

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.

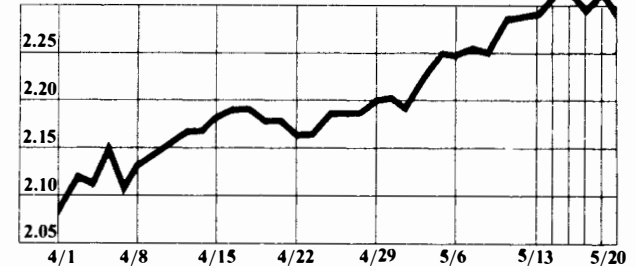
It isn't totally a question of what Chase Manhattan or First Boston is up to, but also the technology today is very different from what it was when the railroads were first built more than a hundred years ago. Many systems were never designed to meet, like Grand Central and Penn Station in New York.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

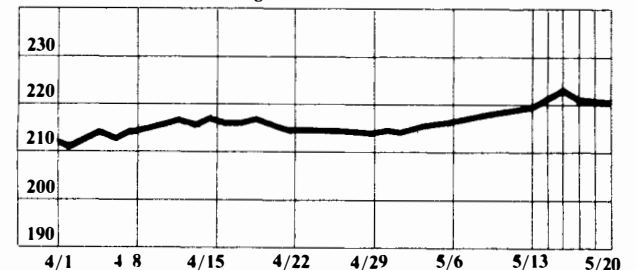
The dollar in deutschemarks

New York late afternoon fixing



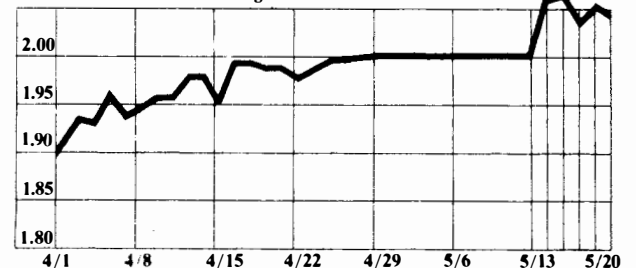
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing

