus set forth in the introduction to their brief: "The contention of the operating employes that their wages do not fairly and adequately compensate them for the services they render and their consequent proposal for a wage increase rest upon the following considerations:

1. The kind and character and characteristics of the work;
2. The increase in the service performance and responsibility of the men since the fixation of wages at substantially the present level;
3. The increased service performance which is being demanded, and will be demanded of them in the emergency period, upon which we have entered and which will undoubtedly continue for many months and probably for many years;
4. The wages paid and wage trends in other industries;
5. The rise in the cost of living which has already ensued and the certainty of further marked rises."

In elaboration and support of these main positions, the operating group advanced a series of more detailed considerations. They laid emphasis on the fact that the labor of the men in the operating groups is skilled labor. Their work has also other special characteristics. It is attended by more than ordinary physical hazard, by heavy responsibility for the safety of the lives and property of others, by irregular day and night, week-day and Sunday calls to service, by many hours per month spent away from home, with consequent increase in living expenses, and by peculiarities and difficulties of their tasks which are without counterpart elsewhere. Over the past twenty years the service performance of these employees has doubled from the standpoint of the volume of traffic moved, and has greatly increased in responsibility as measured by the value of the traffic units moved. The work of the operating men, though lightened somewhat in physical exertion during the twenty-year period, now demands and receives a higher degree of mechanical knowledge, greater alertness and vigilance, and increased capacity for sound judgment in an emergency.

It is true that the carriers, as they point out, now face more competition than formerly. Their success, however, in the competitive race will depend in large measure upon the quality and capacity of the men in the service. Upon these men the carriers must rely for success in efficient handling of an expanding volume of traffic with heavier loading and at swifter pace with superior records of on-time arrivals. Upon these men, too, the carriers must rely for the best of relations with all patrons of the service as an important factor in meeting the force of competition.

The operating brotherhoods joined with the fourteen organizations in expressing confidence that the current improvement in the volume of business is not a temporary one, but will continue after the present emergency as it did for a long period after the first World War. They added that the high volume of traffic at the moment, even if there should be a recession later, makes increased demands for service upon the men and that therefore they are entitled to an increase in pay whether the emergency ends tomorrow, next year, or ten years hence.

In connection with the wages of employees in other industries, the operating brotherhoods recognized a difficulty in determining comparability, since the work in the railroad operating service is of a character seldom found outside the railroad industry. This unique character of their work was assigned as an additional reason for wage increases when accompanied by increased service performance on the part of the men and by increased net operating income enjoyed by the carriers.

Finally it was urged that deserved wage increases should not be denied for fear that such an increase might further the tendency toward inflation. While the employees joined with the carriers in a sincere concern over the possibility of excessive inflation, they insisted that it is not within the province of an Emergency Board, serving as an intermediary in the collective bargaining process, to attempt to control or influence such general tendencies by recommending that an increase in wages, even if deserved, should be withheld, because of considerations of a public character that are for other public agencies to weigh and act upon. A somewhat similar point was made about the possible effect of wage increases in furthering the necessity of the financial reorganization of some of the carriers. If by reason of high fixed charges there are roads that cannot pay adequate wages and still meet the interest due to bondholders, then financial reorganization should be regarded as a necessary measure to put the enterprise on a solid footing.

B. Contentions of The Carriers

The contentions of the carriers are much more difficult to state in summary form, since to a large extent they necessarily consist in denying, qualifying, or minimizing the arguments of the employees. In general their position was that the proposals of the men are grossly excessive both from the standpoint of the situation of the employees and from that of the past, present, and prospective earnings of the carriers. Here again, as in the case of the employees, extensive statistical data and testimony were offered to support the positions advanced.

The chief counsel for the carriers on the wage issue pointed out in his closing argument that the question of the reasonableness of wages does not lend itself to solution by any nice formula. A case of this kind, he said, is largely a matter of measuring equities against equities, of trying to weigh conflicting interests in order to reach an equilibrium. By way of illustration he noted that wage fixing might be simple if viewed solely from the standpoint of the immediate interest of the employees, without considering their long-run interest, without considering the interest of the security holders, or of the shippers, or the national interest in a healthy, robust and thriving railroad system. It would be equally simple if viewed solely from the standpoint of any other selected interest in entire disregard of all the rest. But all these interests must be put on the scales of judgment in order to reach a proper balance.

Counsel emphasized the importance of the railway industry in the national economy, the difficulties with which the industry has been beset, the widespread distribution of railroad securities, and the great volume of employment which the railways provide. The health of the industry and its continued power to provide ample and efficient service are, he said, of major importance to the well-being of the nation.

The carriers presented statistical evidence of the long lean period of the thirties which brought about bankruptcies and receiverships of railroads and caused losses to holders of railroad securities. The return on capital invested in the industry has so long been inadequate that the securing of new capital through long term bonds or new issues of stock has become almost impossible. The railroads, it was asserted, need a net operating income of at least a billion dollars a year in order to provide for the necessary improvements and additions to structure and equipment, and to pay adequate dividends to stockholders. The wage increase proposed by the employees would deprive the carriers of all chance of compensation for past deficits and of securing adequate returns to maintain borrowing power. It would, furthermore, throw many roads into receivership and cause additional depreciation in the value of railroad securities. This would result in suffering not only to private investors but also to the millions who have a stake in the financial well-being of banks, insurance companies, and other institutional holders of such securities.

Even the present prosperity of the railroads will not bring in 1941 the net income which is essential to financial health in view of the accumulated deficiencies of the depression years. The current increase in the volume of traffic is due largely, if not wholly, to the defense expenditures, and there is no assurance that such a volume of traffic will be maintained for any considerable period. Those who propose a wage increase have the burden of proof, and they cannot establish that present conditions are more than temporary and that wage increases should be granted on the assumption that business expansion will long continue. It is to be anticipated that, when the defense emergency is over, traffic volume will decline and the present gains will disappear.

The railroad workers, it is contended, have fared better, and now fare better, than the rank and file of the workers of this country. The average compensation of railway employees is not exceeded in more than a handful of industries for which over-all records are available. As a group, therefore, they are in a relatively favored position. The recent advances in wage rates in a few selected industries engaged in production of defense materials do not afford a fair basis for comparison. Much of the new labor has to be brought from a distance with consequent increased expense to the worker, and the conditions of work and of living are disadvantageous in contrast with the settled employment on the railroads. Many of the recent increases in wages in outside industries are due to factors which raised railroad wages years ago, and are therefore not of significance as evidence of a general trend which should be applied to all wages.

The claims of the employees that they have not been adequately rewarded for their increased productivity, and that the modernized plant and equipment require the use of more skill and effort, are without foundation. The increased productivity is due almost wholly to huge expenditures for the modernization of the plant and to improvement in management. Without the decrease in unit costs of traffic as a result of this modernization, the carriers would have been unable to maintain the scale of wages that has obtained. The recent improvements in tools and all facilities have made the labor of the worker easier rather than harder. The skills required have not been shown to be greater than those in other industries.

Railway employees shared the ill effects of the depression in less degree than employees generally. Regularity of employment is higher on the railroads than in industries generally. Railroads must operate continuously. Many of the outside industries that are now having a mushroom growth will inevitably when the emergency is over either close down or reduce the number of their employees much more than will the railroads.

With respect to the demand for a minimum wage, the carriers claimed that there is no justification for establishing such a rate for common labor in excess of the rate fixed by the Federal Administrator. An increase in the minimum rate will necessarily have the effect of increasing unemployment.

With regard to the cost of living, it is contended that, neither at the time the wage requests were made nor at the present time, has there been any such increase in the cost of living as would support or justify a disturbance in the basic rates of pay agreed to in 1937. In recognition of the possibility of future increases in prices the carriers proposed an arrangement for temporary increases in pay on the basis of an emergency plan of compensation, which would make some upward adjustment in wages to offset increases in the cost of living.

The carriers call attention to the fact that we are in the midst of an inflationary movement. They indicate that one important factor contributing to a spiral of inflation is the increases in wages granted to workers. While wage increases have admittedly been granted in industries other than the railroad industry, such increases add to the inflationary spiral and are consequently undesirable. Unwarranted wage increases should be restricted in order to retard the strong inflationary tendency. A wage increase in the railway industry would add to the inflation movement by providing the workers with additional purchasing power, and by increasing railway costs of operation to an extent which would necessitate rate increases, and hence add to the cost of those who need to use the railway services. It is urged that the Board should recognize this condition and should refuse to add further to the spiral of inflation by denying any increase in basic rates of pay.

On the issue of *vacations with pay* the carriers make the following contentions. This is a time of great national emergency when all efforts should be devoted to the national defense program. The pressure of this program is such as to place great responsibilities upon the railroads of the country to provide essential and efficient transportation service. The vacation plan demanded by the employees would, under normal conditions, involve dislocations and make necessary many adjustments which would have to be overcome over a period of time by the trial and error method. Under present emergency conditions, the inauguration of such a plan would magnify the problems and difficulties inherent in the proposal and cause a loss in productivity which would impair the ability of the railroads to perform their best service in this time of stress. On this ground alone the present demand for vacation with pay should be denied.

Aside from this consideration of national emergency the carriers contend that the vacation plan advanced is so unreasonable, unworkable and burdensome as not to furnish a proper basis for a vacation plan even in normal times. The provisions of the employees' request make the giving of vacations unnecessarily expensive and are such as to unreasonably interfere with the economical and efficient operation of the railroads. Particularly would this be true from the requirement that all existing rules shall apply to the giving of vacations and the filling of the positions of those on vacation, and from the requirement that vacations be given to part time and casual employees.

The carriers concede the general social desirability of granting vacations with pay to such regular employees as work substantially throughout the entire year and who are in a real sense attached to the industry. Such a plan should be devised to provide reasonable and workable arrangements when it is considered. However, in view of the defense emergency the plan should not be considered now.

VII. THE APPRAISAL OF RAILROAD WAGES

Introduction

Are the wages of railway workers inadequate? The employees, seeing the increases,—actual and prospective,—in the cost of living, in wages in other industries, and in the prosperity of the railroads, say that railroad wages are inadequate and demand substantial wage increases. The railroads, believing that the current prosperity is temporary, feeling certain that their competitive situation is destined to grow worse after the war, and that their security holders have taken such a "beating" that their future credit is endangered, insist that railroad wages—except perhaps for the period of emergency—are adequate.

What tests can objective observers apply to determine whether the employees or the carriers are correct? To judge the level of wages in an industry is an exceedingly complex task. One would have to consider justice as between railroad workers and all other groups near and far that contribute to and share in the national income. One would have to appraise railroad wage policy in relation to other wage policies and the effect of all on the ability of the economic system to achieve its social objectives of high production and full employment. And one would have to examine the adequacy of wages—especially among low income groups—in enabling their recipients to realize a standard of health and decency.

Such issues are among the most difficult of any that face society. And it is of first importance that society should find honest rather than merely partisan answers to such questions. In its early history this country depended upon individual bargaining and the adjustments of the market to determine wages. Today, as a matter of public policy, unions are recognized as full partners in industrial affairs, and wages are determined by collective bargaining under public sanctions. In other words, conscious collective control has been or is being substituted for the older individual adjustments of the market. Under today's methods, it is of vastly increased importance that we see the total effects of wage policies and make decisions in the light of those effects.

It should be said to the everlasting credit of railroad men—both unions and carriers—that they have worked out a system of orderly procedure and, in contrast to the temporary and precarious advantages resulting from policies of direct action, have held resolutely to the procedure of orderly democratic process at the cost of delay to themselves. Members of the Board have been inspired by the fairness and tolerant good humor that has characterized leaders on both sides even when engaged in tense intellectual struggles. But good temper and orderly democratic procedure can be permanently sustained only if basic questions in wage policy such as those suggested above can be answered satisfactorily. These are issues to which society must find definite answers if it would strengthen the arms of those devoted to the democratic way of reason and justice and lessen the potency of those who would use confusion of thought as a justification for blind force and partisanship.

The two parties to this proceeding have placed before this Board a wealth of material concerning their industry. But, while such aid has facilitated the Board's efforts to report on this case, the basic issues involved above are beyond the time and scope of a single Board and constitute the responsibility of society as a whole.

For purposes of this case, therefore, the Board has had to ask more limited and practical questions in order to test the adequacy of railroad wages. It has tried to find answers to seven questions:

1. Have the hazards of railroad employment and the effort, skill and responsibility required of railroad workers been increasing?
2. Do railroad workers enjoy comparatively regular or irregular employment?
3. How do wages in railroads compare with wages in other industries and occupations?
4. To what extent do railroad wages buy and promise to buy less goods than they did on account of changes in the cost of living?
5. Would an increase in railway wages heighten the menace of inflation?
6. Do the wages of the lower-income groups of railroad workers meet reasonable standards of health and decency?
7. Is the railroad industry, as a result of increased productivity and increased business, able to pay higher wages?

The Effort, Skill and Responsibility of Railroad Labor

The employees represented by the Five Brotherhoods based their case for a wage increase in considerable degree upon the contention that their wages do not compensate them adequately in view of

1. The high and increasing requirements of skill, responsibility and judgment in their work.
2. The physical hardships of their work.
3. The amount of time not free for their own use that they spend at home or away from home while holding themselves available for railroad service.

The first contention was advanced also by the non-operating employees represented by the Fourteen Cooperating Organizations.

To support the first contention the operating employees introduced a series of witnesses with long records of train, engine and yard service. These witnesses pointed to the high and stiffening requirements by the railroads in regard to formal education and physical condition; the increasingly complex mechanisms which the train crews—especially engineers—must know how to handle and service; the many detailed rules specifying the operation of the train that the members of the train crew must master; the increasing *savoir faire* required of the conductor on the modern passenger train; and, in general, the great skill, responsibility and judgment required of the men in caring for the safety of the persons and goods they transport, as well as for the railroads' property and the property of those along the railroads' way. Witnesses for the non-operating employees also testified to the high mental and physical standards required of these men. Application forms used by the railroads were introduced in evidence. The increasing skill and knowledge of complex tools required of several non-operating services, including section men, were described in detail.

The employees presented numerous exhibits showing the remarkable increase in traffic moved per hour of service. For example, gross ton-miles per service hour of operating employees increased almost three-fourths from 1920 to 1940. It was contended that these increases in productivity imply greater efficiency, skill, and responsibility of the men. Particular stress was placed on the increased quantity of goods handled per man and the greater speed in handling traffic. The carriers also dwelt on the considerable increase in productivity, but attributed this to the huge capital expenditures over the last 20 years on roadway, structures and equipment, and to the ingenuity and resourcefulness of management in devising more efficient methods of operation. They contended that the rise of 104 per cent in gross ton-miles per freight-train hour between 1921 and 1940 was made possible by heavier trains being pulled faster by modern locomotives over a better track, and that the inventors and investors serving the railroad industry had made this more efficient railroad plant possible.

Much was said in the course of the proceedings about the physical hardships of railroad work. Witnesses for the employees supplied vivid descriptions of the work outdoors, frequently in inclement weather, of many of the yard service crew and the maintenance of way men; the physical effort required of the firemen in shoveling great volumes of coal; the dangerous work of the switching crew; the hazards involved in the brakemen's and conductors' work in inspecting the train while en route; and the great nervous and physical strain to which the engineer of the high-speed passenger train is subject. In answer the carriers maintained that improved tools and machines had not only greatly reduced the burden of manual labor—a point partly conceded by the employees—but that in the process the hazards of railroad employment and the discretionary judgment required of the men had also been reduced. They pointed especially to the mechanically improved and more comfortable locomotives, the increasing replacement of hand firing of locomotives by mechanical stoking, the use of mechanical lubricators, automatic air braking, automatic couplers, power reverse gear appliances, and automatic block signal operations. As evidence of reduced hazards of employment, they introduced statistics showing over two decades a truly remarkable decline in the accident rate among employees. In further response to the contention that increased train speed had increased nervous strain, they stated that some portion of the benefits of greater speed had gone to the operating employees who were enabled to earn their daily wage in fewer hours.

One of the complaints stressed by the operating employees is the considerable amount of time that many of the train and engine crews must spend at their "away from home terminal" between runs. The time thus spent, the employees stated, is unremunerated, disrupts their home life, and is a source of expense. In rebuttal the carriers claimed that at least half of the operating men are able to return home each day as do workers in industry generally; that even the train and engine crews are at home most of the time when not actually on duty; that if a man is held away more than 16 hours, time commences against his return trip; that sleeping quarters of a sort are provided rent-free for certain employees in certain areas; and most important of all, that the amount of time spent by the men at the "away from home terminal" has been reduced.

A complaint closely linked to the above is the irregularity of call to which trainmen are subject. The operating employees contended that trainmen in the "pool" service had to keep themselves available for call both day and night. The carriers answered that the "pools" are run on a first-in, first-out basis, and that the positions of the men on the pool list are posted so that there is little uncertainty with respect to the hour of being called. In addition the carriers pointed to rules embodied in union carrier agreements stipulating definite 8 and 10 hour rest periods before being recalled to duty, and to the law prohibiting more than 16 hours of service in any twenty-four hour period.

The carriers also argued that railway employees have advantages that employees in other industries do not enjoy: that the retirement annuity provisions of the Railroad Act are more liberal than those of the Social Security Act; that the unemployment compensation benefits of the Railroad Unemployment Insurance Act in general are larger than those of corresponding state acts, and that the jobs of workers are protected in case of railroad consolidations by the Washington Agreement of 1936 and the Transportation Act of 1940. The carriers also stressed the seniority rules as an important advantage of railroad employment. The pass privilege also was mentioned.

After study of the contentions of the parties, so much is plain to the Board: railroad work requires a wide range of skills, railroad employees are men of very high quality, and the railroads are being operated with splendid efficiency. The truly remarkable gains in operating efficiency, from whatever combinations of causes they may arise, would not have been possible without the high skill and hearty cooperation of railroad workers on the trains and in the shops and offices. Beyond this it is difficult to generalize concerning changes in skill and strain and effort, for what is true in one railroad occupation may not be true in another. But the record does not demonstrate that all railroad employees are skilled workers; or that the skill, effort, and responsibilities of railroad employees, taken as a whole, have increased in the last few years, except as heavier traffic means more responsibility. However interesting ratios of traffic units to man-hours of work may be to statisticians, such ratios offer very little help to the Board in appraising the qualitative nature of the work performed by railroad men, or the quantitative magnitude of their efforts, or the specific contribution of their labor to the output of the industry. The greater speed and mechanization of train operations may have affected the skill required of the train employees and the nervous hazards to which they are subject, but these matters are difficult to measure. Finally, it should be noted that much of the testimony of the employees relates to specific occupations and cannot be regarded as an argument in behalf of a uniform percentage increase in the wages of all employees in the operating group or of a uniform amount of increase per hour for all employees in the non-operating group.

INSTABILITY OF EMPLOYMENT

In support of their contention that wages of non-operating railroad employees are inadequate, the Fourteen Cooperating Organizations stress, even more than the disadvantages discussed in the preceding section, the instability of employment among the men they represent. The volume of railroad employment, they state, has varied widely from month to month within the year as well as between years. Instability of employment is not a major contention of the Five Brotherhoods representing the operating men. In reply to the non-operating employees' contentions the carriers maintain that the majority of railroad men enjoy quite stable employment, that railroad employment is relatively steady when viewed against a broad background of industrial experience, and that instability of railroad employment has decreased since 1937.

The employees laid great stress on their measure of instability within the same year. This measure was made by dividing the number of employees (as shown by the mid-month count of the Interstate Commerce Commission) in the peak month of the year by the number in the trough month. Such percentage differences were computed for each occupation in the non-operating group for every year from 1926 to 1940. These data reveal startling fluctuations in some occupational classes—especially, extra gangmen, bridge and building painters, gang foremen, portable steam equipment operators and helpers, and laborers on coal and ore docks. But many occupations show very slight instability. It does not appear from the measure used by the employees that instability has been increasing.

To appraise the instability to which railroad labor has been subject, it is desirable to isolate, however roughly, the major sources of instability—secular, cyclical, seasonal and casual. Table 1 discloses one outstanding fact—that the trend of employment has been downward in the 71 Interstate Commerce Commission occupational classes for which the non-operating men presented data. In 1940 the volume of employment was just slightly more than half of the figure in 1926, while the number of freight ton-miles was only one-sixth lower.

Table 1—*Number of Employees in 71 Non-Operating Occupational Classes (Interstate Commerce Commission Midmonth Count)*

Year	Number of Employees	Year	Number of Employees
1926	1,345,586	1934	720,606
1927	1,311,453	1935	707,747
1928	1,245,135	1936	758,501
1929	1,247,420	1937	792,547
1930	1,107,462	1938	656,650
1931	928,650	1939	697,190
1932	758,686	1940	723,830
1933*	693,806		

* 1933–40, inclusive, includes three occupational classifications in addition to the 71 occupational classifications represented by the 14 cooperating organizations. These are Division 63, Gang foremen (shops, enginehouses and power plants), Division 75, Chief train dispatchers, and Division 76, Train dispatchers. On the basis of 1940, these three groups embrace 4,387 men.
SOURCE: Employees' Exhibit No. 26, p. 1.

The railroad industry participates with great regularity in the cyclical fluctuations of general business. In spite of the competitive decline of the industry, the freight carried by railroads continues to move closely with the volume of industrial production. The cyclical timing of railroad employment also corresponds to that of industrial production. Table 1 shows a drop in the employment of non-operating men of 44 percent from 1929 to 1933, followed by a rise of 14 percent to 1937, a fall of 17 percent to 1938, and a rise of 10 percent to 1940. These cyclical movements would appear more intense if they were measured from monthly data, and they would appear still more intense if measured from employment figures for individual occupations instead of from aggregates. Similar comments, however, apply to all industries. While the evidence on cyclical fluctuations submitted in this proceeding is not as thorough as this Board should have wished, there is a reasonable presumption that the cyclical fluctuations in railroad employment taken as a whole are of about the same intensity as the cyclical fluctuations in general industrial production. The cyclical amplitude of railroad employment is definitely smaller than that of employment in the durable goods industries—with which the employees preferred to make wage comparisons.

The carriers and the employees agreed that work on the railroads is to a considerable extent seasonal in character. The seasonality is concentrated in a few occupations, chiefly in work on the maintenance of way. Every year a large body of workers are hired for brief periods and then leave the industry. The carriers presented evidence that the amplitude of the seasonal flucutations in railroad employment is not far from the average for manufacturing industries, and that if four maintenance of way classes are excluded the seasonality is well below average.

What bearing do these facts have on the non-operating employees' plea that the instability of their employment justifies an increase in their wages? First of all, it is clear that the declining trend in employment has been a disturbing factor in the lives of railroad men. But the prospects for railroad employment have much improved in the last two years. Whatever else a current increase in wages might do, it cannot benefit the men who have been "liquidated" from the industry. Second, the burden of instability—whether arising from secular, cyclical or seasonal influences—is not borne equally by the entire railroad labor force. The seniority system shifts the burden largely to the newer employees. Hence any addition to wages as a compensation for instability would accrue in the main to the older employees who enjoy rather steady employment. Third, the variations in instability from occupation to occupation suggest that if an addition were made to wages to compensate for instability, the size of the addition would need to vary from occupation to occupation. There is no such proposal before this Board, except insofar as this is implied by the demand of the employees for a higher minimum wage.

The Board believes that the employees have rendered a public service in stressing the instability from which their industry suffers. The lot of the casual worker is especially unhappy. A measure of increased protection is now afforded the employees under the Railroad Unemployment Insurance Act, but the carriers cannot discharge their full responsibility to society or to their employees merely by making payments to the insurance fund. It is especially to be hoped that the carriers in cooperation with their employees will investigate ways and means of reducing the volume of casual employment.

Wages in the Railroad Industry Compared With Wages in Other Industries

The Fourteen Cooperating Organizations contend that the level of railroad wages is low and their trend moderate in comparison with other industries. To support this claim the employees' witnesses presented many statistical exhibits. The Five Brotherhoods, on the other hand, emphasize the uniqueness of the services performed by the operating crews and the difficulty of comparing their wages with wages in other employments. But they too insist that wages have gone up in other industries, and that railroad men are entitled to share in the general wage movement. The carriers' reply to these contentions is that railroad employees enjoy a preferred position in the national wage structure, that the recent wage movement has centered around defense industries, that employment in these industries is inherently unstable, and that railroad labor is therefore unjustified in demanding wage increases.

Appraisal of these contentions by the parties is a task of considerable difficulty. No two industries are alike in the skills required, or in the effort, responsibility and hazards of the job. The irregularity of hours on the job, working rules, methods of wage payment, and so on, vary from industry to industry. So too does instability of employment, whether associated with the seasons or the business cycle. The length of the standard work week is not uniform; consequently, overtime pay at punitive rates begins after fewer hours of service in some industries than in others. It is especially important to observe that the standard work week is forty hours in the industries covered by the Fair Labor Standards Act, but forty-eight hours in many railroad occupations. These and the many other things that go to make up the "net advantages" of work in different industries are a grave obstacle to meaningful wage comparisons. This Board is unable to point to any industries that are closely comparable to the railroad industry in respect of the range, type and distribution of skills.[1]

The comparison of railroad wages with wages in other industries can have only one purpose, and that is to determine whether railroad labor is getting a fair wage in view of the prevailing conditions in the labor market. The best data for this purpose are wages of similar occupations. Such data must be used with discriminating care: in comparing wages of *all* employees in any occupation of the railroad industry with wages of employees in the same occupation outside of the railroad industry, it is critically important to determine whether the latter represent adequately different sections of the country, firms small and large, and localities of different size. Regrettably, the statistics presented to the Board leave much to be desired in these respects.

The Fourteen Cooperating Organizations (in Employees' Exhibit No. 31) compare the average hourly earnings of different occupations—carpenters, ironworkers, painters, masons, bricklayers, plasterers, plumbers, blacksmiths, boilermakers, electricians, machinists, moulders, sheet metal workers, stationary engineers, skilled helpers, and laborers—in the railroad industry, the Navy Yards, the T. V. A., the building trades, and the shipbuilding, automobile, and steel industries. The data as they stand indicate that hourly earnings are substantially lower in the railroad industry than in any of the others in each occupation. Of course, there is no assurance that occupations passing under the same name are the same in fact. But apart from this difficulty, the figures with which railroad wages are compared cannot be regarded as representative of conditions in the country as a whole. They include, in the main, rates paid in the larger cities—where wages ordinarily are above the average for the country. The data for the building trades are restricted to union rates in cities of 40,000 and over.[2] The data for the shipbuilding industry, the Navy Yards, and the automobile and iron and steel industries demonstrate merely what certain crucial defense industries must pay to expand their labor force. These rates cannot be regarded as representative of the

[1] The Board does not accept the list of industries selected by the Emergency Board of 1938 as being comparable to railroad shop crafts—a large group of railroad occupations.
[2] See *Monthly Labor Review*, Nov. 1940, p. 1239.

wages paid by non-defense industries, or of the wages paid by the small employer, or of the wages paid in small cities.

In Employees' Exhibit No. 32 the average hourly earnings of baggage room attendants, truckers, and laborers on coal and ore docks and in stations and warehouses of the railroads are compared with the average hourly earnings of post office clerks, post office laborers and longshoremen. Once again the wages of railroad labor appear at a disadvantage. But here both the comparability of the occupations and the representativeness of the data are open to serious question.

Employees' Exhibit No. 48 presents a number of tabulations on minimum wage rates. One table gives minimum wage rates in certain establishments having contracts with the United Automobile Workers union. These data refer almost wholly to aircraft, automotive and accessory establishments located in or around Detroit, Michigan. Another table gives union minimum wage scale of laborers in the building and construction trades in 1940. These data, of course, omit comparisons involving unorganized labor. It is also doubtful whether they represent adequately different parts of the country.

Still another table in Employees' Exhibit No. 48 lists a sample of minimum wage rate determinations by the Secretary of Labor under the Bacon-Davis Act. These data refer to minimum wage rates for work performed by contractors on public construction projects. According to a witness for the employees, their sample indicated that only about 35% of the rate determinations called for minimum hourly rates of less than 50c, approximately 46% called for 60c or more, and about 21% for 70c or more. But the carriers countered with a sample (Exhibits 130-131) indicating that about two-thirds of the determinations called for 40c per hour or less, and almost three-fourths for 50c or less. In view of the great discrepancy between the two tabulations, the Board is forced to treat this part of the evidence as inconclusive.

The data in Table 2 throw a more definite light on comparisons between wages of unskilled labor in the railroad and other industries. The table shows average daily earnings of railroad section men, farm help, common labor on Federal highway construction projects, and unskilled employees in 26 major manufacturing industries covered by the National Industrial Conference Board. The least skilled labor on maintenance of way is well represented by railroad section men. Their wages are, of course, much above the wages of farm labor. Section men have received about the same pay as common labor on Federal highway projects, although the latter group currently is improving its position. The manufacturing sample suffers from the fact that it overweights durable goods industries, large firms, and large cities. But whatever judgment is made concerning the size of the upward bias in the manufacturing series, it is notable that the disparity between the wages of unskilled labor in the railroad and manufacturing in-

TABLE 2

Daily Wages of Railroad Section Men and Selected Unskilled Labor

Date	Daily Wages			
	Railroad Section Men[1]	Farm Labor (Without Board)[2]	Unskilled Laborers[3]	Highway Construction Men[4]
1923	$2.82	$2.18	$3.54	$3.04
1924	2.85	2.29	3.66	3.12
1925	2.85	2.27	3.64	3.04
1926	2.86	2.30	3.69	3.04
1927	2.86	2.28	3.77	3.12
1928	2.86	2.26	3.79	3.20
1929	2.88	2.25	3.89	3.12
1930	2.90	2.12	3.82	3.12
1931	2.90	1.68	3.68	2.88
1932	2.62	1.25	3.20	2.72
1933	2.58	1.09	3.21	2.96
1934	2.63	1.25	3.83	3.36
1935	2.85	1.32	3.96	3.28
1936	2.90	1.40	4.03	3.04
1937	3.04	1.58	4.56	3.28
1938	3.26	1.58	4.69	3.12
1939	3.28	1.56	4.75	3.20
1940	3.33	1.58	4.84	3.60
March, 1941	3.43	1.70[5]	5.11	3.44
June, 1941	3.41	1.98[6]	5.48	3.92

[1] From Interstate Commerce Commission statements M-300. Daily wage equals hourly earnings multiplied by eight. 1923-40 from Employees Exhibit No. 49, 1941 figures from I.C.C. M-300 statements.
[2] Based on daily figures from "Crops and Markets" July 1941, Jan. 1941, April 1940, and Jan. 1939.
[3] National Industrial Conference Board figures for 26 industries (Employees' Exhibit No. 49, p. 1). Daily wage equals hourly earnings multiplied by eight. 1941 figures are averages for 25 industries.
[4] 1923-1939 from *Survey of Current Business—1940 Supplement*, p. 45. 1940 from *Survey of Current Business*, February 1941. 1941 figures from *Survey of Current Business*, Oct. 1941. Daily wage equals hourly earnings multiplied by eight.
[5] Apr. 1, 1941.
[6] July 1, 1941.

dustries is currently increasing at a rather rapid pace to the disadvantage of railway labor.

The preceding analysis of occupational data is suggestive on a few points but does not lead to firm results. The data are scanty, restricted in scope, and for the most part of dubious comparability. These defects in the statistics on occupations forced the Board to fall back on comparisons of a more general nature. So too did the fact that there are no occupations outside the railroad industry comparable to the work of the train and engine employees. The Board has, therefore, investigated the place of railroad wages in the general wage structure of the country. If it appears that society has provided less well for railroad workers than for workers generally, or that the position of railroad labor has been deteriorating relatively to that of wage-earners as a whole, then there is at least a presumption that railroad wages are inadequate.

Relative income status may be measured in several ways. The comparative device may be the dollar return per hour of service, the return in dollars for full-time service over a period such as a year, or the amount actually earned per worker over a period of time. The employees contended that the appropriate comparative device was the return per hour—i. e., average hourly earnings. They argued that what ought to be compared is the return per hour of service, and pointed to differences between industries in standard work weeks and actual number of hours per year per worker as invalidating the use

TABLE 3

Average Salary-Wage of Employees (Full-Time Equivalent), By Industrial Divisions, 1929-40

Industrial Divison	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940
Class I railroads*	$1,744	$1,714	$1,664	$1,466	$1,445	$1,508	$1,653	$1,735	$1,781	$1,859	$1,887	$1,913
Agriculture, total 1	828	782	632	471	434	481	517	548	606	583	588	582
Mining, total	1,492	1,397	1,186	902	976	1,083	1,124	1,190	1,269	1,230	1,321	1,326
Manufacturing, total	1,542	1,497	1,373	1,139	1,065	1,144	1,208	1,268	1,358	1,289	1,347	1,423
Contract construction, total	1,904	1,808	1,655	1,450	1,116	1,126	1,149	1,269	1,419	1,368	1,423	1,473
Transportation, total	1,668	1,635	1,568	1,370	1,309	1,371	1,476	1,549	1,613	1,613	1,652	1,671
Power and gas, total	1,604	1,569	1,525	1,429	1,368	1,449	1,547	1,592	1,606	1,753	1,766	1,782
Communication, total	1,357	1,403	1,428	1,328	1,225	1,305	1,367	1,415	1,485	1,544	1,563	1,590
Trade, total	1,588	1,565	1,494	1,315	1,190	1,246	1,308	1,325	1,378	1,390	1,400	1,411
Finance, total 2	1,818	1,816	1,755	1,656	1,595	1,638	1,638	1,704	1,759	1,717	1,726	1,748
Government, total 3	1,517	1,508	1,495	1,466	1,344	1,347	1,399	1,435	1,455	1,507	1,511	1,490
Service, total 4	1,103	1,066	993	881	810	830	858	894	942	943	959	976
All Industrial Divisions	1,472	1,432	1,340	1,179	1,089	1,138	1,180	1,237	1,304	1,284	1,318	1,351

* Total Compensation divided by midmonth count of employees. 1929 to 1939 from Interstate Commerce Commission, *Statistics of Railways in the United States*. 1940 from I.C.C. M-300 Statement, Year 1940.

1. Does not include unpaid family labor. 2. Does not include certain miscellaneous financial institutions. 3. Does not include work relief employees. 4. Includes religious, private educational, curative, legal, accounting, and engineering (consulting) activities; hotels, restaurants, laundries, cleaning and dyeing establishments, apartment houses and office buildings, barber and beauty shops, etc.; motion picture production and exhibition, radio broadcasting, and other activities primarily providing entertainment; advertising agencies, trade associations, chambers of commerce, and other enterprises serving business establishments; domestic service and various industries providing services on automobiles, radios, elevators, watches, and other commodities.

NOTE: Based upon average number of persons working in the different reported pay periods of the year.

SOURCE: U. S. Department of Commerce, "Survey of Current Business," June 1941, p. 18, except for Class I railroads.

of earnings per week, month, or year. The carriers countered that a worker's livelihood depends on his income over a period of time, and that the latter depends not only on the hourly earnings but also on the number of hours of employment opportunity per year per worker. Both parties are right. A greater number of hours per year represents both a greater amount of service by the employee and a greater opportunity to earn income. To judge the wages of the employees in any industry it is necessary to examine hourly and annual earnings.

In Table 3 "full-time" average annual earnings of employees of steam railroads are compared with corresponding earnings of employees in all industrial divisions, and of employees in each of the separate major industrial divisions, over the period 1929 to 1940. Throughout the period, average full-time annual earnings of railway employees have exceeded the corresponding average for all industries by an amount never less than $275. In 1940 the excess was over $550. In the depression following 1929, moreover, the drop in full-time earnings was less for railroad employees than it was in industry generally. At all times during the period the earnings of railroad employees topped the list or were near the top of the list of major industries. But the figures for full-time earnings of railroad and manufacturing industries for recent months indicate that the advantageous position railroad labor has enjoyed is rapidly being lost. (See Table 4.) Earnings in manufacturing industries are increasing at a very rapid rate, while railroad full-time earnings are barely increasing.[1]

TABLE 4

Monthly Full Time Earnings: Employees of Class I Railroads and Manufacturing Industries, January 1940—June 1941

Date	Monthly Full Time Earnings		Ratio of Railroad Earnings to All Manufacturing
	Railroad Employees[1]	Employees in all Mfg. Industries[2]	
January, 1940	$165	$115	1.43
February	154	114	1.35
March	160	116	1.38
April	158	115	1.37
May	159	115	1.38
June	154	117	1.32
July	159	115	1.38
August	162	119	1.36
September	155	121	1.28
October	165	125	1.32
November	159	123	1.29
December	163	127	1.28
January, 1941	167	126	1.33
February	154	130	1.18
March	168	132	1.27
April	161	133	1.21
May	165	140	1.18
June	163	144	1.13

[1] For all employees. Based upon the mid-month count of employees and total compensation shown in the I.C.C. monthly statements M-300.
[2] Computed from figures published by the Bureau of the Census and by the Bureau of Labor Statistic, on Employment and Payrolls.

[1] These figures on full-time earnings should not be interpreted, except in a rough way, as representing either the trend or the level of actual annual earnings per employee, for the length of the standard work week, and the distribution of work between full-time, part-time and casual workers varies from industry to industry.

The Board has also made an analysis of hourly earnings. Table 5 compares the average earnings per hour worked or held for duty of all Class I railroad employees (excluding executives, officials and staff

TABLE 5

Comparison of Average Hourly Earnings of Railroad Employees and Employees in All Manufacturing Industries

Date	Average Hourly Earnings (cents)					Percentage Ratio of N.I.C.B. Series to U.S. B.L.S. Series
	Class I Railroads[1]	All Manufacturing Industries				
		N.I.C.B.[2]	U. S. Bureau of Labor Statistics[3]			
			All Mfg.	Durable Goods	Non-Durable Goods	
1922	61.3	49.4[4]	*	*	*	----------
1923	61.1	54.1	52.0	*	*	104.0
1924	62.5	56.2	54.5	*	*	103.1
1925	63.4	56.1	54.4	*	*	103.1
1926	63.8	56.8	54.8	*	*	103.6
1927	65.1	57.6	55.2	*	*	104.3
1928	66.2	57.9	56.0	*	*	103.4
1929	67.5	59.0	56.6	*	*	104.2
1930	69.0	58.9	55.2	*	*	106.7
1931	70.0	56.4	51.7	*	*	109.1
1932	64.6	49.8	45.8	50.8	42.7	108.7
1933	64.0	49.1	45.5	48.5	43.7	107.9
1934	64.8	58.0	54.1	56.7	52.3	107.2
1935	70.2	59.9	55.9	58.7	53.8	107.2
1936	70.8	61.9	56.4	59.7	53.7	109.8
1937	72.7	69.5	63.4	68.6	58.5	109.6
1938	77.0	71.6	63.9	69.8	59.3	112.1
1939	77.1	72.0	64.4	71.0	59.1	111.8
1940	77.4	73.9	67.0	73.3	61.2	110.3

* Data not available.

TABLE 5 (Continued)

Date	Average Hourly Earnings (cents)					Percentage Ratio of N.I.C.B. Series to U.S. B.L.S. Series
	Class I Railroads[1]	All Manufacturing Industries				
		N.I.C.B.[2]	U. S. Bureau of Labor Statistics[3]			
			All Mfg.	Durable Goods	Non-Durable Goods	
1940						
January	78.1	72.7	66.3	72.7	60.7	109.7
February	79.2	72.8	66.3	72.6	60.8	109.8
March	77.6	73.1	66.5	72.8	61.0	109.9
April	77.0	73.4	66.5	72.9	60.9	110.4
May	76.4	73.7	66.9	73.0	61.5	110.2
June	77.0	74.0	67.2	73.2	61.7	110.1
July	76.4	74.0	66.7	72.7	61.5	110.9
August	76.1	74.1	66.8	73.1	61.3	110.9
September	77.8	74.2	67.1	73.7	61.1	110.6
October	76.3	74.4	67.3	73.9	60.9	110.5
November	78.2	74.7	67.8	74.4	61.3	110.2
December	78.9	75.4	68.3	74.9	61.7	110.4
1941						
January	78.2	75.9	68.9	75.8	62.0	110.2
February	80.0	76.4	69.2	76.2	62.1	110.4
March	78.3	76.9	69.7	76.8	62.4	110.3
April	77.1	78.4	70.8	78.5	62.9	110.7
May	76.9	79.9	72.6	80.6	64.1	110.1
June	77.2	81.8	73.8	82.2	65.0	110.8

[1] For all employees excluding executives, officials, and staff assistants. Average hourly earnings equals "total compensation" divided by the excess of "total time paid for" over "time paid for but not worked." This measure of hourly earnings corresponds to that used in the other series shown. 1922-1939 computed from *Statistics of Railways in the United States* (Interstate Commerce Commission). 1940 from I.C.C. M-300 statement, "Wage Statistics—Class I Steam Railways in the United States, Year 1940." Monthly figures from monthly M-300 statements.

[2] National Industrial Conference Board series 1922-1939 from *Survey of Current Business, Supplement, 1940*. Other figures from current issues of the *Survey of Current Business.*

[3] 1923-1931 from *Monthly Labor Review*, September, 1940, p. 524. 1932-1939 from U. S. Bureau of Labor Statistics Releases, "Hours and Earnings in Manufacturing and Non-Manufacturing Industries' 1932-1939" (October 1940). Other figures from current issues of "Employment and Payrolls' (U. S. Bureau of Labor Statistics.)

[4] Average of six months.

assistants) with average hourly earnings of employees in all manufacturing industries. It appears that until very recently employees of Class I railways have received more per hour than the average for employees in all manufacturing industries, the differential being smaller for the durable goods than for the non-durable goods industries. Furthermore, wages per hour of railroad labor fell less in the depression following 1929 than did hourly earnings in manufacturing industries. It is important to note, however, that since 1933 and especially during the last year the differential favoring railroad wage-earners has narrowed very rapidly, and currently may actually have been reversed.[1]

In Table 6 the Bureau of Labor Statistics series for all manufacturing industries is broken down into its major classes, and average hourly earnings of the latter compared to hourly earnings of railroad employees. The findings in the general comparison of Table 5 are repeated: railroad labor occupied a relatively high position in 1933-36, but one which has deteriorated rapidly, especially in recent months. Many of the differentials observed in 1933-36 have been reversed. The durable goods industries for the most part currently lie above the railroad industry, the non-durable goods industries generally below. Moreover, it is in the durable goods industries that the most rapid rises have taken place recently, although the increases in most of the non-durable goods industries have also been substantial. The durable goods group consists in large part of defense industries, several of which have recently been organized for collective bargaining.

In Table 7 average hourly earnings of railroad employees are compared with those for major non-manufacturing industries. These data come from the U. S. Bureau of Labor Statistics. Here again we find much the same picture—railroad hourly earnings occupying a relatively high position in 1933-36, and a somewhat lower position currently. The mineral industries, public utilities, and building construction generally lie above the railroad industry; trade and service industries lie below—but the differential is narrowing.

It is desirable to compare the wage movements in "defense" and "non-defense" industries in greater detail. Table 8 shows that, in general, defense industries are paying higher hourly wages than non-defense industries. But the same was true of these industries in 1937 before defense activities were important, although the differential was not so clearly defined. Moreover, even in June 1941 two non-defense industries, newspapers and periodicals and anthracite mining, had higher hourly earnings than any of the selected major defense industries. The increase in hourly earnings since 1937, and

[1] The U. S. Bureau of Labor Statistics series is more reliable than that of the National Industrial Conference Board. The sample of workers on which the latter series is based is smaller, its representativeness is inferior, and for most of the period it overweights the average hourly earnings of the more highly remunerated (per hour) workers in the durable goods industries. *There is reason to believe that both series have an upward bias because of under-representation* of small firms and localities of small population. But this difficulty is less serious in the B.L.S. series, and is apparently diminishing. As the B.L.S. sample has increased in size over the period—the increase in size presumably arising from a greater coverage of small firms and small cities—the gap between the B.L.S. and the N.I.C.B. series has widened. (See Table 5).

TABLE 6

Average Hourly Earnings of Railroad Employees and Employees of Major Manufacturing Industries

(Cents per hour)

Date	Class I Rail-roads[1]	Iron & Steel and their prod. not including machinery[2]	Ma-chinery, not incl. transport. equip't[2]	Transp. equip't[2]	Non Fer-rous metals and their products[2]	Lumber and Allied Products[2]	Stone, Clay and Glass prod.[2]	Textiles and their Prod.[2]	Leather and its Manu-facture[2]	Food and Kindred Products[2]	Tobacco Manu-factures[2]	Paper and Printing[2]	Chemicals other than Petroleum Refining[2]	Petroleum refining[2]	Rubber Products[2]
1933	64.0	50.3	54.1	*	*	*	*	*	*	*	*	*	*	65.5	*
1934	64.8	59.1	59.0	69.6	*	*	52.9	*	*	50.9	*	66.5	52.0	75.0	64.3
1935	70.2	61.2	61.0	73.3	55.5	41.3	54.8	48.3	52.2	52.0	39.9	68.8	53.9	80.1	68.3
1936	70.8	62.0	61.3	75.9	57.0	42.4	55.5	46.8	51.1	53.0	41.0	69.9	55.7	82.7	69.8
1937	72.7	73.7	69.6	86.3	65.4	47.0	61.5	50.5	53.5	58.7	44.5	74.1	63.2	94.5	76.8
1938	77.0	75.3	72.5	89.2	67.1	48.4	63.9	49.2	52.1	61.0	46.3	76.8	65.4	97.8	76.5
1939	77.1	75.9	72.5	89.4	67.7	50.1	65.0	48.4	52.8	61.8	47.6	77.3	66.1	97.4	76.7
1940	77.4	77.3	74.4	89.9	70.7	52.1	66.7	50.4	54.9	63.2	49.3	79.1	69.0	97.4	77.9
Jan. 1940	78.1	76.6	73.5	89.4	70.1	51.2	66.4	49.9	53.4	64.1	49.6	78.3	68.0	97.4	77.6
Feb.	79.2	76.4	73.7	89.6	69.6	51.3	66.2	50.5	53.7	63.9	49.1	78.3	68.1	97.5	77.8
Mar.	77.6	76.3	73.9	90.0	69.7	51.5	66.4	50.5	54.1	64.1	49.0	78.9	67.0	97.1	77.9
Apr.	77.0	76.4	73.9	90.2	70.0	51.8	66.4	49.5	54.3	64.3	49.3	79.3	69.5	97.4	77.9
May	76.4	76.7	74.1	90.2	70.1	52.1	66.4	49.6	55.5	64.7	49.7	79.4	68.6	97.5	77.8
June	77.0	77.4	74.3	90.5	70.2	52.3	66.4	49.6	55.3	64.1	50.5	79.7	70.2	98.3	78.0
July	76.4	77.7	74.4	89.1	70.1	51.9	66.5	50.2	55.3	62.5	50.2	79.1	70.9	98.6	78.5
Aug.	76.1	77.7	74.5	89.7	70.3	52.6	66.8	51.2	55.4	61.5	49.2	78.9	70.7	97.7	77.9
Sept.	77.8	77.9	74.6	90.0	71.0	52.5	67.2	51.4	55.8	60.3	48.7	79.2	70.0	97.5	78.0
Oct.	76.3	77.8	74.9	89.8	71.2	52.4	67.1	50.9	55.7	61.0	48.4	79.2	68.7	96.3	77.4
Nov.	78.2	78.1	75.2	90.2	72.7	52.6	67.1	50.4	55.5	63.2	48.6	79.3	69.6	96.6	78.1
Dec.	78.9	78.0	76.1	90.0	73.8	52.8	68.0	50.7	55.2	64.1	49.0	79.9	70.1	96.8	78.4
Jan. 1941	78.2	78.6	76.8	91.1	74.0	52.9	68.2	51.2	55.5	64.9	49.8	80.2	70.6	97.0	78.8
Feb.	80.0	79.1	77.2	91.8	74.0	53.4	68.5	51.4	56.4	65.1	49.5	80.3	70.7	97.0	79.2
Mar.	78.3	79.5	77.8	92.0	74.8	54.1	68.9	51.7	57.2	65.5	49.7	80.7	70.5	96.7	79.9
Apr.	77.1	84.1	78.9	92.3	74.9	54.7	69.5	52.4	57.9	65.5	50.6	80.5	70.7	99.5	80.4
May	76.9	85.8	81.8	94.5	77.0	55.6	71.0	53.0	59.0	67.0	50.9	81.1	74.4	100.8	81.6
June	77.2	86.3	83.2	97.6	79.4	57.0	71.7	53.4	59.9	67.2	51.7	82.6	76.1	102.0	83.6

[1] *For all employees, excluding executives, officials, and staff assistants.* Average hourly earnings equals "Total Compensation" divided by the excess of "Total Time Paid For" over "Time Paid for But Not Worked." This measure of hourly earnings corresponds to that used in the other series shown. 1933-1939 computed from annual *Statistics of Railways in the United States* (Interstate Commerce Commission) 1940, from I. C.C. M-300 statement, "Wage Statistics—Class I Railways in the United States," year 1940; monthly figures from monthly M-300 statements.

[2] 1933-*August, 1940 from U. S. Bureau of Labor Statistics release,* "Hours and Earnings in Manufacturing and Non-manufacturing Industries, 1932 to 1939," (October 1940) May 1941 and June 1941 from U. S. Bureau of Labor Statistics release, "Hours and Earnings, July 1941" (September 19, 1941). Other figures from current issues of "Employment and Payrolls." (U. S. Bureau of Labor Statistics).

* Data not available.

TABLE 7

Average Hourly Earnings of Railroad Employees and Employees of Major Non-Manufacturing Industries

(Cents per hour)

Date	Class I Rail-roads[1]	Coal Mining: Anthra-cite[2]	Coal Mining: Bitumi-nous[2]	Metalli-ferous Mining[2]	Quarrying and Non-metallic Mining[2]	Crude Petroleum Produc-tion[2]	Public Utilities: Tele-phone and Tele-graph[2]	Public Utilities: Electric Light & Power[2-3]	Public Utilities: Street Railways and Buses[2-3]	Whole-sale Trade[2-3]	Retail Trade[2-3]	Hotels (Year Round)[2-3-4]	Laundries[2]	Dyeing and Cleaning[2]	Private Building Construc-tion[2]
1933	64.0	81.8	50.1	49.5	41.0	*	*	69.3	57.7	*	*	*	*	*	*
1934	64.8	82.6	67.3	55.9	47.4	*	*	77.5	60.0	*	52.8	27.3	37.7	44.3	79.5
1935	70.2	82.3	74.5	59.3	47.5	78.5	*	79.0	61.6	64.8	52.1	27.9	36.6	43.7	81.5
1936	70.8	83.3	79.4	60.5	47.5	76.8	*	80.3	63.8	66.7	52.2	28.7	37.4	44.2	82.4
1937	72.7	87.3	85 6	70.0	53.3	82.7	*	85.3	67.6	69.8	55.1	30.8	39.1	47.0	90.3
1938	77.0	92.2	87.8	67.8	54.3	84.4	79.7	85.8	70.7	70.0	54.3	31.5	41.1	48.3	90.8
1939	77.1	92.3	88.6	70.5	55.0	87.3	80.0	86.9	71.4	71.5	54.8	32.4	41.7	49.0	93.2
1940	77.4	92.9	88.3	73.3	56.7	88.1	80.6	88.4	72.2	73.9	54.0	33.2	42.2	48.9	95.8
Jan. 1940	78.1	91.9	87.6	73.7	55.6	87.8	80.8	88.0	72.0	72.4	54.3	33.1	41.5	49.5	97.0
Feb.	79.2	91.9	87.8	73.9	56.2	88.3	80.8	87.4	71.9	72.6	54.3	33.2	41.3	48.5	96.2
Mar.	77.6	93.6	88.4	73.0	56.0	88.4	81.1	87.6	71.8	73.1	54.0	32.9	41.7	48.8	97.0
Apr.	77.0	92.7	88.0	72.8	55.6	87.9	80.9	87.8	71.7	73.7	54.6	33.0	42.0	49.4	95.8
May	76.4	93.2	88.2	72.2	56.1	87.3	80.4	87.4	71.6	74.1	54.5	33.1	42.1	48.9	95.5
June	77.0	94.1	88.7	72.5	56.7	88.3	80.3	89.0	72.3	73.7	54.8	33.3	42.2	49.1	94.8
July	76.4	93.6	88.0	72.4	56.9	87.4	80.4	88.7	72.4	74.0	54.9	32.9	42.1	48.6	94.7
Aug.	76.1	93.6	88.7	73.1	56.7	87.6	79.8	88.5	72.2	73.6	54.1	33.0	42.2	48.1	95.6
Sept.	77.8	93.6	88.3	73.2	56.7	89.5	80.1	89.2	72.6	74.8	53.3	33.6	42.7	49.2	94.7
Oct.	76.3	92.5	88.6	73.6	57.0	87.5	80.8	88.0	72.5	73.9	53.2	33.3	42.8	49.0	95.7
Nov.	78.2	92.6	88.9	74.3	58.5	88.1	80.7	89.3	72.6	74.7	53.7	33.6	43 1	49.4	96.5
Dec.	78.9	91.9	88.7	74.6	58.7	89.4	81.1	90.4	73.0	75.6	52.2	33.9	42.6	48.6	96.7
Jan. 1941	78.2	92.5	88.5	74.8	57.6	88.3	80.4	90.3	73.1	75.6	54.5	33.8	42.9	48.8	98.6
Feb.	80.0	92.6	88.4	75.6	58.2	90.4	80.5	90.8	73.4	76.6	54.9	34.1	42.7	49.0	99.7
Mar.	78.3	92.7	88.3	75.4	58.9	89.3	80.6	91.4	73.2	77.2	54.8	33.7	42.6	49.4	100.0
Apr.	77.1	92.3	84.1	78.5	60.0	90.0	79.6	90.6	73.1	77.5	55.0	34.0	43.4	51.1	98.9
May	76.9	94.5	100.5	79.9	61.7	91.1	79.7	90.7	73.0	78.1	56.4	34.1	43.7	50.2	99.3
June	77.2	100.2	102.3	80.2	63.5	93.4	80.2	92.9	74.5	78.4	57.2	34.2	43.9	50.6	99.7

[1] For all employees excluding Executives, Officials, and Staff Assistants. Average hourly earnings equals "Total Compensation" divided by total hours actually worked or held for work. This measure corresponds to that used in the other series shown. 1933-1939 Computed from *Statistics of Railways in the United States* (Interstate Commerce Commission); 1940, from I. C. C. M-300 Statement, "Wage Statistics—Class I Steam Railways in the United States" Year 1940; monthly figures from monthly M-300 Statements.

[2] 1933-August 1940 from United States Bureau of Labor Statistics release, "Hours and Earnings in Manufacturing and Non-manufacturing Industries, 1932-1939" (October 1940); May 1941 and June 1941 from United States Bureau of Labor Statistics release, "Hours and Earnings, July 1941" (September 19, 1941); other figures from current issues of "Employment and Payrolls" (U. S. Bureau of Labor Statistics).

[3] Data for 1938 and subsequent years are not strictly comparable to prior data, as the latter data include data for executives and employees whose duties are mainly supervisory.

[4] Cash payments only.

* Data not available.

TABLE 8

Average Hourly Earnings in Selected Defense and Non-Defense Industries[1]

Industry	Average Hourly Earnings (Cents)						Indexes of Average Hourly Earnings, (1937=100)				
	1937	1938	1939	1940	Jan. 1941	June 1941	1938	1939	1940	Jan. 1941	June 1941
Defense Industry											
Blast furnaces, steel works, and rolling mills	81.8	83.5	84.3	84.8	86.1	96.4	102.1	103.1	103.7	105.3	117.8
Electrical machinery, apparatus, and supplies	71.1	74.1	74.0	75.7	77.3	84.5	104.2	104.1	106.5	108.7	118.8
Foundry and machine-shop products	68.0	71.1	71.6	73.4	75.7	81.9	104.6	105.3	107.9	111.3	120.4
Aluminum manufactures	64.3	67.9	68.0	71.6	75.3	83.1	105.6	105.8	111.4	117.1	129.2
Shipbuilding	81.4	83.7	83.5	87.0	89.4	95.1	102.8	102.6	106.9	109.8	116.8
Machine tools	71.6	73.3	75.2	76.8	79.7	83.1	102.4	105.0	107.3	111.3	116.1
Aircraft	66.6	72.8	74.5	74.3	77.6	79.7	109.3	111.9	111.6	116.5	119.7
Explosives	78.3	80.9	81.2	84.7	89.0	88.6	103.3	103.7	108.2	113.7	113.2
Brass, bronze, and copper products	69.7	71.9	72.3	76.9	80.7	86.2	103.2	103.7	110.3	115.8	123.7
Smelting and refining—copper, lead, and zinc	67.6	68.5	69.9	72.0	75.5	79.8	101.3	103.4	106.5	111.7	118.0
Non-Defense Industry											
Food products	58.7	61.0	61.8	63.0	64.9	67.2	103.9	105.3	107.3	110.6	114.5
Boots and shoes	51.5	49.7	50.3	52.6	53.0	57.3	96.5	97.7	102.1	102.9	111.3
Tobacco manufactures	44.5	46.3	47.6	49.3	49.8	51.7	104.0	107.0	110.8	111.9	116.2
Women's clothing	56.8	53.8	51.9	53.8	55.3	54.3	94.7	91.4	94.7	97.4	95.6
Newspapers and periodicals	96.2	98.7	100.4	103.3	104.8	106.9	102.6	104.4	107.4	108.9	111.1
Anthracite mining	87.3	92.2	93.3	92.4	92.5	100.2	105.6	106.9	105.8	106.0	114.8
Book and job printing and publishing	77.3	79.8	80.4	81.1	81.3	82.6	103.2	104.0	104.9	105.2	106.9
Wholesale trade[2]	69.8	70.0	71.5	73.9	75.6	78.4	-------	-------	-------	-------	-------
Retail trade[2]	55.1	54.3	54.8	54.0	54.5	57.2	-------	-------	-------	-------	-------
Furniture (manufacture)	50.7	52.9	53.0	54.7	55.2	59.7	104.3	104.5	107.9	108.9	117.8

[1] 1937-39 from U. S. Bureau of Labor Statistics Release, "Hours and Earnings in Manufacturing and Non-manufacturing Industries, 1932 to 1939" (October, 1940); May and June 1941 from U. S. B.L.S. Release, "Hours and Earnings, July, 1941" (September 19, 1941). Other figures from current issues of "Employment and Payrolls" (U. S. B.L.S.)

[2] 1937 not strictly comparable with later figures.

TABLE 9

Changes in Average Hourly Earnings, Average Hours Worked per Week, and Employment in Defense and Non-Defense Industries, June 1940 to June 1941
(Cents per hour)

Industry	Defense or Non-Defense	Average Hourly Earnings[1]			Average Hours Worked per Week[1]			Employment % Change June, 1940-June, 1941[1]	Rank		
		June, 1940	June, 1941	% Change	June, 1940	June, 1941	% Change		Changes in Hourly Earnings	Changes in Hours per Week	Changes in Employment
Aluminum Manufactures	D	71.0	83.1	17.0	39.7	42.2	6.3	29.4	1	12	7
Brass, Bronze, and Copper Products	D	75.5	86.2	14.2	39.8	44.7	12.3	49.3	2	5	4
Blast Furnaces, Steel Works, and Rolling Mills	D	84.9	96.4	13.5	37.1	41.0	10.5	26.0	3	8	8
Foundry and Machine Shop Products	D	72.8	81.9	12.5	40.4	46.0	13.9	44.2	4	4	6
Smelting and Refining, Copper, Lead, and Zinc	D	71.3	79.8	11.9	38.7	40.5	4.7	16.7	5	16	10
Electrical Machinery, Apparatus, and Supplies	D	76.4	84.5	10.6	40.2	43.9	9.2	53.4	6	9	3
Women's Clothing	ND	49.6	54.3	9.5	32.7	35.7	9.2	6.8	7	10	13
Ship Building	D	86.9	95.1	9.4	39.2	45.2	15.3	105.8	8	3	2
Furniture Manufacture	ND	54.8	59.7	8.9	38.1	42.4	11.3	17.8	9	7	9
Anthracite Coal Mining	ND	92.2	100.2	8.7	29.3	34.0	16.0	− 2.0	10	2	20
Machine Tools	D	76.6	83.1	8.5	47.9	52.0	8.6	47.1	11	11	5
Boots and Shoes	ND	53.1	57.3	7.9	32.3	38.2	18.3	11.9	12	1	11
Aircraft	D	74.2	79.7	7.4	42.7	45.0	5.4	166.4	13	14	1
Wholesale Trade	ND	73.7	78.4	6.4	41.2	41.4	0.5	3.9	14	18	17
Explosives	D	83.6	88.6	6.0	39.9	44.6	11.8	*	15	6	----------
Food and Kindred Products	ND	64.1	67.2	4.8	40.1	41.0	2.2	4.1	16	17	16
Retail Trade	ND	54.8	57.2	4.4	42.9	42.8	− 0.2	6.2	17	19	14
Newspapers and Periodicals: Printing and Publishing	ND	103.6	106.9	3.2	35.9	35.8	− 0.3	1.0	18	20	18
Tobacco Manufactures	ND	50.5	51.7	2.4	38.1	37.6	− 1.3	0.9	19	21	19
Book and Job Printing and Publishing	ND	82.0	82.6	0.7	37.9	39.7	4.7	4.6	20	15	15
Class I Railroads[2]	----------	77.0	77.2	0.3	45.6	48.1	5.5	11.7	21	13	12

[1] Except for Class I Railroads, data are those of U. S. Bureau of Labor Statistics; June, 1940 from "Employment and Payrolls" (August, 1940); June, 1941 from release "Hours and Earnings—July, 1941" (September 19, 1941).

[2] Excludes executives, officials and staff assistants. Based on data of Interstate Commerce Commission; monthly M-300 statements for June, 1940 and June, 1941. See Footnote 1, Table 7.

*Data not available.

especially in recent months, has been considerably more rapid for the defense than the non-defense industries. The increases in hourly earnings for the non-defense industries taken as a group, however, have also been substantial. At least six of the ten non-defense industries have had increases of over 10% since 1937.[1]

In Table 9 are shown the changes in hourly earnings from June 1940—a date which marks the beginning of the expanded defense effort—to June 1941. In general the defense industries show the largest changes in average hourly earnings. These industries taken as a whole also experienced the largest increases in average hours worked per week and in volume of employment. However, the correlation between changes in average hourly earnings, on the one hand, and changes in employment and hours worked per week, on the other, is far from perfect. Aircraft and shipbuilding, with the largest changes in employment, were thirteenth and eighth respectively in the size of their changes in hourly earnings. Aluminum manufacture, with the largest change in hourly earnings, ranked seventh in change of employment, and twelfth in hours worked per week. The railroad industry had the lowest change in hourly earnings but led eight of the industries in change in employment, and eight in change in hours worked per week.

The figures of the preceding tables in no wise provide an exhaustive analysis of factors underlying current changes in basic hourly rates. The increases in average hourly earnings have been due not only to increases in basic rates, but also to an increasing proportion of hours worked at overtime punitive rates. Although the defense industries whose labor force has been expanding most rapidly have generally given the more spectacular wage increases in recent months, it is notable that industries no more influenced by the defense program than the railroads have also been impelled to grant substantial increases. In contrast to most other industries, basic wages in the railroad industry have been unchanged since 1937.

The Board is not unmindful of the fact that wage differentials serve an economic function. As shifts in demand take place, it is to be expected that they will be reflected in wages—the more so the more the workers are specialized to an industry. The high wages now being paid in some defense industries are the price that the nation pays to lure labor from other employment or from idleness. In part the high wages are a premium for the unstable nature of the new employments. Railroad labor cannot justifiably measure its deserts with reference to the more spectacular wages being paid in some defense industries. At the same time railroad labor may rightly urge that it not be left behind in the wage movement now under way over practically the entire range of industry. Wage differentials have no claim on society to be preserved in perpetuity; but when they change sharply in a

[1] In drawing conclusions from these data, it should be observed that the average hourly earnings figures for January and June 1941 for food products, tobacco manufacturing, women's clothing, and retail trade are subject to a substantial correction for seasonal variations. The corrections, however, would not change major conclusions.

brief period to the disadvantage of a substantial body of workers, the men have a grievance that cannot be slighted.

Some sketchy data submitted by the carriers on the "quit rate" suggest that the railroads are not experiencing an unusually high degree of voluntary labor turnover. But the statistics lead only to negative conclusions. They do not prove that the employees are satisfied. They indicate at most that the employees are not sufficiently dissatisfied to sacrifice their present attachment to job and community. This condition may change abruptly. From an operating point of view it is wiser to forestall a high "quit rate" than to wait until many employees leave before raising wages.

The Rise in the Cost of Living and the Threat of Inflation

One of the reasons urged by the employees to justify their demand for increased wages is the rise that has taken place recently in the cost of living. This rise, it was argued, is only the beginning of a sharp upward surge in prices. The carriers denied that the cost of living has as yet increased substantially, and argued that what increase had taken place did not justify a wage adjustment, particularly in view of the 20% decline which occurred from 1928 to 1932 before there was any downward wage adjustment. At the same time they agreed that a price inflation was in prospect and that the apprehensions of the employees concerning possible future increases in the cost of living deserved consideration. They therefore proposed a plan for temporary adjustments in wages at quarterly intervals from November 1941 to the end of 1942, in accordance with an index reflecting changes in the cost of living as well as in the gross revenue of the carriers.

The first question to clarify is the magnitude of the rise in the cost of living that has occurred to date. There is no single answer to this question. Much depends on the particular date that is selected as the comparison base, on the index of the cost of living that is used, and on the interpretation that is placed on the index. The parties agreed on using the Bureau of Labor Statistics index of the cost of living. The employees preferred to measure the rise from August 1939, the month preceding the outbreak of war. On this base the index of the cost of living in September 1941 stood at 109.7. The carriers, on the other hand, preferred June 1937 as the base, on the ground that this month reflected the situation prevailing at the time the last wage adjustments were made. On this base the index of the cost of living in September 1941 is only 105.2. Of course the difference between the two reflects the fact that the cost of living was higher in June 1937 than in August 1939. Examination of the cost of living index over the entire period since the spring of 1936 discloses that the cost of living was practically at its lowest in August 1939, and almost at its highest—barring of course recent months—in June 1937. These facts were duly noted by the Board as well as the reasons assigned by the parties.

The Board recognizes that in times such as the present an index of the cost of living requires especially careful interpretation. (1) In a period of rising prices, some prices may remain unchanged or change only slightly while the producer adjusts the size of his package or lowers the quality of his product. Such changes are price rises in their practical effects, although they are not reflected in index numbers. (2) Index numbers average out the price movements in different parts of the country. If the changes in the cost of living in individual cities were measured from the particular month or quarter in which they reached their minima in 1939, instead of from the same date in all cities, the rise in the cost of living would appear larger than is shown by the published index numbers. (3) It must also be observed that the rise in the cost of living that has taken place in recent months is due largely to the rise in prices of food-stuffs. From August 1939 to September 1941, the cost of living index advanced 9.7 percent, but the food component of the index rose 18.3 percent. It is common knowledge that expenditures on food-stuffs tend to decline, relatively to total expenditures, as income increases. It follows that if an index of the cost of living were available for employees of different income levels, instead of for the wage earning class in general, we should find that the cost of living has risen more for the low income class than for wage earners in general. The Board concludes, therefore, that the rise in the cost of living in recent months is probably understated by published index numbers and that the degree of understatement is largest for employees in the lowest wage brackets.

Although the rise in the cost of living since the outbreak of the war is not yet very large, there is widespread apprehension that it may be considerably extended in the year ahead. Between August 1939 and September 1941 wholesale prices rose 22.4 percent on the average, considerably more than retail prices or the cost of living. Food prices during this period rose 33 percent at wholesale, 18 percent at retail; the prices of clothing rose 18 percent at wholesale and 11 percent at retail; the prices of house furnishings, 14 percent at wholesale and 11 percent at retail. Past experience teaches that wholesale prices fluctuate over a wider range than retail prices; but experience also teaches that retail prices lag behind wholesale prices, so that the steady climb of wholesale prices in recent months gives a foretaste of what is yet to happen to the cost of living. The vigor of price movements now under way is most strikingly disclosed by the index of wholesale prices of twenty-eight basic commodities currently prepared by the Bureau of Labor Statistics. This index jumped from 100 in August 1939 to 117.5 in December 1940. A few months later, in September 1941, it reached the staggering figure of 155.6.

To appreciate the full significance of these price movements it is necessary to go back a few years. The sharp break in general business in the fall of 1937 came to a halt in May 1938. Between that date and August 1941, the Federal Reserve Board index of industrial production advanced 98 percent; the floor space covered by construction contracts increased 269 percent; carloadings, 67 percent. These tremendous gains in physical output have been accompanied by rapid expansion in the volume of employment; thus factory employment increased 52 percent and the average number of hours per week per wage earner increased 17 percent. In the early stages of the recovery it was possible to increase output without boosting prices. As the expansion continued, every fresh increase in demand has met increasingly stiff resistance on the side of supply and prices have risen. In recent months the rate of increase in production has tapered off while prices have been moving forward at an alarming pace. Between March and September, 1941, the Federal Reserve index of industrial production advanced at an average rate of 1.5 percent per month, while wholesale prices rose at a rate of 2.1 percent per month.

These trends are sure to be intensified unless the Federal Government promptly takes vigorous steps to check the inflationary spiral already under way. The flow of national income is now at a rate of about 90 billion dollars per year, and approximately 73 percent of this swelling total is being paid out in wages, salaries, pensions, and relief—a greater proportion than is recorded for any previous year. Defense expenditures are running at a rate exceeding 1.3 billion dollars per month, and the pace is being stepped up steadily. The huge incomes disbursed by both defense and civilian industries magnify the demand for civilian goods. But the output of civilian goods is not likely to expand significantly, if it expands at all, in the months ahead. This condition alone sets the stage for a dangerous inflation, and the process is being activated by wage adjustments to rising living costs and price adjustments to rising wages—the familiar vicious circle.

The hard problem facing this Board is how to square justice to the railroad employees with the national interest. Insofar as the national interest requires a healthy, efficient, and justly treated labor force operating the railroads in these trying times, there is no conflict. But insofar as the national interest requires that inflation be checked, only a vigorous policy by the Federal Government can save this Board from the charge that it has meted out justice to a deserving body of wage earners by blinking the nation's best interests. No group has more to lose from inflation than the nation's wage earners. To save the nation from the blight and chaos of inflation it will probably be necessary to impose drastic new taxes on the public as a whole, immobilize a part of the expanding purchasing power by some organized scheme of saving, and most important of all, adopt a comprehensive plan in regard to wages, profits, and the prices of both agricultural and industrial commodities.

Spread of Wages in the Railroad Industry

This Board is confronted with different wage demands by the Fourteen Cooperating Organizations representing the non-operating employees, and by the Five Brotherhoods representing the train and engine men. In addition, the non-operating employees have requested special treatment of their lowest paid members. Knowledge of the leading facts about the wages of operating and non-operating employees is a prerequisite to a wage adjustment that aims, above everything else, to be equitable to the million and more employees of the railroad industry.

Table I in Appendix D gives the average hourly earnings during the months from January to May 1941 of the 101 occupational classes listed by the carriers as being involved in this dispute. Of these occupations, 79 belong to the non-operating group and 22 to the operating group. A casual glance at the table will suffice to reveal how much hourly earnings vary within the railroad industry. In the non-operating group the range runs from 38 cents per hour for messengers and office boys to $1.21 per hour for claim agents and investigators. In the operating group engineers and motormen head the list with $1.97, and switch tenders and outside hostlers' helpers trail with 71 cents. Clearly, the hourly earnings of the operating men lap over a considerable part of the range of earnings of the non-operating men. Nevertheless, there is a significant difference in the level of hourly earnings of the two groups: the average is 66 cents for the non-operating employees and $1.10 for the train and engine service.*

Table II in Appendix D demonstrates that annual earnings of the operating men likewise run higher than those of the non-operating men. This table supplies also valuable information on the stability of employment of major classes of railroad workers. Engineers and conductors take first rank in the amount of earnings and second rank in stability of employment. Among the non-operating groups four have comparatively high earnings and stable employment—gang foremen, station agents and telegraphers, skilled workers on maintenance of equipment, and clerical workers. At the bottom of the list are found extra gang men, other maintenance of way laborers, and station and platform laborers. The direct correlation between approximately full-time average earnings of an occupation (an average for employees with some service in all twelve months) and the degree of stability of employment in the occupation is a fact of outstanding social importance. Low hourly rates and unstable employment seem to shadow one another.

These facts on hourly and annual earnings provide some guidance to the Board in making its recommendations for wage adjustments. The problem of unstable employment and low incomes cannot be solved by adjusting wage rates per hour or day. However, the problem of low incomes can be met in part by adjusting rates. In the judgment of this Board it is desirable, therefore, to give the greater advances to low-paid employees. Their needs are greater at all times; and especially so today when, as we have seen in the preceding sec-

* Carriers' Exhibit 84.

tion, the cost of living is rising faster for this group than for any other.

The Board is limited in the extent to which it can apply this principle. But there are three devices that will conduce to the general end in view. The first device is to recommend a flat addition to the hourly rates of non-operating employees. A flat increase expressed in cents per hour means a higher percentage increase to low-paid occupations than to more highly paid ones. The second device is to use a flat amount that yields on the average a higher percentage for non-operating than for operating employees, the reason being that the former as a group are not so well off as the latter. The third device centers around minimum wages and requires more extended discussion.

An Increased Minimum Wage

Society takes, and properly takes, a different attitude toward the wages of the lowest income groups than toward wages in general. By the Fair Labor Standards Act and in other ways, it has decided that the wages especially of those whose incomes do not permit a proper American standard of living must not be determined by the blind forces of competition. Ability and willingness of an industry to pay should not be the determining consideration. The state intervenes to say what is necessary to protect the welfare of its least favorably situated citizens.

In setting a minimum or any other rate in conformity with the scale of wages paid elsewhere, the Board rejects the contention of the carriers that "any minimum to be fixed for an industry which covers the whole country must be fixed . . . with respect to the lowest wages prevailing in the various geographic areas served by the industry."* The Board feels that under collective bargaining on an industry-wide basis, the scale should not be fixed by either the highest or the lowest rates prevailing in any locality served by that industry. It must be recognized that one of the disadvantages, from the employees' point of view, in industry-wide bargaining is the fact that rates in the industry cannot equal those prevailing in certain localities where, for special reasons, extra high rates may be paid. Likewise industry-wide bargaining must result in certain disadvantages to the employers in that they cannot set their standards by those prevailing in the lowest-paid localities. The industry-wide standards must strive to reach some balance between these extremes.

The Board rejects the contention of the carriers that it should not consider the minimum wage question because of the passage of the Fair Labor Standards Act. There is nothing in the Act which prevents the setting by collective bargaining of minimum rates higher than those prescribed by the Act. The carriers do not deny that the unions have made a demand for the establishment of a higher minimum. Since this question is obviously in dispute, the Board may investigate it.

* Brief in behalf of the Railroads, p. 449.

The Board has already pointed out that the recent changes in the cost of living are larger for the low income groups than for the high income groups because the former have less "margin" between income and expenditure and because the increase in the cost of food, which has been greater than the increase in the total cost of living, affects a larger proportion of the budget of the low income groups.

This Board believes that, as technological improvements continue and productivity grows, society should continue to see that the lowest income groups advance absolutely and relatively. However, this Board believes that in executing such a policy the increases should not be taken in one or two large jumps lest wide mechanization result and large numbers of workers be suddenly displaced. Such mechanization will and should come as a means of sustaining higher production and higher incomes. But the speed in advancing the minimum should represent a balance between what is ultimately desirable and what will afford society a fair chance to absorb the displaced employees.

This Board, therefore, believes that, the first modest step having been taken by the Wage and Hour Administrator by raising the basic minimum wage in the railroad industry to thirty-six cents per hour on March 1, 1941, another advance is now due.

Conclusions from the Preceding Appraisal of Railroad Wages

The following conclusions may be drawn from the preceding analysis of railway wages and railway labor:

1. In the men and women who run and maintain American railroads the public possesses an invaluable resource. These employees exemplify the best of American standards in skill, effort, and responsibility.
2. The last two decades have witnessed an amazing improvement in the operating efficiency of American railroads. That efficiency has made it possible to meet the needs of the present defense emergency much more successfully than that of 1917. In this improvement the general advance of technology and the resourcefulness of management have played determining parts. The investor has contributed essential capital. But without the skill and cooperation of railroad labor the result could not have been achieved.
3. There is no convincing proof that the hazards of railway employment are increasing; such general tendency as exists seems to point the other way. Nor was definite evidence submitted that the increased mechanization and speed of railroads have added generally to the strain of railroad employment, although they undoubtedly have done so in certain cases.
4. Work on the railroads is to a considerable extent seasonal in character. The seasonality is concentrated in a few occupations, chiefly in work on maintenance of way. Every year a large body of workers are hired for brief periods and then leave the industry.

5. During the Great Depression, nearly half of the railroad workers were laid off. Many lost job, skill and security. This experience of railroad labor was not unlike that of industrial labor generally. However, while the wages of manufacturing labor began to decline in 1929 and 1930, the wages of railroad labor were maintained until 1932. At that time railroad employees took a 10 percent temporary deduction, in contrast to much larger reductions in industry generally.
6. Since 1933, however, labor in manufacturing and other major industries has slowly gained on railroad labor in spite of the gains which the latter made through the restoration by 1935 of the 10 percent deduction in 1932, and the increase in basic rates of 7 to 8 percent in 1937. Since the development of the extensive defense program the advantageous position railroad labor has enjoyed is rapidly being lost. Hourly earnings in manufacturing and in most other industries are increasing at a rapid rate, while railroad hourly earnings have been practically constant since 1937. The increase is especially marked in defense industries, but in at least six of ten major non-defense industries there have been increases of at least 10 percent since 1937. Since the relatively high position of railroad labor in the national wage structure has deteriorated abruptly in recent months, railroad labor has a right to ask society to correct this situation. It should be remembered that the standard work week of non-operating railroad labor is longer than that of manufacturing labor.
7. Due to the twenty-five percent decline in the cost of living from 1929 to 1933, the dollars received by railroad employees fortunate enough to remain on the payroll increased greatly in purchasing power. Since then the cost of living has moved irregularly, standing 17 percent higher in September 1941 than in 1933. Much of this increase has occurred in the last few months. The index for September 1941 is 109.7 with August 1939 as the base, or 105.2 with June 1937 as base.
8. These index numbers understate the recent increase in the cost of living, especially for the low-income groups. Moreover, recent movements in wholesale prices foreshadow a further increase in living costs. These changes combined with the recent deterioration of railroad labor's position in the wage structure indicate a need for a wage adjustment.
9. The menace of an extreme price inflation confronts the country. Although it is important not to increase this danger, it would be discriminatory to refuse railroad workers a wage adjustment to which they are entitled, especially in the absence of a coordinated national policy designed to restrain the movements of prices, wages, and profits.
10. In view of the many uncertainties in the national outlook, the increase in railroad wages should be a temporary addition to pay, not an increase in basic wage rates, except for the minimum wage later recommended.

11. The "Emergency Compensation Plan" proposed by the carriers, although it has many excellent features, is not recommended by this Board—and for the following reasons:
    a. Labor fears that such a plan would tend to place a ceiling on "real" wages.
    b. Labor's policy has been to win increases in periods of prosperity and to hold them during periods of depression. Labor believes that whether the wage scale should be maintained or not in a depression is a question to be negotiated in each instance. The Board agrees that processes of collective bargaining and the procedures under the Railway Labor Act are superior to the automatic process suggested in these hearings.
    c. Under the "Emergency Compensation Plan," adjustments would lag considerably after events.
    d. The plan would not be easily understood by the rank and file of workers.
12. The problem of unstable employment and low incomes cannot be solved by adjusting wage rates per hour or day. However, the problem of low incomes can be met in part by adjusting rates; and in the judgment of this Board it is therefore desirable to give the greatest advances to low-paid employees. Their needs are greater at all times; especially so today when the cost of living is rising faster for this group than for any other.
13. The facts indicate that an increase in the basic minimum wage is in order throughout the industry.

RECOMMENDATIONS:

In the light of these conclusions concerning railroad labor and railroad wages, and the analysis of the railroads' ability to pay which follows this section of the Report, this Board recommends:

1. That in view of the uncertainties confronting the economy of this country for the duration of the existing emergency, all increases in wages constitute a temporary addition to pay, not a change in basic wage rates;*
2. That these temporary additions shall be effective as of September 1, 1941, and shall terminate automatically on December 31, 1942, unless the parties extend the arrangement by agreement;
3. That the employees represented by the Five Operating Brotherhoods receive an addition of seven and one-half per cent over their present wages rates;
4. That the employees represented by the Fourteen Cooperating Railroad Labor Organizations receive an addition of nine cents per hour over their present rates;**
5. That a permanent basic minimum wage of forty-five cents an hour be established in all Class I railroads throughout the railroad industry. This involves no monetary addition to the above recommended temporary increases since those increases, if adopted, would bring the compensation of all railroad labor to at least forty-five cents per hour.

* Except for the minimum wage (See Recommendation 5).
** This would be equivalent on the average to an increase of thirteen and one-half per cent.

VIII. ABILITY OF THE RAILROADS TO PAY

We have already noted that in their presentation of testimony and exhibits as well as in their arguments, both parties to this dispute have divided the problem into two distinct issues: (a) The question whether the present rates of wages are inadequate and if so to what extent; and (b) the question whether the railroads can afford to increase these wages and if so to what extent. The employees contend not only that wages are inadequate but also that the carriers can well afford to make good the deficiency. And the carriers contend not only that wages are adequate but also that they cannot afford to grant any substantial increase.

In a later part of this section, we shall comment on the bearing of the issue of "ability to pay" on the recommendations of our report. Meanwhile we discuss on its merits the differences of opinion between the two parties as to the adequacy of railroad revenues, present and prospective.

Meaning of "adequate": Before considering directly the question whether railroad revenues are adequate to support any suggested increase in wage rates, we must first ask what we mean by "adequate" in this connection. Obviously, "adequate" revenues mean revenues sufficient to serve some purpose or purposes deemed desirable. Those purposes that were given particular mention in this case are threefold: first, the purpose of giving to investors in railroad securities the compensation (in the form of interest and dividends) to which they are fairly entitled in view of their contributions of capital to an essential public service; secondly, the purpose of maintaining earnings, after the payment of wages and taxes, sufficient to enable the railroads to finance the replacements, improvements, and additions necessary to provide good public service; thirdly, the purpose of enabling the railroads to preserve such a share in the total traffic that the railroad employees themselves, most of whom could not readily adapt themselves to other occupations, will continue to enjoy a livelihood in the great industry to which they have dedicated their lives.

In any attempt to draw a fine line of distinction between adequate and inadequate railroad revenues, each of these three major standards of "adequacy" might require separate consideration. No such nice distinction, however, is required for present purposes. On the contrary, the suggestion of carriers' witness, Barriger, that railroad earnings which are adequate to preserve the railroad mechanism in good health as a medium of transport may also be taken as earnings adequate to keep faith with existing investors and to preserve railroad employment as a long-run livelihood, can fairly be accepted for the purposes of this broad sketch of railroad earning power as a factor in the present dispute.

In the light of what has just been said, the question whether the railroads can "afford" to pay any specified increase in wage rates can be given a more definite meaning. We are faced with the question whether such an increase, if granted, will so impair the net-earning power and the financial credit of the railroads as to threaten their ability to function effectively as the country's major transportation agency, both during the present period of national emergency and afterwards.

The necessity of spending the limited available time subsequent to the close of the hearings in studying a voluminous record and in deliberating upon our recommendations has prevented us from presenting in this report, a systematic analysis of the evidence relating to "ability to pay." Faced with the choice between devoting our utmost thought and energies to an attempt to reach intelligent recommendations and of devoting a large share of it to literary exposition, we have chosen the former expedient as the more urgent need.

In this section of the report, therefore, we must be content to do little more than to state our own "findings" or conclusions, with only the briefest reference to supporting evidence. However, in our financial appendix (Appendix E) we have not only brought together some of the more pertinent statistical data but have also presented memoranda on some of the more controversial aspects of the problem. Fortunately, moreover, the financial status of the railroads is a matter of more general knowledge and of more statistical information than is that of any other single industry.

The Recent and Current Financial Status of the Railroads

To those familiar with the railroad industry, Table I of Appendix E will tell a more revealing story of the recent financial history of the railroads, when viewed together as a single group, than would any short literary exposition : while Tables II and III of the same Appendix give some indication of the wide diversity of earning power within the industry itself.

During the 1920's, railroads as a whole were fairly prosperous and enjoyed good credit which enabled them, from 1923 to 1930, to make gross additions and improvements to road and structures of more than $3\frac{1}{2}$ billion dollars and to equipment of more than 3 billions. During the 1930's, on the other hand, the railroads, like most other industries, suffered the devastating effects of the most severe and prolonged business depression in the country's history. For Class I railroads, the rate of return on undepreciated book value, which had averaged better than 4 percent during the 20's, declined to an average of 2 percent during the following decade. In consequence, by 1940, about $\frac{1}{3}$ of these railroads in point of mileage, were in receivership or bankruptcy trusteeship, where most of them remain.

What is peculiar, however, to the railroads as distinct from most other industries is that, during this prolonged period of depression, there developed clear indications of a downward, non-cyclical, trend in traffic, due to the increasingly severe competition of other forms of transport. This trend is indicated by the extreme righthand column of Table I, Appendix E, which shows the railroads in 1939 as enjoying only 77.7% of the share of total "potential" traffic that they enjoyed in 1928. The menace of this situation, however, was even greater than would be indicated by the percentage figure just stated; for the new competition, in addition to taking traffic from the railroads, compelled them to make considerable reductions in freight and passenger rates in order to retain such a share as they did, in fact, retain.

Despite this gloomy outlook toward the end of the 1930's, the railroads have recently enjoyed a truly remarkable increase not only in gross revenues but also in earnings available for interest and dividends and (by virtue of the factor of "leverage") an even more striking increase in net income after fixed charges. A part of this financial improvement might well have occurred as a consequence of a "normal" recovery of the country to a stage of relative prosperity. Much the larger part, however, is almost certainly due to the effects of the national defense program.

The prospects for the calendar year 1941, estimated for the last four months of this still unexpired year, indicate a financial condition for the Class I roads in total that could fairly be called prosperous could it be expected to remain typical throughout the indefinite future. (See the memorandum on estimates for 1941, Appendix E.) To be sure, even for this current year, Class I railroads will probably have earned a return (after payment of operating expenses, rentals and taxes) of only about 4 percent on the undepreciated book value of their transportation property plus working capital. But the Interstate Commerce Commission has repeatedly refused to accept undepreciated book value as an appropriate base rate. Taking the Commission's latest official valuation of Class I Railroads as a whole and bringing it down to date by additions and subtractions for subsequent changes in book value, the railroads may be expected to earn a return of about 5.3 percent on the so-called "fair value" of their properties. Quite recently, however, the Bureau of Valuation of the Interstate Commerce Commission has proposed a lower rate base—lower, we surmise, because of a larger deduction for depreciation than has been made heretofore. If this new proposed base rate should be accepted by the Commission as applicable to earnings for the year 1941, it would reveal a rate of return of about 5.7 percent (see Table V, Appendix E).

Looking at Class I railroad earnings from the standpoint of coverage of fixed charges rather than from the standpoint of an overall return, the 1941 estimate indicates that the accrued charges will be earned 1.9 times. However, as employees' witness, Bacus, pointed out, a considerable portion of this accrued interest is not being paid currently since it represents liabilities of railroads in default (Table I, Appendix E).

So far we have spoken of Class I railroads as a whole, ignoring the fact, emphasized by the carriers, that their earnings cannot be pooled and that important Class I roads earn substantially less than the average when measured either by reference to a rate base or to a coverage of fixed charges. Tables II and III of Appendix E give some indication of this diversity of financial status among individual roads, although they use the lower revenue figures for 1940 in the absence of data permitting a similar showing for 1941. Some large carriers, such as those serving the Southern West Virginia coal fields, and the Pennsylvania Railroad, are well above the average in prosperity. But their unusual earning power, while it may well have a favorable indirect effect on railroad credit in general, cannot be used directly to make good deficient earnings of other railroads.

Even viewing the Class I Railroads by large groups rather than by individual roads, the discrepancies in relative earning power are substantial and give rise to serious problems of finance and of rate regulation. If, for example, we use a familiar three-fold division into geographic groups, we find a rate of return on undepreciated book values for the calendar year 1940, of 3.06 percent for the Eastern roads (including the Pocahontas), of 2.57 for the Southern roads and of 2.06 for the Western roads. Even wider discrepancies among these three major groups of carriers would be revealed by comparisons as to their coverage of fixed charges.

Prospective Earning Power of the Railroads After 1941

Needless to say, the degree of prosperity of the railroads as a whole, or of any railroad in particular, cannot be judged solely or even mainly by reference to the income statement of a single year. What, then, is the future outlook of the railroads in view of their recent remarkable recovery of traffic and of revenues? The recent and current market quotations, not only of railroad stocks but also of railroad bonds, indicate that the general attitude of investors is still pessimistic. (Carriers' Ex. 56 shows an average price quotation for all domestic railroad bonds listed on the N. Y. Stock Exchange of about 61½ for the first nine months of 1941.) What the future holds in store for the railroads is a highly controversial question, on which the employees presented the bright side while carriers presented the dark one. (See App. E, memorandum on future prospects.)

On the basis of the exhibits and testimony presented at these hearings, and on the assumption of no change in freight and passenger rates, we are of the opinion that gross revenues are likely to increase materially, though not spectacularly, during the next year or two of the national defense program. The extent, however, to which such an increase in gross revenues could be expected (in the absence of wage increases) to improve net railroad operating income, as well as net income after fixed charges, is uncertain.

To be sure, within recent years the railroads have succeeded in reducing their operating ratio by making remarkable progress in the technique and efficiency of their operation—progress made possible by the introduction of costly, modern equipment, and other improvements. Relying on this recent reduction in operating ratio, employee witnesses anticipate still further economies and therefore anticipate that a very large share of any further increases in gross revenues will be retained as net income. While this hopeful expectation may *possibly* be realized, we are convinced that it cannot safely be relied upon. The very economic forces that have led to the present demand for increased railroad wages will probably increase the prices that the railroads must pay for materials, supplies, and equipment. State and local taxes are also likely to become an increasing burden on the carriers. Moreover, as national defense business increases and creates traffic jams, tendencies toward an increase in operating costs may reveal themselves, as they did to a dramatic (and probably much more critical) extent during the First World War.

In view of these probabilities, it would be dangerous to base our recommendations in this case on the assumption that the years immediately following 1941 will result in any great improvement in net railway operating income, irrespective of any increase in wage rates on the one hand or of freight and passenger rates on the other hand.

As to what may be in store for the railroads when the period of national emergency ends, or at least when the generally anticipated period of business depression following this emergency begins, the record is full of highly interesting surmises based partly on the recent history of transportation, and partly on the anticipated effects of the national defense program. The employees point to the slight improvement in the railroads' share of "potential" traffic which occurred even in 1939 as indicating that an equilibrium has at last been reached between the railroads on the one hand and the competing agencies of transportation on the other hand. The carriers point with anxiety to the current program, realized and prospective, for the development of airplanes, roads and trucks, and internal waterways, as indicating the probability that, when the "artificial" and temporary period of national emergency is over, the railroads will face competition of a more intensive and serious nature than ever before. This competition the carriers hope to be able to meet successfully. Their success, they believe, depends on the attainment of a financial position which will permit them to engage in an extensive program of modernization and to reduce railroad rates to a point where traffic will not be pulled unduly to other modes of transportation. From the standpoint of the case now before us, the chief significance of these forecasts as to the post-emergency period lies in the plea of the railroads against the establishment of higher "basic" wage rates—rates which can be reduced, if at all, only under the greatest pressure and after a menacing time lag. A permanent or indefinitely prolonged increase in wage rates, so the carriers contend, might be fatal to the railroad industry and hence might bring about a catastrophic drop in the employment of railroad labor.

The Board has listened with keen attention and with deep concern to these conflicting forecasts as to the long-run future of the railroads. It is hardly necessary to add that the members of the Board have no such insight into the future as would enable them to pass upon the merits of these conflicting views. The most competent and most nearly unbiased experts in the field of transportation economics not only differ in their prophecies, but also generally agree that whatever prophecies they make are likely to turn out wrong.

Possibility of an Increase in Railroad Rates and Fares as a Means of Enabling the Railroads to Meet the Cost of Increased Wages During the Emergency Period

For reasons summarized in the two preceding topics of this section of our report, we are unable affirmatively to find, on the basis of the record, that the Class I railroads are now enjoying, or presently will succeed in enjoying, revenues in excess of those needed to permit them to render the service which the country is now calling upon them to render. Whether or to what extent the railroads can fairly be called upon to absorb a portion of the wage increase which we recommend is a question on which we express no opinion. The duty of answering this question, if raised by the carriers through a request for permission to increase their rates, has been assigned by the Congress to the Interstate Commerce Commission—a Commission of recognized, outstanding ability, and one which has command of data that this Board could not possibly hope to secure.

In justice, however, not only to the parties but to the public at large, we feel obliged to say that our recommended increases in railroad wages have been made on the assumption that the railroads can secure needed relief from resulting inadequate net revenues by obtaining permission to increase their transportation rates. Indeed, our recommendations are made on the assumption, though not on the affirmative finding, that a large portion of the increased wage bill involved in our recommendations will be made good to the carriers through increased rates.

Our recommended wage increases (including those of the Express employees), together with our recommended six-day vacation, are estimated by us to involve an increased cost* of about $270,000,000 per year if applied to a payroll like that of 1941. If this burden on the railroads should be shifted *entirely* to shippers and passengers, in the form of a rate and fare increase, such an increase would average about 5 percent. This percentage estimate, however, takes no account of the likelihood that uniform, horizontal increases in rates and fares might be unwise or impracticable; nor does it take into account the possibility that, even during the emergency period, increases in rates and fares might lose for the railroads some traffic that they would otherwise carry (App. E, staff memorandum on methods of increasing income).

In view of our belief that a considerable share, at least, of the cost of our proposed wage increases will necessarily be borne by the general public in the form of higher transportation rates (unless the alternative of governmental subsidy should be chosen as the lesser evil), it follows that, in our opinion, the much larger wage increases

* See. App. E, Memorandum On Cost of Compliance.

requested by the employees would involve not only a much heavier but a much more widely distributed draft on the shares of other participants in the national income. If the entire cost of meeting the employees' proposed wage scales were to be met by horizontally increased rates and fares, such an increase would be on the order of 17 percent on the basis of 1941 data.

Summary of Conclusions on the Railroads' Ability to Pay Increased Wages

Our conclusions as to the merits of the disputed issue of the railroads' ability to pay increased wages, without a menacing adverse effect on their ability to give good public service, may now be summarized briefly:

First, the financial and operating prospects of the railroads during the remainder of the pending period of "national emergency," as disclosed by the record in this case, do not justify a confident expectation that the Class I roads can properly be called upon to absorb more than a part of the added costs involved in the wage increases and in the paid-vacation plan which we recommend elsewhere in this report.

Secondly, in making these recommendations despite the conclusions just noted, on the ground that the employees have sustained the burden of proving that present wage rates are inadequate, we assume that a considerable share of the resulting financial burden upon the railroads can and should be shifted to the general public by appropriate increases in transportation rates, unless by some form of governmental aid or subsidy should be chosen as an alternative remedy. An expression of opinion as to the type of relief that may be required in the light of public policy and of national defense economy is beyond the purview of our assignment.

Thirdly, the outlook for the railroad industry after the end of the present period of national emergency, and in view of the possibly serious menace of revived competition with other forms of transport, is so largely unpredictable that any action taken by us should leave room for the utmost flexibility in the long-run adjustments of railroad wages. For this reason, and in view of the history of railroad wage adjustments indicating the lengthy delays in either upward or downward adjustments of basic railroad wages designed to meet new conditions, we do not feel warranted in recommending any present changes in "basic" wage rates, other than an increase in the minimum wage on Class I railroads to 45 cents and on other railroads to 40 cents per hour.

Finally, we refer to Appendix E for a discussion of certain aspects of the issue of "ability to pay" that received notice in the record but that could not be treated here without unduly prolonging this section of our report.

Materiality of the Evidence on the Railroads' "Ability to Pay"

Having summarized our conclusions as to the adequacy of current and prospective railroad earnings, we must now return to the prior question: What, if any, weight should be given to proof or disproof of such adequacy in the pending wage dispute?

On this issue we are left in some doubt as to the contentions of counsel and witnesses for the opposing parties. Some of the answers given by representatives of both sides to questions from the Board, if taken literally, suggest the queer paradox that neither side regarded the testimony on "ability to pay" as relevant but that each side nevertheless introduced such testimony in order to rebut the other!

Thus, the employees insisted that, even if the carriers could prove "inadequate" earning power, such proof would not constitute a valid defense against the obligation to pay fair wages. In support of this position, which they stressed particularly with respect to individual, financially-weak railroads, they noted that such railroads cannot take advantage of their weakness in order to secure price reductions from material and supply houses or from coal companies, nor can they secure specially favored terms from the Pullman Company. In all such cases, the weak railroads, like the strong, must pay the "going market prices." Similarly, a weak railroad, or even a financially weak railroad *industry*—so it is argued—cannot fairly ask its employees to accept less than the going rates of wages paid to comparable workers in other industries.

Conversely, the carriers, in objecting to the proposed wage increases, have not offered their testimony on "inability to pay" as self-sufficient, or even as evidence which should lead the Board to recommend wage scales that are admittedly "inadequate." On the contrary, the carriers have insisted that present wages are quite adequate when judged either by standards of decent minimum living or by comparison with wages and wage trends in other industries. Indeed, in answer to a question from the Board, one of counsel for the carriers conceded that, with some qualifications, adequacy of wages probably deserves priority over adequacy of return to investors (Transcript of the Record, Vol. 32, p. 6600).

We refer to these contentions of the parties, not with any intention of holding either side to its supposed formal pleadings, but merely in order to indicate the nature of the problem faced by the Board.

Without discussing this issue from the standpoint of the general principles of wage determination, we feel called upon, in fairness not only to the parties but also to the public, to comment upon the influence which the "ability to pay" issue has had upon our recommendations in this case.

First, as is so often the experience of people seeking to reach intelligent conclusions, the Board has found it possible to reach an agreement upon recommendations, acceptable to all of its members, without attempting to attach a definite, mathematical, weight to each of the various material factors brought to its attention. This statement applies to the factor of "ability to pay" no less than to the many other pertinent considerations.

Secondly, with respect to the Short Lines (as distinct from the

Class I railroads), the failure of the employees to introduce evidence on ability to pay, in the face of the evidence of the American Short Line Railroad Association, tending to show that the obligation on their part to meet the wage rates of standard railroads would make the financial situation of many of them truly desperate, and despite the readiness of the employees to meet the "ability to pay" argument, "head on," with respect to Class I roads, was one of the controlling factors leading to our refusal to include these Short Lines in our recommendations, save only for our proposed increase of the minimum wage rate for them to 40c per hour.

Thirdly, insofar as "ability to pay" means the ability of individual railroads to pay increased wages without being forced into bankruptcy, we have declined to make recommendations designed to forestall this danger by any system of differential wages favoring financially weak Class I roads. This decision is believed to be in accord with the prevailing precedents of previous wage-case adjustments save for those extreme cases, like that of the Rutland Railroad, where financial weaknesses go to the point of threatened abandonment or, at least, of serious impairment of service.

Fourthly, insofar as "ability to pay" refers to the adequacy of railroad revenues *without benefit* of railroad rate increases or of any forms of government aid, we have not accepted this standard as a limit upon the wage increases recommended by us.

Fifthly, we have not allowed any doubts that might be raised as to the adequacy of railroad revenues to deter us from recommending such wage increases as seem to us to be fairly warranted by the record in this case, when judged by standards of adequacy of wages without reference to the railroads' ability to pay.

IX. VACATIONS WITH PAY

The enjoyment of a vacation with pay has long been one of the more important aspirations of American labor. It has been a goal of labor, not only because it makes possible leisure and relief from everyday cares and duties, but also because the right to a vacation with pay is a mark of social status and a recognition of the worth and dignity of the ordinary laboring man. The constant improvement in the economic and social position of labor has the effect of giving the rank and file of American workers faith and confidence in our economic institutions and our system of government. Many authorities recognize that a vacation with pay results in the improvement of morale with its corresponding good effects on the willingness of workers to cooperate on the job and to lend every effort to improve production.

The growth of the vacation movement has been a very rapid one during recent years. Vacation plans have been widely adopted in all fields of industry to include both salaried employees and wage earners. Almost forty percent of over 8½ million wage earners employed in manufacturing industries were under some form of vacation plan in 1937.[1] In some industries the percentage of wage earners receiving vacations was extremely high. For example, in the petroleum producing industry 88.6 percent of the wage earners surveyed were under such plans. It is the policy of the Federal Government, as well as of many states, to accord vacations with pay privilege to civil service employees,[2] and to many employees not on civil service.

The carriers have recognized the validity and pertinence of much of what is said above. Counsel for the carriers stated in their brief:[3] "At the outset we wish to make clear to the Board that the carriers here represented recognize the general social desirability of vacations with pay to full-time employees on a basis that will actually afford them a reasonable time away from their duties for the purpose of rest and recreation." The issue, as viewed by the carriers, is not whether there is validity in the request of the non-operating employees for vacations with pay, but rather whether a vacation plan should be instituted at this time of grave national emergency and on the terms proposed by the employees.

The carriers have urged that the national defense program has placed great pressure upon the railroads to maintain constant, rapid and efficient service. Thus they urge that to accomplish this end it is necessary that there should be no disturbance in the continuity of railway operations. Further they maintain that the probable dislocations and many adjustments that the adoption of a vacation plan would involve precludes its consideration under present emergency conditions. The Board has considered these arguments and although it appreciates the fact that the emergency has increased the responsibility and the strain upon the railroads of the country, it recognizes too that the pressure of the emergency and the more continuous operation of the railroads at near or full capacity has placed greater responsibilities and strain upon the workers in the industry. If a vacation plan is inherently sound under more normal conditions, it is equally sound under emergency conditions that increase the strain upon the physical and mental powers of the employees. Confirmation of this point of view is to be found in a recent statement with regard to holidays and vacations for British workers made by Prime Minister Winston Churchill, when he said:

> "First of all, if we are to win this war—and I feel solidly convinced that we shall—it will be largely by staying power. For that purpose you must have reasonable minimum holidays for the masses of the workers, there must, . . . be one day in seven of rest as a general rule, and there must be, subject to coping with bottlenecks and with emergencies which know no law, a few breaks and where possible one week's holiday in the year. Since

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[1] Employees' Exhibit No. 4.
[2] Employees' Exhibits Nos. 10, 11, 12.
[3] Brief on Behalf of the Carriers, *Request of Fourteen Cooperating Brotherhoods for Vacations with Pay*, October 18, 1941, p. 10.

what I will call the Dunkirk three months datum period, we have undoubtedly relaxed to that extent. Sunday work is practically eliminated, and brief periods of leisure have been allowed to break the terrible routine strain of continuous employment. I am quite sure that if we had not done so, we should have had a serious crack which would have cost far more in production than these brief periods of rest from labor."

It is the conclusion of the Board that employees of the Fourteen Cooperating Organizations should not be denied a week's vacation for purposes of rest and recreation on the ground that this is not the appropriate time for them to enjoy such a period of relaxation.

It is admitted that the adoption of a vacation plan may cause dislocations and make necessary numerous adjustments which may be somewhat more difficult to overcome under the present emergency conditions. Despite this, it is the opinion of the Board that these difficulties are not insurmountable even under present conditions, and particularly in view of the qualifications of the Board's recommendations on the vacation issue as stated below.

The carriers, in addition to their argument that the present time is not appropriate for the institution of a vacation plan, contended that the employees' proposal is so unreasonable, unworkable, and burdensome as not to furnish a proper basis for a vacation plan even in normal times. The provisions of the request, they argue, make the giving of vacations unnecessarily expensive. Moreover, the insistence of the employees that all existing working rules and conditions shall apply to the giving of vacations would interfere with an economic and efficient operation of the railroads.

The Board is of the opinion that the views of the carriers on these points have merit and the recommendations of the Board give cognizance to them. With particular reference to the rules, as they may apply to the operation of a vacation plan, the Board believes that necessary adjustments need to be made. It should be recognized by all concerned that the present rules were developed for the industry at a time when the parties did not contemplate arranging for vacations with pay. It would appear that some of the existing rules if strictly applied to the vacation problem would result in excessive vacation costs to the carriers. It is possible that some of the rules would work other types of hardships upon both carriers and employees and hence that they should be adjusted to meet the vacation situation. These adjustments in the rules, because of their technical nature, cannot be determined to the best advantage by this Board; they must of necessity be decided upon by the parties involved. It is the opinion of the Board that any changes in the working rules as they apply to vacations should be the subject of negotiations between the proper officials of the carriers and the employee organizations. It is, furthermore, the view of the Board that the rules should be disturbed as little as is necessary to permit the operation of a vacation plan on a reasonable and workable basis. Negotiation should be entered into immediately and any necessary changes in rules should be agreed upon by January 1, 1942.

The administrative details of a satisfactory plan can only be determined by those who have intimate knowledge of the intricacies of the business of railroading. It would be unwise for a lay Board to offer a blueprint which might thereafter lead to controversy over meaning and interpretation. It is far better that the parties to this dispute agree upon specific provisions following a general outline supplied by this Board. The recommendation for vacations is thus made in the sure knowledge that the genius for peaceful negotiation and settlement of disputes displayed by the employee organizations and the carriers in recent years will not fail in this matter.

The employees' vacation proposal asked that two consecutive calendar weeks vacation with pay be given to all regular employees upon the completion of one year's service. Further, that all other employees, upon the completion of one year's service, should be given an annual vacation of one working day with pay for each month in which they earned compensation during the preceding calendar year. The plan, as requested by the employees, was to be effective with the year 1940.

The carriers contended that a vacation period of two weeks was unreasonable in view of the typical plans of vacations for wage earners in the manufacturing and extractive industries. They objected, furthermore, on the ground that the employees' proposal was too broad in its coverage and did not confine the obligation to grant vacations with pay to employees whose service is substantially permanent and continuous.

It is the opinion of the Board that, as a minimum, a vacation period of six (6) consecutive work days should be allowed the employees of the Fourteen Cooperating Organizations and that this period of vacation with pay should be granted to all employees who work substantially throughout the year, or who are attached to the industry as a result of reasonably continuous employment.

It is the recommendation of the Board that any employee who works, sickness and injury excepted, not less than sixty percent of the total work hours per year figured on the basis of the forty-eight hour week shall be entitled to the six day vacation with pay.

It is recommended that the vacation with pay should be granted during the year 1942 and each year thereafter to those employees who were regularly attached to the railroad industry as above qualified during the year preceding their vacation.

The proposal of the employees stated that as a general rule, the vacation period should fall between April first and September 30th. The carriers objected to this limitation on the ground that it does not permit the adjustment of the labor force to seasonal and business fluctuations, and that in many instances it would be highly undesirable, if not impossible, to allow employees to go on vacation during this six month period. The Board believes that the nature of railroad operations is such that to impose a six months' limitation on the vacation period would be unduly burdensome. It recognizes that seasonal conditions and business fluctuations make undesirable the limitation of the vacation period to any one part of the year. Therefore, the Board proposes that vacations be spread over the full year.

The Board's finding that vacations with pay should be granted to the railroad employees engaged in the non-operating services is based on the accepted premise that such vacation periods are socially desirable. It would follow from this that the employees who are eligible for vacations should be required to take advantage of this rest and recreation period and should be released from their duties in order that they may enjoy the freedom provided by the vacation opportunity. If, however, the carriers find that they cannot release a given employee for a vacation, because a satisfactory relief worker cannot be obtained to take his place during a vacation period, then such an employee shall receive an extra week's pay.

The Board also is of the opinion that the carriers should hire vacation relief workers. It is our judgment that a vacation system should not be used as a device to make unnecessary jobs for other workers. If a vacation relief worker is not needed in a given instance, and if failure to hire a vacation relief worker does not burden those employees remaining on the job, or burden the employee after his return from his vacation, the carrier should not be expected to replace every employee on vacation with a relief worker.

Finally, the Board is agreed that whenever more favorable arrangements exist with regard to vacations either by agreement or custom, these arrangements shall be continued.

THE BOARD FINDS:

1. That the paid vacation in industry has become an important element in our American standard of living.
2. That it is necessary to the maintenance of physical and mental well-being of workers.
3. That productive efficiency tends to be enhanced by a periodic respite from labor, and vacations with pay greatly improve labor morale.
4. That the cost of vacations is offset in part, at least, by the increased productivity resulting therefrom.
5. That the increasing strain upon the individual produced by the defense effort accentuates the need for an annual leave.
6. That the introduction of a vacation plan at the present time would not hamper unduly the efficient operation of the railroad industry.

THE BOARD RECOMMENDS:

1. That a vacation of six (6) consecutive work days should be granted with pay to all employees in the Fourteen Cooperating

Organizations who work substantially throughout the year or who are attached to the industry as a result of reasonably continuous employment. Any employee who works, sickness and injury excepted, not less than sixty percent of the total work hours per year calculated on the basis of the forty-eight hour week shall be entitled to the six day vacation with pay. All such employees who have been so employed during the year preceding January 1, 1942, shall receive vacations with pay and all employees thereafter who have been similarly employed during a preceding year shall be entitled to a vacation with pay. It shall be understood that the vacation plan shall be effective as of January 1, 1942.

2. That it should be recognized by all concerned that the present rules were developed for the industry at a time when the parties did not contemplate arranging for vacations with pay. Any changes in the working rules as they apply to vacations should be the subject of negotiation between the proper officials of the carriers and the employees' organizations. Negotiations should be entered into immediately and any necessary changes in rules should be agreed upon by January 1, 1942.
3. That the period during which vacations may be taken shall be from January 1 to December 31 each year. Due regard consistent with efficient operations shall be given to the desires and preferences of the employees when fixing the dates for their vacations.
4. That all employees who are eligible for vacations shall be required to take them and the carriers shall release such employees from their duties for the vacation period. If a carrier finds, in the event of an extreme emergency that it cannot release a given employee for a vacation, then such an employee shall receive an extra week's pay.
5. That the carriers should hire vacation relief workers and that a vacation system should not be used as a device to make unnecessary jobs for other workers. If a vacation relief worker is not needed in a given instance, and if failure to hire a vacation relief worker does not burden those employees remaining on the job, or burden the employee after his return from his vacation, the carrier should not be expected to replace every employee on vacation with a relief worker.
6. That whenever more favorable arrangements exist with regard to vacations either by agreement or custom than those recommended by this Board, such vacation arrangements shall be continued.

X. RULES CASE

The carriers' proposal sets forth ten rules which, in the opinion of the carriers' representatives, will clarify and simplify the existing rules structure, eliminate costly and wasteful personnel practices, and greatly increase the efficiency of the railroad industry. This

Board is not asked, however, to consider the merits of the specific rules proposed. Rather, it is the request of carriers that the following findings, and these only, be made:

A. No sufficient consideration in negotiation or mediation has so far been given to the proposed changes in the non-operating rules.

B. The showing presented to the Board demonstrates that the conditions to which the proposed rules are addressed require correction; and the changes proposed are such as to merit careful consideration.

C. The parties should, therefore, promptly resume negotiations upon these proposals, and endeavor in good faith to arrive at an agreement. Any such proposals or portions thereof which are not settled through direct negotiations should be submitted to mediation. If, following mediation, there still remain any proposals or portions thereof not fully settled, these should be submitted to final arbitration as between the parties.

D. In view of the foregoing recommendations and findings, no condition presently exists which would justify the employees in striking because of the carriers' rules proposals.[1]

The carriers further contend that although there is variation among individual agreements, there is a general pattern to which the contracts held by a particular craft conform; that General Chairmen on individual roads lack the authority to negotiate or agree to any substantial change in their individual agreements; and that, therefore, the only practical method of negotiation is on an industry-wide scale.

The Fourteen Cooperating Railroad Labor Organizations have answered the proposal by asserting a lack of good faith on the part of the carriers. While it is recognized that "any given rule may become archaic or that in the course of time it may take on a significance which is no longer consistent with the best interests of the parties concerned,"[2] it is argued that this proposal "would engraft upon existing agreements certain general principles which are not related nor limited to any specific rule or rules but whose ramifications extend through all of the provisions of such agreements to an extent which the proponents have not explained to this Board, and which may only be guessed at by the employees' representatives."[3]

Seven fundamental objections were offered to the carriers' proposal by the Cooperating Organizations:

1. In its submission, there was no compliance with the spirit, intent and purposes of the Railway Labor Act.
2. Change is sought in violation of the existing contractual provisions for effecting amendments.

[1] *Memorandum Brief and Argument of Conference Committee of Fourteen Cooperating Railroad Labor Organizations*, p. 38.
[2] *Ibid.*, p. 143.
[3] *Ibid.*, p. 144.

3. It seeks to standardize contracts "which are individual in their nature to each craft or class of employees and to each carrier."[1]
4. It is general and vague and fails to enumerate the specific changes sought.
5. The language is confusing, indefinite, and not capable of intelligent comprehension.
6. It would in effect nullify thousands of agreements which have been slowly and laboriously built up.
7. Management will once again be able to dictate working conditions to labor should it be adopted.

The employees' position is that the rules case had already passed through mediation, and that nothing is to be gained by resubmission. They said that: ". . . if any individual railroad desires to change the language of any particular rule in any agreement, we stand ready to discuss the matter. If it is the purpose of the carriers to draft agreements with the various organizations which are national in scope and whose provisions would have a uniform interpretation and a uniform application throughout the industry, we are likewise ready to consider the proposition."[2] The Board is requested to dismiss the proposal without recommendation.

THE BOARD FINDS:

1. That it has jurisdiction over the rules dispute pursuant to Section 10 of the Railway Labor Act.

2. That the 14 Cooperating Organizations issued a strike ballot which included, among other things, the rules proposal stated herein, after refusing to keep the rules dispute in mediation pending a settlement of the wage and vacation disputes; that the said group refused to accept the offer of arbitration of the National Mediation Board which the carriers accepted; that the 5 operating brotherhoods agreed with the carriers to keep a similar rules dispute in mediation, but to hold it in abeyance until the proceedings over their wage dispute is settled.

3. That for the Board to attempt to reach conclusions that could be supported by findings which would change the rules, would be an impossible task for the following reasons: (a) A lack of sufficient time and opportunity in which to investigate and study the nature and effect of the rules, (b) A lack of sufficient knowledge on the part of members of the Board as to the history, background and intricacies of the rules as they now affect the railroad industry, or would affect it in the event of their change, (c) A lack of a record sufficiently complete upon which findings as to the individual rules could be based.

4. That many of the existing rules developed during the early his-

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[1] Transcript of Proceedings, p. 5914.
[2] *Memorandum Brief*, p. 157.

tory of the industry when railroad operating problems were much less complex than those which characterize the industry today; that the development of labor saving devices, the great increase in speed of operations resulting from the perfection of railroad mechanisms, the effect of competition and many other influences have resulted in what both parties agree is a "new industry." Hence the Board finds that the present situation calls for a re-examination of many rules necessary in the past which now may need changing to meet the requirements of this "new industry."

5. That each of the railroads herein has its own code of rules and regulations. While the rules and regulations are similar, they are not identical and they are not being interpreted alike by the management and employees of the respective railroads; that there appear to be conflicts of jurisdiction over the division of work among the respective classes and crafts involved as evidenced by conflicting Awards made by the Adjustment Boards; that the number of requests for interpretations of the present rules, instead of lessening, appear to be increasing; that the several divisions of the Adjustment Board have not always followed consistent policies in comparable cases, thus setting up conflicts and causing confusion in operations. Unfortunately the Railway Labor Act makes no satisfactory provision for final adjudication of such conflicts.

RECOMMENDATIONS:

The rules dispute between the carriers and the employees of the Fourteen Cooperating Railroad Labor Organizations should be re-submitted for further consideration and determination under the procedures of the Railway Labor Act. This Board assumes that whatever changes may be made in the application of present rules, the basic guarantees to railroad labor as to seniority and craft and class lines will be preserved.

The Board makes the foregoing recommendation for the reason that the rules dispute is one which lends itself to settlement by negotiation, meditation, arbitration, or hearings before a Special Emergency Board. It is not one which should be settled by a test of economic force. If a Special Emergency Board is appointed to hear the dispute, it should have among its members persons thoroughly versed in the practical problems of railroad labor and of railroad operations.

XI. SPECIAL CASE OF THE SHORT LINES

The short line railroads involved in these disputes are nineteen in number.* They were represented before the Board by the American Short Lines Railroad Association, and appearances were entered by J. M. Hood, President, and C. A. Miller, Vice-president and General Counsel.

The President of the Association, Mr. J. M. Hood, appeared before the Board, was duly sworn, and after a preliminary statement offered

* See Appendix C-6.

his testimony in written form. The testimony was copied in the Record. Mr. Hood held himself available for cross examination, but no cross examination was requested by counsel for either of the organizations of employees. Counsel for the employees did not refer to the Short Lines in argument or in their briefs. There is nothing in the Record to suggest that the employees question any of the testimony presented on behalf of the Short Lines.

This testimony establishes that existing scales of wages, rules of service, nature of the employment, characteristics of physical operation, and financial situation of the carriers, are on the whole quite different in the short line railroads from those found in the Class I roads. All but one of the short line roads represented in this case are Class II and Class III carriers, having annual operating revenues of less than $1,000,000 or less than $100,000. Class II and Class III carriers have long had a different history from Class I carriers. They were not subject to the Adamson Law of 1916, if independently owned and less than 100 miles in length. If less than 100 miles in length, they are given special treatment by the Interstate Commerce Commission under the authority of the Railway Mail Pay Act. Generally speaking, they report to the Interstate Commerce Commission under a simpler system of accounting than that prescribed for the Class I railroads.

The uncontradicted testimony further shows that the conditions of labor on the short lines differ in essential features from those on the trunk lines. Since the short lines are short, there is a greater proportion of turn-around runs on them than on the trunk lines, with the result that the employees have less time away from home and consequently less expense. The residence of employees is usually in small towns where rents and other costs of living are lower than the average. The strain of operations on short lines is less than that on trunk lines. With rare exceptions, Class II and Class III roads operate on single-track lines, greatly simplifying the requirements of knowledge and experience on the part of the employees. On many of the short line roads only one train crew is employed on the entire line or on a definite part of it. All of these differentiating features operate to reduce examinations, both physical and mechanical, and examinations on the book of rules. They also make relatively simple and infrequent the investigations that employees are called upon to make.

While the testimony on behalf of the Short Lines was in considerable part argumentative, in emulation of much of the testimony offered before the Board, the fact that the employees did not question it requires that for present purposes we accept it as giving an accurate picture of the facts.

There was further uncontradicted testimony that as the short lines differ collectively from the trunk lines, so do they differ from each other. For these reasons they have not participated in many of the negotiations and conferences over general railroad and labor problems. Likewise for these same reasons they object to mediation in proceedings involving them together with the Class I roads, or involving them collectively, and prefer conference and adjustment on the individual properties. Only by such conferences, they believe, can due consideration be given to the special and peculiar features of the financial and physical operations of the lines and of the nature of the work and the conditions surrounding it as it affects the employees.

From all this uncontradicted testimony it obviously would be wholly inappropriate to apply our general recommendations without modification to the short line railroads. It does not follow, however, that there is a sufficient basis for a recommendation that there should be no vacations or increases of pay on the short line roads. The testimony is that the short lines differ among themselves. While it is clear that many of them are in a precarious financial condition, it is not clear that all of them are. Indeed, the testimony of President Hood points out as an advantage to the employees that "By reason of the affiliation between many Class II and Class III lines and industries primarily served, certain flexibilities of employment exist which operate to ensure continuous employment." For all we know, some of the short lines may be what we might call "captive roads" of prosperous industries. Therefore, as it would be unwarranted to apply our recommendations wholesale to all the short lines, so would it be unwarranted to recommend that they should receive wholesale immunity from them.

On one point our judgment is clear that the immunity of the Short Lines should be only a partial one. A basic minimum wage is justified by considerations which dictate its application to all railroads, whether long or short, rich or poor. The only debatable question is one as to the amount. We believe that the special situation of the Short Lines is adequately recognized if they are required to establish a basic minimum rate of 40 cents an hour. This in our judgment gives to the Short Lines at least the full favorable differential over the Class I carriers to which they can lay any rightful claim.

Different considerations may apply to the demand of the operating employees for a minimum money increase of $1.80 added to the basic daily wage rate. We have not been presented with either facts or figures essential to a reasonable judgment as to the reasonableness of applying such an increase to the Short Line railroads. With respect also to vacations recommended by us in response to the proposal of the non-operating employees, we are not advised sufficiently of the facts to enable us to form a judgment as to the suitable application of this recommendation to the Short Lines. We certainly, however, do not wish that our enforced ignorance should serve as the basis of any inference that vacations are in any way unsuitable for employees of Short Lines.

RECOMMENDATIONS:

Our recommendations with respect to the Short Lines are therefore that for non-operating employees there shall be a basic minimum hourly rate of 40 cents, and that some wage increases for the employees of the Short Lines should be agreed upon among the parties through the processes of negotiation, mediation, arbitration, and, if necessary, the findings of another Emergency Board. Similarly there should be negotiation and further procedures on the issue of vacations with pay for the non-operating employees. It is our judgment that negotiation over these matters should be initiated by conferences on the individual properties and that if later there are proceedings on regional or national lines, these proceedings, whether mediation, arbitration or fact-finding and recommendations by an Emergency Board, should be confined to employment on the Short Lines so that the special problems of such lines and of their employees may be considered independently without confusing them with similar issues arising between the trunk lines and their employees.

XII. THE RAILWAY EXPRESS AGENCY CASE

On June 10, 1941, the Railway Express Agency, Inc. (hereinafter called the Agency) was served with notice by the Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees, the International Association of Machinists, the International Brotherhood of Blacksmiths, Drop Forgers, and Helpers (hereinafter called the Brotherhoods) with a demand for an increase of 30c an hour in the rates of pay of all employees represented by the Agency, providing also that no employee be paid less than 70c an hour, effective July 10, 1941. The Agency demanded a change from a 44-hour week to a 48-hour week, and a change in the vacation rule, but these counter-proposals were withdrawn at the hearings. All the demands were considered in negotiation and mediation, but mediation was terminated by the strike order of the Fourteen Non-operating Organizations of which the Brotherhoods were members.

The President's Emergency Proclamation of September 10, 1941 included the aforesaid parties and upon this basis the Board after hearing and overruling a motion to exclude the issues presented by the parties took jurisdiction. It entered an order that the hearing of this dispute should be made upon a separate record following the conclusion of the railroad wage case.

The contentions of the Agency may be summed up as follows:

1. The Express Company problem requires separate disposition and independent determination from the main wage case because:
   - (a) The conduct and nature of the express and the railroad business are quite different. The Agency provides a completely expedited transportation service using not only its own facilities, but those of several other agencies of transport for the actual point-to-point transportation.
   - (b) The duties and responsibilities of express employees are different from those of the rail employees; about one-third of express labor is engaged in collection and delivery.

(c) The vehicle employees are represented in part by the International Brotherhood of Teamsters, with which it negotiates separately from the standard railway unions.
(d) A scale of wages and rules of working conditions have been developed which bear no relation to those of railway employees, but which reflect conditions in the express business.
(e) Except in 1932, 1935 and 1937, express wages have been determined at different times and in different amounts than the wages of railroad employees, and even in these instances separate negotiations with the Brotherhood of Teamsters were required.

2. The wages of express employees are the highest they have ever been, on any basis of calculation, using (a) average annual pay per employee on the computed basis prescribed by the I. C. C.; (b) the average annual pay per employee using the mid-month count; or (c) the average pay per straight-time hour.
3. The wages of express employees are higher in relation to the cost of living than they were in 1929.
4. The wages of express employees are higher generally than the wages of employees engaged in similar work.

Direct comparisons are made between the hourly rates of pay of various types of express employees and employees performing similar services in other industries, in 369 cities. The increase in the number of applications for work with the Agency, especially in larger cities, speaks for the satisfactory level of express wages and working conditions.

5. The Agency cannot afford a general increase in wage rates.

The proportion of express revenue paid to the owning railroads as Express Privileges has declined from about 51.5% in 1929 to about 34% in 1940 and in the first seven months of 1941. The reason for the decline is that because a large proportion (over 77%) of the Agency's expenses consists of labor costs, it has not been possible to adjust cost of operation to the declining revenues which have resulted from the depression and increasing competition.

While it is difficult accurately to determine the actual cost to the railroads which may be allocated to express, cost studies made for 1922 and 1933 should be given great weight and consideration. The latter, made by Federal Coordinator Eastman, in Passenger Traffic Report, shows that for 1933 the aggregate costs incurred by the railroads chargeable to express exceeded by $54.3 millions the payments for Express Privileges received by them. In the opinion of Mr. L. O. Head, President of the Express Agency, the present Privileges do not compensate the railroads for the services performed in connection with express traffic. In short, the express business is now being operated at a loss. The wage demands, if applied to the fiscal year ending June 30, 1941, would have reduced the Express Privileges to 17% of gross revenue, leaving very little to apply to the railroads' costs of handling their express traffic. The current increase in the volume of business will not increase the amount of the Privileges substantially because such a large part of the Agency's expenses is wage costs that little latitude remains for a decreasing operating ratio.

6. Increased wage rates can only be met from increased express rates, which, in view of the levelling off in the volume of business and a probable future decrease, would further reduce volume.

The contentions of the Brotherhoods may be summed up as follows:

1. Generally since 1929, wages of Express employees have been handled concurrently with general movements for changes in railroad employees' wages.
2. The Agency can itself neither make nor lose money. It is owned by the railroads and its business is an integral part of the business of railroading. From every practical point of view, its employees are railroad employees, and they should receive the same consideration as that shown the railroad employees.

Corporate History of the Railway Express Agency

The corporate structure of the Agency in its relation to the railroads is put in issue by the Brotherhoods as the basis for their contention that the Agency is in fact a part of the railroad systems involved in this case. The Agency, which is a Delaware corporation, came into existence under the following circumstances: When the railroads were taken over by the Government during the last war, the Director General of Railroads suggested the consolidation of a number of Express Agencies into one company. This resulted in the incorporation of the American Railway Express Company which was to act as the joint Agency for the conduct of the express business. Subsequently the Agency was set up by the railroads for the purpose of purchasing the transportation properties of the American Railway Express Company.

The Agency has a capital stock of one thousand shares without par value, all of which is owned by the principal railroads in proportion to the amount of business transacted over their respective lines. Each railroad has entered into a similar form of contract with the Agency. One of the conditions of the contract provides that after deducting the Agency's expenses and other charges from its gross revenue, the balance should be paid to the respective railroads in return for their transportation services. These payments have been designated as Express Privileges.

The plan further contemplates that no dividends are to be paid on the Agency stock.

The money to purchase the properties and business of the American Railway Express Company was financed through the sale in 1929 of an issue of $32,000,000 of 20-year, five percent serial bonds by the Agency pursuant to authority granted by the Interstate Commerce Commission. These bonds are subject to retirement at the rate of $800,000 each six months, with funds advanced by the railroads which are stockholders of the Agency.

On December 28, 1938, the bond issue outstanding had been reduced to $16,000,000 and was called for redemption. The funds required for such redemption were obtained by the Agency through the sale of an issue of ten-year serial notes at varying rates of interest averaging about 1.998%. These notes have been retired at the rate of $800,000 each six months with funds advanced by the stock holding railroads. The interest on such advances is charged against the revenues of the Agency in arriving at the amount of the Express Privilege, and is payable to the railroads under the provisions of the standard operating agreements. The money advanced for the retiring of the bonds or notes is obtained by monthly withholding from amounts due the stock holding railroads as Express Privilege. Such amounts are calculated and recorded in the books of the Agency and are regarded by the Agency as a debt to the railroads.

The percentage of Agency revenues paid to the railroads for Express Privileges has dropped from 39.83% in 1936 to 33.67% for the calendar year 1940. This has been due to the increase in the amount of taxes, wages, and other expenses of the Agency. There is not sufficient evidence to show whether the monies turned over to the railroads by the Agency for Express Privileges is sufficient to make the service directly and financially profitable to the railroads. There are some statements by several witnesses for the Agency to the effect that they are confident that the cost to the railroads is more than has been turned over to them by the Agency.

Wage Conditions of Railway Express Agency

In Agency Exhibit No. 4, p. 24, it is shown that there are 1326 employees of the Agency who receive less than 40c an hour, and that if these employees had a basic wage of 40c per hour, the annual additional cost would be $70,159.92.

The wage scales of the several groups of employees of the Agency appear to be affected more by competitive rates of pay in the large cities than are the wages of employees represented by the fourteen non-operating groups employed by the carriers. One difficulty in appraising the evidence relating to comparative wage increases is that the wage changes outlined therein are not national in scope, but are frequently limited to narrow territories.

Since 1927 there have been but two general wage increases—2½c an hour in 1927 and 5c an hour in 1937. In addition to these wage movements which affected all of the employees, various groups have received other benefits from time to time. Most of these changes were local in nature, affecting only employees in individual cities. For example, certain members of the Brotherhood of Railway Clerks received pay increases of from 3 to 4 cents an hour in 1929 in the larger cities. In the same year, the machinists gained from 2 to 13 cents per hour in four large cities, and the clerical force in New York received a flat 3 cent per hour raise. The Teamsters' Union, which is not represented in this dispute, but some of whose members are employees of the Agency, has secured various increases for its members ranging up to $9.47 a week in New York City in the period 1927 to 1941.

There was a general 10% reduction in 1932, which was restored completely by 1935; 2½% in 1934, 2½% on January 1, 1935, and the balance on April 1, 1935. The application of the 44-hour week to Agency employees, beginning with the teamsters in 1939, involved a further benefit to the employees, since no reduction in weekly pay accompanied the decrease in the number of hours worked. Vacations were also granted beginning with 1937.

It will be noted that the other non-operating groups of the carriers since 1930 have not received increases other than that of 1937, nor have the great majority of them received vacations; none of them has had the working week shortened from 48 to 44 hours.

THE BOARD FINDS:

1. That the entire capital stock of the Agency is owned by the principal railroads of the country in proportion to the amount of business transacted over their respective lines;

2. That all revenues of the Agency, after deducting operating expenses, taxes, and other charges, are paid to said railroads for the transportation services provided by them for the Agency, these payments being designated as Express Privileges;

3. That the Agency is owned by the railroads, and that the Agency is an integrated part of the railroad system;

4. That of the employees of the Agency, approximately 1,326 receive an hourly rate of pay of less than 40c per hour.

5. That the employees of the Agency have an advantage over the non-operating employees of the railroads in that their average hourly earnings are substantially higher than the average for the non-operating employees of the railroads.

RECOMMENDATIONS:

The Board recommends that the pay of all the Agency employees receiving less than 45c an hour be raised to a basic minimum rate of 45c an hour; and that the basic rate of all other employees of the Agency should remain unchanged, but that all employees shall receive an addition of 7½c per hour over present rates of pay, the same to begin as of September 1, 1941, and to terminate automatically as of December 31, 1942.

XIII. PARTIES SUBJECT TO THE JURISDICTION OF THE BOARD

As stated in the opening sentence of this Report, the jurisdiction, powers and duties of this Emergency Board were created and established by the terms of the Proclamation issued September 10, 1941, by President Franklin D. Roosevelt. This opening sentence states in short the decision of this Board as to its jurisdiction.

At the pre-hearing conference held on September 15, 1941, the Board announced on the record to representatives of the Conference Committees of the employees and of the carriers that it would assume that all the parties listed in the Proclamation of September 10, 1941, were subject to the jurisdiction of the Board until the contrary was clearly shown.

A telegram was sent on the same day to all the carrier parties not represented at the September 15 conference but named in the President's Proclamation except those which had made stand-by agreements or had notified the National Mediation Board that they would abide by the disposition of the disputes resulting from national handling. This telegram notified the parties that the Board's formal investigation of the disputes would begin in Kimball Hall in Chicago, Illinois, at 10 a. m., September 16, 1941.

The telegram, as shown by the record, was sent to the following groups of carriers: (1) those carriers that declined to be represented at the mediation proceedings held prior to the appointment of the Emergency Board; (2) those carriers that refused to respond to the National Mediation Board's proffer of mediation; (3) those carriers represented by individuals such as Mr. J. M. Hood of the American Short Line Railroad Association, Mr. Jos. T. Johnston of the Macon, Dublin and Savannah, Mr. F. S. Collins of the Southern Short Lines, and others.

The employees involved in the disputes were fully represented by their Conference Committees, and needed no further notice.

The Board announced on the record at the first public hearing on September 16, 1941, that all parties named in the President's Proclamation of September 10, 1941, would be considered by the Board as falling within its jurisdiction in the absence of convincing proof to the contrary.

The Board was assured by representatives of the employees that a strike vote had been taken with the result that a threat of strike was pending in at least one department of operations of each of the carriers named in the President's Proclamation.[1] The Board ruled that on the basis of such assurances and in the absence of proof to the contrary, it was to be deemed that such threatened strikes fell within the meaning of that language of the President's Proclamation of September 10, 1941, reading "which disputes have not heretofore been adjusted under the provisions of the Railway Labor Act as amended now threaten substantially to interrupt interstate commerce to a degree such as to deprive the country of essential transportation service."

After a study of the complete record of this case, the Board is

[1] See Transcript of Proceedings, Vol. 3, pp. 505 ff., and Transcript of Proceedings Appendix, Vol. I, pp. 19 ff.

satisfied that the preponderance of evidence clearly supports a finding that all of the parties listed in the President's Proclamation of September 10, 1941, are subject to the jurisdiction of the Board. The proof in the record is convincing that a strike vote was taken by the several operating brotherhoods and the non-operating organizations respectively in at least one or more branches or departments of the operations of the carriers named in the Proclamation.[1]

The record shows that various carriers named in the President's Proclamation protested the jurisdiction of the Board. Their objections fall into three rather definite patterns: (1) the disputes of certain protesting carriers are not susceptible of national disposition because of said carriers' low operating income and because of other characteristics peculiar to their limited type of operation; (2) certain carriers had recently concluded agreements with their employees with respect to disputes similar to those pending before the Board; and (3) certain objecting carriers are not "carriers" as defined by the Railway Labor Act.

The first group of protestants fall within that general class of carriers represented by the Short Lines. Although the Board ruled that it has jurisdiction over the Short Lines, it nevertheless decided, upon the basis of the record, to make certain special recommendations covering the Short Lines case as set out in Section XI of this Report.

The second group includes such carriers as the Hudson & Manhattan Railroad Company, the Atlanta, Birmingham and Coast Railroad Company, and the Alabama, Tennessee & Northern Railroad Corporation. These carriers were duly certified by the National Mediation Board to the President and therefore are properly included in the Proclamation. The recommendations of this Board apply to such carriers insofar as pending disputes in their operations threaten substantially to interrupt interstate commerce.

The aforementioned third group of protestants are represented by such concerns as the Burlington Refrigerator Express Company, the Freight Carriers Express Company, Western Freight Express Company, Merchandise Despatch Transportation Corporation, and to Western Mining Company. As a group they represent corporations owned or controlled by a single railroad or a group of railroads. The Board believes that it was proper to include such protestants within the President's Proclamation of September 10, 1941, and make them subject to the jurisdiction of the Board because of the previously mentioned fact that their pending labor disputes as evidenced by the strike vote "threatened substantially to interrupt interstate commerce to a degree such as to deprive the country of essential transportation service."

Thus, the Board has not seen fit on the basis of the record to exempt from its jurisdiction any of the parties named in the President's Proclamation of September 10, 1941.

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[1] See Appendix C-5.

The Board refused to take jurisdiction over an alleged dispute between certain carriers and the United Transport Service Employees of America, an independent organization representing thirty-five hundred workers in the railroad industry, including red caps and station ushers. The Board's decision rested on the ground that the President's Proclamation did not list the United Transport Service Employees of America as a party, nor did it include its alleged dispute with the carriers within the terms of the Proclamation.[1]

The Board also denied several petitions of intervenor filed by various third parties such as the National Grange, the American Farm Bureau Federation, and by Mr. Martin J. Gillen representing certain investors. The ruling was based on the fact that the jurisdiction of the Board was necessarily limited by the President's Proclamation to an investigation of pending disputes existing between the parties mentioned therein and on the further ground that limitation of time, plus the adoption of reasonable rules of procedure supported a denial of the petitions of intervenor.

However, the Board did permit such third parties to file written statements setting forth their special interests in the railroad disputes and said statements were noted in the Appendix volumes of the Transcript of Proceedings and made available to the parties and to the Board.[1]

XIV. CONCLUSIONS AND RECOMMENDATIONS

It is impossible to make a satisfactory decision on wage policy in a single industry under the circumstances which confronted this Board. Counsel for the carriers in opening his final argument outlined various conflicting considerations which should enter into the Board's final judgment. It is not possible to attach precise mathematical weight to each of such considerations on a definite and unchanging scale of values. However, we have given our most careful attention and our best effort to an evaluation of all the varying considerations inherent in the task of deciding the issues of this case.

Although, as individuals, we are not in full agreement with everything said in our joint report, nevertheless we believe that such differences of emphasis have been given appropriate offsetting evaluations so that in presenting the conclusions and recommendations here made we are, as a Board, in unanimous and unqualified agreement. The unanimity of the Board is all the more remarkable when one considers the fact that the mass of record in this case contains ample statistical data and evidence which would support a variety of decisions on the varying issues.

The task of the Board became one of rendering value judgments which discarded the extreme positions taken by the parties on both sides of the dispute. We endeavored to use the standards of common-

[1] See Transcript of Proceedings Appendix Vol. II, pp. 269 ff.

sense judgment in evaluating the evidence and contentions submitted by the parties.

We recognized that in a sense we sat as the public's representatives in a dispute which is of vital concern not only to the economic welfare of the carriers and to the railroad employees, but also to the economic welfare of the entire nation. The country is in a period of incipient inflation such as ordinarily occurs in times when great wars derange the economic life of the world.

The record of the case contains convincing proof that our national economy is being subjected to great strains and stresses. Wholesale prices within the last two years have risen rapidly and the cost of living is mounting. Wages are increasing. Defense contracts, which necessarily regard cost as a matter of secondary concern, are being let on a huge and growing scale. The percentage of our national production which goes for military needs is steadily mounting and the percentage devoted to civilian production is already declining and will undoubtedly continue to do so as long as the national emergency exists.

The expansion of productive activity, due in large measure to Government expenditures, is resulting in a swelling of the stream of consumer purchasing power. As a result the increased supply of dollars in consumers' hands available to buy a diminishing supply of civilian goods is giving ever greater impetus to price increases. In the absence of a coordinated national policy of economic control, the nation appears to be in danger of severe inflation.

A small rise in prices at the start of such a national emergency may be desirable in that it helps to bring all of the idle facilities into productive activity. Thus for a short time we can have both "guns and butter." But it must be recognized that an extreme inflationary rise in prices and costs is injurious to all save a few who adroitly profit from speculative activity and those who profit from defense contracts. Nearly everyone else loses—wage earners, people on fixed salaries or pensions, farmers, investors and most business men. They lose during the boom and they lose still more severely in the deflationary "morning after" which follows a runaway boom.

During the recent depression the country needed and sought to have the stream of consumer purchasing power increased. Now it would appear that the opposite course is necessary if the supply of consumer dollars is to be brought into any sort of equilibrium with the supply of civilian goods available. This cannot be done by policies adopted by or for one industry and its labor alone. Effective attack on the problem can only be made for all classes, groups and industries. Such a comprehensive attack, if it is going to be made at all, must be made by the government. It must grow out of a carefully formulated and well coordinated plan covering prices, wages, profits, taxes, credit, investment and priorities.

This Board is confident that the government of the United States is cognizant of the problem. In the absence of such a coordinated policy the natural and understandable efforts of each group or class to avoid or minimize the sacrifice which the present national emergency demands of it, and to shift that sacrifice to others, will encourage inflationary trends from which all will suffer.

However, it is not fair or reasonable to expect or insist that the labor of one industry should have imposed upon it a sacrifice in the form of low wages before there has been shown a firm determination to formulate and execute measures involving equal sacrifices on the part of all groups. There is no justification for asking railway labor to become martyrs. On the other hand, to adopt the reverse policy and measure the adequacy of railroad wages by the highest discovered wage rate would serve but to accelerate the spiral of wages, costs and prices. A temporary expedient seems therefore to be the only possible course, pending the evolution of defense policies to the point where the threat of inflation may be moderated and a policy of equality of sacrifice among those able to share in that sacrifice is devised.

On the other hand, we cannot recommend the denial of deserved increases to the employees in this case on any theory that the railroads, under long established governmental policy, have not that full freedom to increase their prices that is accorded to purely private enterprise. The purpose of governmental regulation of railroad rates is not to put railroad workers on a plane inferior to that of workers in unregulated industries. The purpose is to prevent the carriers from charging rates that are possible only because of monopolistic advantages.

It has always been recognized that railroad costs are one of the two determining factors of railroad rates. Over many of such costs there is no control except the control of the market. Wage costs would similarly be determined in part by the bargaining power of labor with its lever of collective refusal to sell labor's services for less than what the employees deem to be a fair price if there were no intervention of public authorities in the process as a guide to moderation on the part of both participants in the bargaining endeavors.

Public authorities, however, have no such plenary control over the prices which public utilities must pay as over the prices which they may demand. The plea on the part of the carriers of inability to pay wages comparable to those paid in unregulated industries because they are subject to governmental control is in effect one that puts on government the onus of denying wage increases because of governmental power. We do not believe that our government has any desire to take on such a burden of responsibility. Certainly no judgment to the contrary can be premised on the fact that there is division of labor among different governmental agencies in dealing with wage rates on the one hand and traffic rates on the other. We must assume that the agency with control over traffic rates will give full recognition to the costs that ensue from any change in the level of wage rates. The public has no right to expect railroad labor to suffer low standards of wages simply because existing traffic rates are not sufficiently high to enable railroad labor to receive wages commensurate with those paid in comparable industries.

The task of determining what are fair and reasonable wages in an industry such as the railroads, with its governmental regulatory features, is one which involves primarily a balancing of the interests of the employees, the carriers, and the public. This Board does not have the power to determine what share of the increased wage bill the public should pay by way of increased traffic rates. However, the Board is satisfied that the wage increases recommended are fair and reasonable, and that, if the financial conditions of the railroads do not make it possible for them to make sufficient profits on the basis of present traffic rates and still pay such wage increases, then traffic rates should be increased. The public would not be justified in expecting railroad labor to continue to work on the basis of its present wage rates in light of the wage increase trends in industry generally, the rising cost of living, and the importance of the services performed by railroad labor in this time of national emergency.

SUMMARY OF RECOMMENDATIONS

A—*Recommendations with Respect to Wages*

In light of the conclusions concerning railroad labor and railroad wages, and from the analysis of the railroads' ability to pay as previously set out in this Report, the Board recommends that:

1. In view of the uncertainties confronting the economy of this country for the duration of the existing emergency, all increases in wages constitute a temporary addition to pay and not a change in basic wage rates, except for minimum rates hereinafter suggested for the railroads.*
2. These temporary additions shall be effective as of September 1, 1941 and shall terminate automatically on December 31, 1942, unless the parties extend the arrangement by agreement.
3. The employees represented by the Five Operating Brotherhoods shall receive an addition of seven and one-half percent over their present wage rates.
4. The employees represented by the Fourteen Cooperating Railroad Labor Organizations shall receive an addition of nine cents per hour over their present rates.**
5. The wage increases recommended by the Board for the period to December 31, 1942, shall be added to present wage rates. However, the Board further recommends that a permanent basic minimum wage of forty cents per hour shall be established for the employees of the so-called Short Lines, and a permanent basic minimum wage of forty-five cents per hour shall be established for all other employees in the railroad industry, including the

* See Recommendation 5.

** This would be approximately equivalent to an average increase of thirteen and one-half percent.

Railway Express Agency, and that no one shall be paid below these basic wage figures for his class of employment. With the exception of the Short Lines, this involves no further monetary addition since the wage increases as recommended will bring railroad workers in their respective classes to or above the suggested basic minimum wage rates.

6. The employees of the Railway Express Agency shall receive a wage increase of seven and one-half cents per hour.

   The Emergency Board is unable to recommend a specific wage increase for the employees of the so-called Short Lines beyond the proposed forty cent minimum, because the record of the case does not contain sufficient data on which to base an intelligent wage recommendation applicable to them. Most of the Short Lines are in a precarious financial condition and are characterized by other distinguishing factors justifying further consideration of their wage problem through the procedures of the Railway Labor Act.

   Hence, it is the opinion of the Board that some wage increase for the employees of the Short Lines should be agreed upon among the parties through the processes of negotiation, mediation, arbitration, and if necessary, the findings of another Emergency Board.

B—*Recommendations with Respect to Vacations*

The Board recommends that:

1. A vacation of six (6) consecutive work days shall be granted with pay to all employees in the Fourteen Cooperating Organizations who work substantially throughout the year or who are attached to the industry as a result of reasonably continuous employment. Any employee who works, sickness and injury excepted, not less than sixty percent of the total work hours per year figured on the basis of the forty-eight hour week shall be entitled to the six day vacation with pay. All such employees who have been so employed during the year preceding January 1, 1942, shall receive vacations with pay and all employees thereafter who have been similarly employed during a preceding year shall be entitled to a vacation with pay.
2. It should be recognized by all concerned that the present rules were developed for the industry at a time when the parties did not contemplate arranging for vacations with pay. Any changes in the working rules as they apply to vacations should be the subject of negotiation between the proper officials of the carriers and the employees' organizations. Negotiations should be entered into immediately and any necessary changes in rules should be agreed upon by January 1, 1942.
3. The period during which vacations may be taken shall be from January 1 to December 31 each year. Due regard consistent with

efficient operations shall be given to the desires and preferences of the employees when fixing the dates for their vacations.

4. All employees who are eligible for vacations shall be required to take them and the carriers shall release such employees from their duties for the vacation period. If a carrier finds in the event of an extreme emergency that it cannot release a given employee for a vacation, then such an employee shall receive an extra week's pay.

5. The carriers shall hire vacation relief workers. It is our judgment that a vacation system should not be used as a device to make unnecessary jobs for other workers. If a vacation relief worker is not needed in a given instance, and if failure to hire a vacation relief worker does not burden those employees remaining on the job, or burden the employee after his return from his vacation, the carrier should not be expected to replace every employee on vacation with a relief worker.

6. Whenever more favorable arrangements exist with regard to vacations either by agreement or custom than those recommended by this Board such vacation arrangements shall be continued.

C—*Recommendations with Respect to Rules*

The Board recommends that:

1. The rules dispute between the carriers and the employees of the Fourteen Cooperating Railroad Labor Organizations should be re-submitted for further consideration and determination under the procedures of the Railway Labor Act. This Board assumes that whatever changes may be made in the application of present rules, the basic guarantees to railroad labor as to seniority and craft and class lines will be preserved.

2. It is the Board's opinion that the rules dispute is one which lends itself to settlement by negotiation, mediation, arbitration, or hearings before a Special Emergency Board. It is not one which should be settled by a test of economic force. If a Special Emergency Board is appointed to hear the dispute, it should have among its members persons thoroughly versed in the practical problems of railroad labor and of railroad operations.

D—*Recommendations with Respect to Short Lines*

1. For non-operating employees there shall be a basic minimum hourly rate of forty cents.

2. Some wage increases for the employees of the Short Lines should be agreed upon among the parties through the processes of negotiation, mediation, arbitration, and, if necessary, the findings of another Emergency Board.

3. Similarly there should be negotiation and further procedures on the issue of vacations with pay for non-operating employees.

   It is our judgment that negotiation over these matters should be initiated by conferences on the individual properties and that if later there are proceedings on regional or national lines, these proceedings, whether mediation, arbitration or fact-finding and recommendations by an Emergency Board, should be confined to employment on the Short Lines so that the special problems of such lines and of their employees may be considered independently without confusing them with similar issues arising between the trunk lines and their employees.

E—*Recommendations with Respect to the Railway Express Agency*

1. The pay of all the Railway Express Agency employees receiving less than forty-five cents an hour shall be raised to a basic minimum pay of forty-five cents an hour.
2. The basic pay of all other employees of the Agency shall remain unchanged.
3. All employees shall receive an increase of seven and one-half cents per hour over present rates of pay, the same to begin as of September 1, 1941, and to terminate automatically as of December 31, 1942.

RULINGS WITH RESPECT TO PARTIES SUBJECT TO THE JURISDICTION OF THE BOARD

1. The Board decided that all parties named in the President's Proclamation of September 10, 1941, were subject to the jurisdiction of the Board because of the fact that the record of the case made clear that their pending labor disputes as evidenced by the strike vote threatened substantially to interrupt interstate commerce to such a degree as to deprive the country of essential transportation service. Hence, it was proper to include such parties within the President's Proclamation of September 10, 1941, and make them subject to the jurisdiction of the Board.

2. The Board refused to take jurisdiction over an alleged dispute between certain carriers and the United Transport Service Employees of America, an independent organization representing thirty-five hundred workers in the railroad industry, including red caps and station ushers. The Board's decision rested on the ground that the President's Proclamation did not list the United Transport Service Employees of America as a party, nor did it include its alleged dispute with the carriers within the terms of the Proclamation.*

3. The Board also denied several petitions of intervenor filed by various third parties such as the National Grange, the American Farm Bureau Federation, and Mr. Martin J. Gillen representing certain investors. The ruling was based on the fact that the jurisdiction of

* See Transcript of Proceedings, Appendix, Vol. II, pp. 269 ff.

the Board was necessarily limited by the President's Proclamation to an investigation of pending disputes existing between the parties mentioned therein and on the further ground that limitation of time, plus the adoption of reasonable rules of procedure, supported a denial of the petitions of intervenor.

However, the Board did permit such third parties to file written statements setting forth their special interests in the railroad disputes and said statements were noted in the Appendix volumes of the Transcript of Proceedings and made available to the parties and to the board.*

ACKNOWLEDGMENTS

The preparation of this Report could not have been accomplished within the limited time allowed without the aid of a highly competent and conscientious staff of technical and statistical experts and secretarial assistants. The members of the Board desire to express their feelings of sincere appreciation to the following persons who served as members of the technical and statistical staff attached to the Board: Arthur F. Burns, Herbert E. Dougall, Gerald J. Fischer, Walter Galenson, Robert D. Gray, Thor Hultgren, Howard C. Knotts, H. Gregg Lewis, and Nathan L. Silverstein. Also we wish to thank our secretarial and stenographic associates: Gilbert Altschul, Betty Bader, Angelica Eggleston, Natalie Flohr, Edna Johnson, Katherine Jones, Libby Karlich, Julia Lewis, Ruth Meyer, Ellen Moorhead, Vera Rappel, and Mae Schiffman. We are particularly indebted to Mary Winther, executive secretary of the Board, for her highly efficient services.

The Board wishes to express its grateful acknowledgments to all of the counsel and the parties who participated in this case for the many courtesies and fine professional attitude which they extended to the Board throughout the hearings. The manner in which the parties presented their case was a notable demonstration of the democratic process in action.

Respectfully submitted,

WAYNE L. MORSE, *Chairman*
THOMAS REED POWELL
JAMES C. BONBRIGHT
JOSEPH H. WILLITS
HUSTON THOMPSON

* See Transcript of Proceedings, Appendix, Vol. II, pp. 269 ff.

APPENDICES

APPENDIX A

Stipulated Time Extension Agreement of September 16, 1941

BEFORE THE PRESIDENTIAL EMERGENCY BOARD

APPOINTED UNDER THE TERMS OF SECTION 10 OF THE RAILWAY LABOR ACT:

DEAN WAYNE L. MORSE, *Chairman*
PROFESSOR THOMAS R. POWELL
PROFESSOR JAMES C. BONBRIGHT
HONORABLE JOSEPH H. WILLITS
HONORABLE HUSTON THOMPSON

Concerning Proclamation of the President, September 10, 1941.

EXTENSION OF TIME FOR THE BOARD TO INVESTIGATE DISPUTES AND REPORT ITS FINDINGS TO THE PRESIDENT

Upon recommendation of Dr. Wayne L. Morse, Chairman, Professor Thomas R. Powell, Professor James C. Bonbright, Honorable Joseph H. Willits, and Honorable Huston Thompson, members of and constituting the Emergency Board appointed by the President of the United States by his proclamation of the 10th day of September, 1941, it is hereby announced, with approval of the President, that the time limit of 30 days fixed by the aforesaid proclamation is hereby extended to allow the parties to the disputes covered therein until October 18, 1941, for closing of formal argument and to allow the Emergency Board until November 1, 1941, to report its findings to the President, both dates inclusive.

The parties to the disputes have agreed to the above extensions and stipulated that if the report of said Board is made prior to midnight Saturday, November 1, 1941, it shall not be challenged or objected to by any of the parties to the disputes on the ground that it was not made within 30 days after the creation of said Board.

The signed stipulation of the parties is attached hereto and made a part hereof.

By order of the EMERGENCY BOARD, this 16th day of September, 1941, at Chicago, Illinois.

By WAYNE L. MORSE
Chairman, Emergency Board

The White House
Approved—September 16, 1941.

FRANKLIN D. ROOSEVELT

Approved and agreed to by following counsel:

J. CARTER FORT
for Railroads represented by Carriers Conference Committees

ALBERT M. HARTUNG
for Railway Express Agency, Inc.

CHAS. M. HAY
for Five Operating Brotherhoods

FRANK L. MULHOLLAND
for the 14 Cooperating Organizations

JOS. F. JOHNSTON
Counsel for Vacation Committees of Eastern, Western and Southeastern Railways

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APPENDIX B

Stipulated Time Extension Agreement
of October 22, 1941

BEFORE THE PRESIDENTIAL EMERGENCY BOARD

Appointed under the terms of Section 10 of the Railway Labor Act:

DEAN WAYNE L. MORSE, *Chairman*
PROFESSOR THOMAS R. POWELL
PROFESSOR JAMES C. BONBRIGHT
HON. JOSEPH H. WILLITS
HON. HUSTON THOMPSON

Concerning proclamation of the President, September 10, 1941.

EXTENSION OF TIME FOR THE BOARD TO INVESTIGATE DISPUTES AND REPORT ITS FINDINGS TO THE PRESIDENT

Upon the joint recommendation of the Emergency Board appointed by the President of the United States by his proclamation of the 10th day of September, 1941, and the parties to the disputes covered by that proclamation, due to the death in the family of one of the members of the Board, it is hereby announced with the approval of the President that the time limit of thirty (30) days fixed by the aforesaid proclamation, as supplemented by the time extension to November 1, 1941, approved by the President on September 16, 1941, is hereby further extended until November 5, 1941, to allow the Emergency Board to report its findings to the President.

The parties to the disputes have agreed to the above extension and stipulate that if the report of said Board is made prior to midnight, Wednesday, November 5, 1941, it shall not be challenged or objected to by any of the parties to the disputes on the ground that it was not made within 30 days after the creation of said Board. The signed stipulation of the parties is attached hereto and made a part hereof.

By order of the Emergency Board this 22nd day of October, 1941, at Chicago, Illinois.

WAYNE L. MORSE, Chairman
Emergency Board

THE WHITE HOUSE
Approved—October 22, 1941.

FRANKLIN D. ROOSEVELT

Approved by Counsel:
FRANK L. MULHOLLAND
J. CARTER FORT
JOS. F. JOHNSTON
ALBERT M. HARTUNG
CHAS. M. HAY
CLARENCE A. MILLER

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APPENDIX C

Exhibits and Appearances

APPENDIX C-1

1. Exhibits Referred to in President's Proclamation of September 10, 1941.

EXHIBIT "A"

CARRIERS

Eastern Region

Akron & Barberton Belt Railroad
Akron, Canton & Youngstown Railway
Ann Arbor Railroad
Baltimore & Ohio Railroad
Bessemer and Lake Erie Railroad Co.

Boston and Maine Railroad
Brooklyn Eastern District Terminal
Bush Terminal Company
Central Railroad Co. of New Jersey
Central Vermont Railway, Inc.
Chicago, Indianapolis & Louisville Railway
Chicago Union Station Company
Cincinnati Union Terminal Co.
Delaware and Hudson Railroad Corporation
Delaware, Lackawanna and Western Railroad Co.
Detroit & Toledo Shore Line Railroad
Detroit Terminal Railroad
Detroit, Toledo and Ironton Railroad Company
East Broad Top Railroad & Coal Company
Erie Railroad
    Chicago & Erie Railroad
    New Jersey & New York Railroad
Grand Trunk Western Railroad Co.
Huntington and Broad Top Mountain Railroad & Coal Co.
Indianapolis Union Railway
Jay Street Terminal
Lehigh & New England Railroad
Lehigh Valley Railroad
Maine Central Railroad Company
    Portland Terminal Company
Monongahela Railway
New York Central System
    New York Central Railroad Co.—Buffalo & East
    New York Central Railroad Co.—West of Buffalo
        (Incl. Ohio Central Division)
    Boston & Albany Railroad
    Chicago River & Indiana Railroad Co.—Chicago Junction
        Railway Company
    Cleveland, Cincinnati, Chicago & St. Louis Ry. Co.
        (Incl. Peoria and Eastern Ry. Co. and Louisville & Jefferson
        Bridge and R. R. Co.)
    Cleveland Union Terminals Company
    Indiana Harbor Belt Railroad Company
    Michigan Central Railroad Company
    Pittsburgh & Lake Erie Railroad Co. (Incl. Lake Erie and
        Eastern Railroad Co.)
New York, Chicago and St. Louis Railroad Co.
New York Dock Railway
New York, New Haven and Hartford Railroad Co.
New York, Susquehanna & Western Railroad
Pennsylvania Railroad
    Baltimore and Eastern Railroad Co.
    Long Island Railroad

Pennsylvania-Reading Seashore Lines
Pere Marquette Railway Co.
  Fort Street Union Depot Company
Pittsburgh, Chartiers & Youghiogheny Railway
Pittsburgh & West Virginia Railway Company
Pittsburgh & Shawmut Railroad
Pittsburgh Shawmut and Northern Railroad
Reading Company
River Terminal Railway
Staten Island Rapid Transit Railway
Union Belt of Detroit
Union Depot Company (Columbus, Ohio)
Union Freight Railroad Company (Boston, Massachusetts)
Washington Terminal Company
Wheeling and Lake Erie Railway Company (Incl. Lorain & West Virginia Railway Company)

Southeastern Region

Atlantic Coast Line Railroad
Atlanta and West Point Railroad Co.
  Western Railway of Alabama
Atlanta Joint Terminals
Central of Georgia Railway Company
Charleston & Western Carolina Railway
Chesapeake and Ohio Railway
Clinchfield Railroad Company
Florida East Coast Railway Company
Georgia Railroad
Gulf, Mobile and Ohio Railroad
Jacksonville Terminal Company
Kentucky & Indiana Terminal Railroad Company
Louisville & Nashille Railroad Company
Nashville, Chattanooga & St. Louis Railway
Norfolk & Portsmouth Belt Line Railroad
Norfolk and Western Railway
Richmond, Fredericksburg and Potomac Railroad Co.
Seaboard Air Line Railway Company
Southern Railway Company
  Alabama Great Southern Railroad Co.
  Belt Railway Company of Chattanooga
  Cincinnati, Burnside & Cumberland River Ry.
  Georgia Southern & Florida Railway
  Harriman & Northeastern Railroad
  New Orleans & Northeastern Railroad
  New Orleans Terminal Company
  St. Johns River Terminal Company
  Wookstock & Blocton Railway Company

Tennessee Central Railway Company
Virginian Railway Company

Western Region

Alton Railroad Company
Alton and Southern Railroad
Atchison, Topeka & Santa Fe Railway
    Gulf, Colorado & Santa Fe Railway
    Panhandle & Santa Fe Railway
Baltimore & Ohio Chicago Terminal Railroad
Belt Railway Company of Chicago
Burlington-Rock Island Railroad Company
Camas Prairie Railroad
Chicago & Eastern Illinois Railroad
Chicago & Illinois Midland Railway Company
Chicago and North Western Railway Company
Chicago & Western Indiana Railroad
Chicago, Burlington & Quincy Railroad Co.
Chicago Great Western Railway
Chicago, Milwaukee, St. Paul and Pacific Railroad
    Chicago, Terre Haute & Southeastern Railway Co.
Chicago, Rock Island & Pacific Railway Company
Chicago, St. Paul, Minneapolis and Omaha Railway
Colorado and Southern Railway Co.
Colorado & Wyoming Railway Company
Davenport, Rock Island and Northwestern Railway
Denver & Rio Grande Western Railroad Company
Denver & Salt Lake Railway Company
Des Moines Union Railway
Duluth, Missabe & Iron Range Railway
Duluth, Winnipeg & Pacific Railway
East St. Louis Junction Railroad
Elgin, Joliet & Eastern Railway Company
Escanaba and Lake Superior Railroad
Fort Worth and Denver City Railway Company
    Wichita Valley Railway Company
Fort Worth Belt Railway Company
Galveston, Houston & Henderson Railroad
Galveston Wharves
Great Northern Railway
Green Bay and Western Railroad Company
    Kewaunee, Green Bay and Western Railroad Co.
    Ahnapee and Western Railway Company
Gulf Coast Lines
    New Orleans, Texas & Mexico Railway
    Beaumont, Sour Lake & Western Railway
    Orange & Northwestern Railway

St. Louis, Brownsville and Mexico Railway Company
Iberia, St. Mary and Eastern Railroad
New Iberia & Northern Railroad
Houston and Brazos Valley Railway Company
San Antonio, Uvalde & Gulf Railroad Company
Sugar Land Railway Company
Rio Grande City Railway Company
Asherton and Gulf Railway Company
San Antonio Southern Railway Company
San Benito and Rio Grande Valley Railway Co.
Asphalt Belt Railway
Houston North Shore Railway
International-Great Northern Railroad
Houston Belt & Terminal Railway Company
Illinois Central Railroad
Yazoo and Mississippi Valley Railroad Co.
Vicksburg, Shreveport & Pacific Railway Co.
Alabama and Vicksburg Railway Company
Gulf and Ship Island Railroad Company
Chicago & Illinois Western Railroad
Kansas City Southern Railway
Kansas City Terminal Railway
Lake Superior Terminal & Transfer Railway
Los Angeles Junction Railway
Louisiana & Arkansas Railway
Manufacturers Railway Company
Midland Valley Railroad
Kansas, Oklahoma & Gulf Railway
Minneapolis & St. Louis Railroad
Railway Transfer Co. of City of Minneapolis
Minneapolis, Northfield and Southern Railway
Minneapolis, St. Paul & Sault Ste. Marie Railway
Duluth, South Shore & Atlantic Railway
Mineral Range Railroad
Minnesota & International Railway Company
Big Fork & International Falls Railway Co.
Minnesota Transfer Railway
Missouri-Kansas-Texas Railroad
Missouri-Kansas-Texas Railroad Co. of Texas
Missouri Pacific Railroad
Missouri-Illinois Railroad Company
Northern Pacific Railway
Northern Pacific Terminal Co. of Oregon
Northwestern Pacific Railroad Company
Ogden Union Railway & Depot Company
Oregon, California & Eastern Railway Co.
Outer Harbor Terminal Railway Company
Peoria and Pekin Union Railway Co.

Port Terminal Railroad Association
Pueblo Union Depot & Railroad Company
St. Joseph Terminal Railroad Company
St. Louis-San Francisco Railway Company
    St. Louis, San Francisco and Texas Railway Co.
St. Louis Southwestern Railway
    St. Louis Southwestern Railway Co. of Texas
St. Paul Union Depot Company
San Diego & Arizona Eastern Railway
Sioux City Terminal Railway
Southern Pacific Company (Pacific Lines)
    Southern Pacific Co.—Former El Paso & Southwestern
    Southern Pacific Co.—Former Arizona Eastern Railroad Co.
South Omaha Terminal Railway Company
Spokane, Cocur d'Alene and Palouse Railway Co.
Spokane, Portland and Seattle Railway
    Oregon Trunk Railway
    Oregon Electric Railway
    United Railways Company
Spokane Union Station Company
Terminal Railroad Association of St. Louis
Texas and New Orleans Railroad Company
Texas and Pacific Railway Company
    Cisco & Northeastern Railway Company
    Abilene & Southern Railway Company
    Weatherford, Mineral Wells and Northwestern Railway Co.
    Texas-New Mexico Railway Company
Texas Mexican Railway Company
Texas Pacific-Missouri Pacific Terminal Railroad of New Orleans
Union Pacific Railroad
Union Railway (Memphis)
Union Terminal Company (Dallas)
Union Terminal Railway Company (St. Joseph)
Wabash Railway Company
Western Pacific Railroad
Yakima Valley Transportation Company

EXHIBIT "B"

CARRIERS

Eastern Region

Akron & Barberton Belt R. R.
Akron, Canton & Youngstown Ry.
    (Includes Northern Ohio Ry.)
Ann Arbor Railroad
Baltimore & Ohio Railroad
    Baltimore & Ohio (New York Terminals)

Baltimore & Ohio Elevators
Baltimore & Ohio Warehouses (Baltimore and Cincinnati)
B. R. & P. Warehouse Inc. (Rochester)
Terminal Storage Company (Washington)
Dayton & Union Railroad Co.

Bangor and Aroostook R. R. Co.
Bessemer and Lake Erie R. R. Co.
Boston and Maine R. R.
Boston Terminal Co.
Brooklyn Eastern District Terminal
Buffalo Creek Railroad Co.
Bush Terminal Co.

Canadian National Ry. Lines in New England
Champlain & St. Lawrence R. R. Co.
St. Clair Tunnel Co.
United States & Canada Rail Road Co.

Canadian National Ry. Lines in N. Y.
Canton Railroad Co.

Central Railroad Company of New Jersey
New York and Long Branch R. R.
Wharton & Northern R. R.

Central Vermont Railway, Inc.
Central Vermont Terminal, Inc.

Chicago, Indianapolis & Louisville Ry.
Cincinnati Union Terminal Co.
Chicago Union Station Co.
Dayton Union Ry. Co.
Delaware and Hudson R. R. Corporation
Delaware, Lackawanna and Western R. R. Co.
Detroit and Mackinac Ry. Co.
Detroit, Toledo and Ironton R. R. Co.
Detroit & Toledo Shore Line R. R.
Detroit Terminal R. R.

Erie Railroad
Chicago & Erie Railroad
New Jersey & New York R. R.

East Broad Top R. R. & Coal Co.
Grand Trunk Western R. R. Co.
Greenwich & Johnsonville Ry. (N. Y.)
Hudson & Manhattan R. R. Co.
Huntington and Broad Top Mountain R. R. & Coal Co. (Pa.)
Indianapolis Union Ry.
Jay Street Terminal
Lackawanna & Wyoming Valley R. R. Co.
Lehigh Valley R. R.
Mackinac Transportation Co.
Maryland & Pennsylvania R. R. Co.

Maine Central R. R. Co.
- Portland Terminal Co.

Merchants Despatch Transportation Corp.
Montour Railroad
Monongahela Railway
Mystic Terminal Co. (Charleston, Mass.)
Montpelier & Wells River R. R. and Barre and Chelsea R. R. Co.
New York Central System
- New York Central R. R. Co.—Buffalo & East
  - New York Central Grain Elevators
  - New York Central Stockyards (Buffalo)
- New York Central R. R. Co.—West of Buffalo
- New York Control R. R. Co.—Ohio Central Lines
- New York Central R. R. Co.—Grand Central Terminal
- Boston & Albany Railroad
- Cleveland, Cincinnati, Chicago & St. Louis Ry. Co.
  - (Inc. Peoria and Eastern Ry. Co. and Louisville & Jefferson Bridge and R. R. Co.)
- Cleveland Union Terminals Co.
- Chicago River & Indiana R. R. Co. (Chicago Jct. Ry. Co.)
- Indiana Harbor Belt R. R. Co.
- Michigan Central R. R. Co.
  - Detroit Stock Yards
- Pittsburgh & Lake Erie R. R. Co.
  - (Including Lake Erie and Eastern R. R. Co.)
- Troy Union Railroad Co.

New York, Susquehanna & Western R. R.
New York Dock Ry.
New York, Chicago and St. Louis R. R. Co.
New York, New Haven and Hartford R. R. Co.
- New York Connecting R. R. Co.

New York, Ontario and Western Ry.
Pennsylvania Railroad
- Long Island Railroad
- Pittsburgh Joint Stock Yards
- Baltimore and Eastern R. R. Co.

Pennsylvania-Reading Seashore Lines
Pere Marquette Ry.
- Fort Street Union Depot Co.

Pittsburgh & Shawmut R. R.
Pittsburgh, Chartiers & Youghiogheny Ry.
Pittsburgh & West Virginia Ry. Co.
Railroad Perishable Inspection Agency
Reading Company
- Philadelphia, Reading & Pottsville Telegraph Co.

Staten Island Rapid Transit Ry.
Toledo Terminal Railroad
Union Belt of Detroit

Union Freight Railroad (Boston)
Union Inland Freight Station (New York)
Union Depot Company (Columbus, Ohio)
Washington Terminal Co.
Wheeling and Lake Erie Ry. Co.
    (Including Lorain & West Virginia Ry. Co.)

Southeastern Region

Alabama, Tennessee & Northern R. R.
Albany Passenger Terminal Co.
Atlanta, Birmingham & Coast R. R. Co.
Atlanta Terminal Co.
Atlantic and Yadkin Ry.
Atlantic Coast Line R. R.
    Winston-Salem Southbound Ry.
Atlanta Joint Terminals
Atlanta and West Point R. R. Co.
    Western Ry. of Alabama
Birmingham Terminal Co.
Central of Georgia Ry. Co.
Chesapeake and Ohio Ry.
Charleston Union Station Co.
Charleston & Western Carolina Ry.
Chattanooga Station Co.
Clinchfield Railroad Co.
Columbus and Greenville Ry.
Columbia Union Station Co.
Durham Union Station Co.
Florida East Coast Ry. Co.
Fruit Growers' Express Co.
Georgia & Florida R. R.
Georgia Railroad
Gulf, Mobile and Ohio R. R.
Gulf Terminal Co.
Jacksonville Terminal Co.
Kentucky & Indiana Terminal R. R. Co.
Lexington Terminal R. R. Co.
Lenoir Car Works
Louisville & Nashville R. R. Co.
Macon, Dublin & Savannah R. R.
Meridian Terminal Co.
Meridian and Bigbee River Ry. Co.
Mississippi Central R. R.
Monroe Railroad Co.
Nashville Terminals Co.
Nashville, Chattanooga & St. Louis Ry.
Norfolk Southern R. R. Co.

Norfolk and Western Ry.
Port Utilities Commission (Charleston)
Relay Depot Assn. (E. St. Louis)
Richmond, Fredericksburg and Potomac R. R. Co.
    Richmond Terminals Co.
Savannah & Atlanta Ry. Co.
Savannah Union Station Co.
Seaboard Air Line Ry. Co.
    Tampa Union Station
Southern Railway Co.
    Alabama Great Southern R. R. Co.
    Cincinnati, Burnside & Cumberland River Ry.
    Cincinnati, New Orleans & Texas Pacific Ry.
    Georgia Southern & Florida Ry.
    Harriman & Northeastern R. R.
    New Orleans & Northeastern R. R.
    New Orleans Terminal Co.
    St. Johns River Terminal Co.
    Woodstock & Blocton Ry. Co.
    Belt Ry. Co. of Chattanooga
    Carolina & Tennessee Southern Ry. Co.
    State University R. R. Co.
Southern Short Lines
    Blue Ridge Ry.
    Danville & Western Ry.
    Carolina & North Western Ry.
    High Point, Randleman, Asheboro and Southern R. R.
    Yadkin Railroad
Tennessee Central Ry. Co.
Virginian Railway Co.

Western Region

Arkansas & Memphis Railway Bridge & Terminal Co.
Alameda Belt Line
Addison Miller
Alton and Southern Railroad
Alton Railroad Co.
American Refrigerator Transit Co.
Atchison, Topeka & Santa Fe Ry.
    Gulf, Colorado & Santa Fe Ry.
    Panhandle & Santa Fe Ry.
Atchison Union Depot & R. R. Co.
Ashley, Drew & Northern Ry. Co.
Baltimore & Ohio Chicago Terminal R. R.
Belt Railway Co. of Chicago
Burlington Refrigerator Express Co.
Burlington-Rock Island R. R. Co.

Butte, Anaconda & Pacific Ry.
Camas Prairie R. R.
Chicago & Eastern Illinois R. R.
Chicago & Illinois Midland Ry. Co.
Chicago and North Western Ry. Co.
Chicago Produce Terminal Co.
Chicago, Burlington & Quincy R. R. Co.
Chicago South Shore and South Bend R. R.
Chicago Tunnel Company
    Chicago Tunnel Terminal Co.
Chicago & Western Indiana R. R.
Chicago Great Western Ry. (Includes South St. Paul Terminal formerly operated by St. Paul Bridge and Terminal Ry.)
Chicago, Milwaukee, St. Paul and Pacific R. R. Co.
    Chicago, Terre Haute & Southeastern Ry. Co.
Chicago, Rock Island & Pacific Ry. Co.
    Peoria Terminal Co.
Chicago, St. Paul, Minneapolis and Omaha Ry.
Chicago, West Pullman & Southern R. R.
Colorado and Southern Ry. Co.
Colorado & Wyoming Ry. Co.
Cupples Station (St. Louis)
Dallas Car Interchange & Inspection Bureau
Davenport, Rock Island and Northwestern Ry.
Denver & Salt Lake Ry. Co.
Denver & Rio Grande Western R. R. Co.
Denver Union Terminal Ry. Co.
Des Moines & Central Iowa R. R.
Des Moines Union Ry.
    Iowa Transfer Ry. Co.
Duluth, Missabe & Iron Range Ry.
Duluth Union Depot & Transfer Co.
Duluth, Winnipeg & Pacific Ry.
East Portland Freight Terminal
Elgin, Joliet & Eastern Ry. Co.
El Paso Union Passenger Depot Co.
Escanaba and Lake Superior R. R. Co.
Fort Dodge, Des Moines & Southern R. R.
Fort Worth and Denver City Ry. Co.
    Wichita Valley Railway Co.
Galveston Wharves
Galveston, Houston & Henderson R. R.
Great Northern Ry.
Green Bay and Western R. R. Co.
    Kewaunee, Green Bay and Western R. R. Co.
    Ahnapee and Western Ry. Co.
Gulf Coast Lines:
    New Orleans, Texas & Mexico Ry.

Beaumont, Sour Lake & Western Ry.
Orange & Northwestern R. R.
St. Louis, Brownsville and Mexico Ry. Co.
New Iberia & Northern R. R.
Houston and Brazos Valley Ry. Co.
San Antonio, Uvalde & Gulf R. R. Co.
Sugar Land Ry. Co.
Rio Grande City Ry. Co.
Asherton and Gulf Ry. Co.
San Antonio Southern Ry. Co.
Iberia, St. Mary and Eastern R. R.
San Benito and Rio Grande Valley Ry. Co.
Asphalt Belt Ry.
Houston North Shore Ry.
International-Great Northern R. R.
Hannibal Union Depot Co.
Harbor Belt Line R. R. (Los Angeles)
Houston Belt & Terminal Ry. Co.
Illinois Central R. R.
Yazoo & Mississippi Valley R. R. Co. (Including Alabama and Vicksburg Ry. Co.—Vicksburg, Shreveport & Pacific Ry. Co.)
Gulf and Ship Island R. R. Co.
Chicago & Illinois Western R. R.
Illinois Northern Ry.
Illinois Terminal R. R. Co.
Joliet Union Depot Co.
Kansas City Southern Ry.
Joplin Union Depot Co.
Kansas City Terminal Ry.
Keokuk Union Depot Co.
King Street Station (Seattle)
Lake Superior & Ishpeming R. R. Co.
Lake Superior Terminal & Transfer Ry.
Litchfield and Madison Ry. Co.
Los Angeles Union Passenger Terminal
Longview, Portland & Northern Ry. Co.
Louisiana & Arkansas Ry.
Louisiana and North West R. R.
Market Service Assn. (Chicago)
Memphis Union Station Co.
Midland Valley R. R.
Kansas, Oklahoma & Gulf Ry.
Oklahoma City-Ada-Atoka Ry. Co.
Midland Continental R. R.
Minneapolis, Northfield and Southern Ry.
Minneapolis, St. Paul & Sault Ste. Marie Ry.
Duluth, South Shore & Atlantic Ry.

- Mineral Range R. R.

Minneapolis & St. Louis Railroad Co.

- Railway Transfer Co. of the City of Minneapolis

Minnesota & International Ry. Co.

- Big Fork & International Falls Ry. Co.

Minnesota Transfer Ry.
Minnesota Western Ry. Co.
Missouri-Kansas-Texas R. R. Co.

- Missouri-Kansas-Texas R. R. Co. of Texas
- Beaver, Meade & Englewood R. R.

Missouri Pacific R. R.

- Missouri-Illinois R. R. Co.

Missouri Produce Yard (Kansas City, Mo.)
Missouri and Arkansas Ry. Co.
New Orleans Public Belt R. R.
Northern Pacific Ry.
Northern Pacific Terminal Co. of Oregon
North Pacific Coast Freight Bureau
Northwestern Pacific R. R. Co.
Ogden Union Ry. & Depot Co.
Oregon, California & Eastern Ry. Co.
Pacific Car Demurrage Bureau
Pacific Coast R. R. Co.

- Pacific Coast Co.

Pacific Electric Ry.
Pacific Fruit Express
Paris & Mt. Pleasant R. R.
Peoria and Pekin Union Ry. Co.
Port Terminal R. R. Assn. (Houston)
Pueblo Union Depot & Railroad Co.
Pueblo Joint Interchange Bureau
Quanah, Acme & Pacific Ry.
Rapid City, Black Hills & Western R. R.
Rock Island—Frisco Terminal Ry. Co.
St. Joseph Terminal R. R. Co.
St. Louis & O'Fallon Ry. Co.
St. Louis-San Francisco Ry. Co.

- St. Louis, San Francisco and Texas Ry. Co.
- Birmingham Belt R. R.

St. Louis & Belleville Electric Co.
St. Louis Southwestern Ry.

- St. Louis Southwestern Ry. Co. of Texas
- Dallas Terminal Ry. & Union Depot Co.

St. Paul Union Depot Co.
Salt Lake City Union Depot & R. R. Co.
San Diego & Arizona Eastern Ry. Co.
Sand Springs Ry. Co.
St. Joseph Union Depot Co.

Sacramento Northern Ry.
Southern Pacific Co. (Pacific Lines)
    Southern Pacific De Mexico (In U. S.)
South Omaha Terminal Ry. Co.
Spokane Union Station Co.
Spokane International Ry.
Spokane, Coeur d'Alene and Palouse Ry. Co.
Spokane, Portland and Seattle Ry.
    Oregon Trunk Ry.
    Oregon Electric Ry.
    United Railways Co.
Stock Yards District Agency (Chicago)
Terminal Railroad Assn. of St. Louis
Texarkana Union Station Trust
Texas and New Orleans R. R. Co. (Sou. Pac. Lines in Texas and Louisiana)
Texas and Pacific Ry. Co.
Texas Pacific-Missouri Pacific Terminal R. R. of New Orleans
Texas Mexican Railway Co.
Toledo, Peoria & Western R. R.
Trans-Continental Freight Bureau
Tulsa Union Depot Co.
Tremont & Gulf Ry. Co.
Union Pacific R. R.
Union Railway (Memphis)
Union Terminal Co. (Dallas)
Union Terminal Railway Co. (St. Joseph, Mo.)
    St. Joseph Belt Railway
Wabash Railway Co.
Weatherford, Mineral Wells and Northwestern Ry. Co.
Western Fruit Express Co.
Western Pacific R. R.
Western Warehousing Co. (Chicago)
Wichita Falls & Southern R. R. Co.
Wichita Union Terminal Ry. Co.
Yakima Valley Transportation Co.

EXHIBIT "C"

Carrier

Railway Express Agency, Incorporated

APPENDIX C-2

CONFERENCE COMMITTEE OF TRANSPORTATION ORGANIZATIONS

A. Johnston, Grand Chief Engineer, Brotherhood of Locomotive Engineers

C. J. Goff, Assistant President, Brotherhood of Locomotive Firemen & Enginemen
H. W. Fraser, President, Order of Railway Conductors
A. F. Whitney, President, Brotherhood of Railroad Trainmen
T. C. Cashen, President, Switchmen's Union of North America
Charles M. Hay and Carroll J. Donohue, of the law firm of Hay & Flanagan, St. Louis, Missouri, counsel for the above named organizations.

APPENDIX C-3

CONFERENCE COMMITTEE OF FOURTEEN COOPERATING RAILROAD LABOR ORGANIZATIONS

Frank L. Mulholland } Attorneys
Willard H. McEwen }
B. M. Jewell (Chairman)
President, Railway Employes' Department, A. F. of L.
V. O. Gardner, President
The Order of Railroad Telegraphers
H. J. Carr, Vice President
International Association of Machinists
Chas. J. MacGowan, International Vice President
International Brotherhood of Boilermakers, Iron Ship Builders and Helpers of America
John Pelkofer, Vice President
International Brotherhood of Blacksmiths, Drop Forgers and Helpers
L. M. Wicklein, General Vice President
Sheet Metal Workers' International Association
J. J. Duffy, International Vice President
International Brotherhood of Electrical Workers
T. E. Losey, Representing
Brotherhood Railway Carmen of America
George Wright, Vice President
International Brotherhood of Firemen, Oilers, Roundhouse and Railway Shop Laborers
George M. Harrison, Grand President
Brotherhood of Railway & Steamship Clerks, Freight Handlers, Express and Station Employees
E. E. Milliman, President
Brotherhood of Maintenance of Way Employees
A. E. Lyon, Grand President
Brotherhood of Railroad Signalmen of America
James J. Delaney, President
National Organization Masters, Mates and Pilots of America
Samuel J. Hogan, President
National Marine Engineers' Beneficial Association
R. A. Walton, Vice President
International Longshoremen's Association

APPENDIX C-4

STATEMENT OF ISSUES

in

THE RULES CASE

Submitted on Behalf of the Carriers

Presented to

The President's Emergency Board,

September 25, 1941.

1. *The Parties.*

Notice of proposed changes in non-operating rules was served by all major trunk line carriers in the western district and all except two in the southern district, respectively represented by the western and southern conference committees.

Such notices were served on the representatives of the non-operating organizations, involved in the wage and vacations disputes, on each carrier where there are working agreements with employees represented by those organizations. Neither the marine employees, nor the organizations representing them, are involved in the rules case before this board; the proposals made to them are being handled individually by the comparatively few carriers interested.

2. *The Proposed Rules.*

The non-operating rules changes as presented to the employees in negotiation are compiled in the form of an agreement, which consists of a preamble, and ten numbered sections, (Nos. 1 to 5, and 7 to 11, inclusive) and a covering paragraph, (No. 12). They are set forth in full on Exhibit A attached hereto.

The essential features of the proposals are, generally speaking, as follows:

> The rules are proposed in order to enable the railroads to have the men do available work which they are able to perform, even though it is not regularly performed by members of their group, when work to keep them busy in their particular field is not available (rules 1 and 2); to fit the starting times and spread of hours of employees to the requirements of the service (rule 10); to provide the use of part time men when the work required for a full tour of continuous duty is not available because of fluctuations in work (rule 3); and to provide, when the work available for an employee does not flow in a constant volume but, on the other hand, is intermittent in character, for the intermittent service of that employee (rule 4).
>
> The proposals provide (rule 5) for the payment of actual overtime only, when employees are called for a small amount of work immediately in advance and continuous with the

regular assignment or when men are recalled to duty after leaving for the day, a short time after the close of the tour of duty. When special kinds of work are done and special allowances are provided therefor, the proposal (rule 7) would eliminate overtime for such special work done outside of the regular tour of duty. When employees change location or shifts, or transfer accounts as the result of the exercise of seniority, or for their own convenience, the proposal (rule 8) provides that the carriers be put to no extra expense. Claims and grievances would be required to be filed and progressed promptly, and those not so filed and progressed would be deemed to be barred (rule 9).

Where temporary vacancies occur it would not be necessary, under proposed rule 11, to fill their positions with other employees who might not be needed.

3. *The disposition of the non-operating rules issues proposed by the carriers.*

The disposition urged upon this board is generally stated in the following portion of the opening statement upon the rules issues, made by Mr. W. T. Joyner on behalf of the carriers on September 16 (Tr. 223-225):

"Therefore, we now frankly say to this Board that we will not ask you, upon the evidence, to write or find language for any one of our proposed rules in your recommendations. We will not even ask you, upon the evidence, to say that any of the proposed rules should or should not be the applicable rule. We shall confine our request to this single objective—that you find as a fact that the conditions created by existing rules appear unduly restrictive on the carriers and that it is your opinion tbat the restrictive conditions should be inquired into and necessary correction made through the machinery of negotiation or, if that fails, by arbitration; that it is your opinion that the organizations sbould endeavor to agree with the carriers upon fair changes, and failing therein should agree to arbitrate the differences arising under the proposed rules as provided for by the statute.

"We are asking that this Board provide the necessary impetus toward a full and fair review of this important matter by finding that the proposed rules present issues which should be negotiated to a conclusion or arbitrated. Toward that very narrow, but very important, objective all of our proof will be directed. And we here formally repeat and renew our offer to submit to arbitration the rules proposals here in question.

"And of course, as a corrollary, the ultimate finding on the facts, we shall request the Board to make the ultimate finding that the employees concerned with the rules changes are not justified in striking about the proposed rules changes with respect to which they have made no effort to compose the differences, and with respect to which they have refused to further mediate or arbitrate."

The Operating Rules.

Substantially all of the Class I railroads represented by the Conference Committees before this Board served upon the organizations representing their operating employees, notices of proposed changes in certain operating rules.

By agreement between the carriers and the operating brotherhoods the operating rules proposals have been continued in mediation, with the understanding that following the final disposition of the wage issues as between the carriers and operating employees, mediation of the operating rules proposals will be resumed. Consequently no issue is before this board as to operating rules.

RULES PROPOSED BY WESTERN AND SOUTHEASTERN CARRIERS

1941

PREAMBLE

The parties to this agreement, realizing that an obligation rests upon management, upon each organization of employes, and upon each employe to render honest, efficient, and economical service to the carrier serving the public; that the spirit of cooperation between management and employes being essential to efficient operation, both parties will so conduct themselves as to promote this spirit; and that management having the responsibility for safe, efficient and economical operation, action of the management is not modified or restricted except as provided by this agreement and the respective schedules and agreements of which it becomes a part, enter into this agreement between each of the Carriers Listed and defined in Appendix "A" and Appendix "B" attached hereto and made a part hereof (represented respectively by their duly authorized Conference Committees signatory hereto) as parties of the first part, and the employes of said Carriers (represented by the organizations, signatory hereto, by their respective duly authorized executives) on whom requests for changes in rules have been made as shown in the said Appendix "A" and Appendix "B" above identified, as parties of the second part. This agreement is to be considered as a separate agreement by and between and in behalf of each of said Carriers and its employes on whom said requests were made, to the extent and only to the extent that requests have been made for changes in rules with respect to any carrier and with respect to any class or craft of employes.

(As originally presented to the employees, the last sentence was not a separate sentence. A comma has been added in the first line.)

1. The following shall be added to existing rules covering scope and exceptions or to classification rules:
   (a) All regularly or temporarily assigned full time positions, the employe incumbents of which perform only work of the character performed by employes of the above classification or classifications during the full period of assignment, shall be filed by employes covered by this agreement, except that this shall not apply to positions included in the above list of exceptions; however, this agreement does not convey the exclusive right to the performance of all work of the character performed by employes falling within the above classifications; and nothing contained in this agreement shall prevent or be construed to prevent the performance of such work by an employe not covered by or excepted from the terms of this agreement, whether such work is performed as a part of the duties of a regular or temporary assignment or is performed by such employe temporarily or at intervals as the circumstances or needs of the service require.
   (b) When the work assigned to a position consists of work, whether of one or different kinds, performed by more than one class or craft, such position shall be deemed to fall under that agreement covering wages, rules and working conditions of the class or craft of employes who perform work of the character constituting the major percentage of the work assigned to such position. The classification of a position having been established in this manner shall remain in effect so long as the work assigned to it is of the character performed by more than one class or craft, but, if the work determining the original classification is removed or disappears from the position it shall be reclassified in accordance with the above principle. However, it is agreed that if any of the work assigned to any position requires specialized qualifications, nothing herein shall be construed to prevent the classification of the position under the agreement governing wages, rules and working conditions of that class or craft of employes who perform work requiring such specialized qualifications, regardless of the relative proportion of such work or the percentage of total time of the position devoted to it.
   (c) Officials, subordinate officials and supervisors (including foremen) are not to be restricted in doing any class or kind of work performed by their subordinates or in connection with accomplishment of the work under their jurisdiction or in the performance of any other function.
   (d) These rules will not apply to individuals paid a salary of \$50.00 or less per month for the regular performance of spe-

cific work normally performed by employes coming under the above classification or classifications and which normally requires less than four hours per day, at locations and during the hours employes covered by this agreement are not on duty or when such employes are on duty but are not available to perform such specific service in connection with their regular assignment; nor shall these rules be construed to require the performance by employes covered by this agreement of work, normally performed by them, which is insufficient to warrant or justify moving employes for its performance.

2. (a) Under this agreement, employes on one seniority district or covered by one seniority roster may be designated or assigned to perform any work of the same or different class or kind on another or the same seniority district, or to perform work of the same or different class or kind generally performed by employes on another or the same seniority roster, whether such work is performed as a part of the duties of a regular or temporary assignment, or is performed by such employes temporarily or at intervals as the circumstances or needs of the service require.

(b) The rate of* pay established for a position under this agreement (including positions classified thereunder in accordance with the provisions of section 1 (b)), which includes regularly assigned varying duties of the same or different occupational classifications, shall compensate for all of the varying duties assigned thereto.

(c) A temporary assignment or designation contemplates the fulfillment of the duties and responsibilities of the position during the time occupied. Assisting a higher rated employe due to a temporary increase in the volume of work does not constitute a temporary assignment or designation. Unless the regular incumbent is being paid for time not worked, an employe temporarily or at intervals assigned or designated to perform work assigned to a higher rated position will receive the higher rate of pay on a minute basis, in lieu of his regular rate of pay, for such assignment or designation with a minimum of one hour at the higher rate for each day worked on such assignment or designation. When a regularly assigned employe is temporarily or at intervals used to perform work on a lower rated position, his rate will not be reduced.

3. (a) A regular force of full day employes shall be established, where and to the extent that their services can be utilized for a full day period on work required by the Carrier. Work which cannot be handled by this regular full day force, either

* (As originally presented to the employes, the word "of" appeared as "or," a typographical error.)

because of peak load requirements of* fluctuations in volume, daily or more or less frequently, may be performed by employes, assigned regularly or used irregularly, to work less than eight hours per day. Such employes, assigned or used regularly or irregularly less than eight hours per day, shall be paid the pro rata hourly rate for time actually worked with a minimum of two hours for each tour of duty. Time in excess of eight hours in any one day shall be paid for as overtime.

(b) Section 4 shall have no application to part time employes covered by paragraph (a) of this section 3.

4. (a) When the requirements of the service at any depot, station, office, storehouse, shop, engine house, yard, section or other point or place of employment are such that certain kinds of work performed by an employe or by any employes covered hereby need not be performed continuously but must be performed at intermittent intervals, an employe or employes may be assigned to work eight (8) hours within a spread of twelve (12) consecutive hours. An employe filling such a position shall be paid not less than eight (8) hours within a spread of twelve (12) consecutive hours, and overtime shall be paid for all time worked in excess of eight (8) hours from time required to report for duty to the time of release within twelve (12) consecutive hours and also for all time in excess of twelve (12) consecutive hours computed continuously from time first required to report until final release. Time, except the meal period, shall be counted as continuous service in all cases when the interval of release from duty is less than one (1) hour. The meal period may be less than one hour and shall not be included in time paid for.

(b) The operation of this Section 4 shall not be restricted by the condition that other employes may be performing work of the same or different class or kind during the period or periods of release of employes assigned to work intermittently, or that the service of the employe or employes so assigned could be used on other kinds or classes of work.

5. (a) Time worked or on duty in excess of eight (8) hours, exclusive of the meal period, continuous with, in advance of and/or following the regular assigned hours on any day, will be paid for on the actual minute basis as overtime.

(b) Employes who have completed their regular tour of duty and have been released and required to return for further service may, if more economical, be compensated as if they had not been released.

7. Arbitrary payments or special allowances agreed upon and made to employes for services performed during or outside the hours of regular assignments shall constitute full com-

pensation for such services, and if performed outside the hours of regular assignment the overtime and call rules of this agreement shall not apply to such services.

8. (a) No allowance will be made for away-from-home expenses and no compensation will be paid for deadheading or traveling time when caused by or resulting from the exercise of seniority (displacement or otherwise), or the application of assignment rules, or to serve the convenience of the employes.

(b) When changing shifts as the result of the application of seniority (displacement or otherwise), assignment and reduction-in-force rules, or when done for the convenience of the employes, only pro rata rates will be paid for the time worked on the shift to which changed.

(c) When transfer of accounts is required, the employe who is exercising seniority rights (making a displacement or otherwise), or whose convenience is being served, will not be compensated for time consumed therein.

9. Limitation on Filing Claims:

All claims or grievances under existing agreements not made in writing within thirty (30) days from date of the occurrence on which claim or grievance is based are barred and will be deemed to have been abandoned. Claims and grievances made within thirty (30) days from date of the occurrence and disallowed are barred and will be deemed to have been abandoned unless appeal is taken to the proper officer within thirty (30) days from the date of notice disallowing the claim.

Initial decision and decision by each officer in the course of appeal shall be made in writing within sixty (60) days from the date claim or grievance is received by him or within thirty (30) days from the date conference is concluded if conference is had thereon. Appeal from any decision shall be made in writing within thirty (30) days from the date of decision appealed, or the claim or grievance shall be barred and will be deemed to have been abandoned.

Decision by the highest officer designated to handle disputes shall be final and binding unless within sixty (60) days after written notice of such decision the said officer is notified in writing that his decision is not accepted. All claims or grievances involved in such decision shall be barred and deemed to have been abandoned unless within six (6) months from date of said officer's decision proceedings are instituted before a tribunal of competent jurisdiction established by law or agreement to secure a determination or adjudication of the rights of the parties.

10. (a) Regular assignments or shifts of employes shall have a fixed starting time which need not be the same each day and may be

changed by notice to the employe or employes involved before the completion of his or their preceding tour of duty.

(b) Individual employes or groups of employes of the same or different classes or crafts, at the same place or point of employment, may be assigned starting times different from that of the shift with which they work or are identified. An employe or the groups of employes so assigned shall be identified with that shift the assigned hours of which cover the major part of the hours of his or their assignments.

(c) Only those employes assigned eight (8) consecutive hours, without a meal period, shall be allowed, at a time when service requirements will permit, not to exceed twenty minutes in which to eat, with no deduction in pay.

(d) Individual employes or groups of employes, whether or not working in consecutive shifts, may be assigned to work eight (8) consecutive hours, without a meal period, where continuous hours are required during the period of such assignments and will be allowed, at a time when service requirements will permit, not to exceed twenty minutes in which to eat without deduction in pay.

(e) Except as provided in paragraphs (c) and (d) employes may be assigned to work eight (8) hours within a spread of not to exceed nine (9) hours with a meal period of not to exceed one (1) hour to be taken between the ending of the 3rd and beginning of the 7th hour of their respective tours of duty.

11. Positions to be bulletined for seniority choice may be left vacant until such time as successful applicant is placed thereon. Any position left vacant by absence of regular incumbent need not be filled.

12. The foregoing provisions contained in Preamble and Sections numbered 1 to 5 and 7 to 11, inclusive, are hereby made a part of the schedules and agreements between the Carriers and the employes covered hereby, to the extent, and only to the extent, that requests have been made for changes in rules with respect to any Carrier and with respect to any class or craft of employes, and supersede and cancel those provisions of any rule, agreement, understanding and practice, or interpretation of any thereof (whether contained in agreements or in awards, decisions or decrees), which are in conflict with or, if continued in effect, would change or modify any of said first mentioned provisions or interfere with their application.

This agreement shall be effective on................day of

..................19.....

FOR THE CARRIERS FOR THE EMPLOYES

APPENDIX C-5

[Carriers' Exhibit No. 202]

WESTERN RAILROADS

List of Carriers as Represented by the Western Carriers' Conference Committee, and Their Employees Represented by The Brotherhood of Locomotive Engineers, Brotherhood of Locomotive Firemen & Enginemen, Order of Railway Conductors, Brotherhood of Railroad Trainmen and Switchmen's Union of North America, as Indicated by "X," in Connection with Notices for Wage Increases Served by the Organizations

Carriers	BofLE	BofL F & E	OofRC	BofRT	S U of NA
Alton RR	X	X	X	X	------
Alton & Southern RR	------	[3]X	------	X	------
Atchison, Topeka & Santa Fe Ry	X	X	X	X	------
Gulf, Colorado & Santa Fe Ry	X	X	X	X	------
Pan Handle & Santa Fe Ry	X	X	X	X	------
Baltimore & Ohio Chicago Terminal RR	X	X	------	X	------
Belt Railway Company of Chicago	X	X	------	X	------
Burlington-Rock Island RR	X	X	X	X	------
Camas Prairie RR	X	X	X	X	------
Chicago & Eastern Illinois RR	X	X	X	X	------
Chicago & Illinois Midland Ry	X	X	X	[2]X	------
T Chicago & North Western Ry	X	X	[13]X	X	------
Chicago & Western Indiana RR	------	[3]X	------	[2]X	------
Chicago, Burlington & Quincy RR	X	X	X	[7-8]X	------
Chicago Great Western Ry	[4]X	[4]X	[11]X	[4]X	X
T Chicago, Milwaukee, St. Paul & Pacific RR	X	X	X	[2-7]X	------
T Chicago, Terre Haute & Southeastern Ry	X	X	X	[2-7]X	------
T Chicago, Rock Island & Pacific Ry	X	X	X	[7]X	X
Chicago, St. Paul, Minneapolis & Omaha Ry	X	X	[9]X	[7]X	------
Colorado & Southern Ry	X	X	X	[2-7]X	------
Colorado & Wyoming Ry	------	[3]X	------	[2-10]X	------
Davenport, Rock Island & Northwestern Ry	------	[3]X	------	------	X
T Denver & Rio Grande Western RR	X	X	X	[2-7]X	------
Denver & Salt Lake Ry	X	X	X	X	------
Des Moines Union Ry	X	X	------	X	------
Duluth, Missabe & Iron Range Ry	X	X	X	[16-17]X	------
Duluth, Winnipeg & Pacific Ry	X	X	X	X	------
East St. Louis Junction Ry	------	[3]X	------	X	------
Elgin, Joliet & Eastern Ry	X	X	X	X	------
Escanaba & Lake Superior RR	------	[3]X	------	[10]X	------
Fort Worth and Denver City Ry	X	X	X	X	------
Wichita Valley Ry	X	X	X	X	------
Fort Worth Belt Ry	------	[3]X	------	------	X
Galveston, Houston & Henderson RR	------	[3]X	------	X	------
Galveston Wharves	------	[3]X	------	------	X
Great Northern Ry	X	X	[11]X	[7]X	------
Green Bay & Western RR	X	X	X	X	------
Kewaunee, Green Bay & Western RR	X	X	X	X	------
Ahnapee and Western Ry	X	X	X	X	------
Gulf Coast Lines—Comprising					
T New Orleans, Texas & Mexico Ry	X	------	X	[14]X	------
T Beaumont, Sour Lake & Western Ry	X	------	X	[14]X	------
T Orange & Northwestern Ry	[15]X	------	X	[14]X	------
T St. Louis, Brownsville and Mexico Ry	X	X	X	[11]X	------
T Iberia, St. Mary and Eastern Ry	X	------	X	------	------
T New Iberia & Northern RR	X	------	X	------	------
T Houston & Brazos Valley Ry	X	X	X	X	------
T San Antonio, Uvalde & Gulf RR	X	X	X	X	------
T Sugar Land Ry	X	X	X	X	------
T Rio Grande City Ry	X	X	X	------	------
T Asherton and Gulf Ry	X	X	X	X	------
T San Antonio Southern Ry	X	X	X	X	------
T San Benito and Rio Grande Valley Ry	X	X	X	------	------
T Asphalt Belt Ry	X	X	X	X	------
T Houston North Shore Ry	X	------	X	X	------
T International-Great Northern RR	X	X	X	[2-7]X	------
Houston Belt and Terminal Ry	X	X	------	X	------
Illinois Central Railroad	X	X	X	[7]X	------
Yazoo and Mississippi Valley RR	X	X	X	X	------

See footnotes at end of table.

Carriers' Exhibit No. 202—Continued]

WESTERN RAILROADS—Continued

List of Carriers as Represented by the Western Carriers' Conference Committee, and Their Employees Represented by The Brotherhood of Locomotive Engineers, Brotherhood of Locomotive Firemen & Enginemen, Order of Railway Conductors, Brotherhood of Railroad Trainmen and Switchmen's Union of North America, as Indicated by "X," in Connection with Notices for Wage Increases Served by the Organizations—Continued

Carriers	BofLE	BofL F & E	OofRC	BofRT	S U of NA
Illinois Central Railroad—Continued					
Vicksburg, Shreveport & Pacific Ry	X	X	X	X	------
Alabama and Vicksburg Ry	X	X	X	X	------
Gulf and Ship Island RR	[12]X	------	X	X	------
Chicago and Illinois Western RR	X	X	------	X	------
Kansas City Southern Ry	X	X	X	[12]X	------
Kansas City Terminal Ry	X	X	------	X	------
Lake Superior Terminal & Transfer Ry	------	[3]X	------	------	X
Los Angeles Junction Ry	X	------	------	X	------
Louisiana & Arkansas Ry	X	[1]X	X	[1]X	------
Manufacturers Railway	------	[3]X	------	------	X
Midland Valley RR	X	X	X	[2]X	------
Kansas, Oklahoma & Gulf Ry	X	X	X	X	------
R Minneapolis & St. Louis RR	X	X	X	X	X
Railway Transfer Co. of City of Mnpls	------	------	------	------	X
Minneapolis, Northfield and Southern Ry	------	[3]X	X	X	------
T Minneapolis, St. Paul & Sault Ste. Marie Ry	X	X	X	X	------
T Duluth, South Shore & Atlantic Ry	X	X	X	X	------
T Mineral Range RR	X	X	X	X	------
Minnesota and International Ry	X	X	X	X	------
Big Fork & International Falls Ry	X	X	X	X	------
Minnesota Transfer Ry	------	[3]X	------	X	[6]X
Missouri-Kansas-Texas RR	X	X	X	[5-7]X	------
Missouri-Kansas-Texas RR Company of Texas	X	X	X	[5-7]X	------
T Missouri Pacific RR	X	X	X	[7]X	------
T Missouri-Illinois RR	------	[3]X	X	X	------
Northern Pacific Ry	X	X	[8]X	[7]X	------
Northern Pacific Terminal Co. of Oregon	X	X	------	[8]X	------
Northwestern Pacific RR	X	X	X	X	------
Ogden Union Railway & Depot Company	X	X	------	X	------
Oregon, California and Eastern Ry	X	X	X	------	------
Outer Harbor Terminal Ry	------	[3]X	------	X	------
Peoria & Pekin Union Ry	X	X	------	X	------
Port Terminal Railroad Association	------	[3]X	------	X	------
Pueblo Union Depot and Railroad Company	------	------	------	[3]X	------
St. Joseph Terminal RR	X	X	------	X	------
T St. Louis-San Francisco Ry	X	X	X	[3]X	------
St. Louis, San Francisco & Texas Ry	X	X	X	[3]X	------
T St. Louis Southwestern Ry	X	X	X	X	------
T St. Louis Southwestern Ry. Co. of Texas	X	X	X	X	------
St. Paul Union Depot Company	X	X	------	------	X
San Diego & Arizona Eastern Ry	X	X	[19]X	[20]X	------
Sioux City Terminal Ry	------	[3]X	------	------	X
Southern Pacific Co. (Pacific Lines)	X	X	X	[7]X	------
Sou. Pac. Co.-Former El Paso & Southwestern	X	X	X	X	------
Sou. Pac. Co.-Former Arizona Eastern	X	------	------	------	------
South Omaha Terminal Ry	X	X	------	X	------
Spokane, Coeur d'Alene & Palouse Ry	X	------	X	X	------
Spokane, Portland & Seattle Ry	X	X	X	X	------
Oregon Trunk Ry	X	X	X	X	------
Oregon Electric Ry	X	X	X	X	------
United Railways Company	X	X	X	X	------
Spokane Union Station	------	------	------	[6]X	------
Terminal Railroad Association of St. Louis	X	X	------	X	------
Texas and New Orleans RR	X	X	X	[7]X	------
Texas and Pacific Ry	X	X	X	[7]X	------
Cisco & Northeastern Ry	X	X	X	X	------
Abilene & Southern Ry	X	X	X	X	------
Weatherford, Mineral Wells & Northwest'n Ry	X	X	X	X	------
Texas-New Mexico Railway	X	X	X	X	------

See footnotes at end of table.

[Carriers' Exhibit No. 202—Continued]

WESTERN RAILROADS—Continued

List of Carriers as Represented by the Western Carriers' Conference Committee, and Their Employees Represented by The Brotherhood of Locomotive Engineers, Brotherhood of Locomotive Firemen & Enginemen, Order of Railway Conductors, Brotherhood of Railroad Trainmen and Switchmen's Union of North America, as Indicated by "X," in Connection with Notices for Wage Increases Served by the Organizations—Continued

Carriers	BofLE	BofL F & E	OofRC	BofRT	S U of NA
Texas Mexican Railway	X	X	[18]X	X	------
Texas Pacific-Mo. Pac. Ter. RR of New Orleans	X	X	------	X	------
Union Pacific RR	X	X	X	[7]X	------
Union Railway Company (Memphis)	------	[3]X	------	[3]X	------
Union Terminal Company (Dallas)	------	X	------	X	------
Union Terminal Railway Company (St. Joseph)	------	[3]X	------	X	------
R Wabash Railway	X	X	X	[7]X	------
T Western Pacific RR	X	X	X	[7]X	X
Yakima Valley Transportation Company	------	------	------	X	------

NOTES:

[1] Covers white firemen, white flagmen and white yardmen only.
[2] Includes yardmasters.
[3] Includes engineers.
[4] Includes South St. Paul Terminal.
[5] Represents yardmasters only.
[6] Represents switchtenders only.
[7] Includes dining car stewards.
[8] Includes tap room stewards.
[9] Includes dining car chefs and cooks.
[10] Includes conductors.
[11] Includes yardmasters.
[12] Includes firemen and hostlers.
[13] Includes yard foremen, Chicago Switching District.
[14] Covers white flagmen, white brakemen and white yardmen only.
[15] Includes white firemen.
[16] Includes diamond switchtenders and switchtenders.
[17] Includes 2 assistant yardmasters Iron Range Division and 2 assistant yardmasters Missabe Division.
[18] Includes foremen Laredo yard and switchmen in Laredo.
[19] Includes brakemen.
[20] Covers yardmen only.
[21] Covers white engine foremen only.
[22] Includes Arkansas Western Ry.

T—Trusteeship; R—Receivership;—Subject to approval of Court.

Chicago, October 9, 1941.

For the Carriers:

For the Organizations:

[Carriers' Exhibit No. 205]

For the organizations:
J. P. Shields.
H. J. Arries.
H. W. Fraser.
D. A. MacKenzie.
T. C. Cashen.

For the carriers:
H. E. Jones.

EASTERN RAILROADS

Represented by the

EASTERN CARRIERS' CONFERENCE COMMITTEE—1941

On which the Following Notice was Filed, June 10, 1941, by the Five Engine & Train Service Organizations:

"That effective July 10, 1941, all existing basic daily wage rates be increased thirty (30) per cent with a minimum money increase of $1.80 on the minimum day. The same percentage of increase applied to the basic day will be applied to all arbitraries, miscellaneous rates or special allowances and to daily and monthly guarantees."

(Authority is co-extensive with notices filed and with the scope of agreements as to classes of employees)

Railroads, etc.	Engineers BofLE	Firemen BLF&E	Conductors OofRC	Trainmen BofRT	Switchmen SUofNA
(1)	(2)	(3)	(4)	(5)	(6)
Akron & Barberton Belt Railroad Company, The	--------	X	--------	X	--------
T Akron, Canton & Youngstown Railway (incl. Northern Ohio Railway)	X	X	X	X	X
R Ann Arbor Railroad Company, The	X	X	X	X	--------
Baltimore & Ohio Railroad Company, The	X	X	X	X (e)	--------
Bessemer & Lake Erie Railroad Company	--------	X (a)	X	X	X
Boston & Maine Railroad	X	X	X	X (h)	--------
Brooklyn Eastern District Terminal	X	--------	--------	X	--------
Bush Terminal Company	X	X	--------	X	--------
T Central Railroad Company of New Jersey, The	X	X	X	X	--------
Central Vermont Railway, Inc	X	X	X	X	--------
T Chicago, Indianapolis & Louisville Railway Co	X	X	X	X	--------
Chicago Union Station Company	--------	--------	--------	X	--------
Cincinnati Union Terminal Company	--------	X	--------	X	--------
Delaware & Hudson Railroad Corporation	X	X	X (f)	X	--------
Delaware, Lackawanna & Western Railroad Co	X	X	X	X	X
Detroit & Toledo Shore Line Railroad Company	X	X	X (f)	X	X
Detroit Terminal Railroad Company	X (c)	--------	--------	X (b)	X
Detroit, Toledo & Ironton Railroad Company	X	X	--------	X (b)	--------
East Broad Top Railroad & Coal Company, The	--------	X	X	X	--------
T Erie Railroad Company	X	X	X (f)	X	--------
Chicago & Erie Railroad Company	X	X	X (f)	X	--------
T New Jersey & New York Railroad Company	X	X	X (f)	X	--------
Grand Trunk Western Railroad Company	X	X	X	X(e-h)	--------
Huntingdon & Broad Top Mountain Railroad & Coal Co., The	X	X	--------	X	--------
Indianapolis Union Railway Company	X	X	X (d)	--------	--------
Jay Street Terminal	--------	--------	--------	X	--------
Lehigh & New England Railroad Company	--------	X (a)	X	X	--------
Lehigh Valley Railroad Company	X	X	X	X(e-i)	--------
Maine Central Railroad Company	X	X	X	X (h)	--------
Portland Terminal Company	X	X	X	X (h)	--------
Monongahela Railway Company, The	X	X	X	X	--------
NEW YORK CENTRAL RAILROAD COMPANY, THE, AND ALL LEASED LINES:				(e)	
New York Central Railroad Co.—Buffalo & East	X	X	X	X	--------
New York Central Railroad Co.—West of Buffalo, (incl. Ohio Central Division)	X	X	X	X (h)	X
Boston & Albany Railroad	X	X	X (a)	X	--------
C. R. & I. R. R. Co.—C. Jct. Railway Co	X	X	--------	X (b)	--------
Cleveland Union Terminals Company, The	X	X	--------	--------	X
C. C. C. & St. L. Railway Co., (incl. L. & J. B. & R. R. and P. & E. Railway)	X	X	X	X	--------
Indiana Harbor Belt Railroad Company	X	X	--------	X (k)	--------
Michigan Central Railroad Co., The	X	X	X	X	X
Pittsburgh & Lake Erie R.R.Co. (incl. L.E.&E.)	X	X	X	X	--------

See footnotes at end of tables.

[Carriers' Exhibit No. 205—Continued]

EASTERN RAILROADS—Continued

Represented by the

EASTERN CARRIERS' CONFERENCE COMMITTEE—1941

On which the Following Notice was Filed, June 10, 1941, by the Five Engine & Train Service Organizations:—Continued

"That effective July 10, 1941, all existing basic daily wage rates be increased thirty (30) per cent with a minimum money increase of $1.80 on the minimum day. The same percentage of increase applied to the basic day will be applied to all arbitraries, miscellaneous rates or special allowances and to daily and monthly guarantees."

(Authority is co-extensive with notices filed and with the scope of agreements as to classes of employees)

Railroads, etc.	Engineers B.ofLE	Firemen BLF&E	Conductors OofRC	Trainmen BofRT	Switchmen SUofNA
(1)	(2)	(3)	(4)	(5)	(6)
New York Dock Railway	X	--------	--------	X	--------
New York, Chicago & St. Louis Railroad Company	X	X	X	X	--------
T New York, New Haven & Hartford Railroad Co.	X	X	--------	X (b-c)	--------
T New York, Susquehanna & Western Railroad	X	X	X (f)	X	--------
Pennsylvania Railroad Company, The	X	X	X	X (e-L)	--------
Baltimore & Eastern Railroad Company	X	X	X	X	--------
Long Island Railroad Company, The	X	X	X	X (j)	--------
Pennsylvania-Reading Seashore Lines	X	X	X	X	--------
Pere Marquette Railway Company	X	X	X	X	X (g)
Ft. Street Union Depot Company	X	X	--------	X (k)	--------
Pittsburgh & Shawmut Railroad Company, The	X	X	X	X	--------
R Pittsburgh, Shawmut & Northern Railroad Co., The	X	X	X	X	--------
Pittsburgh & West Virginia Railway Company, The	X	X	(f)	X (b)	--------
Pittsburgh, Chartiers & Youghiogheny Railway Company	X (c)	--------	--------	X (b)	--------
Reading Company	X	X	X	X (h-m)	--------
River Terminal Railway Company, The	X	X	--------	X	--------
Staten Island Rapid Transit Railway Company, The	X	X	X	X	--------
Union Belt of Detroit	--------	--------	--------	X	--------
Union Depot Company (Columbus, Ohio)	--------	--------	--------	X	--------
Union Freight Railroad Company (Boston, Mass.)	--------	X	--------	X	--------
Washington Terminal Company, The	--------	X (a)	--------	X (b)	--------
Wheeling & Lake Erie Railroad Co. (incl. Lorain & West Virginia Railway Co., The)	X	X	X	X	--------

R—Receivership T—Trusteeship (See following page for Notes)

[Carriers' Exhibit No. 205—Continued]

EASTERN RAILROADS—Continued

Represented by the

EASTERN CARRIERS' CONFERENCE COMMITTEE—1941

On which the Following Notice was Filed, June 10, 1941, by the Five Engine & Train Service Organizations:—Continued

"That effective July 10, 1941, all existing basic daily wage rates be increased thirty (30) per cent with a minimum money increase of $1.80 on the minimum day. The same percentage of increase applied to the basic day will be applied to all arbitraries, miscellaneous rates or special allowances and to daily and monthly guarantees."

(Authority is co-extensive with notices filed and with the scope of agreements as to classes of employees)

NOTES:

(a)	Bessemer & Lake Erie Railroad Lehigh & New England Railroad Washington Terminal Company	Includes engineers represented by the—Brotherhood of Locomotive Firemen and Enginemen.
(b)	C.R. & I.R.R. Co.—C. Jct. Rwy. Co. Detroit Terminal Railroad Co. Detroit, Toledo & Ironton R.R. Co. Ft. Street Union Depot Company Indiana Harbor Belt Railroad Co. N. Y., N. H. & H. Railroad Co. P. C. & Y. Railway Company Pittsburgh & West Virginia Rwy. Co. Washington Terminal Company	Includes conductors represented by the—Brotherhood of Railroad Trainmen.
(c)	Detroit Terminal Railroad Co. P. C. & Y. Railway Co.	Includes firemen represented by the—Brotherhood of Locomotive Engineers.
(d)	Indianapolis Union Railway	Includes trainmen represented by the—Order of Railway Conductors.
(e)	Baltimore & Ohio Railroad Co. Grand Trunk Western Railroad Co. Lehigh Valley Railroad N.Y.C.R.R. (Full-line Agreements) N. Y., N. H. & H. Railroad Co. Pennsylvania Railroad Co.	Includes Dining Car Stewards represented by the—Brotherhood of Railroad Trainmen.
(f)	Delaware & Hudson Railroad Corp. Detroit & Toledo Shore Line R.R. Co. Erie Railroad Company Chicago & Erie Railroad Company N. J. & N. Y. Railroad Company N. Y. S. & W. Railroad Pittsburgh & West Virginia Rwy. Co.	Includes Yardmasters represented by the—Order of Railway Conductors.
(g)	Pere Marquette Railway Company	Includes Yardmasters represented by the—Switchmen's Union of North America.
(h)	Grand Trunk Western Railroad Co. Maine Central Railroad Portland Terminal Company N.Y.C.R.R. (Ohio Central Division) Reading Company	Includes Yardmasters represented by the—Brotherhoo of Railroad Trainmen.
(i)	Lehigh Valley Railroad	Includes Car Riders, Perth Amboy Coal Dock, represented by the—Brotherhood of Railroad Trainmen.
(j)	Long Island Railroad	Includes Guards represented by the—Brotherhood of Railroad Trainmen.
(k)	Indiana Harbor Belt Railroad	Includes Telegraphers, Levermen and Switchtender-operators represented by the—Brotherhood of Railroad Trainmen.
(L)	Pennsylvania Railroad Company	Includes Hump Motor Car Operators represented by the—Brotherhood of Railroad Trainmen.
(m)	Reading Company	Includes Car Droppers, Port Reading Terminal represented by the—Brotherhood of Railroad Trainmen.
(n)	Boston & Albany Railroad	Includes Road Brakemen, Baggagemen and Flagmen, represented by the—Order of Railway Conductors.

Chicago, Ill.,
September 5, 1941.

APPENDIX C-6

THE EIGHTEEN CLASS II AND CLASS III SHORT LINE RAILROADS INVOLVED

Alabama, Tennessee & Northern R. R. Corp.
Ashley, Drew & Northern Railway Company
Atlantic & Yadkin Railway Co.
Blue Ridge Railway Company
Canton Railroad Company
Carolina and Northwestern Railway Company
Chicago Tunnel Co.
Chicago Tunnel Terminal Co.
Danville and Western Railway Co.
High Point, Randleman, Asheboro & Southern R. R. Co.
Maryland & Penna. R. R. Co.
Midland Continental Railroad
Minnesota Western Ry. Co.
New York Dock Railway
Paris & Mt. Pleasant R. R. Co.
Quanah, Acme & Pacific Railway Co.
Sand Springs Railway Co.
Yadkin R. R. Co.

[Carriers' Exhibit No. 209]

SOUTHEASTERN RAILROADS

Represented by the

SOUTHEASTERN CARRIERS' CONFERENCE COMMITTEE—1941

(Authority is co-extensive with requests filed and with the scope of agreements as to classes of employes)

(rw indicates representation for rules and wage matters)

Railroads	BofLE	BLF&E	OofRC	BofRT	SUofNA
Atlantic Coast Line	rw	rw	rw	rw (a)	--------
Atlanta & West Point	rw	rw	rw	rw	--------
Western Railway of Alabama	rw	rw	rw	rw	--------
Atlanta Joint Terminals	rw	rw	--------	rw	--------
• Central of Georgia	rw	rw	rw	rw	--------
Charleston & Western Carolina	rw	rw	rw	rw	--------
Chesapeake & Ohio	rw	rw	rw	rw (a)	--------
Clinchfield	rw	rw	rw	rw	--------
• Florida East Coast	rw	rw (b)	rw	rw	--------
Georgia	rw	rw	rw	rw	--------
Gulf Mobile & Ohio	rw	rw	rw	rw	--------
Jacksonville Terminal	rw	rw	--------	rw	--------
Kentucky & Indiana Terminal	rw	rw	--------	rw	--------
Louisville & Nashville	rw	rw	rw	rw (a)	--------
Nashville Chattanooga & St. Louis	rw	rw	rw	rw (a)	--------
Norfolk & Portsmouth Belt Line	rw	rw	--------	rw	--------
Norfolk & Western	rw	rw	rw	rw	--------
Richmond Fredericksburg & Potomac	rw	rw	rw	rw	--------
• Seaboard Air Line	rw	rw	rw	rw (a)	--------
(c) Southern	rw	rw	rw	rw (a)	--------
Alabama Great Southern	rw	rw	rw	rw	--------
Belt Railway Co. of Chattanooga	rw	rw	--------	rw	--------
Cincinnati Burnside & Cumb. Riv.	rw	rw	--------	rw	--------
Cincinnati New Orleans & Tex. Pac.	rw	rw	rw	rw	rw (d)
Georgia Southern & Florida	rw	rw	rw	rw	--------
Harriman & Northeastern	rw	rw	rw	rw	--------
New Orleans & Northeastern	rw	rw	rw	rw	--------
New Orleans Terminal	rw	rw	--------	rw	--------
St. Johns River Terminal	rw	rw	--------	rw	--------
Woodstock & Blocton	rw	rw	rw	rw	--------
Tennessee Central	rw	rw	rw	rw	--------
Virginian	--------	--------	rw	rw	--------

(a) Includes dining car stewards.
(b) Covers hostlers and outside hostler helpers only.
(c) Includes East St. Louis Terminal.
(d) Cincinnati, Ohio, and Ludlow, Ky. terminals only.
• Authority given is subject to approval of court.

APPROVED:

A. J. BIER	H. W. FRASER
For Railroads	For O. of R. C.
J. P. SHIELDS	D. A. MACKENZIE
For B. of L. E.	For B. of R. T.
H. J. ARRIES	A. P. BRINDLEY
For B. of L. F. & E.	For S. U. of N. A.

9-5-41

[Employes' Exhibit No. 1]

Statement showing carriers on which Organizations served the original vacation with pay request on or about May 20, 1940, and the wage increase proposal on or about June 10, 1941.

ORGANIZATIONS

(1) International Association of Machinists.
(2) International Brotherhood of Boilermakers, Iron Ship Builders and Helpers of America.
(3) International Brotherhood of Blacksmiths, Drop Forgers and Helpers.
(4) Sheet Metal Workers' International Association.
(5) International Brotherhood of Electrical Workers.
(6) Brotherhood Railway Carmen of America.
(7) International Brotherhood of Firemen and Oilers.
(8) Order of Railroad Telegraphers.
(9) Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employes.
(10) Brotherhood of Maintenance of Way Employes.
(11) Brotherhood of Railroad Signalmen of America.
(12) National Organization Masters, Mates & Pilots of America.
(13) National Marine Engineers' Beneficial Association.
(14) International Longshoremen's Association.

Name of Carrier (Eastern Region)	Railway Employes' Department American Federation of Labor							Teleg-raphers	Clerks	M. of W.E.	Signal-men	Mas-ters, mates and pilots	Ma-rine engi-neers	Long-shore-men
	Ma-chin-ists	Boiler-mak-ers	Black-smiths	Sheet metal work-ers	Elec-trical work-ers	Car-men	Fire-men and oilers							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Akron & Barberton Belt R.R.Co.										X				
Akron, Canton & Youngstown Ry. Co. (Includes Northern Ohio Ry.)	X	X	X	X	X	X	X		X(h)	X				
Ann Arbor Railroad Co.	X (i)	X (i)	X (i)	X (i)	X (i)	X (i)		X (i)	X (i)	X (i)	X (i)	X (i)	X (i)	
Baltimore & Ohio Railroad Co.	X (b)	X (b)	X (b)	X (b)	X (b)	X (b)	X (b)	X	X (a)	X	X		X[1]	X[1](c)
Baltimore & Ohio (New York Terminals)									X			X	X	X
Baltimore & Ohio Elevators									X					
Baltimore & Ohio Warehouses (Baltimore and Cincinnati)									X					
B. R. & P. Warehouse Inc. (Rochester)									X					
Terminal Storage Company (Washington)									X					
Dayton & Union Railroad										X				
Bangor & Aroostock RR Co.	X	X	X	X				X	X	X				
Bessemer & Lake Eric RR Co.		X					X	X	X	X	X			
Boston & Maine RR Co.	X	X	X	X	X	X	X	X	X	X	X			
Boston Terminal Co.								X[1]	X	X	X			
Brooklyn Eastern District Terminal									X					
Buffalo Creek Railroad								X	X	X[1]				
Bush Terminal Co.									X					
Canadian National Ry. Lines in New England	X	X	X	X	X	X	X	X[1]	X	X				
Champlain & St. Lawrence R.R. Co.			X			X			X	X				
St. Clair Tunnel Co.					X				X					
United States & Canada Railroad Co.						X			X	X				

Canadian National Ry. Lines in N. Y.									X					
Canton Railroad	X[1]	X[1]	X[1]	X[1]	X[1]	X[1]				X[1]				
Central Railroad Company of New Jersey	X	X	X	X	X	X	X	X	X (a)	X	X	X	X	X
New York & Long Branch R.R.						X	X	X	X (a)	X	X			
Wharton & Northern RR.										X[1]				
Central Vermont Railway, Inc.	X	X	X	X	X	X	X	X	X	X				
Central Vermont Terminal, Inc.									X					
Chicago, Indianapolis & Louisville Ry.	X	X	X	X	X	X	X	X	X	X	X			
Cincinnati Union Terminal Co.	X	X	X	X	X	X	X	X	X	X	X			
Chicago Union Station Co.	X				X		X	X	X (a)	X				
Dayton Union Ry. Co.						X[1]		X	X	X	X			
Delaware & Hudson RR.	X[1]	X[1]	X[1]	X[1]	X[1]	X[1]	X[1]	X	X	X	X			
Delaware, Lackawanna & Western RR.	X	X	X	X	X	X	X	X	X (a)	X	X	X		X
Detroit & Mackinac										X				
Detroit, Toledo & Ironton RR.	X	X	X	X	X	X	X		X[1]					
Detroit & Toledo Shore Line RR.	X	X	X	X	X	X			X	X				
Detroit Terminal RR Co.	X	X	X[1]			X			X	X				
Erie Railroad Company	X	X	X	X	X	X	X	X	X (a)	X	X			X
Chicago & Erie Railroad Co.	X	X	X	X	X	X	X	X	X (a)	X	X			
New Jersey & New York RR.	X	X	X	X	X	X	X	X	X (a)	X	X			X[1]
East Broad Top RR & Coal Co.										X				
Grand Trunk Western RR Co.	X	X	X	X	X	X	X	X	X	X	X	X	X	
Greenwich & Johnsonville										X[1]				
Hudson & Manhattan RR Co.								X[2]						
Huntington & Broad Top Mountain RR & Coal Co. (Pa.)										X[1]				
Indianapolis Union Ry. Co.	X					X		X	X	X	X			
Jay Street Terminal Co.									X					
Lackawanna & Wyoming Valley RR.									X[1]	X				
Lehigh Valley RR Co.	X[1]	X[1]	X[1]	X[1]	X[1]	X[1]	X[1]	X	X	X	X		X	X
Mackinac Transportation Co.												X	X	
Maryland & Pennsylvania RR.	X[1]	X[1]	X[1]	X[1]	X[1]	X[1]		X		X				
Maine Central RR Co.	X	X		X	X		X	X	X	X	X			
Portland Terminal Co.	X	X	X	X	X	X	X	X	X	X	X			
Merchants Despatch Transportation Corp.	X	X	X	X	X	X	X							
Montour Railroad	X	X	X	X	X	X	X			X[1]				
Monongahela Railway Co.	X	X	X	X	X	X	X		X	X[1]	X			
Mystic Terminals Co. (Charleston, Mass.)	X		X	X	X									
Montpelier & Wells RR and Barre & Chelsea	X[1]	X[1]				X[1]	X[1]							
New York Central and All Leased Lines:														
New York Central—Buffalo & East	X	X	X	X	X	X	X	X	X (d)	X	X	X		X
New York Central Grain Elevators									X					
New York Central Stockyards (Buffalo)									X					

See footnotes at end of table.

[Employes' Exhibit No. 1—Continued]

Statement showing carriers on which Organizations served the original vacation with pay request on or about May 20, 1940, and the wage increase proposal on or about June 10, 1941.

Name of Carrier (Eastern Region)	Railway Employes' Department American Federation of Labor							Telegraphers	Clerks	M. of W.E.	Signalmen	Masters, mates and pilots	Marine engineers	Longshoremen
	Machinists	Boilermakers	Blacksmiths	Sheet metal workers	Electrical workers	Carmen	Firemen and oilers							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
New York Central—West of Buffalo	X	X	X	X	X	X	X	X	X (d)	X	X	-----	-----	-----
New York Central—Ohio Central Lines	X	X	X	X	X	X	X	X	X (d)	X	X	-----	-----	-----
New York Central—Grand Central Terminal	X	X	X	X	X	X	X	X[1]	X (d)	X	X	-----	-----	-----
Boston & Albany Railroad	X	X	X	X	X	X	X	X	X	X	X	-----	-----	-----
Cleveland, Cincinnati, Chicago & St. Louis Ry. Co. (Inc. P. & E. Ry. and L. & J. B. RR)	X	X	X	X	X	X	X	X	X	X	X	-----	-----	-----
Cleveland Union Terminals Co.	X	X	X	X	X	X	X	X	X (d)	X	X	-----	-----	-----
Chicago River & Indiana RR Co. (Chicago Jct. Ry. Co.)	X	X	X	X	X	X	X	-----	X (d)	X	-----	-----	-----	-----
Indiana Harbor Belt RR Co.	X	X	X	X	X	X	X	-----	X (d)	X	X	-----	-----	-----
Michigan Central RR Co.	X	X	X	X	X	X	X	X (e)	X (f)	X	X	-----	-----	-----
Detroit Stock Yards	-----	-----	-----	-----	-----	-----	-----	-----	X	-----	-----	-----	-----	-----
Pittsburgh & Lake Erie RR Co. (Including L. E. & E.)	X	X	X	X	-----	-----	X	X	X (d)	X	X	-----	-----	-----
Troy Union Railroad Co.	-----	-----	-----	-----	-----	-----	-----	-----	X	X	-----	-----	-----	-----
New York, Susquehanna & Western RR	X	X	X	X	X	X	X	X	X	X	X	-----	-----	X
New York Dock Ry.	-----	-----	-----	-----	-----	-----	-----	-----	X	-----	-----	-----	-----	-----
New York, Chicago & St. Louis RR Co.	X	X	X	X	X	X	X	X	X	X	X	-----	-----	-----
New York, New Haven & Hartford RR Co.	X	X	X	X	X	X	X	X	X	X	X	X	X	X
New York Connecting RR Co.	-----	-----	-----	-----	-----	-----	-----	-----	X	X	-----	-----	-----	-----
New York, Ontario & Western Ry. Co.	X	X	X	X	X	X	-----	X	X	X	-----	-----	-----	X
Pennsylvania Railroad Co.	-----	-----	-----	-----	-----	-----	-----	X	X	X	X	X[1]	-----	X
Long Island Railroad Co.	X	X	X	X	X	X	X	X	X (g)	X	X	X[1]	-----	X
Pittsburgh Joint Stock Yards	-----	-----	-----	-----	-----	-----	-----	-----	X[1]	-----	-----	-----	-----	-----
Baltimore & Eastern Ry. Co.	-----	-----	-----	-----	-----	-----	-----	-----	-----	X	X	X	-----	X
Pennsylvania-Reading Seashore Lines	-----	-----	-----	-----	-----	-----	X[1]	-----	X (a)	X	X	-----	-----	-----
Pere Marquette Ry. Co.	X	X	X	X	X	X	X	X	X	X	X	X	X	-----
Fort St. Union Depot Co.	X	X	X	X	X	X	-----	X	X	X	-----	-----	-----	-----
Pittsburgh & Shawmut RR Co.	-----	-----	-----	-----	-----	-----	-----	-----	-----	X	-----	-----	-----	-----
Pittsburgh Chartiers and Youghiogheney RR	-----	-----	-----	-----	-----	-----	-----	-----	-----	X[1]	-----	-----	-----	-----

Pittsburgh & West Virginia Ry.	X	X	X	X		X	X¹	X	X	X				
Railroad Perishable Inspection Agency									X¹					
Railway Express Agency	X¹(j)		X¹(j)						X¹(j)					
Reading Company	X	X	X	X	X	X	X	X	X	X	X	X	X	
Philadelphia, Reading & Pottsville Telegraph Co.					X									
Staten Island Rapid Transit Ry. Co.	X	X	X	X	X	X	X	X			X	X		
Toledo Terminal Railroad	X	X	X²	X	X	X		X (e)	X	X				
Union Belt of Detroit	X¹	X¹	X¹		X¹	X¹	X¹		X	X				
Union Freight Railroad (Boston)									X					
Union Inland Freight Station (New York)									X					
Union Depot Company (Columbus, Ohio)									X					
Washington Terminal Co.	X¹			X	X	X	X¹	X	X	X	X			
Wheeling & Lake Erie RR Co. (Including L. & W. Va.)	X	X	X	X	X	X	X	X	X	X				

¹ Does not Involve Vacation Issue.
² Does not Involve Wage Increase Issue.
(a) Includes Red Caps.
(b) Includes Employees of former B.R.& P. R.R.
(c) Baltimore Harbor.
(d) Vacation request covers only employees paid on daily, hourly or piece work basis.
(e) Includes Dispatchers.
(f) Includes certain Offices and Depts. specifically listed in Notice.
(g) Includes Baggage and Mail Messengers.
(h) Includes only employees not now covered by Rule 47, existing agreement as to vacation issue.
(i) Carrier served counter proposal for 10% Wage Decrease in connection with Vacation issue.
(j) Includes Carrier counter proposal for certain specified changes in rules.

September 5, 1941.

[Employes' Exhibit No. 1-A]

Statement showing carriers on which Organizations served the original Vacation with Pay request on or about May 20, 1940; on which organizations served wage increase proposal on or about June 10, 1941, and on which carriers served rules change proposal on or about June 9, 1941.

ORGANIZATIONS

(1) International Association of Machinists.
(2) International Brotherhood of Boilermakers, Iron Ship Builders and Helpers of America.
(3) International Brotherhood of Blacksmiths, Drop Forgers and Helpers.
(4) Sheet Metal Workers' International Association.
(5) International Brotherhood of Electrical Workers.
(6) Brotherhood Railway Carmen of America.
(7) International Brotherhood of Firemen and Oilers.
(8) Order of Railroad Telegraphers.
(9) Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employes.
(10) Brotherhood of Maintenance of Way Employes.
(11) Brotherhood of Railroad Signalmen of America.
(12) National Organization Masters, Mates & Pilots of America.
(13) National Marine Engineers' Beneficial Association.
(14) International Longshoremen's Association.

Name of Carrier (Southeastern Region)	Railway Employes' Department American Federation of Labor													
	Machinists	Boilermakers	Blacksmiths	Sheet metal workers	Electrical workers	Carmen	Firemen and oilers	Telegraphers	Clerks	M. of W. E.	Signalmen	Masters, mates and pilots	Marine engineers	Longshoremen
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Alabama, Tennessee & Northern	X[3]	X[3]	X[3]	X[3]		X[3]	X[3]	X[3] (a)		X[2-3]				
Albany Passenger Terminal Co.									X[3]					
Atlanta, Birmingham & Coast RR Co.			X[1-3]			X[1-3]		X[2-3]	X[3]	X[3]				
Atlanta Terminal Co.			X[1]		X[1]	X[1]	X[1]	X	X (e)	X	X			
Atlantic & Yadkin								X[3]		X[3]				
Atlantic Coast Line RR	X[3]	X[3]	X[3]	X[3]	X[3]	X[3]	X[3]	X	X	X		X[3]	X[3]	
Winston-Salem Southbound								X	X	X				
Atlanta Joint Terminals	X	X	X	X	X	X	X[1]		X					
Atlanta & West Point	X	X	X	X	X	X		X						
Western Ry. of Alabama	X	X	X	X	X	X		X						
Birmingham Terminal Co.					X[1-3]			X[3]	X[3](c)	X[3]	X[3]			
Central of Georgia	X	X	X	X	X	X	X	X	X[1]	X	X			
Chesapeake & Ohio Ry.	X[3]	X[3]	X[3]	X[3]	X[3]	X[3]	X[3]	X[3]	X[3] (b)	X[3]	X[3]	X[3]	X[3]	X[3] (c)
Charleston Union Station Co.						X[1-3]			X					
Charleston & Western Carolina	X	X	X	X	X	X	X	X						
Chattanooga Station Co.								X[3]	X[3](c)	X[3]	X[3]			
Clinchfield Railroad	X	X	X	X	X	X		X	X	X				
Columbus & Greenville Ry.	X	X	X	X		X	X[1]	X	X	X				
Columbia Union Station Co.									X[3](e)	X[3]				
Durham Union Station Co.									X[3](e)					

Florida East Coast Ry	X	X	X	X	X	X	X	X	X	X	X			
Fruit Growers' Express Co.						X[2]								
Georgia & Florida	X[1-3]	X[1-3]	X[1-3]	X[1-3]		X[1-3]		X[1-3]		X[3]				
Georgia Railroad	X	X	X	X	X	X		X						
Gulf, Mobile & Ohio RR	X (d)	X (d)	X (d)	X (d)	X (d)	X (d)	X (d)	X	X	X	X (d)			
Gulf Terminal Co.									X[2]					
Jacksonville Terminal Co.	X	X	X	X	X	X		X	X (e)	X	X			
Kentucky & Indiana Terminal RR								X	X					
Lexington Terminal								X[2-3]						
Lenoir Car Works	X[1-3]		X[1-2]	X[1-3]	X[1-3]	X[1-3]								
Louisville & Nashville RR	X[1-4]	X[1-3]		X[1-3]		X[1-3]	X[1-3]	X (b)	X	X	X			
Macon, Dublin & Savannah	X[2]	X[2]	X[2]	X[2]	X[2]	X[2]	X[2]	X[2]		X[2]				
Meridian Terminal Co.									X[2]					
Meridian & Bigbee River										X[2]				
Mississippi Central										X[3]				
Monroe Railroad								X[2-3]						
Nashville Terminals Co.									X[2]	X[2]				
Nashville, Chattanooga & St. Louis	X	X	X	X	X	X	X	X (h)		X	X			
Norfolk Southern RR	X[2]	X[2]	X[2]	X[2]	X[2-3]	X[2]	X[2]	X[2](j)	X[2](j)	X[2]	X[2]	X[2]	X[2]	
Norfolk & Western RR	X[2]			X[2]	X[2]	X[2]	X[2]	X[2](a)	X[1-3](i)	X[2]	X[2]			
Port Utilities Commission (Charleston)									X[1-3]					
Relay Depot Assn. (E. St. Louis)									X[2]					
Richmond, Fredericksburg, & Potomac RR	X	X	X	X[1]	X	X	X	X	X (g)		X			
Richmond Terminals Co.								X	X (g)					
Savannah & Atlanta	X[2]	X[2]	X[2]	X[2]		X[2]	X[2]							
Savannah Union Station						X[1-3]		X[2]	X	X				
Seaboard Air Line	X	X	X	X	X	X	X	X	X (h)	X	X	X[2]	X[2]	
Tampa Union Station									X (h)					
Southern Railway Co.	X	X	X	X	X	X	X	X	X (e)	X	X	X[2]	X[2]	
Alabama Great Southern	X	X	X	X	X	X	X	X	X (e)	X	X			
Cincinnati, Burnside & Cumberland River Ry								X	X (e)	X	X			
Cincinnati, New Orleans & Texas Pacific Ry	X	X	X	X	X	X	X	X	X (e)	X	X			
Georgia Southern & Florida Ry	X	X	X	X	X	X	X	X	X (e)	X	X			
Harriman & Northeastern Ry	X	X	X	X	X	X	X	X	X (e)	X	X			
New Orleans & Northeastern RR	X	X	X	X	X	X	X	X	X (e)	X	X			
New Orleans Terminal Co.	X	X	X	X	X	X	X	X	X	X	X			
St. Johns River Terminal Co.	X	X	X	X	X	X		X	X (e)	X	X			
Woodstock & Blockton								X[1]		X				
Belt Ry. of Chattanooga										X				
Carolina & Tennessee Southern										X				
State University										X				

See footnotes at end of table.

[Employes' Exhibit No. 1-A—Continued]

Statement showing carriers on which Organizations served the original Vacation with Pay request on or about May 20, 1940; on which organizations served wage increase proposal on or about June 10, 1941, and on which carriers served rules change proposal on or about June 9, 1941.

Name of Carrier (Southeastern Region)	Railway Employes' Department American Federation of Labor							Teleg-raphers	Clerks	M. of W. E.	Signal-men	Mas-ters, mates and pilots	Ma-rine engi-neers	Long-shore-men
	Ma-chinists	Boiler-makers	Black-smiths	Sheet metal workers	Elec-trical workers	Carmen	Firemen and oilers							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Southern Short Lines														
Blue Ridge Ry	-------	-------	-------	-------	-------	-------	-------	-------	-------	X[2]	-------	-------	-------	-------
Danville & Western Ry	-------	-------	-------	-------	-------	-------	-------	X[3]	X[3]	X[1]	-------	-------	-------	-------
Carolina & Northwestern	-------	-------	-------	-------	-------	-------	-------	X[3]	-------	X[1]	-------	-------	-------	-------
High Point, Randleman, Asheboro & Sou	-------	-------	-------	-------	-------	-------	-------	X[3]	-------	X[3]	-------	-------	-------	-------
Yadkin	-------	-------	-------	-------	-------	-------	-------	X[3]	-------	X[3]	-------	-------	-------	-------
Tennessee Central Ry	X	X	X	X	-------	X	X[1]	X (a)	X	X	-------	-------	-------	-------
Virginian Railway	X	X	X	X	X	X	X	X	-------	-------	-------	-------	-------	X[3]

[1] Does not Involve Vacation Issue.
[2] Does not Involve Wage Increase Issue.
[3] Does not Involve Rules Change Issue.
(a) Includes Dispatchers.
(b) Vacation Issue does not include Group I—Clerical Workers. Wage and Vacation Issues include pursers and assistant pursers. Wage Issue includes certain coal dock employees.
(c) Vacation Issue applies to Toledo, Ohio, docks only.
(d) Excludes Alabama, Tennessee and Louisiana Divisions on Vacation issue.
(e) Includes Red Caps.
(f) Includes Linemen.
(g) Includes Clerical Employees only in Vacation Issue.
(h) Vacation Request Includes all employees represented by organization, except those now covered by Rule 2 of existing Clerks' agreement.
(i) Wage Increase Notice includes Freight Handlers at Piers at Lambert Point, Va.
(j) Carriers proposed 20% Wage Decrease and Revision certain Rules in connection with Employes Vacation Notice.

September 5, 1941.

EMPLOYEES' EXHIBIT No. 1-B

(See Next Page)

[Employes' Exhibit No. 1-B]

Statement showing carriers on which Organizations served the original Vacation with Pay request on or about May 20, 1940; on which carriers served 10 per cent wage decrease counter proposal; on which organizations served wage increase proposal on or about June 10, 1941, and on which carriers served rules change proposal on or about June 9, 1941.

ORGANIZATIONS

(1) International Association of Machinists.
(2) International Brotherhood of Boilermakers, Iron Ship Builders and Helpers of America.
(3) International Brotherhood of Blacksmiths, Drop Forgers and Helpers.
(4) Sheet Metal Workers' International Association.
(5) International Brotherhood of Electrical Workers.
(6) Brotherhood Railway Carmen of America.
(7) International Brotherhood of Firemen and Oilers.
(8) Order of Railroad Telegraphers.
(9) Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employes.
(10) Brotherhood of Maintenance of Way Employes.
(11) Brotherhood of Railroad Signalmen of America.
(12) National Organization Masters, Mates & Pilots of America.
(13) National Marine Engineers' Beneficial Association.
(14) International Longshoremen's Association.

Name of Carrier (Western Region)	Railway Employes' Department American Federation of Labor													
	Machinists	Boilermakers	Blacksmiths	Sheet metal workers	Electrical workers	Carmen	Firemen and oilers	Telegraphers	Clerks	M. of W. E.	Signalmen	Masters, mates and pilots	Marine engineers	Longshoremen
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Arkansas & Memphis Bridge & Term. Co.								X						
Alameda Belt Line									X					
Addison Miller							X^{1-4}							
Alton & Southern Railroad	X^{4}	X^{4}	X^{4}	X^{4}		X^{4}			X^{4}		X^{1-4}			
Alton Railroad	X	X	X	X	X	X	X	X	X	X	X			
American Refrigerator Transit	X^{4}		X^{4}	X^{4}		X^{4}	X^{4}							
Atchison, Topeka & Santa Fe Ry.								X	X		X	X	X	
Gulf, Colorado & Santa Fe Ry.								X	X		X			
Panhandle & Santa Fe Ry.								X	X		X			
Atchison Union Railway & Depot Co.								X	X					
Ashley, Drew & Northern										X^{1-3-4}				
Baltimore & Ohio Chicago Term. Co.	X	X	X	X	X	X	X	X	X (a)	X	X			
Belt Railway of Chicago	X	X	X	X	X	X	X	X	X	X	X			
Burlington Refrigerator Co.						X^{3-4}								
Burlington—Rock Island RR.								X	X	X				
Butte Anaconda & Pacific RR.	X^{3-4}	X^{3-4}	X^{3-4}	X^{3-4}	X^{1-3-4}	X^{3-4}				X^{3-4}				
Camas Prairie	X	X	X	X	X	X	X	X	X	X				
Chicago & Eastern Illinois Ry.	X	X	X	X	X	X	X	X	X	X	X			
Chicago & Illinois Midland Ry.	X	X	X	X	X	X	X	X	X	X				
Chicago & Northwestern Ry.	X	X	X	X	X	X	X	X	X (b)	X	X			

Chicago Produce Terminal Co.									X					
Chicago, Burlington & Quincy RR	X	X	X	X	X	X	X	X	X (c)	X	X			
Chicago South Shore & South Bend RR	X[3-4]		X[3-4]			X[3-4]	X[1-3-4]		X[1-3-4]	X[3-4]				
Chicago Tunnel Company									X[3-4]					
Chicago Warehouse & Terminal Co.									X[3-4]					
Chicago & Western Indiana RR	X	X	X	X	X	X	X	X	X	X	X			
Chicago Great Western RR (Includes South St. Paul Terminal formerly operated by St. Paul Bridge & Term. Ry)	X	X	X	X	X	X	X	X	X	X	X			
Chicago, Milwaukee & St. Paul & Pacific RR	X	X	X	X	X	X	X	X	X	X	X	X[2-3]		
Chicago, Terre Haute & Southeastern Ry	X	X	X	X	X	X	X	X	X	X	X	X[2-3]		
Chicago, Rock Island & Pacific Ry	X	X	X	X	X	X	X	X	X (a-d)	X	X			
Peoria Terminal Co.						X[3]		X[1-3-4]	X	X[3]	X[2-3-4]			
Chicago, St. Paul, Minneapolis & Omaha Ry	X	X	X	X	X	X	X	X	X	X	X			
Chicago, West Pullman & Southern	X[1-3-4]	X[1-3-4]	X[1-3-4]											
Colorado & Southern Ry	X	X	X	X	X	X		X	X	X (e)				
Colorado & Wyoming Ry	X[1-4]	X[1-4]	X[1-4]	X[1-4]		X[1-4]	X[1-4]							
Cupples Station (St. Louis)									X[3-4]					
Dallas Car Interchange & Inspection Bureau	X	X			X	X	X							
Davenport, Rock Island & Northwestern Ry								X	X	X				
Denver & Salt Lake Ry	X	X	X	X	X	X	X	X	X[1-4]	X				
Denver & Rio Grande Western RR	X	X	X	X (f)	X	X	X	X	X (a)	X	X			
Denver Union Terminal Ry								X	X (a)	X	X			
Des Moines & Central Iowa										X[1-3-4]				
Des Moines Union Ry	X	X	X	X	X	X	X		X	X				
Iowa Transfer						X			X					
Duluth, Missabe & Iron Range RR	X	X	X	X	X	X	X	X[1-4]	X (b)	X				
Duluth Union Depot & Transfer Co.						X[1-4]	X		X	X				
Duluth, Winnipeg & Pacific Ry	X	X	X	X	X	X	X	X[1-4]	X	X				
East Portland Freight Terminal									X					
Elgin, Joliet & Eastern RR	X	X	X	X	X	X	X	X	X	X	X			
El Paso Union Passenger Depot									X (a)					
Escanaba & Lake Superior	X[3-4]	X[3-4]	X[3-4]			X[3-4]								
Fort Dodge Des Moines & Southern	X[3-4]		X[3-4]		X[1-4]	X[3-4]	X[2-3-4]			X[3-4]				
Fort Worth & Denver City	X	X	X	X	X	X		X	X	X	X			
Wichita Valley	X	X	X	X	X	X		X	X	X	X			
Galveston Wharves										X[3-4]				
Galveston, Houston & Henderson RR	X	X	X	X	X	X	X	X	X	X	X			
Great Northern	X	X	X	X	X	X	X	X	X (a-b-g)	X	X			
Green Bay & Western RR	X	X	X	X	X	X	X[1-4]	X[1-4]	X	X[4]				
Kewaunee, Green Bay & Western RR	X	X	X	X	X	X	X[1-4]	X[1-4]	X	X[4]				
Ahnapee & Western Ry	X	X	X	X	X	X	X[1-4]	X[1-4]	X	X[4]				

See footnotes at end of table.

[Employes' Exhibit No. 1-B—Continued]

Statement showing carriers on which Organizations served the original Vacation with Pay request on or about May 20, 1940; on which carriers served 10 per cent wage decrease counter proposal; on which organizations served wage increase proposal on or about June 10, 1941, and on which carriers served rules change proposal on or about June 9, 1941.

Name of Carrier (Western Region)	Railway Employes' Department American Federation of Labor							Teleg-raphers	Clerks	M. of W. E.	Signal-men	Mas-ters, mates and pilots	Ma-rine engi-neers	Long-shore-men
	Ma-chinists	Boiler-makers	Black-smiths	Sheet metal workers	Elec-trical workers	Carmen	Firemen and oilers							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Gulf Coast Lines:														
New Orleans, Texas & Mexico Ry	X	X	X	X	X	X	X	X (h)	X	X	X	X^{1-3-4}	X^{1-3-4}	------
Beaumont, Sour Lake & Western Ry	X	X	X	X	X	X	X	X (h)	X	X	X	------	------	------
Orange & Northwestern RR	X	X	X	X	X	X	X	X (h)	X	X	X	------	------	------
St. Louis, Brownsville & Mexico RR	X	X	X	X	X	X	X	X (h)	X	X	X	------	------	------
New Iberia & Northern RR	X	X	X	X	X	X	X	X (h)	X	X	X	------	------	------
Houston & Brazos Valley Ry	X	X	X	X	X	X	X	X (h)	X	X	X	------	------	------
San Antonio, Uvalde & Gulf RR	X	X	X	X	X	X	X	X (h)	X	X	X	------	------	------
Sugar Land Ry	X	X	X	X	X	X	X	X (h)	X	X	X	------	------	------
Rio Grande City Ry	X	X	X	X	X	X	X	X (h)	X	X	X	------	------	------
Asherton & Gulf Ry	X	X	X	X	X	X	X	X (h)	X	X	X	------	------	------
San Antonio Southern Ry	X	X	X	X	X	X	X	X (h)	X	X	X	------	------	------
Iberia, St. Mary & Eastern Ry	X	X	X	X	X	X	X	X (h)	X	X	X	------	------	------
San Benito & Rio Grande Valley Ry	X	X	X	X	X	X	X	X (h)	X	X	X	------	------	------
Asphalt Belt Ry	X	X	X	X	X	X	X	X (h)	X	X	X	------	------	------
Houston North Shore Ry	X	X	X	X	X	X	X	X (h)	X	X	X	------	------	------
International-Great Northern RR	X	X	X	X	X	X	X	X (h)	X	X	X	------	------	------
Hannibal Union Depot Co	------	------	------	------	------	------	------		X^{2-3-4}	------	------	------	------	------
Harbor Belt Line (Los Angeles)	X	X	X	X	X	X	X	------	X	X^{3}	------	------	------	------
Houston Belt & Terminal Ry	X$^{1-4}$	X$^{1-4}$	X$^{1-4}$	X$^{1-4}$	X$^{1-4}$	X$^{1-4}$	------	X	X	X	X	------	------	------
Illinois Central RR	X	X	X	X	X	X	X	X	X	X	X	------	------	------
Yazoo & Mississippi Valley RR (Including A. & V.-V. S. & P.)	X	X	X	X	X	X	X	X	X	X	X	------	------	------
Gulf & Ship Island RR	X	X	X	X	X	X	X	X	X	X	X	------	------	------
Chicago & Illinois Western RR	------	------	------	------	------	X	------	------	X	X	------	------	------	------
Illinois Northern Ry	X^{1-3-4}	X^{1-3-4}	X^{1-3-4}	X^{1-3-4}	------	X^{1-3-4}	------	------	------	------	------	------	------	------
Illinois Terminal Co	X$^{3-4}$	X$^{3-4}$	X$^{3-4}$	X$^{3-4}$	X$^{3-4}$	X$^{3-4}$	X$^{3-4}$	X$^{3-4}$	X^{2-3-4}	X$^{3-4}$	------	------	------	------
Joliet Union Depot Co	------	------	------	------	------	X$^{1-4}$	X$^{1-4}$	------	X^{1-3-4}	------	------	------	------	------
Kansas City Southern Ry	X	X	X	X	X	X	X	X (h)	X	------	------	------	------	------
Joplin Union Depot Co	------	------	------	------	------	------	------	------	X	------	------	------	------	------

Kansas City Terminal Ry	X	X	X	X	X	X	X	X	X (a)	X	X			
Keokuk Union Depot Co									X[2-3-4]					
King Street Station (Seattle)	X	X	X	X	X	X	X		X	X				
Lake Superior & Ispheming	X[1-3-4]	X[1-3-4]	X[1-3-4]	X[1-3-4]	X[1-3-4]	X[1-3-4]								
Lake Superior Term & Transfer Ry	X	X	X			X	X[1-4]							
Litchfield & Madison Ry						X			X	X				
Los Angeles Union Passenger Term	X[1-4]	X[1-4]	X[1-4]	X[1-4]	X[1-4]	X[1-4]	X[1-4]	X	X (a)	X	X[1-4]			
Longview, Portland & Northern						X[1-3-4]								
Louisiana & Arkansas Ry. Co	X	X	X	X	X	X	X[1-3-4]	X	X	X				
Louisiana & Northwest	X[3-4]	X[3-4]	X[3-4]	X[3-4]		X[3-4]	X[3-4]			X[3-4]				
Market Service Assn. (Chicago)									X[1-4]					
Memphis Union Station Co	X[1-4]	X[1-4]		X[1-4]	X[1-4]	X[1-4]	X[1-4]		X[3-4]	X[3-4]	X[1-3-4]			
Midland Valley RR	X	X	X	X	X	X		X	X	X				
Kansas, Oklahoma & Gulf Ry								X	X	X				
Oklahoma City, Ada & Atoka								X		X				
Midland Continental										X[1-3-4]				
Minneapolis, Northfield & Southern Ry	X[3]	X[3]	X[3]		X[3]	X[3]			X[3-4]	X[3]				
Minn. St. Paul & Sault Ste. Marie	X	X	X	X	X	X	X	X	X (i)	X	X			
Duluth, South Shore & Atlantic Ry	X	X	X	X	X	X	X	X	X	X				
Mineral Range RR	X	X	X	X	X	X	X	X	X	X				
Minneapolis & St. Louis Railroad	X	X	X	X	X	X	X	X	X	X	X			
Railway Transfer Co. City of Minn									X	X				
Minnesota & International Ry								X	X	X				
Big Fork & Inter. Falls Ry								X	X	X				
Minnesota Transfer Ry	X	X	X.			X			X	X				
Minnesota Western										X[3-4]				
Missouri-Kansas-Texas RR	X	X	X	X (j)	X	X	X	X (h)	X (a-m)	X	X			
Mo.-Kansas-Texas RR Co. of Texas	X	X	X	X (j)	X	X	X	X (h)	X (a-m)	X	X			
Beaver, Meade & Englewood RR										X				
Missouri Pacific	X	X	X	X	X	X	X	X	X (a)	X	X			
Missouri-Illinois	X	X	X	X	X	X	X	X		X		X[1-4]	X[1-4]	
Missouri Produce Yard (Kansas City, Mo.)									X[1-4]					
Missouri & Arkansas Ry	X[3-4]	X[3-4]	X[3-4]	X[3-4]	X[3-4]	X[3-4]	X[3-4]	X[3-4](k)		X[3-4]				
New Orleans Public Belt RR	X[3-4]	X[3-4]	X[3-4]	X[3-4]		X[3-4]			X[1-3-4]					
Northern Pacific Ry	X	X	X	X	X	X	X	X	X	X	X			
Northern Pacific Terminal Co. of Oregon	X	X	X	X	X	X	X	X	X	X				
North Pacific Coast Freight Bureau									X[4]					
Northwestern Pacific RR	X	X	X	X	X	X	X	X	X (m)	X				
Ogden Union Ry. & Depot Co	X[1-4]	X[1-4]	X[1-4]	X[1-4]	X	X	X	X	X (a)	X				
Oregon, California & Eastern										X				
Pacific Car Demurrage Bureau									X[1-4]					
Pacific Coast RR									X[1-3-4]	X[3-4]				
Pacific Coast Co									X[1-3-4]	X[3-4]				

See footnotes at end of table.

[Employes' Exhibit No. 1-B—Continued]

Statement showing carriers on which Organizations served the original Vacation with Pay request on or about May 20, 1940; on which carriers served 10 per cent wage decrease counter proposal; on which organizations served wage increase proposal on or about June 10, 1941, and on which carriers served rules change proposal on or about June 9. 1941.

Name of Carrier (Western Region)	Railway Employes' Department American Federation of Labor													
	Machinists	Boiler-makers	Black-smiths	Sheet metal workers	Elec-trical workers	Carmen	Firemen and oilers	Teleg-raphers	Clerks	M. of W. E.	Signal-men	Mas-ters, mates and pilots	Ma-rine engi-neers	Long-shore-men
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Pacific Electric Ry. Co	X		X	X	X	X	X	X	X	X	X			
Pacific Fruit Express						X			X (m)					
Paris & Mount Pleasant										X[3-4]				
Peoria & Pekin Union Ry						X	X		X					
Port Terminal RR Assn. (Houston)	X[1-4]					X[1-4]			X	X[4]				
Pueblo Union Depot & Railroad Co									X					
Pueblo Joint Interchange Bureau						X[1-4]								
Quanah, Acme & Pacific								X[3-4]		X[3-4]				
Rapid City, Black Hills & Western										X[1-3-4]				
Rock Island—Frisco Terminal Co									X					
St. Joseph Terminal RR Co							X	X	X (m)	X				
St. Louis & O'Fallon						X								
St. Louis-San Francisco Ry								X	X	X	X			
St. Louis, San Francisco & Texas Ry								X	X	X	X			
Birmingham Belt RR								X	X	X	X			
St. Louis & Belleville Elec. Co						X[1-3-4]								
St. Louis Southwestern Ry	X	X	X	X	X	X	X	X	X	X	X[1-4]			
St. Louis Southwestern Ry. Co. of Tex		X				X	X	X	X	X	X[1-4]			
Dallas Term. Ry. & Union Depot Co									X	X				
St. Paul Union Depot Co									X (a)	X				
Salt Lake City Union Depot & RR Co									X (a)	X				
San Diego & Arizona Eastern Ry	X	X	X	X	X	X	X	X	X	X				
Sand Springs Ry. Co	X[3-4]	X[3-4]	X[3-4]	X[3-4]	X[3-4]	X[3-4]								
St. Joseph Union Depot Co									X[3]					
Sacramento Northern Ry	X		X	X	X	X	X	X	X			X	X	
Southern Pacific (Pacific Lines)	X	X	X	X	X	X	X	X	X (a)	X	X	X	X	
Southern Pacific DeMexico (In U.S.)									X[4]					
South Omaha Terminal Ry										X[1-3-4]				

Spokane Union Station Co.									X (a)					
Spokane International Ry.									X[1-3-4]					
Spokane Coeur d'Alene & Palouse					X[1-4]			X		X				
Spokane, Portland & Seattle Ry.	X	X	X	X		X	X	X	X	X				
Oregon Trunk Ry.	X	X	X	X		X	X	X	X	X				
Oregon Electric Ry.	X	X	X	X		X	X	X	X	X				
United Railways Co.	X	X	X	X		X	X	X	X	X				
Stock Yards District Agency (Chicago)									X[3-4]					
Terminal Railroad Assn. of St. Louis	X	X	X	X	X	X		X	X (a)	X	X			
Texarkana Union Station Trust									X (a)					
Texas & New Orleans RR (Sou. Pac. Lines in Texas & Louisiana)	X[1-4]			X	X	X	X[1-4]	X	X	X	X			
Texas & Pacific	X	X	X	X	X	X	X[1-4]	X	X (a)	X	X			
Texas Pacific-Mo. Pacific Term. RR.	X	X	X	X	X	X		X	X	X			X	
Texas Mexican Railway Co.	X	X	X	X	X	X	X[3]		X[1-4]	X[4]				
Toledo Peoria & Western							X[1-3-4]							
Trans-Continental Freight Bureau									X[3-4]					
Tulsa Union Depot Co.									X					
Tremont & Gulf RR.										X[1-3-4]				
Union Pacific RR.	X	X	X	X	X	X	X	X	X (a-m)	X	X			
Union Railway Company (Memphis)	X	X	X	X	X	X	X	X[1-4]	X	X				
Union Terminal Co. (Dallas)	X	X			X	X	X	X	X (a)	X[1-4]				
Union Terminal Railway Co. (St. Joseph, Mo.)									X	X				
St. Joseph Belt Railway Co.									X	X				
Wabash Railway	X	X	X	X	X	X	X	X	X (m)	X	X	X	X	
Weatherford, Mineral Wells & Northwestern Ry.									X[3-4]					
Western Fruit Express Co.						X[3-4]								
Western Pacific RR.	X	X	X	X	X	X	X	X	X	X	X	X	X	
Western Warehousing Co. (Chicago)									X[1-3-4]					
Wichita Falls & Southern RR.									X[1-3-4]					
Wichita Union Terminal Ry.								X	X (a)		X			
Yakima Valley Transp. Co.									X[1-4]	X				

[1] Does not involve Vacation Issue.
[2] Does not involve Wage Increase Issue.
[3] Does not involve Rules Change Issue.
[4] Does not involve 10% Wage Decrease Issue.
(a) Includes Red Caps.
(b) Wage Increase Notice excludes ore dock laborers.
(c) Includes Timber Treating Plant Employees.
(d) Wage Increase Notice includes excepted positions. Rules Notice excludes Red Caps.
(e) Includes Shop Laborers.
(f) Includes Mechanics and Helpers in the Water Service Section in the Maintenance of Way Department.
(g) Wage Increase Notice includes Ore Dock Foremen, Ass't. Foremen and Red Caps.
(h) Includes Linemen.
(i) Wage Increase Notice excludes Ore Dock Laborers, Ore Dock Foremen and Ass't. Foremen and Commercial Dock Freight Handlers (Superior).
(j) Includes Water Service and Plumbing Employees.
(k) Includes Dispatchers.
(m) Vacation Notice excludes certain specified employees.

September 5, 1941.

APPENDIX D

TABLE I

Average Hourly Earnings of Railroad Employees*
January—May, 1941

Average Hourly Earnings, Jan.-May, 1941[1]	Average Number of Employees, 1940		No.	I.C.C. Division
	Midmonth Count[2]	Who Received Pay During Month[3]		
				Non-Operating Employees
.381	3,389	3,996	15	Messenger and Office Boys
.386	14,257	15,520	103	Crossing and Bridge Flagmen and Gatemen
.423	98,431	117,558	42	Section men
.425	15	19	25	Teamsters and Stablemen
.426	31,484	43,022	41	Extra Gang Men
.432	1,796	1,936	37	Pumping Equipment Operators
.433	17,763	20,028	71	General Laborers (Shops, enginehouses and power plants)
.442	4,866	5,314	26	Janitors and Cleaners
.449	4,113	5,043	43	Maintenance of Way Laborers (other than track and roadway), and Gardeners and Farmers
.470	8,820	9,621.	67	Coach Cleaners
.471	20,197	22,558	70	Classified Laborers (Shops, enginehouses and Power Plants)
.480	885	932	16	Elevator Operators and other office attendants
.483	3,666	4,296	14	Telephone switchboard operators and office assistants
.494	6,692	7,122	66	Regular apprentices (Maintenance of Equipment and stores)
.497	3,502	4,706	94	Common Laborers (stations, warehouses, platforms and grain elevators)
.507	12,861	13,777	72	General Laborers (stores and ice, reclamation, and timber-treating plants)
.521	6.233	7,059	87	Baggage, parcel room, and station attendants
.530	18,344	24,223	92	Truckers (stations, warehouses, and platforms)
.534	928	1,001	102	Bridge operators and helpers
.559	490	655	36	Portable steam equipment operator helpers
.564	6,665	7,634	34	Maintenance of Way and Structures helpers and apprentices
.589	2,804	2,994	24	Motor vehicle and motor car operators
.611	2,864	3,078	74	Stationary firemen, oilers, coal passers, and water tenders
.615	4,841	5,070	18	Patrolmen and Watchmen
.618	2,106	2,394	49	Signalmen and signal maintainer helpers
.626	8,818	10,838	91	Callers, loaders, scalers, sealers and perishable-freight inspectors
.641	1,001	1,040	68	Gang foremen (shops, enginehouses and power plants)
.648	1,237	1,665	93	Laborers (coal and ore docks and grain elevators)
.648	62,979	67,226	64	Skilled trades helpers (maintenance of equipment and stores)
.661	1,210	1.274	65	Helper apprentices (maintenance of equipment and stores)
.664	329	364	86	Baggage agents and assistants
.690	11,237	12.087	30	Bridge and building carpenters
.694	5,734	5,976	8	Mechanical device operators (office)
.698	23,683	24,265	19	Gang or section foremen
.708	1,522	1,713	32	Bridge and building painters
.710	12,539	12,799	10	Stenographers and typists (B)
.715	1,016	1,036	69	Gang foremen (stores and ice, reclamation, and timber-treating plants)

See footnotes at the end of table.

TABLE 1—(Continued)

Average Hourly Earnings, Jan.-May, 1941[1]	Average Number of Employees, 1940		No.	I.C.C. Division
	Midmonth Count[2]	Who Received Pay During Month[2]		
				Non-Operating Employees
.723	7,684	8,710	82	Clerk-telegraphers and clerk-telephoners
.731	2,520	2,752	38	Gang foremen (extra gang and work-train laborers)
.734	1,328	1,449	48	Assistant signal men and assistant signal maintainers
.735	14,261	15,073	80	Station agents (telegraphers and telephoners)
.751	2,764	3,210	35	Portable steam equipment operators
.753	13,029	14,790	83	Telegraphers, telephoners and towermen
.754	77,201	81,101	7	Clerks (B and C)
.756	6,560	7,375	98	Officers, workers, and attendants on barges, launches, ferryboats, towing vessels, and steamers, and shore workers
.765	2,150	2,221	90	Gang foremen (freight station, warehouse, grain elevator and dock labor)
.778	1,564	1,670	73	Stationary engineers (steam)
.788	5,622	5,853	79	Station agents (smaller stations—nontelegraphers)
.791	643	685	23	Miscellaneous trades workers (other than plumbers)
.820	43,571	46,670	57	Carmen (C and D)
.821	236	263	60	Electrical workers (C)
.829	2,209	2,302	59	Electrical workers (B)
.832	1,399	1,465	33	Masons, bricklayers, plasterers, and plumbers
.838	718	755	31	Bridge and building ironworkers
.850	1,682	1,806	47	Linemen and groundmen
.851	154	158	89	Assistant general foremen (freight stations, warehouses, grain elevators, and docks)
.867	3,173	3,199	9	Stenographers and secretaries (A)
.882	14,076	14,845	56	Carmen (A and B)
.887	6,907	7,190	46	Signalmen and signal maintainers
.893	6,769	7,094	58	Electrical workers (A)
.898	4,771	5,024	54	Blacksmiths
.902	3,175	3,278	29	Bridge and building gang foremen (skilled labor)
.904	37,864	39,655	61	Machinists
.907	213	219	39	Gang foremen (bridge and building, signal and telegraph laborers)
.907	7,920	8,371	63	Sheet-metal workers
.913	1,038	1,057	28	Maintenance of way and scale inspectors
.917	10,524	11,155	55	Boilermakers
.923	1,094	1,134	12	Ticket agents and assistant ticket agents
.936	585	603	62	Molders
.942	802	857	81	Chief telegraphers and telephoners or wire chiefs
.943	2,001	2,019	11	Storekeepers, sales agents and buyers
.973	343	351	88	General foremen (freight station, warehouses, grain elevators, and docks)
.978	9,288	9,389	6	Clerks and clerical specialists (A)
.999	5,941	6,069	53	Gang foremen and gang leaders (skilled labor)
1,025	9,452	9,545	5	Chief Clerks

See footnotes at the end of table.

TABLE 1—(Continued)

Average Hourly Earnings, Jan.-May, 1941[1]	Average Number of Employees, 1940		No.	I.C.C. Division
	Midmonth Count[2]	Who Received Pay During Month[2]		
				Non-Operating Employees
1.026	975	1,008	45	Gang Foremen (Signal and telegraph skilled trades labor)
1.040	145	160	77	Train Directors
1.119	348	350	21	Freight Claim Agents or Investigators
1.210	826	828	20	Claim Agents or Investigators
				Train and Engine Service Employees
.708	2,730	3,138	107	Switch tenders
.708	978	1,294	110	Outside hostlers' helpers
.781	3,696	4,315	109	Inside hostlers
.836	15,444	17,274	128	Yard firemen and helpers
.869	1,256	1,529	108	Outside hostlers
.891	15,522	17,620	118	Road freight brakemen and flagmen (local and way freight)
.933	39,236	42,363	120	Yard brakemen and yard helpers
.993	7,255	8,492	127	Road freight firemen and helpers (local and way freight)
1.008	14,746	15,623	119	Yard conductors and yard foremen
1.034	24,500	25,743	117	Road freight brakemen and flagmen (through freight)
1.061	14,281	15,005	124	Yard engineers and motormen
1.108	6,445	7,024	114	Road freight conductors (local and way freight)
1.164	15,550	16,699	126	Road freight firemen and helpers (through freight)
1.165	1,171	1,212	112	Assistant road passenger conductors and ticket collectors
1.221	9,087	9,804	116	Road passenger brakemen and flagmen
1.240	3,867	4,110	115	Road passenger baggagemen
1.279	9,535	9,984	113	Road freight conductors (through freight)
1.297	6,781	7,526	123	Road freight engineers and motormen (local and way freight)
1.505	13,504	14,202	122	Road freight engineers and motormen (through freight)
1.611	6,865	7,211	111	Road passenger conductors
1.626	7,941	8,764	125	Road passenger firemen and helpers
1.973	8,686	9,206	121	Road passenger engineers and motormen

* Average compensation per hour actually worked or held for work.
[1] Carriers' Exhibits Nos. 85-89, incl.
[2] Employees' Exhibit No. 2, pp. 7-9.

TABLE II

Average Annual Earnings of Employees on Class I Railroads—1939
Classified by Occupational Groups and Months of Service in Year

Occupational Group	12 Months' Service		11 Months' Service or More		10 Months' Service or More		9 Months' Service or More		6 Months' Service or More		All Employees in Service in Year	
	$	Percentage of Total in Group	$	Percentage of Total in Group	$	Percentage of Total in Group	$	Percentage of Total in Group	$	Percentage of Total in Group	$	Percentage of Total in Group
Train and Engine Service:												
Engineers and Conductors	2826	86.6	2805	90.9	2789	92.9	2774	94.3	2739	96.7	2664	100
Firemen, Brakemen, Switchmen, and Hostlers	2206	66.7	2159	71.9	2120	75.3	2083	78.2	1969	85.9	1734	100
Non-Operating Employees:												
Gang Foremen	1878	89.3	1869	92.0	1861	93.5	1853	94.7	1831	97.0	1786	100
Station Agents and Telegraphers	1895	84.9	1876	88.3	1862	90.1	1847	91.7	1810	94.8	1728	100
Maintenance of Equipment, Skilled	1931	75.9	1904	81.4	1884	84.4	1865	86.6	1814	91.3	1688	100
Clerical	1802	86.5	1791	88.4	1781	89.6	1769	91.1	1738	93.9	1644	100
Maintenance of Way and Structures, Skilled	1770	70.6	1742	76.1	1717	80.0	1691	83.3	1622	90.3	1489	100
Helpers and Apprentices	1404	62.6	1378	68.8	1357	72.7	1338	75.7	1275	83.2	1105	100
Maintenance of Equipment, Unskilled	1144	58.1	1127	62.4	1111	65.2	1094	67.9	1039	74.7	823	100
Station and Platform Laborers	1164	46.2	1135	49.8	1107	52.3	1083	54.7	1006	61.5	645	100
Maintenance of Way Laborers, Other than Extra Gang	908	38.4	891	42.3	874	45.4	853	48.8	782	57.8	482	100
Extra Gang Men	939	9.2	897	11.3	849	13.0	704	17.3	619	31.9	259	100

SOURCE: "Compensation, Service, and Age, Railroad Employees, 1939," Railroad Retirement Board, Washington, D. C., May 1941.

APPENDIX E

TABLES AND MEMORANDA ON RAILROAD TRAFFIC AND FINANCES

TABLE I

Traffic, Revenue, and Income Statistics of Class I Railways, 1921-1940

Year	Revenue Ton-miles[1] (billion)	Revenue Passenger-miles[1] (billion)	Revenue per Ton-mile[2] (cents)	Revenue per Passenger-mile[2] (cents)	Operating Revenue[3] $ million	Operating Expense[3] $ million	Taxes[3] $ million	Rate of Return on Book Value[3] %	Net Income[3] $ million	% of Accrued Interest Actually Paid[4]	Average Rate of Dividend on all Stock[5] %	Percent Actual of "Potential" Traffic[6]
1921	307	37.3	1.28	3.09	5,517	4,563	276	2.81	314	----------	4.09	----------
1922	339	35.5	1.18	3.03	5,559	4,415	301	3.52	370	----------	3.75	----------
1923	413	38.0	1.12	3.02	6,290	4,895	332	4.28	555	----------	4.03	----------
1924	388	36.1	1.12	2.98	5,921	4,508	340	4.20	558	----------	4.25	----------
1925	414	36.0	1.10	2.94	6,123	4,537	359	4.71	701	----------	4.48	----------
1926	444	35.5	1.08	2.94	6,383	4,669	389	4.90	809	----------	5.20	----------
1927	429	33.6	1.08	2.90	6,136	4,574	376	4.28	673	----------	5.26	----------
1928	433	31.6	1.08	2.85	6,112	4,428	389	4.61	787	----------	5.33	100.0
1929	447	31.1	1.08	2.81	6,280	4,506	397	4.81	897	----------	5.99	98.3
1930	383	26.8	1.06	2.72	5,281	3,931	349	3.28	524	----------	6.01	97.4
1931	309	21.9	1.05	2.51	4,188	3,224	304	1.99	135	94.58	3.99	94.1
1932	234	17.0	1.05	2.22	3,127	2,403	275	1.24	−139	92.53	1.12	87.2
1933	249	16.3	1.00	2.01	3.095	2,249	250	1.82	− 6	85.95	1.16	87.2
1934	269	18.0	0.98	1.92	3,272	2,442	240	1.78	− 17	83.10	1.62	88.2
1935	282	18.5	0.99	1.94	3,452	2,593	237	1.93	8	78.25	1.54	85.8
1936	339	22.4	0.97	1.84	4,053	2,931	320	2.57	165	75.63	2.11	85.3
1937	361	24.7	0.94	1.79	4,166	3,119	326	2.27	98	76.82	2.07	84.9
1938	290	21.6	0.98	1.87	3,565	2,722	341	1.43	−123	69.21	1.02	77.7
1939	333	22.7	0.97	1.84	3,995	2,918	356	2.25	93	70.54	1.55	78.5
1940	373	23.8	0.95	1.75	4,297	3,089	396	2.59	189	69.16	1.95	----------

[1] From Carriers' Exhibit No. 18.
[2] From Carriers' Exhibit No. 19.
[3] From Carriers' Exhibit No. 7.
[4] Computed from Carriers' Exhibit No. 41.
[5] From Carriers' Exhibit No. 42.
[6] From Employees' Exhibit No. 54B, p. 2. "Percent based on production." "Potential" means 1928 traffic adjusted for changes in the total supply of commodities.

Table II

Number of Class I Line-Haul Railroads by Rate of Return Earned in 1940, and Their Revenue; also by Rate of Return Which Would Have Been Earned if Wage Increases Had Been In Effect.

Rate of Return[1]	Without Wage Increase[2]			With Increase of 10 Degrees[3]		
	Number	Revenue		Number	Revenue	
		Amount Thousands of Dollars	% of Total		Amount Thousands of Dollars	% of Total
13.50- 13.99	1	27,555	.641			
13.00- 13.49						
12.50- 12.99				1	27,555	.641
12.00- 12.49						
11.50- 11.99						
11.00- 11.49						
10.50- 10.99						
10.00- 10.49	1	3,584	.083			
9.50- 9.99				1	3,584	.083
9.00- 9.49	1	1,587	.037			
8.50- 8.99	1	2,373	.055			
8.00- 8.49	2	21,767	.507			
7.50- 7.99	2	6,995	.163	2	19,613	.456
7.00- 7.49				1	3,741	.087
6.50- 6.99	2	154,858	3.604	2	6,995	.163
6.00- 6.49	3	108,706	2,530	1	2,373	.055
5.50- 5.99	4	32,070	.746	2	135,451	3.153
5.00- 5.49	5	40,859	.951	5	156,387	3.640
4.50- 4.99	3	16,571	.386	3	29,777	.693
4.00- 4.49	6	86,514	2.014	5	26,160	.609
3.50- 3.99	4	203,828	4.744	3	27,471	.639
3.00- 3.49	11	877,161	20.415	4	60,773	1.414
2.50- 2.99	9	223,680	5.206	7	281,866	6.560
2.00- 2.49	18	1,326,847	30.881	10	759,779	17.683
1.50- 1.99	17	677,074	15.758	12	420,553	9.788
1.00- 1.49	13	281,579	6.554	21	1,318,876	30.929
0.50- 0.99	6	88,385	2.057	15	640,380	14.904
0.00- 0.49	6	69,826	1.625	10	192,473	4.480
− 0.50- − 0.01	4	16,860	.392	7	92,280	2.148
− 1.00- − 0.51	3	9,036	.210	6	24,823	.578
− 1.50- − 1.01	3	4,136	.096	4	36,805	.857
− 2.00- − 1.51				2	2,521	.059
− 2.50- − 2.01				1	1,615	.038
− 3.00- − 2.51	1	3,455	.080			
− 3.50- − 3.01						
− 4.00- − 3.51	1	1,366	.032			
− 4.50- − 4.01						
− 5.00- − 4.51						
− 5.50- − 5.01	1	1,587	.037	1	1,366	.032
− 6.00- − 5.51				2	5,042	.117
− 6.50- − 6.01	2	7,186	.167			
− 7.00- − 6.51				1	6,017	.140
− 7.50- − 7.01						
− 8.00- − 7.51				1	1,169	.027
− 8.50- − 8.01						
− 9.00- − 8.51						
− 9.50- − 9.01						
−10.00- − 9.51						
−10.50- −10.01						
−11.00- −10.51						
−11.50- −11.01						
−12.00- −11.51						
−12.50- −12.01	1	1,156	.027			
−13.00- −12.51						
−13.50- −13.01						
−14.00- −13.51						
−14.50- −14.01						
−15.00- −14.51						
−15.50- −15.01						
−16.00- −15.51				1	1,156	.027
TOTAL	131	4,296,601	100.000	131	4,296,601	100.000

[1] On book value as computed by carriers.

[2] Computed from data of record.

[3] I.e., 10 cents per hour for non-operating and 10 percent for operating employees involved in the dispute. Cost of vacations, and additional cost of minimum rates not included. No allowance made for reduction of express privilege revenue of railways resulting from increased wages to express employees.

Estimated by staff of Emergency Board from data of record.

Table III

Number of Class I Line-Haul Railroads by Rate of Return Earned in 1940, and Their Revenue; also by Rate of Return Which Would Have Been Earned if Wage Increases Had Been in Effect (Cumulative)

Rate of Return[1]	Without Wage Increase[2]			With Increase of 10 Degrees[3]		
		Revenue			Revenue	
	Number	Amount (Thousands of Dollars)	% of Total	Number	Amount (Thousands of Dollars)	% of Total
13.50 or better----	1	27,555	.641	----------	----------	----------
13.00 " " ----	"	"	"	----------	----------	----------
12.50 " " ----	"	"	"	1	27,555	.641
12.00 " " ----	"	"	"	"	"	"
11.50 " " ----	"	"	"	"	"	"
11.00 " " ----	"	"	"	"	"	"
10.50 " " ----	"	"	"	"	"	"
10.00 " " ----	2	31,139	.725	"	"	"
9.50 " " ----	"	"	"	2	31,139	.725
9.00 " " ----	3	32,726	.762	"	"	"
8.50 " " ----	4	35,099	.817	"	"	"
8.00 " " ----	6	56,866	1.324	"	"	"
7.50 " " ----	8	63,861	1.486	4	50,752	1.181
7.00 " " ----	"	"	"	5	54,493	1.268
6.50 " " ----	10	218,719	5.091	7	61,488	1.431
6.00 " " ----	13	327,425	7.621	8	63,861	1.486
5.50 " " ----	17	359,495	8.367	10	199,312	4.639
5.00 " " ----	22	400,354	9.318	15	355,699	8.279
4.50 " " ----	25	416,925	9.704	18	385,476	8.972
4.00 " " ----	31	503,439	11.717	23	411,636	9.581
3.50 " " ----	35	707,267	16.461	26	439,107	10.220
3.00 " " ----	46	1,584,428	36.876	30	499,880	11.634
2.50 " " ----	55	1,808,108	42.082	37	781,746	18.195
2.00 " " ----	73	3,134,955	72.964	47	1,541,525	35.878
1.50 " " ----	90	3,812,029	88.722	59	1,962,078	45.666
1.00 " " ----	103	4,093,608	95.275	80	3,290,954	76.594
0.50 " " ----	109	4,181,993	97.333	95	3,931,334	91.499
0.00 " " ----	115	4,251,819	98.958	105	4,123,807	95.978
− 0.50 " " ----	119	4,268,679	99.350	112	4,216,087	98.126
− 1.00 " " ----	122	4,277,715	99.560	118	4,240,910	98.704
− 1 50 " " ----	125	4,281,851	99.657	122	4,277,715	99.560
− 2.00 " " ----	"	"	"	124	4,280,236	99.619
− 2.50 " " ----	"	"	"	125	4,281,851	99.657
− 3.00 " " ----	126	4,285,306	99.737	"	"	"
− 3.50 " " ----	"	"	"	"	"	"
− 4.00 " " ----	127	4,286,672	99.769	"	"	"
− 4.50 " " ----	"	"	"	"	"	"
− 5.00 " " ----	"	"	"	"	"	"
− 5.50 " " ----	128	4,288,259	99.806	126	4,283,217	99.688
− 6.00 " " ----	"	"	"	128	4,288,259	99.806
− 6.50 " " ----	130	4,295,445	99.973	"	"	"
− 7.00 " " ----	"	"	"	129	4,294,276	99.946
− 7.50 " " ----	"	"	"	"	"	"
− 8.00 " " ----	"	"	"	130	4,295,445	99.973
− 8 50 " " ----	"	"	"	"	"	"
− 9.00 " " ----	"	"	"	"	"	"
− 9.50 " " ----	"	"	"	"	"	"
−10.00 " " ----	"	"	"	"	"	"
−10.50 " " ----	"	"	"	"	"	"
−11.00 " " ----	"	"	"	"	"	"
−11.50 " " ----	"	"	"	"	"	"
−12.00 " " ----	"	"	"	"	"	"
−12.50 " " ----	131	4,296,601	100.000	"	"	"
−13.00 " " ----	"	"	"	"	"	"
−13.50 " " ----	"	"	"	"	"	"
−14.00 " " ----	"	"	"	"	"	"
−14.50 " " ----	"	"	"	"	"	"
−15.00 " " ----	"	"	"	"	"	"
−15.50 " " ----	"	"	"	"	"	"
−16.00 " " ----	"	"	"	131	4,296,601	100.000
TOTAL--------	131	4,296,601	100.000	131	4,296,601	100.000

[1] On book value as computed by carriers.

[2] Computed from data of record.

[3] I.e., 10 cents per hour for non-operating and 10 percent for operating employees involved in the dispute. Cost of vacations, and additional cost of minimum rates not included. No allowance made for reduction of express privilege revenue of railways resulting from increased wages to express employees.

Estimated by staff of Emergency Board from data of record.

Traffic and Income Estimates for Class I Railways, Calendar Year 1941

Traffic. A witness for the non-operating unions presented two estimates of the volume of railroad traffic in the calendar year 1941. These were used as the basis for alternative estimates of revenues and indirectly of net earnings. While there was other discussion of traffic prospects these two figures are the only ones of the kind which play a serious part in the arguments of the parties as to the ability of the roads to pay increased wages. The lower figure is 42,418,760 carloads; the higher, 44,000,000.

The first figure is derived as follows: The increase in carloads from the first half of 1940 to the second half was 13.8 percent. The carloads for the first half of 1941 were known at the time the estimate was made. It was assumed that the percentage increase from the first half to the second half of 1941 would be somewhat greater than in 1940. The precise ratio of increase from the first to the second half of 1941 was assumed to be 15.4 percent. This is the same as the percentage increase in freight *revenue* from the first to the last half of 1940, as calculated by the witness; this coincidence, however, was not explained in the record and does not appear to be part of the argument. The estimate for the second half of 1941 is added to the known figure for the first half to produce the total, 42,418,760 cars.

The higher figure was estimated by an economic analyst for the Department of Commerce, published in that Department's *Survey of Current Business* for July, 1941, and accepted by the witness. Its author showed that there is a general relationship between the annual Federal Reserve index of industrial production and annual carloadings. Broadly speaking, the higher production is, the higher carloadings are. He generalized this relationship in the form of a sloping line on a chart on which horizontal distances represent the index and vertical distances the carloadings. Dots for each year are shown. In some years the number of carloadings was higher than the line would suggest as corresponding to the Reserve index for the year, in other years, lower. Rearranging these deviations in the order of time, the author found that there has been a downward trend in the relationship of the actual carloadings to those indicated by the line. This he attributed to motor competition and other circumstances which cause traffic to fall behind production. He assumed that the Reserve index for 1940 would be 150 and computed the number of carloads which, in accordance with his sloping line and the trend away from it, would correspond to a production index of 150. To estimate l.c.l. carloadings he used a similar method, except that the national income adjusted for price changes was substituted for industrial production in the analysis. It was assumed that 1941 income at 1940 prices would be 85 billion dollars. Estimates produced by the two methods total 44,000,000 carloads.

The highest Reserve Index for any of the years on the experience of which this method of estimate is based is 123 for 1940. To assume that the relationships observed will hold good in connection with an index of 150, therefore, is to make a fairly bold projection of past experience.

The carriers do not seriously question the lower estimate of approximately 42,419,000 cars. They do question the higher estimate. Since the estimates were made, actual figures through September have become available. Carloadings, to total 44,000,000 for the full year, would have to average 980,000 per week during the remaining three months, which the carriers' witness believes unlikely. The average for the first 9 was about 800,000.

The trend of influences other than seasonal ones may be followed in monthly carloadings figures adjusted for seasonal factors, except for a complication in recent months. The seasonally adjusted figures rise from April, 1939 to October of that year. With the development of the "Sitzkrieg," they decline through March, 1940. As active warfare was resumed in the west, they rise until the fall of France in June. Thereafter, the curve lies flat through October. Then, as the American defense and lease-lend program got under way, the adjusted figures rise to a peak in June of this year. (The rise was temporarily interrupted by the coal strike in April.)

Since June, if the usual seasonal factors are applied, a decline is indicated. In July a slight seasonal decline was to be expected on the basis of past experience; actually there was a greater decline. In August a rise was to be expected; the actual rise was less and the adjusted figure therefore shows a decline. In September a further rise was due on seasonal grounds; actually there was a decline; the seasonally adjusted figure of course declines even more.

The most probable interpretation is that since June the ordinary seasonal influences tending to produce increase over the June figures have had little chance to operate, because key industries were already operating at capacity. On the other hand, the war and defense demand will tend to keep output up to capacity and hence to work against the sharply depressing seasonal influences usually to be expected in November and December. A reasonably optimistic expectation is that the average weekly carloadings in August (the peak, in the unadjusted data) will be maintained throughout the last three months. The agricultural part of the traffic is certain to show a decline, which indeed is already in evidence in the grain traffic. Average monthly carloadings in August were 893,000 cars. For the remaining 13 weeks this would mean 11,609,000 cars. Actual loadings for the first 39 weeks were 31,262,000 cars, making an estimated total for 1941 of 42,871,000 cars. This is only about 1 percent in excess of the lower employees' estimate.

The lower estimate of carloadings in 1941 submitted by the employees, 42,419,000 cars, may be accepted as about right, or, if anything, too high. Their higher alternative estimate may be disregarded.

Revenue. The conclusion that carloadings for the remainder of 1941 cannot average higher than loadings for August would seem to apply to freight revenues also.

Operating revenue for August was as follows in millions of dollars:

Freight	410
Passenger	50
Mail, express, etc.	34
Total	494

Passenger revenue will almost certainly show a seasonal decline for the remainder of the year. It would surely be optimistic to assume that total revenue will average as high as in August during the last four months. Even if it does the total revenue will be:

Actual, 8 months	3,403
plus 4 x 494	1,976
Total, 12 months	5,379

The carrier estimate, $5,300,000,000, or the lower employee estimate, $5,331,164,000 may be accepted as a maximum limit.

Although the lower estimate of the employees as to revenue in 1941 is about the same as the carriers' estimate, the corresponding estimates for net railway operating income and net income are about $200,000,000 apart. The principal sources of this discrepancy are to be found in the different treatment of operating expenses and taxes.

Operating expenses. From the first half to the last half of 1940, according to a calculation by a witness for the non-operating unions, operating revenues increased 15.3 percent. Operating expenses increased 6.3 percent. The percentage increase in expense was thus only about 2/5 of the percentage increase in revenue. The exact ratio is 0.41. This witness estimates that from the first half of 1941 to the last half, the increase in revenue will be 19.9 percent. He assumes that the percentage increase in operating expense from the first half of 1941 to the last half will be 0.41 x 19.9 percent or 8.2 percent. Operating expenses for the full 12 months of 1941 are thus placed at 208.2 percent of the known expense for the first six months, or at $3,493,651,000.

A witness for the railroads calculates that operating expenses in the first 6 months of 1941 were 12.1 percent higher than in the corresponding months of 1940. In July, 1941, the increase over the preceding July was 18.3 percent. August of this year exceeded August of last year by 17.3 percent. The witness concludes that there is a continuing upward trend in the ratio and places expenses for the entire year at 15.7 percent over 1940. This is equivalent to assuming that expenses in September to December, inclusive, will exceed those in the corresponding months of 1940 by 19.8 percent. The absolute figure for the full year 1941 is $3,575,000,000.

The method employed by the unions' witness is based on the theory that the railroads are an industry in which aggregate costs do not increase in proportion to volume of business. This view, however, does not necessarily lead to the ratio-of-percentage-increase-to-percentage-increase method employed. The carriers' witness cites no reason for his assumption that the rise in the ratio of each month to corresponding month of last year will continue. He states that he assumes prices for railway materials and supplies no greater, on the average, for the rest of the year than for the first 8 months.

The employees' estimate in effect assumes an operating ratio of 65.5 percent, and the carriers' estimate one of 67.5 percent. Both of these are well below any annual ratios observable in the past 20 years. This, however, is true of the actual ratio for the 12 months ended August 31, 1941, which was also 67.5.

Broadly speaking, if allowance is made for technological improvement and changes in wage rates, the year-to-year changes in revenue and operating ratios of past years support the theory that costs do not vary in proportion to revenue. This is particularly noticeable beginning with 1938, as the following figures indicate:

Year	Revenue (Millions)	Operating Ratio
Calendar 1938	3,565	76.4
Calendar 1939	3,995	73.1
Calendar 1940	4,296	71.9
September—August 1940-41	4,957	67.5

On their face these figures suggest that within the range of variation covered an increase of $100,000,000 in revenue is accompanied by a drop of something like 0.64 points in the operating ratio. If this relationship would hold good for a higher range of revenue up to the figure of $5,300,000,000 virtually agreed upon by the parties, the employee witness' ratio of 65.5 percent would be about right.

Taxes. The employee witness assumes that taxes will amount to 9.2 percent of operating revenue, the same percentage as in 1940. Applied to his lower estimate of 1941 revenue this comes to $490,-467,000. The carrier witness again applies his trend-with-respect-to-last-year method. For the first 7 months the increase was 36.2 percent over 1940; for August 55.7 percent. On the basis of these two facts he estimates an increase over last year of 41.4 percent for 1941 as a whole. In this connection he notes that taxes are on an accrual basis, reflecting the judgment of tax accountants, which, he presumes, becomes better as the year wears on and experience accumulates. 141.4 percent of last year's taxes is $560,000,000.

The assumption that the ratio to revenues will be the same this year as last appears over-simplified. The remarks applied to carrier witness' method of estimating expense also apply to his tax method.

Railroad taxes consist of state taxes, federal retirement and unemployment insurance taxes, certain minor federal items, and the federal income tax.

The amount of state taxes accrued in recent years, in millions of dollars, has been as follows:

1927......292	1931......293	1936*.....228
28......301	32......263	37*.....253
29......307	33......230	38*.....219
30......309	34......220	39*.....213
	35......212	40 214

These figures suggest a tendency of state taxes to follow business conditions with a considerable but variable lag. A slight upturn in 1940 will be noted. $218,000,000 is a reasonable guess for 1941.

For 1941 retirement and unemployment taxes will be 6 percent of wages subject to tax. The carriers' principal witness on wages regards this as equivalent to 5.8 percent of all wages and salaries. A straight line projection of the relationship between operating revenues and the percent thereof which is spent for wages, beginning in 1938, indicates a wage ratio of 39.6 percent of revenue. The ratio for the year ended June 30, 1941, is about 41.5 percent.

Minor federal taxes amounted to $3,542,000 in 1938 and $4,021,000 in 1939. The principal item is capital stock taxes. $5,000,000 would seem a liberal allowance for 1941.

The federal income tax amounts to 24 percent of net corporate income, plus a surtax of 6 percent on the first $25,000 and 7 percent on the remainder. Corporations having income under about $38,000 are subject to lower rates. A rate of 30 percent may be used. The amount cannot be calculated until net income before federal income tax is known. The computation will be made at a later step in this analysis.

Miscellaneous Income Account Items. The carriers were able to reduce equipment and joint facility rents from $132,288,000 in 1939 to $128,655,000 in 1940 despite increased volume of business. The employees' witness assumes a further reduction to $125,000,000 in 1941. Carriers' witness states the item has run "slightly" above 1940 so far as recorded for this year, and puts it at $135,000,000 for the full year. This seems a little high. In contrast with past years, carriers will handle a considerable volume of oil to the East this fall, most of which will move in private cars. $132,000,000 is a reasonable guess. Employees' witness assumes a rise in other income from $169,000,000 in 1940 to $180,000,000. Since this will come largely from subsidiary roads it does not appear unlikely. Carriers accept it, in another connection, on brief. Miscellaneous deductions (a small item), fixed

* Up to the middle of 1939 unemployment insurance for railroad workers was administered through the states. In that year a new system came into operation, administered entirely through the Railroad Retirement Board. The state taxes reported in *Statistics of Railways* include unemployment taxes under the former system. For 1938 and 1939 the amount so included (46 and 24 millions respectively) has been deducted to arrive at the figures in the table. The amount for 1936 and 1937 is not known but was considerably smaller than in 1938.

charges, and contingent charges (another small item) may reasonably be taken to be the same as last year.

Income Before and After Federal Income Tax. It seems desirable to present, in Table V, an optimistic and a more conservative estimate of net earnings. The former is based on the employees' revenue estimate of $5,331,164,000, an operating ratio of 65.5 percent, and a ratio of wages to operating revenue of 39.6 percent. The other is based on the carriers' revenue estimate of $5,300,000,000, an operating ratio of 67.5 percent, and a wage ratio of 41.5 percent.

	Taxes (incl. Federal income)	Net Railway operating income (After Federal	Net Income Income Tax)
Employees	490	1,220	736
Carriers	560	1,030	525
Estimate I	609	1,096	616
Estimate II	579	1,014	534

A carrier witness testified that net income as reported to the Bureau of Internal Revenue does not differ greatly from that reported to the I. C. C. The net income before income tax shown in the table, however, is for all carriers. It might be the algebraic sum of a larger

TABLE IV

Alternative Estimates of the Income Account for 1941
(thousands of dollars)

Line	Item	Derivation	Estimate I	Estimate II
1	Operating revenues	See text	5,331,164	5,300,000
2	Operating expenses	" "	3,493,651	3,575,000
3	Net operating revenues	(1) − (2)	1,837,513	1,725,000
4	Taxes (other than Federal Income)	(16)+(17)+(18)	345,446	350,571
5	Equipment and joint facility rents	See text	132,000	132,000
6	Net railway operating income[1]	(3) − (4) − (5)	1,360,067	1,142,429
7	Other income	See text	180,000	180,000
8	Total income[1]	(6)+(7)	1,540,067	1,422,429
9	Miscellaneous deductions	[2]Actual, 1940	27,664	27,664
10	Fixed charges	[2] " "	606,153	606,153
11	Contingent charges	[2] " "	26,106	26,106
12	Net income[1]	(8) − (9) − (10) − (11)	880,144	762,923
13	Federal Income Tax	0.30×(12)	264,043	228,877
14	Net Income after Federal Income Tax	(12) − (13)	616,101	534,016
15	Net railway Operating income after federal income tax	(6) − (13)	1,096,024	1,013,552
16	State taxes	See text	218,000	218,000
17	Retirement and unemployment taxes	" "	122,446	122,571
18	Minor Federal taxes	" "	5,000	5,000
19	Total taxes	(13) + (16) + (17) + (18)	609,489	579,448

[1] Before federal income tax.
[2] From I.C.C. statement M-25, December 1940

TABLE V

Rate of Return on Various Rate Bases, Class I Line-Haul Railways[1]
(All aggregate figures in millions of dollars)

Year[2]	Book Value[3]	Minimum Original Cost[4]	Minimum Original Cost Less Accrued Depreciation	I. C. C. Value[5]	Bur. Val. Value[6]	Net Railway Operating Income[3]	Percent Net Railway Operating Income of:				
							Book Value	Minimum Original Cost	Minimum Original Cost Less Accrued Depreciation	I. C. C. Value	Bur. Val. Value
1928	25,442	21,795	19,795	20,055	18,403	1,173	4.61	5.38	5.93	5.85	6.37
1929	26,040	22,344	20,227	20,497	18,925	1,252	4.81	5.60	6.19	6.11	6.62
1930	26,527	22,821	20,514	20,784	19,122	869	3.28	3.81	4.24	4.18	4.54
1931	26,406	22,792	20,328	20,598	18,937	526	1.99	2.31	2.59	2.55	2.78
1932	26,324	22,687	20,109	20,378	18,716	326	1.24	1.44	1.62	1.60	1.74
1933	26,125	22,499	19,847	20,117	18,455	474	1.81	2.11	2.39	2.36	2.57
1934	25,978	22,377	19,667	19,936	18,274	463	1.78	2.07	2.35	2.32	2.53
1935	25,919	22,290	19,569	19,839	18,177	500	1.93	2.24	2.56	2.52	2.75
1936	25,989	23,396	19,637	20,100	18,245	667	2.57	2.85	3.40	3.31	3.66
1937	26,051	22,512	19,612	19,882	18,220	590	2.27	2.62	3.01	2.97	3.24
1938	26,056	22,557	19,563	19,832	18,119	373	1.43	1.65	1.91	1.88	2.06
1939	26,121	22,610	19,558	19,828	18,166	589	2.25	2.61	3.01	2.97	3.24
1940	26,345	22,895	19,765	20,034	18,373	682	2.59	2.98	3.45	3.40	3.71
1941[7]	26,345	22,895	19,765	20,034	18,373	1,055	4.00	4.61	5.34	5.27	5.74

[1] Computed by staff of Board.
[2] Rate base figures, first 5 columns, are as of December 31.
[3] Carriers' Exhibit 7.
[4] Original cost of all railroads, apparently as of December 31, 1932, was "at least" $24,000,000,000. Federal Coordinator of Transport, report to Congress, 73 Cong., 2 Sess., Sen. Doc. 119, p. 3. Investment in railway property, Class I roads including lessor and proprietary companies, plus materials, supplies, and cash of Class I railways, was 94.53 percent of corresponding figure for all operating railways, including switching and terminal. (Computed from I. C. C. *Statistics of Railways*, 1932, p. 93.) 94.53 percent of $24,000,000,000 equals $22,687,000,000, minimum original cost of Class I railways. This figure has been adjusted for net charges or credits to investment and for changes in materials, supplies, and cash to produce figures for other dates.
[5] Value for rate-making purposes as found in 229 I. C. C. 435, 451, as of January 1, 1938. Adjusted for net charges or credits to property investment, changes in materials, supplies, and cash, and changes in accrued depreciation to produce figures for other dates.
[6] Value recommended by Bureau of Valuation of I. C. C. as of January 1, 1939. Employees' Exhibit 125, p. 6. Adjusted in the manner indicated in footnote 5.
[7] Rate bases taken as of beginning of year. Net railway operating income as estimated by Board staff.

net income for some roads and a net deficit for others. In that case the federal tax would apply to a larger sum than shown. It is assumed that net deficits will be negligible.

Some comparative results of the estimates here made and those presented by the parties are as follows, in millions of dollars:

The carriers' estimate as to taxes seems more probable than the employees'. It will be noted that the difference in operating ratios (65.5 vs. 67.5) is partly offset by the income tax on the additional income based on the lower ratio.

Averaging our own estimates, it seems likely that net railway operating income and net income (after income tax) will be about $1,055,000,000 and $575,000,000 respectively.

Alleged Financial Abuses, Financial Mistakes, and Wasteful Practices

In the Brief of the operating brotherhoods and in the testimony of Mr. Whitney, President of the Brotherhood of Railroad Trainmen, it is claimed that the railroads are being drained of millions of dollars through financial waste and mismanagement, on which the complete story can be found in the *Report* of and *Hearings* before the Senate Committee on Interstate Commerce, *Investigation of Railroads, Holding Companies, and Affiliated Companies* (76th Congress, 3rd Session). Most of the items of financial waste and most of the illustrations and exhibits are drawn from that source.

The types of alleged financial mismanagement cited by Mr. Whitney, apart from those drawn from the Senate Committee Report and Hearings, include:

1. Gross mismanagement of capital structure. The railroads are burdened with a top-heavy capital structure, which has driven many of them into bankruptcy and weakened the rest. Some of them, such as the Wabash and the Missouri Pacific, offer flagrant examples of companies which emerged from one reorganization, proceeded to load up again with debt, and were forced into receivership once again. Evidence of the top-heavy capital structure of the industry, according to Mr. Whitney, is found in (a) the reorganization plans of Class I railroads approved by the Interstate Commerce Commission or proposed by its examiners, which involve a drastic shrinkage in debt and fixed charges; (b) the great spread which exists between the book and market values of railroad securities; (c) the higher percentage of debt to total capitalization in the railroad industry than in many industrial companies; (d) the extent of railroad borrowings from the R.F.C. Instead of crying poor, the industry should have a thorough financial housecleaning.

2. Excessive salaries of railroad executives. Salaries of high officials have increased during the same time the carriers are urging no increases in wages. The carriers' counter-argument points out the reduction in the average salary of executives during the period mentioned, and

suggests that some of the increases were due to promotions and individual adjustments—arguments also challenged by Mr. Whitney.

The types of financial mismanagement and wasteful practices reported in the Senate Committee *Report* and *Hearings* include:

1. Huge fees paid to the bankers and attorneys in charge of railroad reorganizations.

2. Improvident dividends declared from fictitious earnings arising from neglect of maintenance and retirements.

3. Maintenance of a vast propaganda and lobby machine in the Association of American Railroads and its allied and subsidiary organizations. The carriers reply that only 5% of the Association's income goes to legislative and advertising expense, and that the Association and the other groups perform necessary and important work.

4. "Stock market gambling," or purchase by railroads of their own securities or those of other railroads at inflated prices, with subsequent losses arising from the falling stock market.

5. The "rebate racket"—payment of excessive prices for terminal and other properties purchased from big shipping interests, with violations of the I.C.C. orders in some cases.

6. "Milking of subsidiaries" by extracting excessive dividends from them, thus weakening their financial position and causing neglect of maintenance and shrinkage of employment.

7. Excessive stock dividends. Exhibits were presented to show that the amount of railroad stock dividends, plus the cash dividends later paid on such stock, totalled $526,000,000 during 1921-1937, and $1,300,000,000 for all issues of record. The carriers' reply is that all stock dividends must have the approval of the Interstate Commerce Commission, that a number of the "dividends" were not true stock dividends but legitimate issues for other purposes, and that in any case they aggregate a small perceutage of the par value of railway stock outstanding.

8. A series of other alleged abuses summarized in The Brief for the five operating brotherhoods of employees (pages 75-78 of this brief).

Mr. Whitney again (as in the 1938 controversy) cites Senator Wheeler's charge that the railroads were wasting at least $1,000,000 a day as a result of all these wastes and abuses.

The carriers' general rebuttal is that the particular cases cited by Mr. Whitney were isolated, that there is no basis for any claim that they were widely prevalent, or that in the aggregate they have had any effect on the *operating* condition of the railroads. They point out that, on this last point, Mr. Whitney appears to agree with them.

The deficiencies in the exhibits with respect to the quantitative significance of these various allegations of financial mismanagement—deficiencies which the Board has had no time to attempt to make good by a prolonged study of the voluminous *Hearings* before the Senate Committee—preclude any concrete findings either as to the validity of the specific criticisms adduced by Mr. Whitney, or as to the total effect of financial mistakes and malpractices on the present state of railroad credit.

Even, however, had no testimony on the point been adduced, the Board might well have taken judicial notice of the fact—undenied by the carriers—that a number of individual railroads have been guilty of highly unwise and highly improper financial policies. In our opinion, the most serious of these practices have taken the form of attempts by certain financial interests to build up great railroad empires by use of the device of the holding company—a device, the abuse of which wrought havoc with the electrical utilities and which, applied to the railroads, became a matter of grave concern to the Interstate Commerce Commission and to Congress. We do not require a set of formal exhibits (some of those offered on the subject by Mr. Whitney having been excluded by us, in response to valid technical objections by the carriers' counsel) in order to know, what the entire investment world knows, that some of the purchases made during the 1920's, both by railroad holding companies and by railroads themselves, of large stock equities in other railroads have resulted in very great losses to investors.

With full recognition of this fact, and with full awareness of the probability that episodes such as certain of those referred to by Mr. Whitney were a contributory cause of the unenviable state of railroad credit today, we are nevertheless convinced that, in quantitative terms, they were a cause of only minor significance. Moreover, no recommendations that we are here making in this report with respect to proposed wage increases have been tempered or modified in any way by an effort to protect individual railroads from the consequences of these financial mistakes.

Memorandum On Carriers' Testimony On Their Capital Requirements

Development of the Carriers' Argument

1. Gross expenditures for additions and betterments to railway property, Class I railways, 1923-1940, totaled 9,503,000,000 dollars distributed over the period as follows (Carriers' Ex. 24):

	Equipment	Road and Structure	Total
Annual Average 1923-1930......	$381,000,000	$461,700,000	$842,700,000
Annual Average 1931-1940......	162,300,000	182,800,000	345,100,000

2. Capital investments in the period 1923-1929 averaged $897,000,000 per year, of which about ⅜, or $329,000,000, was contributed by earnings, a little over ⅜, or $362,000,000, from depreciation and retirements, and the balance from sale of securities. (Carriers' Ex. 182.)

3. If the industry is to make the desirable improvements and maintain its competitive position, it should spend $1,000,000,000 annually on additions and betterments, in addition to normal expenditures for maintenance. (Carriers' brief, p. 70.)

4. Three-eighths of this total of $1,000,000,000, or $375,000,000 should be contributed by earnings—the same proportion that was contributed in the pre-depression period. This should be allocated as follows: $150,000,000 (3% of gross revenues) to capital expenditures incident to ordinary maintenance, and $225,000,000 for additions and betterments necessary to improve the service and meet the growing competition of other transport agencies. (Carriers' brief, pp. 67-72.)

A net railway operating income of $1,000,000,000 per annum, together with "other income," would provide for the reasonable and ordinary needs of the industry—$550,000,000 to cover fixed and contingent interest, $375,000,000 to provide additions and betterments, $50,000,000 for debt reduction, and the balance for the modest dividends essential to the credit of the industry.

5. The actual expenditures for the 2 year period, September 1, 1939, to September 1, 1941, averaged only $430,000,000, consisting of $277,000,000 for equipment and $153,000,000 for roadway and structure; the estimated expenditures for September 1, 1941, to September 30, 1943, will average (on an annual basis) $835,000,000, consisting of $643,000,000 for equipment and $192,000,000 for road and structures. (Carriers' Ex. 37.) While a total of $1,000,000,000 should be spent, this is all that present earnings and credit will permit, and does not take care of many desirable improvements which should be made. (Carriers' brief, p. 71.)

The equipment now being installed and now on order (Carriers' Ex. 25 and Employees' Ex. 78) is much needed, and can all be used to replace old equipment within a few years. It has been and can be obtained through the issuance of equipment obligations bearing low interest rates, to be retired out of depreciation allowances. (Carriers' brief, pp. 34-36.)

6. The money for making the present railroad plant wholly different from that of twenty years ago was largely raised, and the improvements made, prior to the depression, when credit was good. In the period 1921-1930, over $8,000,000,000 of capital investment was made, of which $2,000,000,000 was obtained from the sale of securities. In the period 1931-1939, only $2,400,000,000 of investment was made, none of which was obtained from securities. (Carriers' Ex. 182; brief, pp. 33-34.)

Comments

The information and argument summarized above applies to the Class I railroads as a group. Yet the carriers have taken pains to point out the disparity of earnings and financial condition within the group. They showed that even in 1940, fifty-four Class I roads earned a rate of return of less than 2 percent on undepreciated book value; that nearly 40 percent of the mileage was operated by companies reporting deficits; that 29.6 percent of all railroad mileage (exclusive of switching and terminal companies) was in the hands of receivers or trustees on June 30, 1941; that even in the year ending June 30, 1941, after a substantial increase in revenues, 36 Class I roads failed to meet their fixed charges; and that a number of roads have operated in the red every year since 1928.

A breakdown of Class I roads showing somewhat more detail than in the Carriers' Brief (p. 49) reveals the extent of the concentration of earnings in the industry in 1940.

Distribution of Mileage, Revenues and Earnings, Class I Railways, 1940

	15 Roads	69 Roads	48 Roads	All Roads
Percent of total mileage operated....	39.7%	25.4%	34.9%	100.0%
Percent of total operating revenues	51.9	24.0	24.1	100.0
Percent of combined net railway operating income	62.2	23.6	14.2	100.0
Percent of combined net income....	84.7	15.3	...	100.0

(Source: derived from Carriers' Exhibits 9, 10, 11.)

Sixty-nine roads operating about one-quarter of the mileage took in a little less than one-quarter of the revenues and earned a little less than one-quarter of the combined net railway operating income, yet produced only 15 percent of the combined net income. Fifteen roads operating slightly under 40 percent of the mileage did half of the business, in terms of revenues, but earned two-thirds of the net railway operating income and about 85 percent of the net income. Forty-eight roads operated in the red, although they took in a quarter of the revenues.

All this evidence of disparity suggests certain questions concerning the carriers' arguments with respect to the need for improved earnings and credit to finance capital improvements. These questions we are unable to answer, but we list them here because they raise important problems that should have further study.

1. How were the expenditures for additions and betterments in the decade of the twenties distributed within the industry? Did weak and strong, small and large roads all participate, granted that weak roads could finance some new equipment and that receivers' or trustees' certificates could be used by those roads in receivership?

2. Which carriers financed the capital investments averaging \$897,000,000 in the period 1923-1929? Was the portion of this invested from earnings (one-third, or \$329,000,000) contributed by relatively few lines or by most or all of them? Even in this period there were many carriers whose earnings and credit were weak.

In the period 1923-1930, depreciation, retirements, and liquidation of properties provided over ⅜ of the capital funds. If adequate depreciation allowances were made, would not this source finance a much larger proportion of future capital requirements?

3. Is not the figure of $1,000,000,000 cited as a reasonable annual amount to be spent for modernizing and improving the properties at best a vague estimate? It is considerably in excess of the average annual expenditures for additions and betterments in the period 1923-30. Added to the existing investment, it would result in a very much *larger* book value and would require much larger earnings for its support. By their own admission, the railroads are facing lean years, or at least heightened competition. Also, by their own admission, they are in good shape now.

4. Is the $1,000,000,000 of annual net railway operating income, which is considered the minimum necessary to restore credit, needed by all roads or only by those which are in a position to earn a satisfactory return on the new capital?

If net railway operating income of $1,000,000,000 were distributed among the roads in the same way as the 1940 figures, 15 roads would earn $622,000,000. Will the balance of $378,000,000 be sufficient to attract new capital to the rest of the roads, operating 60 percent of the mileage, as well as to preserve the capital already invested in them?

5. If, as the carriers assert, the equipment now being installed and now on order can be financed by equipment obligations to be retired from depreciation allowances, will the industry need $375,000,000 a year from earnings, and additional funds from new capital, to provide for its needs? (Estimated expenditure for road and structures, September 1, 1941, through September 30, 1943, averages $192,000,000 per year.)

6. Has the railroad industry, in the past, demonstrated its ability to earn such a satisfactory return on its investment that one can confidently expect it to support a much larger investment in the future, in the light of its pessimism with respect to the growing force of competition?

TESTIMONY ON FUTURE TRAFFIC, REVENUE AND INCOME

With respect to their future prospects the carriers draw a sharp distinction between the period of defense activity and the period that will follow it. They concede that the war and defense program have brought them a large volume of traffic and will continue to do so. This is true not only because the impetus of defense spending has caused a rise in business activity but also because competing transport facilities have been diverted to war-time needs. The shortage of shipping has caused vessels to be withdrawn from coastwise trade, and has caused import and export traffic to travel across the country by rail instead of going around by the Panama Canal. But the carriers insist that this activity is temporary and "artificial." There seems to be no point in the latter designation; the revenue which the railroads are receiving is real enough. The essential question is one of duration. The employees take the position that there is unfortunately no assurance that war and defense activity will be short-lived. It is quite possible that the defense period will last as long as a number of more "normal" expansions in business have lasted.

Railroad witnesses express a fear that the termination of the war may be followed by a sharp recession in business and consequently in traffic. They allude to the difficulty of readjustment from a wartime to a peacetime economy—a difficulty which they deem especially serious in view of the unprecedented scale of lease-lend and defense activity. Counsel for the employees feel that a serious depression need not be expected. They argue that the coming of peace will not necessarily result in a drastic reduction of the present scale of defense preparation. They note that the government is aware of the problem of readjustment and are inclined to believe that, through its agricultural policy, its planning of public works, and its greater control over financial excesses, it will be able to minimize any tendency toward depression. They also believe that the restriction on civilian consumption incident to the defense program will create a backlog of unsatisfied demand which will later operate as a stimulus to business.

Taking a longer view, the railroads note that the demand for their largest single item of traffic, and one which is among the least susceptible to competition of other means of transport, namely coal, has been subject to depressing influences. The amount of electric energy generated from water power has increased rapidly. The production and distribution of natural gas has substantially increased. The amount of coal used by steam stations to generate a kilowatt-hour of electricity has long been declining. In summary a computation by the Bureau of Mines was introduced, showing that, since 1899, the percentage of total British thermal units contributed by coal to the energy supply of the country has been declining. No attempt was made to estimate the quantitative importance of these trends in terms of traffic. The progress in fuel economy in central stations has very noticeably slowed in the last ten years. The computations as to British thermal units, we believe, somewhat exaggerate the picture as to coal. These figures apparently include the energy used in automobiles—a new use for which coal was never seriously competitive. Other items of traffic are in the aggregate far more important to the railways than coal. While it is true that they are less "bound to the rails" than coal, a discussion of this character is incomplete unless the trends in the production of other commodities are included.

The carriers express most concern about future competition from other means of transport. They show that these other agencies of transportation have made great inroads on rail traffic in the past 15 years or so. The carriers imply that the trend will continue, at least if the cost basis on which the railroads must compete should be raised by increased labor costs. Indeed they believe that developments now in the making or in prospect will greatly intensify the competition.

In some ways, they argue, the defense program will add to the supply of competing transport facilities. The Senate has passed a bill providing appropriations for access roads to military establishments and for the improvement of strategic highways. The Public Roads Administration has reported that further sums are necessary for these purposes. Pipelines may be given the right of eminent domain, or financed, or even constructed by the government as a defense measure. The Petroleum Coordinator is urging the construction of a pipeline from the western fields to the east coast. Airfields and airways may be expanded. Much ocean shipping will be constructed. Plants for the production of planes and trucks are being expanded. The number of trained personnel for the operation of planes and trucks will increase.

In addition, regular federal aid to highway construction has been authorized for 1942 and 1943. If a severe depression follows the war, a large public-works program of highway construction may be undertaken. The Public Roads Administration has reported that a plan for 6 trans-country superhighways would be feasible. (The railway witness failed to note, however, that the Administration found this scheme not economically justified, recommending instead a regional highway plan under which existing roads would be greatly improved.) The House Committee on Rivers and Harbors has approved construction of the Florida Ship Canal, the St. Lawrence waterway, and other projects. It will soon consider the proposed Beaver-Mahoning waterway (which would take much ore, coal, and related traffic from the railroads) and further projects.

This list of terrors contains some duplication. The proposed oil pipeline would handle largely traffic which would otherwise be handled, on their return from war service, by tankers, as it was until recently. The Florida Canal would serve largely the coastwise oil traffic.

In the testimony and briefs of the employees certain counter-tendencies are noted. After the last war, much of the surplus of shipping was left to rust at anchor. The railroads have been awakened to the necessity of fighting competition and have made considerable progress in that respect. Admission of new motor carriers to the field is now restricted by law, and a bottom is placed under motor rates, although these restrictions do not affect transport other than for hire. Unionization of the truck and bus industry is making progress; a minimum wage of 40 cents per hour has been prescribed; labor costs will tend to rise.

The past trend is summarized as to freight traffic by a report of the Bureau of Statistics of the Interstate Commerce Commission. This report compares actual railway tonnage with the tonnage which the railroads would have handled if their traffic had been affected since 1928 only by changes in the supply of commodities. (See Table I of this Appendix.) The worst losses were suffered between 1930 and 1932, when the share of the railroads fell from 97 to 87 percent. From then until 1937 there was little decline. With the business contraction of 1937-38 there came another sharp fall; but since 1938 there has been a slight rise. Thus there is some evidence that the position of the railroads in handling the country's goods was approaching stability.

It is impossible to appraise quantitatively the net effect which the new elements cited by the carriers will have in disturbing the equilibrium. For the most part these elements foreshadow a reduction in costs of competing means of transport. But they do not suggest much that is revolutionary except, perhaps, with respect to air transport. It should be remembered that fairly large expenditures on competing means were made between 1932 and 1937 and again after 1938. It is altogether probable that the railroads will suffer some further losses of traffic and will be impelled to reduce many rates to hold the remainder. But, as to the seriousness of these adverse influences, the evidence is inconclusive.

The railroads urge that the traffic and earnings of 1941 should not be deemed typical of the years to come. Instead, they suggest the probability that some of the years of the 1930's will prove more typical. The employees urge that the ratio of costs to revenue should not be based on the experience of these years (certainly not of the earlier of these years), because of the marked advance in economies of operation, particularly in the economizing of labor. They are also convinced that further progress will be made.

Possible Methods of Increasing Earnings or of Reducing Expenses

In view of the effect of increased wages on the earnings of the industry, the question arises whether any measures may be taken by the railroads to increase their net railway operating income and net income through increases in gross revenues or decreases in expenses, or to increase their net income alone by reduction of taxes and fixed charges. The following possible measures will be discussed briefly in turn:

(1) increases in freight and passenger rates; (2) reduction in expense by large-scale consolidation, and (3) by increased coordination; (4) reduction in the railway tax bill; (5) reduction of debt and interest through reorganization.

1. Rate Increases

Possibility of increased rates and fares. In the opinion of the carriers, *substantial* increase in expenses in relation to revenue resulting from increased wage rates would lead directly to applications to the Interstate Commerce Commission for rate increases, although it was recognized that a blanket or uniform percentage increase might not be feasible. It was indicated that in 1918, 1920, and 1937, general wage increases were followed by substantial rate increases. Witnesses for the Express Agency also stated that the only possible recourse to meet the burden of increased wages would be an increase in rates.

Most of the employees' witnesses did not concern themselves with the possibility of railroad rate increases. One witness stated that the carriers could bear the wage increases without raising their rates, although he felt that some of the competitive rates should be brought into line. He went on to say, however, that rates should be raised, *if necessary,* in order to pay fair wages. The Brief for the non-operating organizations concludes that the roads are in a position to pay a much higher wage "without creating any necessity for increasing freight and passenger rates," because a greatly increased tonnage can be carried without a commensurate increase in operating expenses or number of employees. Reference is made to the existing unused capacity arising from the increased power of engines, increased capacity of freight cars, and increased length of trains, and to the likelihood that the great gains in traffic will continue for a considerable period. The operating employees made no direct reference to rate increases; but their analysis of present and prospective traffic and their confidence in the ability of the roads to carry an almost unprecedented proportion of gross into net appears to imply that no rate increases should be necessary.

In view of the carriers' fear that the present volume of traffic and level of revenues are temporary and artificial, and of their claim for increased earnings to bolster railroad credit, there can be little doubt that an appeal for increased rates would result from any substantial increase in wages arising from changes in wage rates.

Ability of traffic to bear rate increases. The carriers suggest that, during the defense period, an increase in freight rates on many commodities would not drive them from the rails because there is no other place for them to go. But they are certain that, because of the prospect of intensified competition, "there is no basis now for reliance upon such a source of additional revenues over any extended period of years."

Whether or not particular commodities could bear increases during the defense period, it is likely that a blanket or percentage increase in all rates would meet with stiff resistance, especially from those producers who need low rates in order to compete in distant markets, and from shippers of commodities with low value in relation to bulk. Some shippers are not so much concerned with the actual rates charged as they are with preserving their own relative status. But a general percentage-wise increase in rates falls with special impact on commodities in whose prices transportation charges play a large part. An increase of 10 percent is more serious for the commodity in which half the price is transportation, than for the commodity in which only ten percent or less of the price goes to transportation.

In general, the Interstate Commerce Commission has been opposed to uniform percentage rate increases in recent years, reflecting the attitude of shippers with respect to the uneven impact of such increases on different commodities and length of haul, although it is willing to look favorably on carefully considered particular increases. In 1926, the Western carriers asked for a five percent increase, but the Commission held that no financial emergency existed, and suggested that the roads might change specific rates with a view to increasing revenues (113 I.C.C. 3). In 1931, the application for a general rate increase of 15 percent was denied, but temporary advances ranging to 10 percent were approved (178 I.C.C. 539). In 1935, the carriers asked for a general 10 percent increase, save for flat increases on some commodities, and surcharges of varying amounts were approved, to terminate on December 31, 1936 (208 I.C.C. 4); rates on agricultural products were not increased. In 1938, a general 15 percent increase was refused, but the Commission allowed 10 percent increases on some commodities and 5 percent on others such as agricultural products, animals and animal products, and lumber (226 I.C.C. 41).

In so far as express traffic is concerned, there appears to be some validity in the opinion of Express Agency witnesses that in the face of increasing competition an increase in express rates would result in a lower volume of business. The agency not only has to compete with the parcel post and with contract and common motor carriers, but with private trucks and freight forwarders.

Effects of rate increases. Widespread rate increases sufficient to provide the carriers with the funds with which to meet wage rate increases might not disrupt traffic volume for the time being, but, in the opinion of the carriers, would have two unfortunate results: (1) They would stimulate the inflationary process with its attendant results on the public in general and the wage-earner in particular; (2) they would place the carriers in an unfavorable competitive position after the emergency period is over, when competition will be even more strenuous than in the past.

2. Consolidation

Although the subject of consolidation was mentioned only in passing by one witness for the carriers, and not mentioned at all by the employees, it deserves some consideration in a discussion of possible means of increasing railroad earnings.

During the past twenty years much has been said about consolidation as a device for effecting large-scale economies. The Transportation Act of 1920, designed in part to solve the weak-and-strong-road problem, provided for a comprehensive plan of consolidation into large railway systems, and was followed by the publication of such plans in 1921 and 1929. Keeping in mind that the original legislation did not make consolidations mandatory, it is important to note that considerable progress has been made in the simplification of existing systems and in the extension of systems through merger, stock control, and other devices. Whereas in 1920 only 17 percent of railway mileage was organized in units of more than 8,000 miles, by 1938 the percentage had grown to 36. Although no general plan of consolidation was officially approved after the passage of the Act of 1920, the Commission has used the powers granted by that Act to approve a number of specific combinations when they have appeared to be in the public interest. The Transportation Act of 1940 continued the authority, and gave the Commission more power to approve consolidations without reference to any general plan.

The chief consideration stressed in the early legislation was the support of railroad credit. Later, emphasis has been laid on the savings in cost which may be effected by reduction in overhead, and by more effective use of railway facilities. Estimates of savings from widespread unification have ranged as high as $743,000,000 ("Prince Plan" of 1933). But the advisory railroad committees appointed by the Federal Coordinator of Transportation reduced this estimate to $215,000,000.

While there has been a great difference of opinion as to the actual amount of savings which comprehensive consolidations would effect, there is general agreement that substantial economies would result. The opposition to consolidation has come mainly from some railroad executives interested in maintaining existing competitive advantages, from certain shippers who wish to continue to enjoy access to competing railroads, and from railroad labor. As a result of this latter opposition, the Transportation Act of 1940 contains a clause which provides that in approving a consolidation, the Commission shall require the making of an equitable arrangement to protect the interests of the employees affected, and that for a period of four years (or less, if his period of employment has been shorter) after the effective date of the order, no employee shall be in a worse position as a result of the transaction. Such a provision will tend to slow down the process of consolidation, but it gives impetus to the formation of appropriate plans for dismissal compensation.

While there is room for a great difference of opinion as to the amount of actual savings which consolidation can effect, more rapid progress toward unification is highly desirable. However, under modern conditions, the proper coordination of *all forms* of transport facilities should perhaps receive even greater attention.

The possibilities of coordination of the facilities of different rail carriers without complete merger of operations is also promising.

3. Coordination With Other Transport

Coordination of railway with other transport facilities with a view to increasing net earnings from operation was not discussed by either party to the dispute. In the absence of data, no extensive discussion of the possible savings in operating costs or of the wastes involved when the most effective means of transportation are not employed, can be attempted here. Considerable progress towards coordinated, rail-highway, rail-water and rail-air service has been made, the great impetus having been given by the work of the Federal Coordinator of Transportation.

While the legislation of the past few years has encouraged coordination, it has contained provisions designed to protect the position of the transport agency which might be adversely affected by the extension of another agency into its field, as well as provisions for the protection of the employees whose jobs would be affected by any substantial savings in operating expenses.

That Congress is now inclined to favor the movement for coordination is evidenced by the establishment, by the Transportation Act of 1940, of a Board of Investigation and Research, one of whose functions is to investigate the relative economy and fitness of carriers by railroad, motor carriers, and water carriers for transportation service, with a view to determining the service for which each type of carrier is especially fitted or unfitted.

It is an open question, however, whether a thoroughgoing program of coordination would protect or reduce railroad employment.

4. Reduction of Railway Taxes

Unless special railway tax legislation is enacted, it appears that the carriers cannot look forward to any substantial relief in the way of a reduction of their tax expense. On the contrary, if corporate net income increases, substantial increases in income taxes may be expected, especially in view of the higher rates of Federal income taxation. Local tax valuations are likely, sooner or later, to reflect any increased net earning power of the companies.

Taxes have taken an increasing percentage of gross revenues in recent years. The ratio of railway taxes proper to total operating revenues of Class I railways rose from an average of 6.3 percent in the period 1926-1929 to 9.2 percent in 1940. During this period the ratio has been as low as 6.9 percent (1935) and as high as 9.5 percent (1938).

5. Reorganization

Financial reorganization under the terms of the amended Bankruptcy Act provides the most substantial method of relief from fixed charges. It is the contention of the employees that, while reorganization is a stern measure in so far as investors are concerned, the results are beneficial in that they help to remove the curse of overcapitalization, and that while they are in the hands of the courts the distressed carriers have a moratorium or breathing-spell during which they gain relief from pressing obligations and are able to improve their properties. Witnesses for the operating organizations of employees contend that further reorganizations are needed, and insist that the standard of the "bankrupt" should not be accepted as the "standard of the industry" in so far as ability to pay increased wages is concerned. They make no secret of their position that adequate wages are prior charges to interest, and that the threat of bankruptcy should not be a deterrent to the fixing of such wages. However, in their opinion, that threat is now relieved by the rapid increase in earnings being enjoyed at present by even the weakest roads.

The carriers' attitude on reorganization may be summed up briefly: While reorganization of the borderline roads would reduce fixed charges and open up avenues for introducing new securities into the capital structure, a heavy mortality rate will serve to frighten capital away from the industry.

The reduction in the annual fixed charges under plans of reorganization approved by the Commission or proposed by examiners for railroads in reorganization proceedings before the Commission, as of October 31, 1941, totals $91,000,000, as compared with total present fixed charges of $600,000,000, consisting of interest, $450,000,000, and rentals, $150,000,000. However, the carriers estimate that contingent charges will replace fixed charges to the extent of perhaps $50,000,000, and contend that earnings should be sufficient to cover both contingent and fixed charges, with a fair margin for dividends and for reinvestment in the properties.

Estimates of Cost of Compliance with Wage and Vacation Recommendations of the Board

The estimates presented in this Appendix have been made with specific reference to the wage bill in 1941. They are intended to indicate roughly the cost to Class I carriers in 1942, of complying with the wage and vacation recommendations by the Board. The estimates must not be interpreted as forecasts. In these troubled times it is extremely difficult to judge with confidence economic conditions even a few months ahead. Another factor of uncertainty is the extent to which the railroads may grant additions to pay or vacations to employees not involved in the proceedings before this Board.

Cost of Addition to Wages of Non-Operating Employees

The employees and the carriers are in substantial agreement as to the probable cost to Class I railroads of the wage demands. What difference there is arises from a slight disagreement as to the specific classes of employees involved in the dispute. The parties based their estimates primarily on the number of hours paid for in 1940 by the classes of workers represented by the unions. This figure on hours was multiplied by 30 cents, and resulted in an estimate of $537,284,308 by the unions (Transcript, Vol. 10, p. 1594) and of $537,367,829 by the carriers (Carriers' Exhibit 109A). The Board adjusted these figures to comply with its recommendation that hourly wages of non-operating employees be increased nine cents. On this basis, the two estimates are $161,185,292, according to the employees' figures and $161,210,349 according to the carriers' figures.

It is desirable to convert these estimates to a 1941 basis. The carriers stated that the number of hours worked by the non-operating group would be approximately 9.5 percent more in 1941 than in 1940 (Carriers' Exhibit 113). After making this adjustment, the two estimates for 1941 are $176,497,895 and $176,525,332.

The increase in the wage bill will add to the payroll taxes that have to be paid by the railroads. At present these taxes amount to 6 percent of all payrolls except that the amount in excess of $300 paid to any individual in one month is exempt. The carriers estimated that the average tax on the added payrolls would therefore be 5.8 percent instead of 6.0 percent (Carriers' Exhibit 109A). The payroll tax adds about $10,200,000. In round figures the cost of meeting the Board's recommendation may, therefore, be estimated at $186,750,000.

Cost of Addition to Wages of Operating Employees

On the basis of their demand for a 30 percent increase, the unions estimated (Transcript, Vol. 10, p. 1599) an addition of $179,952,636 to the 1940 payroll.[1] The carriers presented an estimate of $175,940,109 (Carriers' Exhibit 109A)—which is lower than the employees' figures. This Board recommends an addition of 7½ percent to basic wage rates. The unions' figure after adjustment to the Board's recommendation becomes, therefore, $44,988,159 and the carriers' figure similarly adjusted becomes $43,985,027.

The next step is to adjust the estimates to a 1941 payroll basis. According to the carriers, the payrolls will probably be 14.3 percent larger in 1941 than in 1940 (Carriers' Exhibit 113). Another addition of 5.8 percent must be made on account of the payroll tax. These two adjustments yield a final estimate of $54,403,911 or $53,190,829, according as one starts from the employees' or the carriers' computation.

Cost of Vacations for Non-Operating Employees

The employees' estimate for 1941 (based on 1940 payrolls) of the cost of the original proposal is $29,860,096, excluding the 6 percent payroll tax, and $31,651,702 including the tax (Employees' Exhibit No. 3). The corresponding estimates by the carriers are $35,855,000, excluding the tax, and $38,006,300 including the 6 percent payroll tax (Carriers' Exhibit No. 226).

Both estimates exclude the cost of relieving employees (largely clerical) now receiving vacations and whose work under present rules is absorbed by other employees at no extra cost to the carriers. A witness for the non-operating employees, however, said that under the proposed plan the employees now receiving vacations would need to be relieved (Transcript, pp. 455 and 678). It is impossible to know the extent to which employees on vacation will be relieved by other employees. The language of the section on vacations suggests that in some occupations it will be necessary and desirable and in others not. The final outcome will depend on the results of suggested negotiations between carriers and unions on the adjustments to be made in applying old rules to vacations. The Board does not wish to anticipate the

[1] A higher estimate was presented by another employees' witness. (Transcript, Vol 14, p. 2350, and Employees' Exhibit 79, Charts 5 and 6.)

decision of the two parties before negotiation; but, to be on the safe side, estimates of the cost of "relieving" are made and included.

The Eastern roads estimated the cost of relieving men at $2,657,331 for 1941 (Carriers' Exhibit No. 221). The Western roads estimated this cost for 1941 at $2,530,000 (Transcript, p. 5243). No estimate was made by the Southeastern roads. Assuming that the cost for the Southeastern roads would be the same per cent of their payroll as the combined cost to the Eastern and Western roads is to their payrolls, an estimate of $6,100,000 was obtained for all the roads. When this figure is added to the above costs the following estimates are obtained for 1941:

On the basis of carriers' figures (including 6 percent payroll tax)...........$44.47 million
On the basis of employees' figures (including 6 percent payroll tax)...........$38.12 million

The corresponding estimate for 1942 will be higher both on account of increased payrolls in 1941 and the increase in wage rates proposed by the Board. The increase in payrolls for non-operating employees from 1940 to 1941 is estimated above at 9½ percent. The nine cent increase for wage rates for non-operating employees is a 14.1 percent increase on the average hourly earnings of 63.7 cents (time paid for basis) for all involved non-operating employees.

When the above estimates are increased on account of these two factors, the following estimates of the cost are obtained for 1942 of the vacations originally proposed by the non-operating employees:

On the basis of carriers' figures.........$55.56 million
On the basis of employees' figures.......$47.63 million

These estimates of course are far too high in terms of the Board's recommendation; since a uniform vacation of only one week is provided, this being limited to employees who worked 60 percent of the time in the preceding year.

A "maximum" estimate on the basis of the Board's recommendation is one-half of the immediately preceding carrier and employee estimates. These figures are:

One-half of above carriers' figure.......$27.78 million
One-half of above employees' figure.....$23.82 million

These figures should be reduced since they undoubtedly include employees who will receive no vacations under the Board's recommendation. There is practically no statistical basis for an estimate. It may be conjectured, however, that the reduction will be some 15 percent. The final estimates are:

On the basis of carriers' figures.........$23.6 million
On the basis of employees' figures.......$20.2 million

Cost of Additions to Wages of Railway Express Agency Employees

The Railway Express Agency estimated that the 30 cent increase in wage rates proposed by the non-operating employees would have added $29,226,218 to their payroll for the year ending July 31, 1941. From this amount should be excluded the added payroll cost of four classes of employees which the Agency admitted were not represented in the proceedings before the Board. When these classes are excluded the estimate for the year ending July 31, 1941 becomes $27,731,580. This figure should be raised by 6 percent to include the payroll tax, giving a figure of $29,395,475. It is estimated that the total payroll of involved employees will be 1 percent higher for the calendar year 1941 than for the year ending July 31, 1941. Applying this increase to the figure of $29,395,475 yields a figure of $29,689,450. Since the Board recommends an increase of 7½c per hour the above figure must be divided by 4. The final estimate is, therefore, $7,422,362.

Total Cost of Compliance

The estimated total cost of compliance with the Board's recommendations is summarized in the following figures:

Wages of non-operating employees	$187 million
Wages of operating employees	$53 to $54 million
Vacations of non-operating employees	$20 to $24 million
Wages of Express Agency	$7 million
Total cost	$267 to $272 million

Of course, the range of the cost estimates does not define the error to which the figures are subject. It means chiefly that the carriers and employees have used similar methods of estimating.

The reader is referred again to the opening remarks in this memorandum on cost of compliance.

11

Supplementary Report

TO

THE PRESIDENT

BY THE

EMERGENCY BOARD

APPOINTED SEPTEMBER 10, 1941, UNDER SECTION 10
OF THE RAILWAY LABOR ACT

Conclusions of the Board Based on Reargument Hearing

MEDIATION SETTLEMENT

UNITED STATES
GOVERNMENT PRINTING OFFICE
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I. LETTER OF TRANSMITTAL TO THE PRESIDENT

WASHINGTON, D. C., *December 5, 1941.*

The PRESIDENT,
The White House.

MR. PRESIDENT: The Emergency Board appointed by you on September 10, 1941, and reconvened by you on Thursday, November 27, is pleased to submit herewith a report supplementing the one which the Board presented to you on November 5, 1941. This supplementary report sets forth the conclusions which the Board reached after hearing each side reargue the issues involved in the Board's report of November 5, 1941.

As you will note, the Board was not moved by anything which was said during reargument to modify in any material way the major recommendations contained in its report of November 5, 1941.

At the close of the second day of reargument the Board, with your approval, offered its services to the carriers and employees as a board of mediation. The official representatives of each side to the dispute accepted the Board's offer to mediate their differences. Mediation conferences started at 7:30 p. m. on Saturday evening, November 29, and they lasted with but brief recesses until 6:30 p. m., Monday, December 1.

Although at the beginning of the mediation conferences the parties were far apart in their points of view, they all agreed with your Board that the welfare of the country, as well as their own interests, made it imperative that they find some basis of compromise on which to settle their differences and thereby avert a paralyzing national railroad strike.

We are happy to be able to report to you, Mr. President, that the parties did not at any time during the mediation sessions fail to recognize that the country was expecting them to mediate their differences as industrial statesmen, keeping uppermost in their minds the fact that the special economic interests of individual groups within our society must in the last analysis give way to the common good of all. Motivated by this principle they joined with your Board in highly commendable cooperation throughout the mediation meetings.

As a result, when the chairman, under instructions from the Board, called all of the parties into a joint mediation session late Monday afternoon, December 1, and summarized at length the various compromise proposals which in the judgment of the Board should constitute the framework of a mediation agreement settling the controversy, the parties, with the exception of the employer representatives of the Railway Express Agency, acquiesced in the Board's suggestions.

It should be stressed that the mediation proposals which the Board finally presented to the parties grew out of the many separate conferences which the Board had held with committees representing carrier and employee groups participating in the mediation proceedings. The Board did not make its specific suggestions for a mediation settlement of the controversy until it was thoroughly satisfied that there had been a complete meeting of minds as to the major provisions which should be contained in a mediation agreement.

The last section of this supplementary report, Mr. President, sets forth the major provisions of the mediation settlement acquiesced in by the parties on December 1.

Although the Board has succeeded in getting the parties to acquiesce in the major provisions of a mediation settlement, thereby averting a railway strike, there still remains much work to be done in drafting specific labor agreements based upon the general principles of the mediation settlement. This is understandable when it is remembered that the parties, as well as the Board, worked under great strain and stress during the mediation sessions. We all were striving for agreement upon general and major principles and we put aside for the time being slight differences over details.

However, these differences must be settled before the parties can sign the labor contracts. Such formal signing is always the last step in concluding a labor dispute. Hence, your Board, upon the request of the parties and in accordance with your instructions, is holding itself available to the parties for further conferences on questions and differences of opinion as to the meaning of the provisions of the master mediation settlement.

We are confident that within a few days every necessary paper for a complete settlement of the varied issues in this complex case will be signed by the parties with one possible exception. This exception arises from the refusal of the officials of the Railway Express Agency to accept the suggestion of the Board that they should join with the other carriers in the wage settlement.

It is not unlikely that if the Railway Express Agency persists in its refusal to join in the mediation settlement, there will be some strikes called upon its properties. However, these strikes, if they come to pass, will not involve the other carriers or the employees of the railroads generally. The representatives of the other carriers and those of their employees agreed with your Board on Monday, December 1, that as between them the mediation settlement should not be affected by the possible refusal of the Express Agency to concur in it. As we reported to you in our letter of December 2, 1941, we believe that the mediation settlement is a reasonable one, even when applied to the Railway Express Agency, since from a practical standpoint the Express Agency is a financial subsidiary of the railroads which have acquiesced in the mediation settlement.

When endeavoring to reach a compromise settlement in mediation it is necessary to look behind and beyond legal corporate forms and to be guided by considerations of substance. Hence, once we became satisfied that the real owners of the Railway Express Agency are the railroads themselves, we saw no sufficient reason for refraining from suggesting to the officials of the Express Agency that the greater interests at stake should move the agency to follow the example of its controlling carriers.

Should the situation become one, Mr. President, which requires your further attention, we recommend that you urge the Railway Express Agency to join in the mediation settlement.

Mr. President, it has been an honor to serve you, and we await your further pleasure.

Respectfully submitted.

WAYNE L. MORSE, *Chairman.*
THOMAS REED POWELL.
JAMES C. BONBRIGHT.
JOSEPH H. WILLITS.
HUSTON THOMPSON.

SUPPLEMENTARY REPORT TO THE PRESIDENT BY THE EMERGENCY BOARD APPOINTED SEPTEMBER 10, 1941, UNDER SECTION 10 OF THE RAILWAY LABOR ACT

CONCLUSIONS OF BOARD BASED ON REARGUMENT HEARING—MEDIATION SETTLEMENT

II. INTRODUCTION

The record of this railway labor controversy shows that, after the Emergency Board filed with the President its report of November 5, 1941, the representatives of railway employees rejected some of the major recommendations set forth therein. The employees in both major groups strenuously objected to the recommendation of the Emergency Board that:

> In view of the uncertainties confronting the economy of this country for the duration of the existing emergency, all increases in wages constitute a temporary addition to pay and not a change in basic wage rates, except for minimum rates hereinafter suggested for the railroads.
>
> These temporary additions shall be effective as of September 1, 1941 and shall terminate automatically on December 31, 1942, unless the parties extend the arrangement by agreement.

The representatives of the Five Brotherhoods rejected the report on the further ground that an increase of 7½ percent in wages, as recommended by the Board in its report of November 5, 1941, is entirely too low. They also registered other objections to the report of the Board, but these two recommendations seemed to be the controlling factors which caused them to issue a notice that they intended to go out on strike on December 7, 1941.

The representatives of the 14 cooperating railroad labor organizations also held a meeting shortly after the release of the Board's report of November 5, 1941, and by formal action rejected it. They took the position that the restriction of the recommended increases to a temporary period could not be accepted by them but that wage increases should be in basic wage rates. They also announced that they could not accept the report because the wage increase of 9 cents per hour recommended by the Board was entirely insufficient. There were additional objections to the Board's recommendations concerning vacations, Short Lines, and the Railway Express Agency.

In fairness to railway employees it should be said that under the terms and provisions of the Railway Labor Act they have the legal right to refuse to accept a report of an emergency board, and thereafter to resort to strike action in an attempt to secure for themselves economic benefits to which they think they are entitled. However, in equal fairness to the carriers, it should be said that it has been generally assumed, inasmuch as the Railway Labor Act was principally sponsored through Congress by railway labor, that the employees would follow and abide by the results obtained from the use of the peaceful procedures provided for in the act. Thus, great surprise, disappointment, and concern were expressed throughout the country when it was learned that the Emergency Board's report of November 5, 1941, would not be accepted by railway labor as a basis of averting the threatened national railroad strike.

Following the presentation of its report to the President on November 5, 1941, the Emergency Board announced that it had adjourned subject to further call by the President. The controversy then rested in the President's hands. The President held a series of conferences with Government officials and representatives of the carriers and railway employees. As a result of these conferences the President decided to reconvene the Emergency Board for the purpose of giving the parties to the dispute an opportunity to reargue the case by stating their exceptions and objections to the Board's recommendations and by presenting any new evidence which they might wish to offer to the Board for its reconsideration.

The Board reconvened in Washington, D. C., on Thursday, November 27, and, in conference with the President, suggested that there were two entirely different ways in which the Board might be of possible further service in attempting to settle the controversy. The Board explained that it might hear rearguments on the case and submit a supplementary report based exclusively upon the complete record made by the parties in the case. Second, the Board could, if the parties decided to have it act in such an emergency capacity, offer its services as a mediating body, in which capacity the Board would use its good offices in an endeavor to help the parties reach a mutual satisfactory compromise of their differences. The President approved the procedure, as outlined by the Board, and authorized it to offer to the parties the opportunity to enter also into mediation negotiations in addition to rearguing the case on the merits.

At 10 a. m. on Friday, November 28, the representatives of the disputants met with the Board in executive session. At this meeting the Board pointed out to the parties the two distinctly different approaches which the parties might make in seeking a settlement of their disputes. It was agreed at this executive session that the parties would proceed with a 2-day reargument hearing on the record and at its close decide whether or not they desired to accept the Board's offer to help them mediate their differences.

At 10:30 a. m., Friday, November 28, the reargument hearings commenced on the record, and the rehearing ended at 4 p. m. Saturday, November 29. At the close of the reargument hearings the chairman stated:

The Chair is about to close this hearing, and in doing so he wishes the record to show the following remarks:

Under instructions from the President, this Board is duty-bound to make a supplementary report to the President on Monday, December 1. That report may be on the arguments or rearguments which the parties have presented to the Board yesterday and today. That report may, however, under instructions from the President and with his authorization, be a report made upon mediation.

Therefore, this Board here and now offers its mediation services to these parties and notifies them that it will be available between now and Monday, when it makes its report to the President, to serve the parties in any way it can in mediation, to the end of attempting to reach a settlement of this dispute.

* * * * * * *

This Board continues to sit as servants of the President and it is willing to do what it can in the interests of the President and in the interests of the country to help you gentlemen reach a settlement of this dispute without a paralyzing and, in the chairman's opinion, an unjustifiable railroad strike.

We are at your pleasure.

I hereby formally close the hearing on reargument of this Board held Friday and Saturday, November 28 and 29, by direction of the President of the United States.

We will now go into executive session to discuss the procedure which you gentlemen wish to follow, should you decide that you wish to make use of the services and the offer of this Board as servants in mediation.

At the executive session following the reargument hearings the representatives of all the parties to the dispute accepted the Board's offer to assist them in reaching through mediation a settlement of their differences. Mediation conferences were held, starting at 7:30 p. m. Saturday, November 29, and continued until 6:30 p. m. Monday, December 1, 1941, at which time the Board called the President and informed him that a national railway strike had been averted through a successful resort to the processes of mediation.

III. THE DUAL ROLE OF THE EMERGENCY BOARD AS A FACT-FINDING TRIBUNAL AND AS A BOARD OF MEDIATION

The material differences between the terms of settlement proposed in our original report and the terms finally agreed upon in later mediation conducted by us creates a situation so unusual as to require a clear explanation. The absence of such an explanation would be likely to create the false impression that the results of the mediation agreement reflect our own considered judgment of the equities and that, to this extent, we have, in effect, reversed our original recommendations.

In submitting our original report, we were acting in the role of a quasi-judicial body and not in the role of mediators. This former role called upon us to weigh the pleadings, the evidence, and the arguments presented by the parties, and on the basis of the record to make recommendations that, in our judgment, not only would be fair as between the parties but would also serve the broader public interest.

In the light of these functions of a quasi-judicial body, we did not and do not believe that we should modify our recommendations, in any material respect, under pressure by either party that a modification must be made in order to buy a peaceful settlement. An emergency board, when assuming a quasi-judicial role rather than a role as mediator, should not permit such considerations of expediency to dictate a recommendation which it would not feel warranted in making purely on the merits of the case. If the Board were to do otherwise—if, in its very capacity as a fact-finding body it were to mix its judgment of the equities with the claims and assertions of the parties as to the terms needed to secure their acquiescence—the value of its findings and recommendations would be almost completely destroyed.

Public officers, however, when called upon by parties to help them settle a controversy by the process of mediation, cannot ignore the acceptability of any proposed settlement to the particular party which has the greatest economic power to enforce its demands in a labor dispute. In mediation the object is to aid the parties in settling a dispute on the basis of compromise and the equities of the settlement, from the standpoint of the independent judgment of a quasi-judicial body cease to become the sole criterion.

In speaking of the role of mediator as one of giving assistance to the parties in reaching an agreement, it is not intended to imply that this role is a purely passive one. While, as members of the Board, we did much of our work by acting as mere messengers between the parties, we also made suggestions to them. Both parties wished to know our own judgment as to the degree of determination with which each advanced their opposing positions. Both parties listened to our suggestions that some concession on one side should be met by appropriate concession on the other. Both parties appreciated that there might come a point where our suggestions might have behind them such weight in the public mind that to disregard them further might subject the parties to a public condemnation that could not be compensated for in terms of dollars. But the fact remains that the agreement finally reached, even though as a formal matter it was done on the Board's last-minute suggestions, was an agreement reflecting a resultant of forces playing on the two parties and not a settlement reflecting what the Board did or would recommend in a judicial capacity.

So different is the role of mediator from that of a fact-finding and quasi-judicial tribunal that the former role might best have been taken by new actors had there been time in which to prepare a new script for the new play. Unhappily, this was not the case. The parties knew that, if mediation were to succeed in averting a strike, it would have to begin immediately and conclude in a very few days. No strangers to the facts of the controversy could have been of great assistance in such a crisis. For this reason, the members of the Emergency Board consented to act as mediators notwithstanding their awareness that persons unfamiliar with the procedural situation might charge them with being willing to put themselves in a position calling for a compromise of principle. The members felt that such personal considerations should not move them to refuse to offer their services as an aid to the parties in coming to an agreement.

IV. THE REHEARING

In the rehearing of this case counsel for the employees failed to present any new evidence. They urged, however, larger wage increases than those recommended by the Board and the incorporation of these increases in basic wage rates. In support of their appeal, the employees' representatives repeated the arguments presented at the original hearings and claimed that the recommendations by the Board were inconsistent with its findings. They also stressed the dissatisfaction of the employees with the recommendations, they threatened to enforce their demands by striking (transcript of proceedings, vol. 33, pp. 6835–6; vol. 34, p. 7004), and they reiterated that the Board's report had failed to win the approval of the President (transcript of proceedings, vol. 34, pp. 7003, 7008, 7034).

The threat of a strike did not influence the Board's judgment on matters of equity. The other contentions have been weighed by the Board, but have not been found sufficient to alter its judgment on the main issues in the dispute. The recommendations of the Board involved an average increase of approximately 12 percent in the wage rates of employees on class I railroads. This addition is more than sufficient to make up for the decline in the relative status of railroad labor since 1937, when the last general adjustment was made in railroad wages. Average hourly earnings of manufacturing labor are now about 17 percent higher than in 1937. If the increases recommended by this Board in its report of November 5, 1941, were put into effect, average hourly earnings of railroad employees would be about 19 percent higher than in 1937. In the light of these facts the wage increases recommended by the Board are still regarded by us as entirely reasonable in the light of the record.

The Board's recommendation for the nonoperating employees was for an increase of 9 cents per hour. This meant an increase of 14 percent on the average for this group of employees. Since the operating employees, as a class, have been favored by wage adjustments in the past, and now enjoy much higher wages than do the nonoperating men, the Board recommended smaller increases on a percentage basis for the former group. Such increases for the operating men were, however, larger in absolute amount than those for the nonoperating men, with the exception of men in a few classifications. On these exceptional classifications we comment later. For men in highly paid classifications an increase of 7½ percent is a substantial addition to pay, even in these days of rapidly rising wages.

The Board rejects the contention of counsel for the operating employees that the 7½-percent increase in their pay is unjust in view of the increase in the cost of living. During normal times there is every justification for labor to seek not only to maintain but to improve its standard of living. But if the defense program undertaken in this period of national emergency is to meet with success, workers and employers alike must be prepared to make sacrifices. Unless this hard fact is clearly recognized, our country faces disaster.

The Board shares the apprehension of the employees that the cost of living may rise swiftly during the coming year. Yet the Board believes that it is not sound policy to grant wage increases in anticipation of a continued rise in prices. Such a policy can only aggravate the very difficulty that it aims to overcome. The difficulty can best be dealt with by the adoption of a comprehensive plan in regard to wages, profits, and the prices of both agricultural and industrial commodities.

The Board has considered the employees' contention that if labor is to obtain wage increases, it must do so in periods of prosperity. This contention, however, does not justify the request that the adjustments recommended by the Board in its report of November 5, 1941, be incorporated into basic wages—that is, that they be made of indefinite duration. In 1932-34 wage contracts of limited duration were entered into between the carriers and the employees. If this principle was sound then, it is no less sound today. We are living in a time of great political and economic uncertainty. The Board felt that it is problematical whether the wage increases could be maintained once the defense boom is over and the struggle of the railroads against the onslaughts of competitors is resumed. For these reasons it seemed unwise to freeze the recommended increases into basic wages. The Board reaffirms this position.

The Board also reaffirms its findings and recommendations in the vacations case, the Railway Express Agency case, and the Short Lines case. As to the Short Lines case, the Board appreciates the fact that because of an inadequate record presented by both sides to the dispute there is some confusion on the record as to the applications of the Board's general recommendations with respect to said Short Lines. However, the parties agreed to resolve these difficulties in mediation conferences with the Board.

While the reargument developed nothing to alter the Board's findings or recommendations on the above issues, the employees made a few contentions which would have led the Board to alter its report on two points of minor significance.

(1) Under the Board's recommendations the addition to pay was less for the lower paid operating employees than for the highest paid nonoperating employees. The inequality in the recommendations grew out of the failure of the operating employees to argue for a minimum wage increase, as their counsel has graciously acknowledged on the record.

(2) It was no part of the Board's intention to forestall demands on the part of the employees for wage increases during 1942 in the event of a substantial change in their economic position, such as would ensue if the cost of living should rise rapidly. Not until the rehearing were we told that the effect of a termination date to our proposed increase would be to prevent a change prior to such date. We still do not see why contracts may not provide that while an increase shall not by agreement continue beyond December 31, 1942, it may be given reconsideration prior to that date. Our recommendation for a temporary increase was with the object of facilitating reconsideration and not of impeding or postponing it. It should not have been construed as a prohibition against change upward prior to the terminating date.

V. THE MEDIATION SETTLEMENT

At the last meeting of the mediation conference on Monday, December 1, 1941, the chairman, in accordance with instructions from the Board, suggested that certain specific mediation proposals for settlement of the dispute might be acquiesced in by the parties. He pointed out to the representatives of the carriers and of the employees at the joint meeting that the proposals which the Board was about to suggest seemed to be reasonable compromises and were largely based upon the suggestions which the parties themselves had made to each other during various stages of the mediation conference. The chairman stated on the record:

> When you decided to accept the offer of the Board to mediate your differences, the chairman, under instructions of the Board, endeavored, and I think did make clear to the parties, that the Board wasn't going to make any recommendations early in those proceedings, but was very hopeful that the parties themselves would be able to negotiate a compromise settlement. * * * I want to say here and now that we are entirely honest and very sincere when we tell the parties to this case that we appreciate the efforts that you have made to compromise your differences and to reach an amicable settlement. Although our own value judgments, based upon the merits of the case,

as we see them from the official record of the Chicago hearing, differ materially as you well know from some of the premises involved in the proposals of various parties to this case, nevertheless, we recognize that you certainly have the right, and we felt, in view of the position in which our report found itself upon our return to Washington, an obligation in the interests of the parties themselves, of the Railway Labor Act, and of the President, as well as in the interests of the country, to compromise your differences into a mediation settlement without a strike. That has been our position throughout the rendering of our services to you the last couple of days and nights in mediation. You have been able to get together on some points and you have not been able to get together on other points. * * *

I think I shall tell you, although we shall not at this time discuss the details of part one of the report, that as far as the reargument phase of the case is concerned, the Board has not changed in any major part, or any major way, the conclusions which it reached in the Chicago case. There are certain minor modifications of that report that the Board will state to the President, but that is now pretty much a matter of a historical report, and one that should be made to the President in order to keep the record clear.

The second part of the report is what is of vital importance to you parties now; namely, that part which sets forth the principles which this Board feels should be incorporated in a mediation agreement, and those principles will be released by the White House after the President has had time to study the principles in detail, although he has been informed this afternoon as to their chief characteristics, and I am at liberty to say that there is every reason for believing that the President will tell the parties after further study of those suggestions, that he believes that those principles and those suggestions are the ones which should constitute a mediation settlement of this case.

With that by way of preface, I turn immediately to those suggestions which the Board believes have really been dictated by your own negotiations. Not that you have agreed to them all in whole or, in some cases, even in part, but that as we look upon your negotiations, and as we weigh what was said to us in these negotiations and evaluate what you said to each other, as we balance your mediation interests, as we look upon the compromises, the proposals, and the counter-proposals which you passed back and forth, we think that as a mediation agreement, which as I have already said is necessarily one which is based upon the principle of give and take and compromise, that these suggestions, or these principles, are the ones which should constitute your mediation agreement * * *.

The chairman, on behalf of the Board, then suggested that the following provisions be accepted as the basis of a mediation settlement of the case:

(1) All wage increases set forth in the mediation agreement shall be increases in basic rates of pay and not temporary wage increases.

(2) That the carriers agree in the mediation negotiations to increases in basic rates of pay on condition that the railway labor organizations would in turn agree to a moratorium for the period of the national emergency on proposals for changes in rules. This moratorium should create dual obligations in that both labor and management agree that they will not press for rules changes during the emergency period. The exact details and conditions of the agreement for a moratorium shall be worked out by the parties in accordance with

the terms as expressed to the Emergency Board during the mediation negotiations.

(3) That the retroactive dates for wage increases shall be as follows:

(*a*) The employees shall receive retroactive pay for the period from September 1 to December 1, 1941, said retroactive pay based upon the wage recommendations as set forth in the Emergency Board's report of November 5, 1941.

(*b*) The pay increases provided for in the mediation agreement shall be effective December 1, 1941.

(4) That the wage increases provided for in the mediation agreement shall be as follows:

(*a*) The five operating organizations shall receive a wage increase of 9½ cents per hour in basic hourly wage rates. Translated in terms of an increase per day this amounts to an addition of 76 cents per day.

(*b*) The employees of the fourteen cooperating organizations shall receive an increase in basic hourly wage rates of 10 cents per hour, or a basic daily wage increase of 80 cents.

(*c*) The 10 cents per hour increase for the employees of the fourteen cooperating organizations shall apply also to the employees of the Railway Express Agency.

(5) That the recommendation in the report of November 5, 1941, that there shall be a vacation of 6 consecutive workdays with pay for all employees in the fourteen cooperating organizations who work substantially throughout the year, or who are attached to the industry as a result of reasonably continuous employment, shall be approved, with the additional provision that employees in the clerk and telegrapher classifications who have given 2 years of service shall receive a 9-day vacation with pay, and those who have a record of 3 years of service or more shall receive an annual vacation of 12 days with pay. The parties shall agree that the details covering the rules, conditions, and arrangements which shall govern the granting of vacations shall be worked out by the parties in negotiations immediately following the acceptance of the mediation settlement.

The parties shall agree with the Emergency Board that if they are unable to reach an agreement within a reasonable time upon all the details of the vacation proposal, they will submit all disagreements to a member of the Board selected by them, or to some other third party agreed to by them, for final settlement. They shall agree that the decision of any such referee shall be binding upon them as to vacation arrangements and as to the formula which shall determine what particular employees shall receive vacations.

(6) That the wage increases provided for in the mediation settlement shall apply to all of the class II and class III railroads represented in the Chicago hearings by the carrier conference committees. However, the wage increases shall not be made applicable to the so-called Short Lines which were not represented by the carrier conference committees, and which did not join with the carriers in a national handling of their disputes. For the most part these Short Lines were those represented by Mr. C. A. Miller and Mr. J. M. Hood.

As to these latter Short Lines, the recommendations covering them as set forth in the Emergency Board's report of November 5, 1941, shall continue to govern the final settlement of their disputes. Briefly, this means that a basic minimum wage of 40 cents per hour shall be fixed for their employees, and such other wage increases as can be agreed upon through direct negotiations between management and the employees or which are arrived at through the future operations of the procedures of the Railway Labor Act shall govern.

In explaining the Board's proposal as to the Short Lines it was stated in effect that the Board is satisfied that the employees of the Short Lines should receive some increase in wages at this time. But in view of the fact that there are so many differences between the Short Lines and the class I railroads, and because in the opinion of the Board it has never had presented to it sufficient evidence or information to justify its making a specific recommendation on the amount of the wage increase which should be granted to the employees in the Short Lines, it has taken the position that the matter should be referred to the parties for further negotiations.

The Board is satisfied that the parties themselves should have little difficulty in reaching a negotiated wage settlement for the Short Lines, but if they should become deadlocked over it, the procedures of the Railway Labor Act are available to them.

The representatives of all the parties, save and except the spokesmen for the Railway Express Agency, stated for the record that they would acquiesce in the proposals for a mediation settlement of the dispute as announced by the Board, or recommend to their principals and constituents an acceptance of the proposals. The representatives of some of the labor organizations did not have authority to then and there accept the proposals, but they did without exception state to the Board that they would recommend that the proposals be approved by those who did have authority to accept them on behalf of the employees.

At the same meeting the Board agreed to make itself available for a few days to answer any questions or help solve any disagreements that might arise when the parties sat down together for the purpose of writing the mediation proposals into formal labor contracts.

Thus, Mr. President, in accordance with the foregoing proposals arrived at through the orderly procedure of mediation, the threatened national railway strike was averted on Monday, December 1, 1941.

The Board wishes to commend the representatives of the parties for the patience, many courtesies, and untiring assistance which they extended to the Board throughout the mediation proceedings. The railroad employees and railroad management have demonstrated again their faith in democratic processes.

Respectfully submitted.

WAYNE L. MORSE, *Chairman.*
THOMAS REED POWELL.
JAMES C. BONBRIGHT.
JOSEPH H. WILLITS.
HUSTON THOMPSON.

APPENDIX A

DECEMBER 2, 1941.

The PRESIDENT,
The White House.

MR. PRESIDENT: Your Emergency Board is honored and pleased to report to you that its proposals for a mediation settlement of the threatened railway strike have been accepted or acquiesced in by the representatives and spokesmen for the contending parties.

It will be necessary for the representatives of some of the labor organizations to submit the proposed settlement to meetings of their general chairmen for final approval. These meetings will be held in Chicago on December 4. However, your Emergency Board has been assured that the representatives of these organizations who participated in the mediation negotiations will recommend the approval of the proposals contained in the mediation agreement. We are confident that the specific proposals for settlement of the railway dispute which we submitted to the parties will be formally approved without change by all of the parties. The railroad officials have already accepted the mediation proposals.

The provisions of the mediation settlement are as follows:

(1) All wage increases set forth in the mediation agreement shall be increases in basic rates of pay and not temporary wage increases. You will note that the Board's recommendation on this point in its report of November 5, 1941, was that wage increases should be for a temporary period running to December 31, 1942, at which date the wage structure of the industry should be reviewed in light of the then existing economic conditions of the industry and of the country.

The carriers agreed in the mediation negotiations to increases in basic rates of pay on condition that the railway labor organizations would in turn agree to a moratorium for the period of the national emergency on proposals for changes in rules. This moratorium creates dual obligations in that both labor and management agree that they will not press for rules changes during the emergency period. The exact details and conditions of the agreement for a moratorium are to be worked out by the parties in accordance with the terms as expressed to the Emergency Board during the mediation negotiations.

(2) The retroactive dates for wage increases shall be as follows:

(a) The employees shall receive retroactive pay for the period from September 1 to December 1, 1941, said retroactive pay based upon the wage recommendations as set forth in the Emergency Board's report of November 5, 1941.

(b) The pay increases provided for in the mediation agreement shall be effective December 1, 1941.

(3) The wage increases provided for in the mediation agreement are:

(a) The five operating organizations shall receive a wage increase of 9½ cents per hour in basic hourly wage rates. Translated in terms of an increase per day this amounts to an addition of 76 cents per day.

(b) The employees of the 14 cooperating organizations shall receive an increase in basic hourly wage rates of 10 cents per hour, or a basic daily wage increase of 80 cents.

(c) The 10 cents per hour increase for the employees of the 14 cooperating organizations shall apply also to the employees of the Railway Express Agency.

Your attention is called to the fact that the spokesmen for the Railway Express Agency who participated in the mediation negotiations have informed the Board that the Railway Express Agency will not agree to a mediation settlement calling for a wage increase of 10 cents per hour for its employees. However, inasmuch as all of the other employer groups have agreed to such a wage increase, and in light of the fact that the representatives of the employees have assured the Board that they will recommend to their men an acceptance of the proposed mediation settlement and the calling off of the strike, it is the view of the Board that the management of the Railway Express Agency should be requested to join in the mediation settlement.

It should be distinctly understood by you that the Board makes the above suggestion simply because it believes that a balancing of all interests warrants it. It should be remembered by all concerned that mediation negotiations are characterized primarily by principles of compromise.

The employee groups, as well as the carriers, made many concessions and offered many compromises which constituted recessions from original positions. It would seem best under all the circumstances for the Railway Express Agency to become a party to the mediation settlement. However, it appears that the Railway Express Agency believes that it can make a more satisfactory settlement by negotiations, even though such a policy may involve the risk of a strike of its employees.

We call your attention to the fact that the Railway Express Agency constitutes but a very small portion of the employer interests involved in this dispute. Furthermore, it is to be noted that the other carrier groups did not insist that the completion of a mediation settlement be held up until the Railway Express Agency could negotiate what it considered to be a better settlement or could see its way clear to join in the mediation settlement which the other carriers were willing to accept.

It also should be stated that the Railway Express Agency is a financial subsidiary in all practical effects to the carrier organizations, and hence the Board felt that there should not be any further delay in settling the major disputes until such time as the Railway Express Agency might see fit to join in the settlement or negotiate another one. This view was shared by the other carriers.

However, as we shall state in our official report which will be submitted to you tomorrow, there is a marked difference between what your Emergency Board has approved as a mediation settlement and what it would recommend on the basis of the formal record submitted to it by the parties at the long hearings in Chicago from September 16 to October 22, 1941, and at the 2-day reargument in Washington, November 28 and 29, 1941.

As the Board stated to the parties yesterday, it is still of the opinion that all of the major recommendations set forth in its report of November 5, 1941, are amply supported by the official record, and flow from an application to that record of the "preponderance of the evidence" test. Therefore, if the Railway Express Agency issue were to be determined on the basis of the formal record, the Board would reiterate the recommendation which it made in its report of November 5, 1941.

(4) The recommendation in the report of November 5, 1941, that there shall be a vacation of 6 consecutive work days with pay for all employees in the 14 cooperating organizations who work substantially throughout the year, or who are attached to the industry as a result of reasonably continuous employment, shall be approved, with the additional provision that employees in the clerk and telegrapher classifications who have given 2 years of service shall receive a 9-day vacation with pay, and those who have a record of 3 years of service or more shall receive an annual vacation of 12 days with pay. It has been agreed by the parties that the details covering the rules, conditions, and arrangements which shall govern the granting of vacations shall be worked out by the parties in negotiations immediately following the acceptance of the mediation settlement.

The parties have agreed with the Emergency Board that if they are unable to reach an agreement within a reasonable time upon all the details of the vacation proposal, they will submit all disagreements to a member of the Board selected by them, or to some other third party agreed to by them, for final settlement. They have agreed that the decision of any such referee shall be binding upon them as to vacation arrangements and as to the formula which shall determine what particular employees shall receive vacations.

(5) The wage increases provided for in the mediation settlement shall apply to all of the class II and class III railroads represented in the Chicago hearings by the carrier conference committees. However, the wage increases shall not be made applicable to the so-called Short Lines which were not represented by the carriers' conference committees, and which did not join with the carriers in a national handling of their disputes. For the most part these Short Lines were those represented by Mr. C. A. Miller and Mr. J. M. Hood.

As to these latter Short Lines, the recommendations covering them as set forth in the Emergency Board's report of November 5, 1941, shall continue to govern the final settlement of their disputes. Briefly, this means that a basic minimum wage of 40 cents per hour shall be fixed for their employees and such other wage increases as can be agreed upon through direct negotiations between management and the employees or which are arrived at through the future operations of the procedures of the Railway Labor Act shall govern.

The Board is satisfied that the employees of the Short Lines should receive some increase in wages at this time. But in view of the fact that there are so many differences between the Short Lines and the class I railroads, and because in the opinion of the Board it has never had presented to it sufficient evidence or information to justify its making a specific recommendation on the amount of the wage increase which should be granted to the employees in the Short Lines, it has taken the position that the matter should be referred to the parties for further negotiations.

The Board is satisfied that the parties themselves should have little difficulty in reaching a negotiated wage settlement for the Short Lines, but if they should become deadlocked over it, the procedures of the Railway Labor Act are available to them.

The foregoing, Mr. President, is a brief résumé of the provisions of the mediation settlement which was submitted to the parties by the Board late yesterday afternoon. It is submitted to you at this time because the Board appreciates the fact that it is important that an early release announcing the provisions of the settlement should be made to the American people.

This letter will be followed by a much more detailed report which the Board hopes to have ready for submission to you some time Wednesday, December 3. The final Report of the Board will set forth the conclusions which it reached on the record of the reargument hearings, and the conclusions which it reached in the mediation proceedings.

The parties are continuing to work with the Board in the preparation of a formal mediation agreement based upon the provisions of settlement which the Board submitted to them yesterday. The formal agreement will undoubtedly be signed by the parties later on this week.

You will find attached a copy of the transcript of record which was made at the final mediation session. It contains the proposals of the Board and the commitments of the parties.

It should be said that neither side obtained all that it wanted out of the mediation proceedings, but it was gratifying to see that all of them recognized that when they went into mediation it was essential that they demonstrate a willingness to compromise their differences and adopt a give-and-take policy.

Their attitudes and sincere efforts to reach a settlement which characterized all of their relations with the Board during mediation are a credit to themselves and their principals, and their final willingness to join in the settlement represents a distinct service to their country in this time of great emergency.

Mr. President, your Board awaits your further pleasure.

Yours respectfully,

Wayne L. Morse, *Chairman*,
Thomas Reed Powell,
James C. Bonbright,
Joseph H. Willits,
Huston Thompson,
President's Emergency Board.

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