Railroad Management, Organized Labor, and Federal Intervention: A Case Study

Keith L. Bryant
Texas A&M University

The managers of the nation's railways must, like other corporate executives, maximize profits and control expenses, particularly labor costs. In addition, they need to strike a balance between rates low enough to gain and retain traffic, yet high enough to produce profits. These efforts have largely been thwarted after the Interstate Commerce Commission gained the authority to establish rates (1906), and after the United States Railroad Administration (USRA) greatly strengthened the railway unions and created a national bargaining structure (1917-20). The railroads subsequently discovered that obtaining quick and responsible action from the ICC was virtually impossible, and that the labor arrangements made by USRA precluded significant alterations of the work rules. Thus railway managers no longer controlled either the price of the transportation they sold or one of their major expenses.

In a significant effort to reduce the cost of labor and enhance profits, the Southern Railway sought in the 1950s and 1960s to mechanize a variety of functions and to alter the work rules. D. William Brosnan of Southern discovered that such attempts would be blocked by unions, national labor agreements, federal courts, and presidential commissions. Through the force of his personality Brosnan made some progress in linking wages and productivity, but if Southern's experience is typical of the problems faced by other carriers, it appears that the federal government has left railway management limited latitude in coping with labor costs.

The board of directors named D. William Brosnan president of the Southern Railway effective 1 February 1962. They elevated to that office the man who had actually been running the railroad for several years. A Georgian and graduate of Georgia Tech, Brosnan joined the Southern in 1926, moving through the ranks from apprentice to vice-president operations in 1952. As a track supervisor, trainmaster, general manager of central lines in Knoxville, Tennessee, and executive vice-president, Brosnan became the driving force in the company's effort to lower the costs of manufacturing transportation through mechanization and reduction of the work force [11, 20, and 22].

Brosnan's personality often produced clashes with colleagues and workers, but he dominated the railway. Blunt, forthright, and unorthodox, his advocacy of drastic changes in operations had upset many of the company's traditionalists as early as 1947. He demanded uncommon efficiency and the elimination of waste, and to achieve them he threatened, cajoled, and bullied his subordinates. Costs had to be slashed, and Brosnan had a plan [7]:

> There were some of us who recognized that if we were going to have a company that would be any kind of a force in the modern age, we had to make substitutions. One substitution was mechanical power for human sinew -- mechanical means, instead of just swinging a hammer. Railroads were still using coolie methods -- human labor.

As a general manager he bought machines for track work, and when he found that none were available to accomplish certain tasks, he designed his own. He used money saved to purchase more machines. Power tampers replaced gandy dancers, track was prefabricated at central locations, and an automated wheel shop cut direct labor costs from $7.50 per wheel set to $1.73. Mechanization helped reduce the Southern's labor force from 37,000 in 1952 to 18,000 10 years later. The savings were dramatic not only in the shops and on the track gangs, but also in the offices as computers replaced clerks and a microwave system reduced the need for telegraphers [7, pp. 100-109; 29; and 9]. By 1958, Brosnan had cut the Southern's wage ratio (the percentage of wages to gross revenues) to 41 percent, lower than the 50 to 51 percent figures on the Illinois Central, Atlantic Coast Line, Frisco, and Louisville and Nashville. Yet he was not satisfied.

Brosnan believed that railroad labor had not achieved a significant level of productivity. Nationally, and on the Southern, the number of employees was being reduced, but wages were rising rapidly and were outstripping the hourly earnings of workers in manufacturing [4 and 5]. The most glaring example of inefficiency, which the industry came to refer to as "featherbedding," was the fireman on the fireless diesel locomotive [6].[1] Brosnan decided that the Southern could achieve alone what the carriers had failed to obtain together, the elimination of the fireman on the diesels.

In 1959 the Southern noted that its contract with the firemen did not require replacement of men who died, retired, or resigned, so the company stopped hiring firemen. In September 1962, the Brotherhood went to court to force the railway to hire replacements. Brosnan retorted that thousands of engines in the yards and on freight trains were being operated without firemen and with no increase in accident rates. A federal court ordered the Southern to put a fireman on every diesel, however, until the National Railroad Adjustment Board could rule on the question [23]. Brosnan retaliated.

The Southern hired over 100 elderly black men, and put them in the fireman's seat on the diesels. The men, many of whom had been unemployed, had no training and received none. They were shown only their place in the cab and the location of the toilet. One of the new firemen remarked, "I don't do nothin'. I just set." The men, who were paid union wages, proved, Brosnan declared, that "we need locomotive firemen about like we need camel watchers." The union was furious, particularly because it had a white-only rule, and was threatened with expulsion by the AFL/CIO as a result. It filed suit to stop the Southern, but in July 1963, ended the white-only rule. When Willie Glass, one of the new firemen collected his $197.97 for 12 days' work, he declared, "That's railroadin', I guess" [23 and 7, pp. 100-109].

Brosnan took Southern out of the national negotiations on the firemen's question because they also included discussion of the work rules. The firemen issue dragged on in Washington during two presidential administrations with threats of strikes, deliberations by presidential commissions, and congressionally imposed arbitration. The Southern kept its black firemen, and the Brotherhood finally admitted as members the new men as well as the Southern's black firemen, some with over 25 years seniority, to whom they had previously denied union cards. But it seemed that Brosnan had been too clever by half. When the brotherhood tentatively settled with the other carriers in 1964, aggreeing to a policy of gradual attrition, Southern had to continue to operate under the old contract, or so the union assumed [25, 10, and 26].

Brosnan immediately began to use the national agreement as the basis for work assignments on the Southern. Freight and yard diesels operated without firemen when none were available; Brosnan would not hire replacements, and he refused to pay overtime to the 1,200 firemen remaining on the system. The Brotherhood of Locomotive Firemen and Engineers struck Southern. After a court ordered the men back to work, Brosnan and the union began to negotiate [12]. He expressed willingness to accept the national terms, but declared "No right thinking person would expect Southern to continue to hire new men to fill unneeded jobs when other railroads are actually cutting men in these jobs off" [27]. In February 1965, Southern signed an agreement with the Brotherhood based on the national contract, but including a three-step wage increase.

The national agreement came unglued, however, and not until 1972 was the fireman issue settled permanently. There would be no more firemen on freight or yard diesels, and firemen would be hired only as a source for future engineers. Some firemen would be kept on the passenger diesels and in hostling [18 and 14]. Brosnan had won, but at a terrible price.

Brosnan's autocratic manner and heavy-handedness caused the board of directors great concern. When Southern acquired the Central of Georgia in 1963, he laid off 1,562 of its employees, and a battle with 17 unions ensued. The ICC declared his actions "callous," and some $20 million in severance pay was awarded those dismissed. A dispute with the conductors and trainmen which began in 1959 did not end until 1965. The Brotherhood of Trainmen struck in April 1965, when the railway attempted to reduce train and yard crews by one person. Brosnan wanted only a conductor and a brakeman on each train. The union struck again in December 1965, when Brosnan tried to change the operating rules by eliminating cabooses on short runs and branch lines, putting the train crew in the locomotive cab. Following a board meeting in 1965, just four months short of retirement, Brosnan resigned as president. Some say he was "dismissed" [28, 13, and 17].

Within the limits of the rules established by the ICC, unions, federal courts, and presidential commissions, Brosnan achieved a great deal. After mechanization of maintenance-of-way operations, he put track and bridge gangs into trucks with living facilities and moved them to the locations along the line needing repairs. When he replaced section gangs with system gangs, labor costs fell. Under Southern contracts, these personnel received an average hourly wage of $5.46, some 20 cents less than workers on the Union Pacific, for example [16 and 28]. Brosnan's successor inherited significant labor problems, however.

W. Graham Claytor, Jr. succeeded Brosnan, and tried a new approach. A Harvard-trained lawyer and a former partner in the prestigious firm of Covington and Burling in Washington, Claytor joined the Southern in 1963, as vice-president-law. His first task as president was the restoration of harmony with the employees [21 and 2]. He brought in a new labor relations executive and invited the heads of the unions to a series of dinners in Washington. Executive Vice-President George S. Paul admitted, "We're still tough, but we try to avoid picking fights with the unions just to put them in their place like we used to" [28]. Labor leaders agreed that the company under Claytor was less rigid, but pay scales on the Southern remained below the industry average.

Brosnan's approach created havoc in labor relations; it also created profits, and Wall Street applauded the results if not the methods. In 1974 *Dun's Review* [3] named Southern one of the five best managed corporations in the nation (the other four were American Telephone and Telegraph, R. J. Reynolds, Merck and Company, and Kerr-McGee). One reason for its success was that it spent the smallest percentage of operating revenue for labor of any major railroad. By 1978, when the average carrier spent 53 cents of each revenue dollar for wages, Southern spent 42 cents. However, the Florida East Coast (FEC), an intrastate carrier, was spending only 30 cents, and Southern looked longingly at its accomplishments, such as two-man crews and full eight-hour days rather than 100-mile days [8]. They had been achieved on the FEC, however, only after a decade of strikes and violence.

L. Stanley Crane, who became president of Southern when Claytor joined President Carter's cabinet, found that work rules remained a major problem. Railroading was still a labor-intensive industry, and he saw little hope for improvement without substantial rule changes. While the FEC could operate a cabooseless train from Jacksonville to Miami with a crew of two, on Southern it would have required 12 people. Ironically, when the Norfolk and Western Railway was struck in the summer of 1978, 3,500 supervisory personnel handled one-half of the road's previous tonnage which had required 24,000 employees. Two-man crews and cabooseless trains suggest that the N&W could operate normally with only 10,000 to 12,000 employees.[2]

In looking at the struggle of these railway executives with the productivity issue, one is truck by the depth of the problem. Given the constraints erected by the federal government perhaps this should not be surprising. Industry-wide bargaining, federally controlled fringe benefits, and constant interference in the collective bargaining structure seem to preclude major productivity gains. With billions of federal dollars being spent to salvage Conrail, the government now has a financial stake in such gains, as Conrail's deficits are largely a function of its astronomical labor costs. In 1910, before federal involvement, of each dollar earned by the nation's railways, 42 cents was spent on labor; by 1978 labor cost Conrail 65 cents of each dollar earned, or 20 percent more than the national average.[3] Federal intervention in labor relations on the nation's rail system seems to have paralleled its counterproductive interference in rate-making and consolidation efforts.

NOTES

1. The first diesel crew contract between a railroad and the Fireman's Brotherhood, signed by the Union Pacific in 1934, required a two-man crew. When the Chicago, Burlington and Quincy tried to operate the Zephyrs with only an engineer in 1933, the firemen threatened to strike, and the "Q" capitulated. The issue was resolved to the union's satisfaction when the Carrier's Joint Conference Committee agreed to a two-man diesel crew in 1937. During the next 35 years the railroads protested and fought this decision.

2. Interview with L. Stanley Crane, 11 August 1976. Virtually all national productivity gains came in the craft union areas, not on train and engine crews. Between 1970 and 1977, productivity increases averaged 3.96 percent per year in crafts, but only 1.88 percent on train crews.

3. See [8]. A recent labor agreement between Conrail and the United Transportation Union provides for a reduction in crew sizes, but Conrail must share the savings with the crews [1 and also 24].

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