In 1956, Congress was presented with a bill to increase by an increment of 10-percent the benefits payable under railroad retirement for workers who were not already retired. There was no provision in that measure to provide the necessary financing for the increased benefits which were authorized. The committee which reported the bill, however, assured this body that, in the following session, a bill to provide the necessary financing would be reported and, further, that both the representatives of the railroad workers and the railroad management had agreed to support such legislation.

The bill before this body is, in substance, the proposal of the representatives of the railroad workers for financing the 1956 increase in benefits. It does contain that financing which was promised. It also contains an additional 10-percent increase in retirement benefits for both retired workers and those not yet retired, as well as increased benefits under unemployment compensation. Increased contributions to pay for the 1956 benefit increases, and for the increases in benefits included in this bill, are also provided.

Due to the inclusion of increased benefits, this bill is promoted as being in the supposed interest of the railroad workers. It is my opinion that rather than being in the workers' interest, this bill constitutes a drastic blow to the welfare of railroad workers throughout the Nation.

At the present time, railroad workers are contributing 6 1/4 percent of their first $350 monthly salary toward this retirement plan. Under this bill, their contribution rate will increase initially to 7 1/2 percent on the first $400 of monthly earnings; it will subsequently increase again to a figure in excess of 9-percent on the first $400 of monthly earnings. In this inflationary period, it is extremely doubtful that the increased benefits can offset this dangerously high contribution rate.

The testimony before the committee indicates conclusively that, as a result of this bill, the increased cost to the railroads will cause considerable additional unemployment among railroad workers. The testimony shows that the railroads have already cut expenditures to the minimum by deferring major and minor repairs, by slashing capital expenditures, and, to some extent, by reducing the level of employment. The increase in cost imposed by this bill, according to the railroads' testimony, must necessarily be borne by a further reduction in employment.

Illustrative of this testimony is that of Mr. James M. Symes, president of the Pennsylvania Railroad Co. Mr. Symes testified that the Pennsylvania Railroad had operated in the red for 8 consecutive months beginning November 1957, with a total deficit in these months of approximately $28 million; and that July would also show a deficit of between $4 million and $5 million. Mr. Symes further testified that the accumulation of a 4 cents per hour increase on wages, effective on May 1, and an additional 8 cents an hour increase schedules for November 1, would add $26 million to the Pennsylvania's normal annual wage bill. He then testified:

If Senate bill 1313 is passed, it adds another $14 million to our annual payroll costs.

If $40 million additional is added to our annual wage cost, on top of our present unsatisfactory showing, it can mean only one thing: additional unemployment, with accompanying deferred maintenance.

The Pennsylvania is one of the largest railroads. The situation is substantially the same with the smaller railroads. This is illustrated by the testimony of Mr. Glen P. Brock, president of the Gulf, Mobile & Ohio Railroad Co., which had a net income in the first 6 months of 1958 of $326,000. S. 1313, according to Mr. Brock's testimony, will add an estimated $1,163,000 labor cost for this railroad. In response to questions concerning increased unemployment as a result of this bill, Mr. Brock responded:
Mr. Brock. For each cent an hour on an annual basis, our cost is $200,000. Here we see in the neighborhood of 12 cents plus approximately 9. This is 21. That is $4,200,000. Our average employee receives $5,500 a year. We would have to reduce someplace between 600 and a thousand employees.

Senator Thurmond. If S. 1313 passes, do you mean to say that you would have to eliminate from your rolls, to cut off from your payroll between--how many? How many people did you say?

Mr. Brock. Up to 1,000, to make up this three million six, of which only $1,162,000 is due to S. 1313. In other words, a third of a thousand, or about 333 employees, would be riding on this bill.

Senator Thurmond. So, over 300 men would lose their jobs if this bill passes, approximately; is that right?

Mr. Brock. That is correct.

The testimony further shows that additional costs imposed by this bill on the railroads will result in the bankruptcy of some carriers, and threaten others with insolvency. This testimony stands unrefuted. This bill will, therefore, assure either that the railroads most adversely affected will fail as a result of insolvency, thereby eliminating innumerable jobs, or, in the alternative, the Federal Government will be forced to use taxpayers' money to subsidize or nationalize the railroads, in which event the railroad workers stand a chance of losing their most effective weapon for their own welfare; to wit: collective bargaining.

I realize that there are some members of this body who do not shrink from the thought of subsidizing the railroads with taxpayers' money. The chairman of the Railroad Retirement Subcommittee stated in the open hearings that he was willing to vote a subsidy for our rail carriers. I am not.

The committee has recognized the dire and perilous straits to which the railroads will be reduced financially by this bill, and this is evidenced by the fact that the effective date of the increased rates as to unemployment compensation is deferred by the bill until January 1, 1959, and the effective date of the increased rates as to retirement has been deferred until January 1, 1960. This tacit admission, through postponement, indicates that the committee, in recommending this bill, is reluctant to face the realities of what they here undertake. We cannot forever postpone the date of reckoning. The passage of this bill is not in the interest of the railroad workers, the public interest, or the interest of the railroads. It can only have a detrimental effect on all interests. The apparent political appeal of the bill is, also, illusory, for our railroad workers will be the first to feel the brunt of its disastrous effects.