
Science & Technology

Amtrak on the rail equipment crunch

*The following interview is with L. Fletcher Prouty, retired U.S. Air Force colonel and long-time Central Intelligence Agency official, whose 1973 book *The Secret Team* demanded that the CIA return to the sole function of intelligence-gathering. He is currently public relations director of Amtrak, the national rail passenger service. In his discussion with EIR's Leif Johnson, Mr. Prouty confirms the drain on railroad revenues by the holding companies and their banking associates, reported on May 5, and comments on present rail operations and technology.*

EIR: There have been proposals to sell off Conrail [the national freight line]. What effect would that have on Amtrak?

Prouty: I'd have to know more than I do now to tell you that, but we have discovered that some of the lines they intend to get rid of contain small segments that we need. Now, another thing I have heard is that they want to cut some sections from a double track system to a single-track system. In a day when freight trains are very long and slow and heavy, they can't pull into sidings, and we would have to tag along after them until they found a siding; a lot of sidings are too short for these trains. A double-track system is essential for us, especially between here [the East Coast] and Chicago. . . .

The freight system in this country is running at an average speed of 20.1 miles an hour, because the trains are so long and heavy. In that kind of environment, the geometric design of the track has to be flat, whereas for passenger trains the track has to be three-dimensional, in order to be banked on a curve to handle centrifugal force. When you flatten track for freight that runs at a slow speed you destroy passenger service. Already, 336 railroads have flattened track. Some of the new track Conrail has put down is already severely worn, because when you flatten track, one of two things happens. When you haul these heavy trains around a curve, obviously one wheel should be going slightly faster than the other. There is about a 19-fold difference in the life of a rail when you

have one wheel dragging and grinding.

Then the costs start running up. That is what destroyed passenger service; it was not a decision to destroy passenger service, it was not the automobile, it was a question of track design. There is no way to surmount the passenger traffic problem without taking care of this.

EIR: The new French service has a separate passenger track. Do you advocate that for this country?

Prouty: The laws of physics advocate that. All French service today is universal, freight and passenger combined. That's no problem when you design the track properly.

I'll say one thing, although the French system is government-run, it has more independence than we have in this country. It's a matter of definition. For example, the passenger run from Paris to Lyons was funded entirely outside government grants. The SNCF [Société Nationale des Chemins de Fer, the French national railroad company] covered one third of about \$1.1 billion, which covers all the signaling and electrification. The other two-thirds came from a loan that even many Americans subscribed to. Who would invest in railroads in this country when you can get an 18 percent return anywhere?

EIR: As I understand it, most of the money goes up to the railroad holding companies.

Prouty: Your point is well taken, but it's only partial. You have to define who the holding company is.

EIR: The holding company and the railroad board of directors are the same people.

Prouty: I know, and who are they? The revenue goes through them into the banks, where on a prime rate of say 17½ percent the railroads buy everything they have, cars and rails that are mortgaged at 100 percent. For the life of those things, they pay prime rate right back into the banks, and today the entire railroad system has an average rate of interest payment across the board on billions of dollars at 13 percent—some old debt, some new debt. So, as it passes from the revenue source, it goes right on out into loans, because the condition in American business today is that the profit is made on the interest side. The return on investment of the railroad industry is about 2 percent, but that is 2 percent above the prime rate. It is really 20 to 22 or 24 percent drained through the company, directly to the banks. So it's very profitable, but not in the classical sense.

Two or three railroads are the biggest energy firms in the world. Burlington Northern is sitting on more energy than Exxon is. You are not just talking about a couple of steel rails on the ground. You know Katy Railroad [Kansas, Missouri & Texas] owns all the shrimp boats; the money flows through them simply as agents of the

banking groups like First Boston, First Chicago, a lot of English banks, and so on. So the roads are simply your agents to make money.

EIR: With such a cash flow, why are the railroads slowing down their track?

Prouty: The financiers don't do that; in fact they are bewildered by it. The technicians do that, because they have no alternative. What the boardroom says is that labor costs are too high. If you're not able to cut labor costs, you're going to have to make the trains bigger, make the tonnage bigger so that each crew will move more freight than it did before.

That seems to make sense up in the boardroom, but to the engineers that means the cars are too heavy today for the system, and the system is overloaded—so that now costs from this excessive wear and costs from the very slow speeds are beginning to reduce the overall net income of the industry by forcing up costs of car and track maintenance.

There is a 28-volume study by the ICC that primarily shows when a car is loaded over 92 tons it is creating a plastic condition on the rails, so that every wheel of every car of every train is causing the track to melt at that point. Every track we buy that should give us 800 million miles of road service—we have to pull them out at 40 or 50 million miles. Then you have to change the wheels as well.

EIR: On another subject: Isn't it true that the Penn Central merger and the creation of Conrail were never really intended to work?

Prouty: Let's put it this way. There is 330,000 miles of track on about 200,000 miles of right of way. Now, that whole system was never designed to work, because it was built piecemeal by property developers who wanted to sell land. They didn't think about a national system. What we need is a World War II and a Curtis LeMay to bomb our system out and start all over again. We need to redesign, redirect, regrade our entire system, because nothing is cheaper than running a steel wheel on a steel rail.

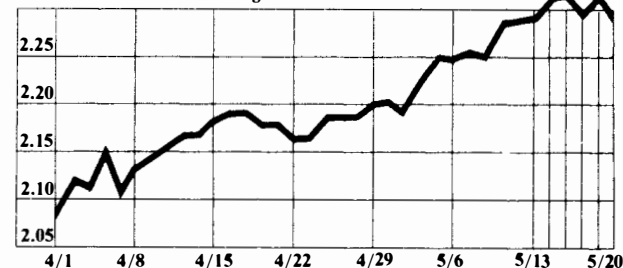
It isn't totally a question of what Chase Manhattan or First Boston is up to, but also the technology today is very different from what it was when the railroads were first built more than a hundred years ago. Many systems were never designed to meet, like Grand Central and Penn Station in New York. You can't go from one to the other.

The thing that bothers me most is the lack of technology. We have gotten way, way behind on technology for the railroads. Our costs are so much higher than they should be. The Europeans and the Japanese are excellent in technology.

Currency Rates

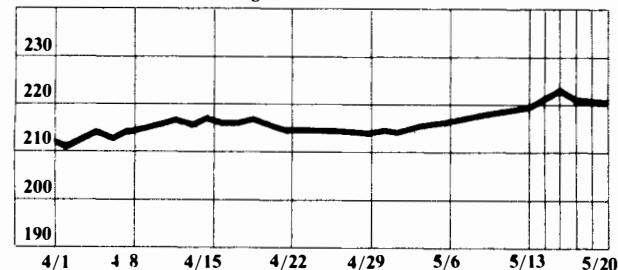
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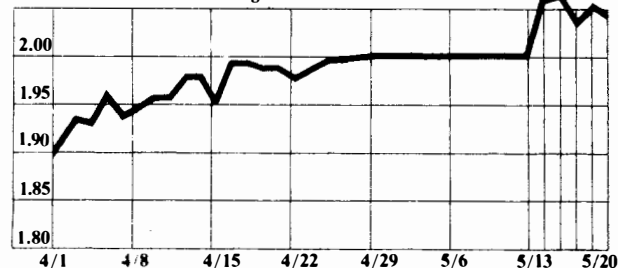
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The British pound in dollars

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