

# MR. BUSINESSMAN:

Read how the proposed merger  
of the Pennsy and New York  
Central Railroads will affect YOU.

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**An open letter to all Chambers of Commerce  
and businessmen in Pennsylvania:**

# The proposed merger of the Pennsylvania and the New York Central Railroads could spell economic catastrophe for our State

Today, October 15th, the Interstate Commerce Commission (ICC) reopens hearings on the proposed railroad merger. Its decision will have far-reaching effect on the future economy of Pennsylvania. Either we will have competitive transportation to stimulate economic growth . . . to attract new industries . . . to provide new jobs—or Pennsylvania will become a second-class industrial state.

The Pennsylvania and New York Central Railroads claim that the merger is necessary to prevent bankruptcy of their companies and nationalization of the railroad industry. As a businessman, I recognize fully the need for the railroads to operate at a reasonable profit. But, as a businessman and a Pennsylvanian I cannot accept a merger which will destroy the economic growth potential of our already hard-hit State. Further, if anything, the proposed plans will hasten the day when nationalization of the railroads will be necessary to supply life-blood transportation to areas of economic distress.

It is time for the PRR—one of the wealthiest companies in the nation—to stop pleading poverty and government interference and to start offering better service to the public as a means of revitalizing its declining business.

If the proposed merger would accomplish better service for Pennsylvania, it would be welcome as an improvement. But an examination of the actual maps, exhibits, and testimony submitted in August to the ICC by Mr. James Symes, Chairman, and Mr. Walter W. Patchell, Vice President of the PRR, reveals vividly how the merger, as presently conceived, will reduce rail service in all areas of Pennsylvania, cripple future industrial growth for many hard-hit communities, and make it virtually impossible to attract new industries and to create new employment opportunities in our State.

## Facts from railroads' ICC testimony

(1) In 1961, PRR tracks carried approximately 28 million train miles of freight. Under proposed plans for merger, this will be reduced to 18.5 million.<sup>1</sup> All trains carrying commodity and merchandise freight from Cleveland, Chicago, St. Louis, and all other mid-west cities, west and north of Columbus, Ohio, will be shunted around Pennsylvania and re-routed over the NYC water-level route through New York State, to New York City and northern New Jersey.<sup>2</sup>

(2) Freight service in and out of all communities served by the PRR in Pennsylvania will be slashed. The table below, prepared from zone maps submitted by the railroads to the ICC, shows proposed reduction in daily freight-train service that each area will suffer:<sup>3</sup>

AREA	PROPOSED REDUCTION DAILY FREIGHT SERVICE
Harrisburg-Lancaster	18%
Philadelphia	24%
Williamsport-North Central	35%
Johnstown	31%
Sharon-New Castle	46%
Oil City-Titusville	73%
Pittsburgh	32%
Altoona	26%

The railroads' contention that the PRR's main line will carry 20 percent more tonnage than any other segment of the merged line is meaningless as an indicator of rail service available to help existing merchandise shippers or to help attract new growth industries. An analysis of tonnage to be carried over the PRR's main line indicates that coal, steel, and iron ore will constitute a preponderance of remaining freight traffic in Pennsylvania.

(3) After merger, the railroads plan a \$75,000,000 capital improvement program. Only \$4,750,000 is scheduled for Pennsylvania. Of this, \$2,750,000 is earmarked for expansion of repair facilities near Pittsburgh and Harrisburg, not for improvement of rail service over the PRR tracks. The other \$2 million is to build facilities near Pittsburgh to divert all present freight traffic between Erie and Pittsburgh over the NYC through Ohio. The balance of the \$70 million will be invested mainly in New York and Ohio to make facilities there more efficient for handling the vast quantity of freight to be diverted from Pennsylvania.<sup>4</sup>

(4) Worse, the railroads propose a \$56,000,000 track and equipment salvage program. Although they do not pinpoint the areas to be stripped, it appears from their ICC exhibits that most of this will be cannibalized from the present PRR system.<sup>5</sup>

## Harm to Port of Philadelphia

(5) No assurances are given that the merged railroads will retain the existing 2¢ per hundredweight preferential freight advantage for the Port of Philadelphia. With rail service to New York improved, and that to Philadelphia reduced, the Port of Philadelphia will suffer severely.<sup>6</sup>

(6) Important railroads such as The Western Maryland, Lehigh Valley, Reading, Delaware and Hudson, Erie-Lackawanna, etc. have been denied assurances that

they will continue to receive interconnecting freight from the PRR and NYC after the merger, at freight rates and with the frequency of service now enjoyed.<sup>7</sup> The merger will give the NYC and PRR connecting service between their own terminals in almost all cities served by the independent lines. With interconnecting freight now representing from 1/3 to 2/3 of the tonnage handled by the independent railroads, and with PRR-NYC openly admitting they will attempt to sell the long-haul traffic for themselves,<sup>8</sup> many doubts have been expressed that the independents can long survive after the merger.

For this impelling reason, despite the gains that would accrue to New York communities along the New York Central route, the State of New York, New York City, and the New York Port Authority are opposing the merger as not being in the public interest. Of great importance to us as Pennsylvanians is the fact that future rail service to major Pennsylvania communities such as York, Chambersburg, Gettysburg, Reading, Pottsville, Sunbury, Mahanoy City, Ashland, Meadville, Wilkes-Barre, Scranton, Easton, etc. will be drastically curtailed if the independent carriers fall by the wayside.

## Last straw

(7) To add insult to injury, the railroads have advised the ICC that in the event NYC tracks cannot handle the total load of diverted traffic from the midwest, they have "a safety valve in the Canada Line which can more than absorb the overflow." In plain language, the railroads have stated that the PRR line through Pennsylvania isn't even to be considered secondary. In the event of a pick-up in traffic, the route through Canada takes next preference.<sup>9</sup>

Let's face it—We're being railroaded. What has been presented as a move to improve rail service in Pennsylvania will actually impair it. Not only will many existing industries throughout the state be harmed, but, with communities in surrounding states obtaining more frequent and speedier freight service, local industrial development groups in Pennsylvania will be hampered seriously in efforts to attract new industry.

The railroads' contention that the proposed reduction in train service will not affect freight service to shippers and receivers in Pennsylvania (might even improve service, they say) is strictly from Alice in Wonderland. With a straight face, the railroads advise businessmen along the NYC main line that they will benefit by virtue of receiving faster, more economical, more frequent freight service, and they tell Pennsylvanians that they will benefit by having freight trains diverted from PRR tracks. No matter what color sugar may be used by their public-relations experts to coat the facts, the bitter truth is that a reduction in service is indeed a reduction in service. In cities located off the main Pittsburgh to Philadelphia line, the cut represents a direct contraction of daily service. Along the main track the reduction in through trains will result in slower service to shippers and receivers.

Local trains are formed by assembling a large group of cars in the classification yards near Pittsburgh and Harrisburg. Under present conditions it is not uncommon to hold cars for two or three days until a sufficient number have accumulated to make up a local freight train. With the contemplated reduction in the number of through trains, it will take longer to accumulate enough cars to make up "local delivery" trains.

## Downward spiral

Worse, the announced reduction of freight service throughout Pennsylvania is obviously but the first step. As more and more commodity freight shifts to the NYC tracks, and as improvements are made on these latter facilities, a larger increment of overhead would then be borne by the lines through Pennsylvania. This would raise the cost of operation of both freight and passenger service in Pennsylvania to a point where the best interests of the merged railroad would be served by transferring even more service through New York to the greater detriment of the Port of Philadelphia.

With such a large proportion of freight through Pennsylvania destined for the steel industry, the railroads would be particularly vulnerable to any future decline of steel production in our State. Between 1953 and 1960 the carriers lost 40 percent of their steel tonnage.<sup>10</sup> Further anticipated decline could conceivably lead to a situation where with merchandise freight shunted through New York and no capital improvements being

made in Pennsylvania to create greater operating efficiency, the railroads would find it unprofitable to handle freight service in Pennsylvania. (Who would have thought just a few decades ago that the railroads could lose money on passenger service?)

## A grim prediction

One does not have to be a railroad man to predict the economic calamity that can overtake Pennsylvania once rail service is reduced. Ever since the dawn of civilization, economic growth of a region or country has been stimulated by the expansion of the competitive forms of transportation—and has declined as regions failed to stay fully competitive.

A large part of Pennsylvania's economic problems today derives from the fact that, except for the conversion to diesel power and the recent innovation of "piggy-back" service, there has been little or no expansion or improvement of railroad service in the State since World War I. For a corporation with a physical plant exceeding \$2 billion to brag about a capital investment program that averaged only \$10 million per year for the past decade, merely emphasizes its own backwardness.

Pennsylvania's growth rate between 1950 and 1960 lagged behind national growth by 29%—2.5 vs 3.22. Under present conditions, Pennsylvania's projected rate of growth between now and 1970 will drop to 1.68 compared with a projected national growth rate of 3.42. If rail service is reduced as drastically as proposed, we will be unable to maintain even the depressingly low growth rate of 1.68, and our unemployment problems will increase.<sup>11</sup>

## ... and a proposal

Instead of endorsing a merger that would reduce rail service in Pennsylvania, it is more fitting that businessmen urge the expansion of all forms of transportation—rail, highway, port, airport, barge, etc.—to stimulate greater industrial growth. Even if we accept the railroads' poverty story, it would be to our great advantage for the State to assist the PRR in building a modern, high-speed railbed across Pennsylvania, from Pittsburgh to Harrisburg. The present road—famous for its Horseshoe Curve—was built during the latter part of the 19th century. Modern construction techniques could eliminate grades and curves that now cause over 100 speed restrictions. The route across Pennsylvania—from mid-west cities to Newark and New York via Philadelphia—is 104 to 154 miles shorter than through New York State. If merger is needed to save the railroads, the PRR should become the backbone of the new system. Harrisburg is the natural center for assembling and distributing freight for all major eastern markets. If the railroads are really interested in obtaining maximum efficiency of operation, then greater use of Pennsylvania's facilities should be explored thoroughly.

Through the Pennsylvania Industrial Development Authority (PIDA), the State now advances funds at low interest rates to assist industries. Whatever a railroad investment program might cost the State, it would be far less expensive than meeting future increased payments for welfare and unemployment caused by further industrial decline.

It is indeed unfortunate that in skirmishing over the issue of "feather-bedding," the railroads and unions have succeeded in labeling opponents of the merger as pro-labor and proponents as pro-business. To date, the issues raised by the elimination of 7,500 railroad jobs, or the loss of employment at PRR headquarters in Philadelphia, have completely overshadowed the much graver impact that the merger will have on the future economy of our State. The eyes of Pennsylvania's business and labor leaders alike should be turned to the main arena where hundreds of thousands of jobs in all lines of industry are at stake.

## Immediate action needed

All officers and members of the State Chamber, Local Chambers of Commerce, service organizations, individual businessmen, civic leaders, elected officials, and labor leaders throughout Pennsylvania are urged to weigh carefully the impact the proposed railroad merger will have upon the economy of their communities.

You are urged to join in a concerted effort to convince the ICC that the merger as presently proposed must not be approved. If the railroads must merge, their services should be truly expanded to augment Pennsylvania's growth and not contract it to the detriment of its economic health.

1. ICC Exhibit, Mr. Patchell, Page 23.  
2. ICC Testimony, Mr. Patchell, Pages 9-15; 42; Exhibit, Pages 6 and 12.  
3. ICC Exhibit, Mr. Patchell, Pages 15-18.  
4. ICC Exhibit, Mr. Patchell, Pages 4-43.  
5. ICC Exhibit, Mr. Patchell, Page 4.

6. ICC Testimony, Mr. Symes, Pages 360-361.  
7. ICC Testimony, Mr. Symes, Pages 835-841; 887.  
8. ICC Testimony, Mr. Symes, Page 882.  
9. ICC Testimony, Mr. Patchell, Page 13.  
10. ICC Testimony, Prof. E. W. Williams, Jr., Page 20.

11. Report entitled "New Growth...New Jobs for Pennsylvania," published by The Shapp Foundation, Philadelphia, Pa., Pages 57-58.

"Natural economic forces and personal initiative cannot be allowed to run their course uncontrolled, when the interest of the public is so vitally involved, as it is in the existence of efficient railroad service. "Consolidations or mergers are not necessarily a solution to the problems facing the railroads."

Governor Nelson A. Rockefeller of New York.  
Statement submitted to the ICC, October 4, 1962.

**This advertisement was written and paid for as a public service by  
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