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THE RELATIONSHIP BETWEEN RAIL AND AIR TRANSPORTATION

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It is a privilege to be with you today. I spent my early days in Texas, and have long been acquainted with men of the petroleum industry. They are people we like—interesting and interested, vigorous and able, accustomed to getting things done.

May I discuss with you today some of the history and the future of two principal parts of our national system of transportation: rail transportation and air transportation? It is an appropriate discussion. The petroleum industry is a great user of transportation; transportation is a principal customer of your industry; and a strong system of transportation is essential to business and to the country.

The rail carriers advocate the preservation of a strong rail system—a worthy national objective, and one to which thoughtful citizens will subscribe. They also advocate measures which, if made effective, would impair the usefulness of air transportation. These measures are not in the public interest, and should not have your support.

National Policy

The character of the American people includes an alertness readily to discover the public usefulness of new enterprise. It is for that reason that new enterprise of inherent merit has such unequalled opportunity for success in this country. It is for that reason that we may be called a progressive people.

The attitude of the American people is reflected in the national policy for transportation. That policy is to foster and encourage the development of any form of transportation which offers superior public service.

Under that policy, any form of transportation which offers sufficient public utility will survive and perform a useful purpose. Nothing that can be done by individuals or by minority groups will prevent the adoption and use of that better form of transportation. Strong opponents can defer the time when the superior benefits of a new form of transportation are available to the public; they can shackle it with artificial handicaps and make its progress difficult; but they cannot stop its progress if its ability to be useful is sufficient.

Railroad Men or Transportation Men

Since the end of the stage-coach era, the rail lines have been the backbone of our national system of transportation. The comparative merit of their product, the volume of their business, and the strength of their cap-

ital gave them for a long time such an overwhelming position in domestic transportation that they were "transportation," and their men were transportation men.

It was foreordained, however, that other forms of transportation would become available, and there would come a time when railroaders would have to decide whether they would be transportation men or remain strictly railroad men. Perhaps without their realizing it, the dawn of that day of decision came with the perfection of the internal-combustion engine. They were required to make their first decision when the inherent utility of the truck and bus gave automotive transportation participation in the national system. They made their decision—and decided to remain railroad men. They had a second opportunity when the airplane took its place as a vehicle of transportation—and, again, they decided to remain railroad men. The rail lines had ample opportunity to get in "on the ground floor" of both automotive and air transportation, and in each case they early elected not to participate.

Automotive Transportation

Automotive transportation offered superior and flexible utility, one of its principal public appeals being its convenience. Sturdy trucks and comfortable passenger coaches were developed. Enterprising businessmen, many of them without previous knowledge of transportation, saw the possible public service of these new vehicles, and small bus and truck lines were organized all over the country. Their capital was small; their experience was limited; but their vision and courage stood the test, and this new form of transportation progressed.

During the period of development the rail carriers were not aggressive advocates of automotive transportation. They then viewed it not as a logical addition to their system of transportation, but as a potential competitor to their rail lines. It is probable—not truly estimating its worth as an addition to their transportation system—that they also underestimated its ability to become a worthy competitor. If so, their decision to remain railroad men becomes more understandable.

The rail carriers paid but little attention to automotive transportation until its growth and aggressive attitude began to irritate them. Some of the rail carriers then entered into halfhearted attempts to control automotive transportation by purchase of existing motor carriers. By that time, however, the basic utility of highway transportation had been recognized by others; the industry had gained stature; and the amount of

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capital required to buy out the business had reached a proportion which could be justified only by those who really believed that the public need for transport was not limited to rails. The substantial capital additions to automotive transportation were not made by the rail lines, but by others; and thus automotive transportation developed as an independent addition to the national system of transportation.

Rail Lines Vs. Automotive

As a result of the increasing stature of automotive transportation, the rail carriers recognized the operators as potentially dangerous competitors, and went to work on them.

Perhaps by coincidence, there appeared at that time a veritable rash of state legislation directed against the operation of motor carriers. The calendars of the states were crowded with restrictive legislation—bills which would limit the width, height, weight, and operation of motor transports. There were, in addition, bills pertaining to licenses and to multiple taxation.

It would be inaccurate to say that the rail carriers were responsible for all of this legislation, or that all of it was bad; some of the regulations were reasonable, and were required. On the other hand, the rail lines have received credit for encouraging the enactment and enforcement of the major part of this restrictive legislation.

In any event, after a few years of this mass automotive legislation, the country ended up with a hodgepodge of intrastate regulation—and much of it was neither reasonable nor workable in conjunction with the regulations of contiguous states. Most of the public usefulness of highway transportation was ultimately salvaged by the passage of national legislation, and automotive transportation has become a basic part of our interstate transportation system.

Net Result

The inherent ability and benefits of automotive transportation were so great that it was able to overcome the artificial handicaps imposed in its path. It has become one of our most attractive forms of internal transportation.

In the end, the opponents of automotive transportation were not successful in stifling its ability, and they were not able to remove it as a substantial and worthy competitor of the rail systems. They were able to slow its progress, and they were able to deprive the American public of having available for its use the full potential worth of automotive transportation.

The Advent of the Airplane

Then, over the horizon, came the airplane, doing a full 80 miles an hour.

The early airplane had as close to no economic utility as any vehicle of transportation could have. It had no sensible transportation capacity, and it operated with questionable safety. Those who pioneered aviation be-

came economic characters in their neighborhood—the usual admonition of a parent to a son interested in the flying machine being “why don’t you let that thing alone and go to work?”

Yet, as time went along, many people saw—thought they saw, or believed without visible proof—that the flying machine would some day perform a useful public service. In time the sincerity of that belief was communicated to responsible people in the government. Then, in keeping with our national policy of aiding the development of more effective forms of transportation, the government aided the development of the airplane and, later, the development of air transportation and air commerce.

Railroad Interest in Air Transportation

Some of the rail lines were mildly interested, and helpful, in the early days of aviation; but their interest did not survive, and they made no great contribution to the development of the industry. The old Ford trimotored plane which used to repose in Pennsylvania Station went out, and with it went the constructive general interest of railroads in air transportation.

In general, the rail lines took the same attitude toward air transportation as they earlier had taken toward automotive transportation. They did not consider air transportation a logical addition to their railroad systems, and they gave the industry no serious attention.

Opportunity to Control Air Transportation

It is indicative that prior to 1938 all of the air carriers in the United States could have been purchased, outright, for less than 10 million dollars, a total considerably less than the value of a short-line railroad. At that time there was no legislative prohibition against such acquisition. But the rail carriers were not interested.

The rail carriers exerted the maximum of their effort to block the expansion and growth of highway-carrier operation. Failing utterly in that effort, they decided to adopt the methods of the practical politician and join up with them.

They did not, however, join up with the highway carriers with contractual arrangements for through service—a plan beneficial to both—but decided instead to absorb the highway carriers. In the meantime, however, Congress acted, and the national motor-carrier act of 1935 was passed. This act placed the interstate operations of the motor carriers under the regulation of the federal government, and prohibited the railroads from taking over the motor-carrier industry.

Three years later Congress passed the civil aeronautics act of 1938, including provisions which parallel those in the motor-carrier act of 1935, and the rail carriers were prohibited from dominating air transportation.

Taking these two acts together, it has thus become the national policy that the rail carriers shall not be

permitted to absorb or dominate motor-carrier and air-carrier transportation.

Confronted with these barriers against dominating these two new forms of transportation, the Association of American Railroads, according to the *Wall Street Journal* of September 11, 1943, adopted a resolution which reads: "Resolved that the president and vice president of this association be instructed to take such steps as may seem to them wise to remove any restrictions preventing a free and equal opportunity to the railroads in the air field, the truck field, the bus field, and the field of waterways, and use what steps they may think wise as to legislation and in the field of publicity to give to the railroads a free and equal hand in the several fields."

They had early elected not to participate in the development of highway and air transportation. They now sought to enter both fields, but it had become apparent that it is not in the public interest to permit them to dominate these two independent forms of transportation.

History will prove it to be better that both highway and air transportation were required by circumstances to develop as independent forms of national transportation. History has already proved that the rail lines elected not to participate in these forms of transportation at the time when the opportunity to do so was theirs.

Aviation Measures Now Proposed by the Rail Carriers

Air transportation has reached reasonable public stature; it has public acceptance as an effective method of transportation. It is apparent to the rail carriers that the air carriers will become competitors for a part of their business, and they search around for something to do about it.

When competition becomes apparent, there are two usual courses of action: One is to get your own house in order and meet competition on a service basis. The other is to hamstring your competitor before he becomes strong enough to cause you trouble. The rail lines have improved their service, but they have also fallen for the temptation of the latter course, and they continue to endeavor to impede the progress and growth of air transportation as they earlier endeavored to impede the progress of highway transportation. The difficulty with the railroad philosophy is that they believe that they are fighting the airline operators when, in truth, they are fighting the public adoption of a more effective form of transportation.

Sectional Integration

One of the outstanding present objectives is sectional integration. This objective is partly explained in a resolution advanced by the Transportation Association of America, which demands the following:

"The organization, over a reasonable period of time, of a limited number of competitive transportation systems, each authorized to develop and furnish all types of facilities and services (or combinations thereof)

which are most adaptable for the efficient, economical, and orderly transportation of persons and property."

Under this proposal the United States would be divided into sections. Assume for the sake of illustration, that the Middle West should be selected as one of these sections. If so, the rail lines, the bus lines, the truck lines, the air lines, and the water carriers in that section would be grouped together—all under common control and direction. It is quite obvious that this would become a sectional transportation monopoly. You would either do your transportation business with this group or do none; there would be no other group available. The transportation system of the United States would then become a series of sectional monopolies.

Our rail friends who advocate this or similar integration devices advance several devious reasons for its requirements.

First, they say that this will permit "through" shipments; by truck and bus, by rail, by air, by water, or by any combination thereof. Through service is essential, and has many times been proposed by progressive members of the transportation family. Anyone familiar with transportation knows that effective through service can be provided by contractual arrangements between the different carriers, if the carriers want to provide it. Water transportation secured the public benefits of through service by encouraging Congress to pass a bill which would permit the Interstate Commerce Commission to require it. Truck and bus operators would prefer the same legislative opportunity, but the rail carriers have received credit for preventing its acquisition. It is most obvious that you do not need common control of all forms of transportation to achieve through service; all you require is the willingness to make it effective.

The rail carriers propose the opportunity of through service as one of the requirements for integration. Yet you who have purchased many a railroad ticket know that through trains from New York to Los Angeles, from Washington to San Francisco, and from Philadelphia to Seattle are not available. The rail lines are obviously controlled by the railroads, but even with that direct control they have not provided through passenger service. They propose for the days of integration something which they have already demonstrated a lack of willingness to supply on their own rail systems.

The second reason that they advocate as a requirement for integration is economic health; i.e., unless the rail lines are protected from the competition of more effective forms of transportation, the business will not survive and the government will take over. It's queer medicine for our national system of transportation for one of the principal members to say to another: "It looks like I am going to be sick and that you are going to remain well; let's get in bed together and have equality of health."

Integration, whether it be on a sectional or national basis, means transportation monopoly. Have not the four years of war, when effective monopolies were

formed by commodity scarcities, given us enough of lack of service, lack of courtesy, and lack of concern for the public good? Isn't it high time to be going down the road in the opposite direction—in the direction of more effective transportation, better service, uniform courtesy, and lower rates? You will not secure those things by stifling the transportation agencies which show most promise of making them available to you.

A case in point is your own industry. You furnish fuel for the industry of America; the coal mines do also. The coal industry is required to bear the competition of petroleum products, and there have been fears expressed about the economic future of the coal industry. That should be simple to cure: just integrate the production of coal and petroleum, put them under common control, and the coal mines will then be able to share in the joint mineral wealth of the two industries. "Nonsensical," you may say; but I sincerely believe that I can make as good a case for that integration as the rail carriers can make for taking over highway and air transportation.

I wonder, on a practical basis, how air transportation would fit into sectional integration. We shall have airplanes in 1947 which will cruise at 400 miles an hour and go non-stop from New York to Los Angeles in 6½ hours. Would this operation be controlled by the sectional monopoly in New York or by the sectional monopoly in Los Angeles; and what would happen with respect to the intermediate integrated units? The real answer is that the service rendered by the airplane cannot be sectionalized, and the only way that you could fit non-stop flights between the coasts into sectional monopolies would be to eliminate them.

The integration program will deceive no one familiar with transportation history. The invitation for us to join is known as the "dangerous embrace," and we want no part of it. So far as national transportation is concerned, it would be well to remember that you do not raise a vigorous and promising family by systematically stifling off the younger members of the group.

Airport Restriction

The rail lines do not rely entirely upon the possibility of integration stifling our ability; they have recently advocated the ingenious theory that our cities should not build airports for the air carriers. This is a practical approach; for, if you have limitation on airports, you will have automatic limitation on air transportation. You do not build airports for the air carriers, just as you did not build ocean harbors for the steamship companies; you build both in order that the communities shall have the benefit of superior transportation. This country will continue to construct airports, just as the country will continue to improve ocean harbors, in order that the communities of the country shall have available to them the most effective form of transportation possible.

If railroad history is a true index of railroad strategy, I presume that our next area of disagreement will be in the states. There will be an attempt to regulate air

transportation on a state level, although some states can be crossed by the airplane in less than 15 minutes. But, if the purpose is to shackle aviation with restrictive legislation, the rail lines will be harking back to the days when they tried that on highway transportation, and the temptation to try it on air transportation may overcome their good judgment. In the long run the answer is obvious—it will not succeed, but it is possible that the time can be deferred when the full public benefit of air transportation is available to the public.

Two Problems

The war has proved, again, that we must have railroads—and good ones; and we must have air transportation, both as a vehicle of commerce and as an integral part of national air power.

Both of these being necessary, it is our national policy that we shall have them. Anyone who seeks to destroy either of these methods of transportation seeks to do something which is contrary to the national interest.

So we have two problems: 1, to continue a strong system of rail carriers; and, 2, to insure that we have a strong system of air carriers.

The rail lines have problems. In some respects the rail carriers have done a job to be commended, in other respects not so good. I doubt that you would want to bring a Pullman seat into your home as an example of comfort. I wonder why it is that the railroads have never run through trains between many large cities! No one is fond of changing! I wonder what railroad architect designed some of the passenger terminals; in many you walk up in order to walk down. Why is it that the railroads have periodic reports about the advantages of consolidation, elimination of duplication, and opportunities for economy; and yet we see but few consolidations?

On our side we too have problems: Air transportation should be made more dependable—and will, with the new devices. Air transportation should be cheaper—and will, with the more effective airplanes. Air transportation should be more time-saving—and will, very soon. We have plenty of work to do, and we are working at it.

Room for Both

Rail carriers and air carriers are not entirely competitive; there is need and room for both. There are useful tasks for both of them to perform, and it is entirely possible for them to supplement each other, provided a plan for supplementing does not require domination instead of coordination.

The air carrier has something which the rail carrier will never have, viz., very high speed; and there is no reason for the rail lines to endeavor to compete on the basis of speed alone. I am informed that one rail carrier is planning trains to go at 120 miles an hour. That, to me, is a useless and expensive venture. The train going at 120 miles an hour on a circuitous course will be

competing with an airplane going 300 miles an hour on a straight course. The train doesn't have a fair chance, and should keep out of those races.

You hear a lot about the freight the air lines are transporting. It is mostly of an express nature, consisting mainly of valuables and perishables which need speedy transport. The airplane is no competitor for the box car in the true heavy-freight business, and there is no present evidence that it ever will be.

What Do You Do Best?

There is no doubt that the airplane will compete with the train for the transportation of long-distance passengers, for the transportation of mail, and for the transportation of light cargo. The airplane will never get all of the passenger business, or all of the mail business, or all of the express business. We do not want it, and we are not entitled to have it. Under conditions where we can do a better job, we will get the business.

When the rail lines can do a better job, they will get the business. That is as it should be.

The air carriers should establish the true rôle of the airplane as a vehicle of commerce and stick to it. The rail lines should soberly appraise the effect of the airplane upon the railroads, and adjust their plans accordingly. Each should do what it can do best.

Aid the Railroads

We, obviously, must continue the rail lines. The rail lines should aid in that by putting their own house in order. After that has been done, if the assistance of the government is required in order to maintain the rail lines in sound position, let's put that problem on top of the table and do something about it.

In the meantime, the rail lines should recognize that air transportation is here to stay, and they should stop throwing rocks. They really are throwing rocks at transportation progress, again.