

The philosophy under which railroads are regulated evolved during the 19th century, when railroads were a near-monopoly. They're no longer that, but the philosophy remains the same. And their regulatory problems are compounded by the fact that their competitors are not equally handicapped.

With the different modes now often regulated by different agencies — meaning that different standards are applied — ASTRO recommended that a single new agency be created to regulate all of them with equality.

Its other proposals included permitting railroads to raise rates up to 6 percent annually until earnings reach an adequate level; greater experimentation in pricing; clearing away the barriers to creation of multi-modal transportation companies; more freedom in pruning light-density branch lines, and speedy decisions on mergers.

But regulatory reform alone is no longer enough. There must be a balancing of government spending that benefits the various modes.

For example, only railroads pay the entire cost of their rights-of-way — and pay taxes on them as well. Their competitors operate on government-provided rights-of-way, and the user charges they pay cover only a part of the cost of providing them.

To place all modes on a more even footing, ASTRO urged that Congress aid railroads in making improvements and acquiring equipment through a many-faceted program of grants, loans, loan guarantees and tax reform.

Summing up, the railroads find themselves in serious financial trouble as an industry. But here, at the beginning of the '70s, they're still the country's basic form of transportation. And they're united in support of a comprehensive program to overcome present problems and prepare for a future of growth.

This unity — which embraces both management and labor — is heartening. And it's essential, if the program is to succeed.

The time for action — for implementation of the ASTRO program — is near.

There are already encouraging signs.

Creation of the National Railroad Passenger Corporation has been approved by Congress.

And legislation is pending there to eliminate discriminatory taxes, to guarantee loans for a variety of purposes — including freight cars — and to establish a public corporation to provide a freight car pool.

But Congress — which alone has the ability to implement much of the program — does not operate in a vacuum. It's responsive to public opinion.

Bills covering various phases of the ASTRO program will be coming before Congress in the months ahead. Some will have smooth passage. Others could easily get sidetracked without strong public support.

Shareholders should be in the forefront of those who support these bills and let Congress know of their support — through letters, through telephone calls, through personal contacts.

Even now, support for ASTRO can take many forms in many forums — on the golf course, in the cocktail lounge, at the banquet table.

The industry is already hard at work to meet this challenge. Its campaign is called "Countdown for America's Railroads."

Thousands are actively involved.

More are needed — including you.



ASTRO

**AMERICA'S SOUND
TRANSPORTATION
REVIEW ORGANIZATION**

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Countdown...
for
America's
Railroads

Your Share
in the Future

The 1970s will be a decade of decision for the railroad industry.

It could be a golden era of railroad service—an era that would see the railroads joining and helping the rest of the economy in a climb toward unprecedented prosperity and progress.

Or it could be the era when railroading ceases to be a private industry.

It depends on public acceptance and support of a new program—a program that should interest you—a program called ASTRO.

It should interest you as a railroad stockholder—because it points the way to revival of railroads as a healthy private enterprise.

It should interest you as a consumer—because the inherent efficiency of rail transportation keeps prices down on many commodities, even in these times of inflation.

And it should interest you as a citizen—because railroads hold the answer to serious problems confronting the nation—problems like pollution, land use and congestion.

Today America's railroads, as a whole, are in trouble—financial trouble that has become too well known in recent months to require documentation.

It's trouble that doesn't affect all railroads alike. And it's trouble that can be overcome—if national policies are changed to bring fairness and equality to government treatment of competing forms of transportation.

Reduced to simple terms, the crisis is a tightening circle of declining earnings and rising costs; of inability to make needed improvements and to take advantage of new technology—all of which, industry-wide, leads to poorer service and still lower earnings.

As a result, many railroads are faced with a critical capital shortage—and severely restricted borrowing power—at a time when there's a need for more than just keeping pace with current demands. Past deficiencies must be overcome and, at the same time, railroads must begin to make the improvements necessary to handle the growth of the future.

The plight of the railroads cannot be rationalized as the natural deterioration of a declining industry. Railroading is not a declining industry.

In fact, railroads are in the ironic position of seeing losses increase while business grows. Railroads now haul 41 percent of all intercity freight—nearly twice as much as any other mode. And even pessimistic forecasters predict a one-third growth in railroad business over the next decade.

The nation as a whole will need, by moderate growth forecasts, to move nearly half again as much freight traffic as they do today. The railroads' share of this growth is limited only by their ability to handle it.

It will require outlays to modernize plant and equipment far beyond past and present levels—and far beyond the railroads' capacity in their present financial condition.

It was against this backdrop of dwindling profits and shrinking capital that the Association of American Railroads created ASTRO more than a year ago to study the railroad industry's problems and recommend solutions.

ASTRO is a word you'll be hearing and reading more about.

ASTRO is an acronym for America's Sound Transportation Review Organization.

And ASTRO is more. It's a compass that will help chart a path to a better future for a troubled industry.

There are, of course, individual railroads which are doing well.

But the character of the rail system is such that all railroads are interdependent. More than half the traffic carried moves over two or more railroads, and they are constantly called on to interchange equipment and render joint service.

Thus, no railroad can afford to ignore the effects of service failures or inadequate capital expenditures by the weaker ones.

New ideas, concepts and technology all will be required if the system is to function at full capacity. And to utilize the technology that is already available or will soon become available, ASTRO estimates that, by 1980, railroads must invest \$36 billion in equipment and facilities.

By then, ASTRO predicts, railroads will be moving an incredible load of more than one trillion ton-miles annually. And they may be called on, once again, to become a prime mover of people in certain areas.

Thus ASTRO concluded that railroads won't be permitted to disappear from the American scene. But it rejected nationalization as an acceptable solution.

Leaving aside the philosophical argument that nationalization is contrary to the American principles of free enterprise, the most important reason for rejecting it is that it is too expensive. It could cost the government billions just to acquire the railroads. Still unmet would be their capital requirements.

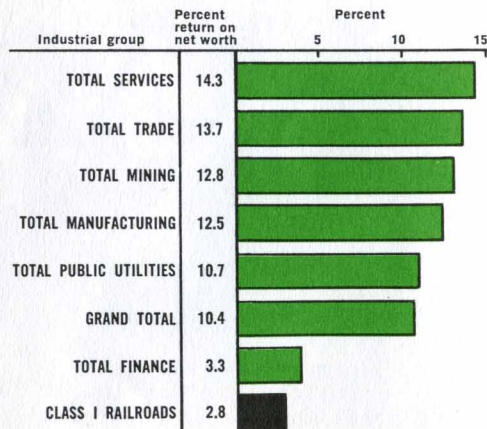
Additionally, experience the world over indicates that government ownership does nothing to solve railroad problems.

In most countries, governments own the railroads. And, in practically every one, they operate at a deficit.

As an alternative to nationalization, ASTRO proposed a program of "creative federal involvement" in the railroad industry.

Included would be regulatory reform, limited financial help, more research and a new approach to passenger service.

**RATE OF RETURN ON NET WORTH—
LEADING CORPORATIONS
CALENDAR YEAR 1969**



NOTE: "Net worth" represents excess of assets over liabilities, and is equivalent to the book value of capital stock and surplus, sometimes referred to as "share-owners' equity."

SOURCE: First National City Bank of New York.