The improvement and expansion of the nation's highway network had profound effects on the rail industry, and not all of them were negative

Railroads, motor carriers, &

& superhighways

BY H. ROGER GRANT

Throughout much of the 20th century, American railroads had a something of a love-hate relationship with trucks and highways. Early on, rail executives often touted the benefits that would accrue from the infant motor-carrier industry, the emerging "Good Roads Movement," and the spending that followed in the wake of the Federal-Aid Highway Act of 1916. It was widely suggested in trade publications, at professional gatherings, and in personal correspondence that mechanically dependable trucks, which operated over all-weather roads, could relieve railroads from pressures to construct financially questionable branch lines and might allow them to win regulatory approval to abandon their existing money-draining appendages. Most of all, trucks were regarded as feeders to railways. Agricultural products, in particular, could be brought to stations and yards and then shipped to terminal elevators, processing mills, stock yards, packing plants, and other often distant destinations.

Even by the "Roaring '20s" railroad executives generally did not consider motor

carriers as a direct threat to their bottom lines. They saw their industry as remaining the king of transportation. Although trucks had advanced beyond their gestation stage, they still lacked the mechanical sophistication that they would achieve in a decade or two. High-horsepower engines, dependable braking systems, and heavy-duty pneumatic tires, for example, had not yet been fully developed. And the overall road situation remained poor. As late as the mid-1920s the country claimed only about 25,000 miles of hard-surface roadways out of a total of more than 2.2 million miles. Small wonder that trucks transported less than 3 percent of the combined rail-truck traffic. Based on these realities, U.S. Secretary of Agriculture William Marion Jardine stated in 1925 that he could not foresee the likelihood of competition with railroads over distances exceeding 30 miles. But that was all to change dramatically.

The era of the Great Depression saw important changes in trucks and highways. Truck manufacturers and suppliers continued to improve product quality. Registrations for trucks soared from 1,107,639 in 1920 to 4,886,262 in 1940, and that trend continued decade after decade. Highways also improved greatly. In their quest to boost employment, personal income, and economic development, New Deal-era lawmakers, backed by President Franklin Roosevelt, spent heavily on road improvements. Between 1933 and 1942 federal relief and recovery agencies contributed $4 billion to making better roads and streets. One memorable accomplishment was the opening in 1940 of the nation's first long-distance, multilane, divided highway, the Pennsylvania Turnpike. In the process, Washington shifted the center of highway building from the local-state level to the state-federal level of government.

Just as importantly, a sea change took place in the ways railroads viewed trucks and highways. Although the hard times of the 1930s caused truck production to decline sharply, these troubled years still led to a surge in commercial trucking. Ton-miles generated by private and for-hire carriers more than trebled from 19.7 million in 1929 to 62 billion in 1940. One striking aspect of these statistics was the phenomenon of unemployed workers buying a secondhand truck and

Preceding pages: A Frisco SD40-2 looks down upon its highway competition from an overpass between Dallas and Fort Worth in October 1978.
Lee Langum

Union Pacific 4-8-2s on the *Pacific Limited* (right) and *Continental Limited* face west at Cheyenne in the 1920s, when trains like this were *the* way to travel over long distances.
Fred Eidenbenz

did not consider motor carriers as a direct threat.

hauling freight that previously had found its way into railroad boxcars. There were those laid-off rubber workers in Akron, Ohio, for example, who acquired such vehicles to transport the tires that they once had made locally to automobile and truck assembly plants in Toledo and Detroit, especially to the financial detriment of the Akron, Canton & Youngstown and Detroit, Toledo & Ironton railroads.

If truckers were regulated by state governments, there might be requirements and restrictions, but an increasing number of these operators were self-employed "wildcatters." No wonder the railroad industry, both labor and management, and the Interstate Commerce Commission pushed hard for federal controls and enforcement over "fly-by-nights" and as well as commercial hauling firms.

Fortunately from the railroaders' standpoint, Congress in 1935 passed and President Roosevelt signed the Motor Carriers Act, placing much of commercial trucking under ICC control. This badly needed measure helped to bring about stable freight rates and to end dubious competitive practices. Even the recently formed American Trucking Association, a vocal opponent of wildcatting, gave its blessing. Yet the law exempted private carriage, agricultural cooperatives, and shipments of agricultural products. Furthermore, states could continue to regulate traffic within their borders. Nevertheless, railroads and trucks were on a more level regulatory playing field.

With the regulatory scene vastly improved, the railroads took a greater advantage of trucks, something they probably should have done earlier. Interestingly the ICC, under terms of the Transportation Act of 1920, had encouraged carriers to enter the trucking business. Washington viewed this as a way for an established industry to assist a budding but chaotic transportation enterprise. Despite this federal "green light," only a handful of rail carriers decided to go into trucking on a large scale. By the mid-1930s, largely as a defensive move, a number of electric and steam railroads had inaugurated pick-up and delivery service on less-than-carload (LCL) freight shipments, and several roads expanded their over-the-road trucking operations. The Chicago, Burlington & Quincy was one such carrier. Its truck subsidiary expanded steadily from 1,306 route-miles in 1936 to nearly 4,000 miles by 1942.

In the larger scheme of freight transport was development of meaningful intermodal operations. In the mid-1930s a few steam roads, spearheaded by the Chicago Great Western and the New Haven, entered the "piggyback" or trailer-on-flat-car (TOFC) business, but this service did not expand widely until the 1950s. Several reasons explain this tardiness. TOFC technology had not been fully developed. Cumbersome jacks and chains secured the truck trailer to the flatcar rather than permanent hitches that came later. And there was a general lack of standardization among those carriers that offered the service. Because the existing program nearly always involved loading only a single truck trailer on a flatcar, profits were at best modest. Moreover, some officials feared that this arrangement would diminish boxcar loadings. But in the early 1950s industry innovators responded effectively to the alleged or real disadvantages of the piggyback concept, and more railroads and trucking firms began to team up as transportation partners.

Even with the emerging TOFC operations there was no strong bond between railroad and trucking companies. Railroads were not pleased with the appear-

ance of "truck parks," those often hastily constructed World War II-era industrial plants that lacked rail connections. But they worried more about the long-term impact of the growing and wealthier trucking industry and its more intense lobbying efforts. Since the return of peace in 1945, motor carriers had begun to agitate aggressively for better highways. As the national economy boomed, road congestion and traffic accidents soared, in part because trucks were handling more high-end and high-revenue freight, and more Americans were driving automobiles. Because of depression and war, highway construction had fallen far behind this multiplying traffic. In 1945 there were about 31 million registered vehicles, and five years later the total had soared to 49 million, including 8.6 million trucks. At a meeting in 1951 of the National Highway User Conference, an organization made up of truckers and highway engineers, there was the unanimous consensus that the highway situation was in "near crisis." Shippers and motor carriers had a multitude of concerns, ranging from food spoilage to workers arriving late for work, and all because of those jammed highways.

There was also concern among truckers about increasing tollway mileage. Yes, these roads, modeled after the Pennsylvania Turnpike, were faster and safer than surface roads, but they came with user charges. By 1952 more than 600 miles of these modern roadways were open, and another thousand or so miles were under construction.

During the postwar years, a powerful highway lobbying coalition emerged. A working association between the American Trucking Association (ATA); International Brotherhood of Teamsters; cement, aggregate, steel, tire, and truck makers; and others who would benefit from highway construction swung into action. The goal of this so-called "Road Gang" was to build a massive network of superhighways. And for the ATA and Teamsters, they must be toll-free.

Railroads fretted. While they benefited financially from dieselization and other technological improvements, most carriers were hardly money machines. Net earnings in 1949 were less than they had been in 1940 and about equal to those in 1936. In both of those years gross earnings were only about half of 1949.

When Gov. Thomas E. Dewey of New York in 1950 ballyhooed a colossal cross-state "Thruway" to cost about a half-billion dollars, the immediate railroad response was predictable: "It will certainly make infinitely greater the competitive difficulties already suffered by the state's railroads." Although tolls would be charged, Dewey estimated by way of an example that "a savings of $100 to the shipper can be made in shipping a truckload of metal products from New York City to Buffalo," and, of course, to the detriment of railroads. Industry representatives hollered that the "public, as usual, would hold the bag for the balance of construction [less tolls collected], interest, maintenance and operating costs on the highway." What the governor called the "greatest highway in the world" became reality; much of the Thruway opened between 1954 and '56.

Tolls or no tolls, railroaders saw tractor-trailer units capturing more of the most profitable part of their long-haul

Railroads used trucks to expand their services. Here, cases of cereal are transloaded from a boxcar to a truck of Cotton Belt subsidiary Southwestern Transportation for local delivery. As less-than-carload shipments became unprofitable, railroads ceded such traffic to motor carriers.

Cotton Belt

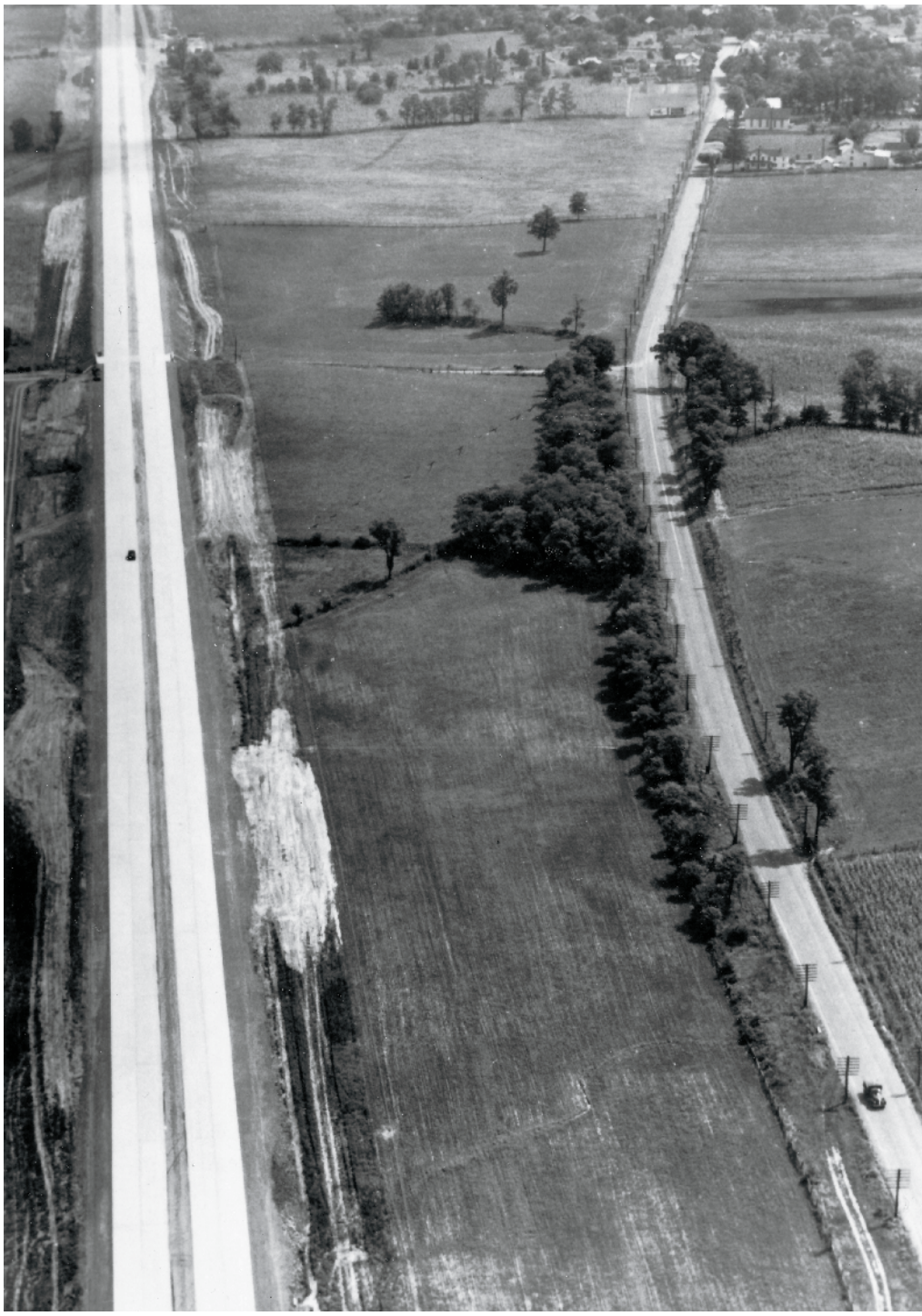
freight business. But some thought these modern toll roads would cut into profits of motor carriers, and force truckers, particularly independent haulers, to take the slower, existing two-lane highways. If this occurred, maybe some highway freight would stay with or return to the rails. This was wishful thinking, of course.

It would be in the late 1940s and early '50s that railroads, through their Association of American Railroads, did what they could to have governments raise fees on truck usage and limit load weights. The core argument was straightforward: costly highway destruction. The industry, at times joined by other entities, including the American Association of State Highway and Transportation Officials, blasted advocates of larger and heavier trucks who repeatedly argued that roads were being damaged by actions of weather and that heavy trailer loads had little or no negative effect. Railroads and highway administrators emphasized that truckers failed to pay their fair share of the cost of building and maintaining public highways, without which they could not function. They also raised the highway safety issue; big, overloaded tractor-trailer rigs often traveled at dangerous speeds to meet customers' deadlines, especially increased demands for "just-in-time" deliveries.

Although there would be some modest victories for railroaders who desired increased user fees and restricted load limits along with enhanced enforcement, the watershed event came in 1956. This was the passage by Congress, immediately signed by President Eisenhower, of the act that launched the Interstate highway system. The popular Republican chief executive in his January 1956 state-of-the-union address had urged lawmakers to enact the highway improvement bill. Those members of Congress who might not have accepted the arguments of the "Road Gang" may have been ardent anti-Communists. These "Cold War Warriors" wanted the national defense benefits of highways that could facilitate rapid deployment of military equipment and material. After all, tense relations existed between the United States and the Soviet Union, and some thought World War III could erupt at any time. For whatever reasons, the National Interstate and Defense Highways Act became the most important piece of domestic legislation since the railroad land grants of the 19th century.

Superhighway construction rapidly followed. Although Missouri began the initial Interstate project in August 1956, Kansas, also "shovel-ready," completed the first section of Interstate highway three months later. These roads changed forever so much of American life — economic, social, and visual. They also altered the railroad industry. Furthermore, the Interstate system would be emulated by many state roads and later by local suburban ones.

What significantly did the Interstate highway act — "history's greatest highway-building program" — provide? At its core the legislation authorized the expenditure of a staggering $33.5 billion to construct approximately 41,000 miles of



The newly completed Pennsylvania Turnpike, pictured with a local road west of Carlisle, Pa., was America's first long-distance superhighway and a template for the Interstate system.

Dan Cupper collection

superhighways over a 16-year period. It was expected that most cities of more than 50,000 population would be linked to the network. States would undertake the actual building, but Washington would pay 90 percent of the costs. Federal excise taxes on fuel and tires, and an ascending one on gross weight of vehicles in excess of 26,000 pounds, would finance this massive undertaking.

How did railroads view this landmark measure? Railroaders had mixed feelings about the "Eisenhower Interstate Act." Some felt the superhighways should be financed by hefty user tolls rather than through excise taxes, expecting tolls to discourage Interstate usage by truckers. Others worried that the announced revenue tax streams would fall short, and that taxpayers, including "overtaxed railroads," would be stuck with the additional financial burden. Some just did not want the measure, even though there was a widespread realization that the nation's roads needed to be upgraded. Railroaders also widely believed that Washington was already doing too much to subsidize their competition, whether it be grants for airport construction or the authorization in 1954 to construct the St. Lawrence Seaway. This latter project, in fact, had been a stinging defeat for the industry. Seven earlier attempts to allow ocean-going vessels to travel between the Atlantic Ocean and the Great Lakes had been blocked by a coalition of railroads and eastern seaports. Simply put: federal "giveaways" to rivals meant expanded financial losses.

However, there did exist railroad industry *support* for the Interstate highway program. In an editorial in the July 16, 1956, issue of *Railway Age*, the top industry trade publication, the editor commented: "Some people seem to believe that the railroads took another shellacking in the enactment by Congress a couple of weeks ago of the 'big highway bill.' This paper does not share that opinion considering the thorough 'conditioning' the American people have received, for a generation, in the acceptance of the financing of highways, waterways, and aviation facilities — the final form that this highway bill took represents gains, rather than losses, for 'user pays' principles."

Railway Age liked the types of excise taxes to be levied on trucks. Moreover, it was pleased that "the law provides that no federal funds be granted any state permitting vehicles to use its Interstate highways with weights in excess of the greater of the existing state limits, or the federal limits of 18,000 lb. on a single axle, 32,000 lb. on a tandem axle, a gross weight of 73,000 lb., or a width of 96 in." Perhaps *Railway Age* was being overly optimistic about the law's potential impact.

As time passed, superhighways from the railroad perspective would have discernible positive impacts. Yes, for several decades, truck competition produced severe traffic erosion. Contract haulers, for example, made serious inroads into shipments that traditionally had been rail-dependent, for instance bulk cement. But intermodal traffic eventually became extremely important. Needless to say, TOFC and later container operations benefited from the Interstates and other road projects.

There also was the matter of the LCL freight sector. After World War II this labor- and capital-intensive service bled ever more dollars from nearly every railroad's balance sheet. Constantly increasing truck competition, which took advantage of the growing Interstate mileage, led railroads to receive regulatory approval to make LCL a thing of the past. "Getting rid of LCL," opined Chicago & North Western President Larry Provo, "was a real blessing." Less-than-truckload pickup and delivery was more efficient and often a good revenue stream for truckers.

Similarly, trucks also siphoned more of the once-lucrative "head-end" traffic on passenger trains. By the 1960s the U.S. Post Office was canceling an increasing number of Railway Post Office contracts, rerouting the mail to trucks and airplanes. Some "closed pouch" mail, however, remained on the rails, going in regular freight trains. The Railway Express Agency, too, moved more of its business, albeit dwindling, to trucks.

These events forced those railroads that remained passenger carriers to seek permission to take off most of their remaining trains. In 1971 the quasi-public National Railroad Passenger Corporation (Amtrak) relieved participating railroads from the burdens of their passenger op-

In the 1920s, long before superhighways and 53-foot semi-trailers, cities were almost completely dependent on railroads for their needs. Here, boxcars jam the tracks at the Milwaukee Road's downtown freight house on Fowler Street (now St. Paul Avenue) in Milwaukee.

Classic Trains collection

erations. At last the railroads could concentrate on what they did best — long-haul freight.

Development of the Interstate highway system led railroaders to reflect. The thoughts of Jervis Langdon Jr., who during the 1960s headed the Baltimore & Ohio and the Chicago, Rock Island & Pacific, are revealing, and it's likely they reflected the views of his peers. Commenting about Interstate highways in the late 1980s, he said, "I can't say that I have not been saddened by the demise of passenger trains. We on the B&O had some fine ones, but progress is inevitable. In some ways you can't protest against destiny." He continued, "Trucks can do some things that railroad can't do profitably, and all those miles of Interstates and toll roads have helped to make that possible. The good news is that freight roads today are mostly alive and well, thanks to Staggers [Act of 1980] that gave greater freedom to price services. Mergers and increased labor productivity have also helped immensely."

Nevertheless, Langdon had concerns about superhighways. "There are problems with trucks. Weight limits that are probably unrealistic, and there are trucking companies and independent truckers who blatantly exceed these restrictions, even those that are in my estimation too high. Double-bottom tractor-trailers and triple-bottom trailers can pose a danger to motorists."

Jervis Langdon was right on the mark. Yet this progressive railroader surely did not anticipate the huge expansion of intermodal traffic that was in the offing, or such arrangements as today's attractive railroad contracts with J. B. Hunt, Schneider National, FedEx, and the like. Nor did he envision the dramatic increase in the domestic and international container business, *i.e.*, the rapid globalization of economies and the transportation to connect them. In the U.S., we may not have arrived at a perfect marriage between rail and road, but intermodal cooperation has come of age.

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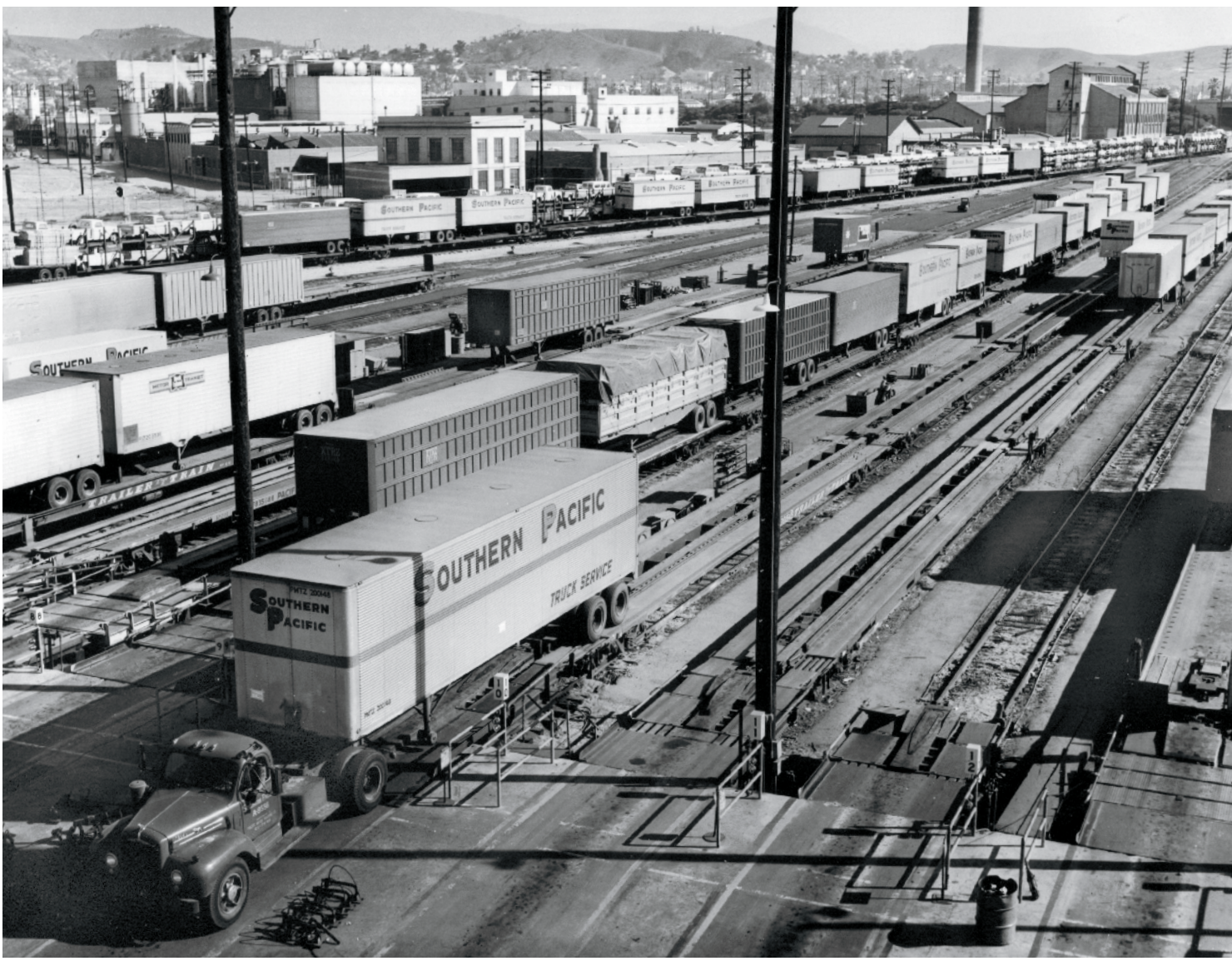

Railroads have found prosperity in the highway age by hauling truck trailers and containers on flatcars. Multi-level auto-rack cars, like those in the background of this early 1960s Southern Pacific scene, enabled the rails to recapture lucrative finished-vehicle traffic from truckers.

Southern Pacific