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**Franklin D. Roosevelt — “The Great Communicator”**  
**The Master Speech Files, 1898, 1910-1945**

**Series 2: “ You have nothing to fear but fear itself:”**  
**FDR and the New Deal**

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**File No. 625**

**1933 May 4**

**Message to Congress re**  
**Emergency Railroad Legislation**

P.P.F.

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TO THE CONGRESS:-

The steam railways still constitute the main arteries of commerce in the United States. At this time, however, available traffic is not sufficient profitably to utilize existing railway facilities and the supplementary facilities provided by new forms of transportation. <sup>H</sup>Our broad problem is so to coordinate all agencies of transportation as to maintain adequate service. I am not yet ready to submit to the Congress a comprehensive plan for permanent legislation. <sup>H</sup>I do believe, however, that three emergency steps can and should be taken at this Special Session of the Congress.

First, I recommend the repeal of the recapture provisions of the Interstate Commerce Commission Act. The Commission has pointed out that existing provisions are unworkable and impracticable.

Second, railway holding companies should be placed definitely under the regulation and control of the Interstate Commerce Commission in like manner as the railways themselves.

Third, as a temporary emergency measure, I suggest the creation of a Federal Coordinator of Transportation who, working with groups of railroads, will be able to encourage, promote or require action on the part of carriers, in order to avoid duplication of service, prevent waste, and encourage financial reorganizations. Such a Coordinator should also, in carrying out this policy, render useful service in maintaining railroad employment at a fair wage.

The experience gained during the balance of this year will greatly assist the Government and the carriers in preparation for a more permanent and a more comprehensive national <sup>Transportation</sup> ~~railroad~~ policy at the regular session of the Congress in 1934.

*The White House*

*May 4, 1933,*

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STEPHEN EARLY  
Assistant Secretary to the President.

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*The White House*  
*May 4, 1933*

Draft for Railroad Message  
May 4, 1933

This was sent by Secretary Roper  
with his letter and other attachments  
April 25, 1933 in OF 31,

Memorandum in Connection with Message

Steam railways constitute the main arteries of commerce in the United States. At the moment available traffic is not sufficient to utilize profitably existing railway facilities and the supplementary facilities provided by new forms of transportation, particularly by the use of motor vehicles on hard surface roads.

The problem confronting the country is so to coordinate the agencies of transportation as to maintain necessary railway service of the desired quality along with the other means of transport in so far as economies and convenience of service justify. The legislation necessary to encourage the coordination of the older and the newer forms of transportation falls into two classes: first, measures which should be passed immediately; second, those which will require more time for their consideration.

The lack of traffic at the present time creates an emergency for the railroads. To meet that emergency every economy consistent with the public interest must be enforced by railway managements and action should be taken to strengthen the credit of the railroads.

The Government should stand back of the railroads for another year, - possibly two years, - in order to permit them to work out for themselves their own problems. One of these problems is the readjustment of top heavy financial structures which may now be done by taking advantage of the recent Amendment to the Bankruptcy Act making it possible for carriers to reorganize without prolonged receiverships.



Enforced competition between railroads is being carried to unnecessary lengths in the fight for traffic, inadequate during the present emergency to sustain the financial structure of all of our transportation corporations.

Pooling in the interest of economy is permitted under existing law subject to the approval of the Commission. No appreciable use has been made of this permission because the carriers were relatively prosperous for a decade after it was enacted. During that period of relatively good earnings, they did not feel the compulsion to cooperate in the interest of economy. The Commission does not believe that present law imposes on them a duty to encourage the carriers in pooling arrangements and joint use of facilities. The carriers obviously will have to be encouraged, if not coerced, if they are led to make joint arrangements which will both eliminate waste and be in the public interest.

During this period of government encouragement to railway management to set their own households in order, they can proceed with the elimination of non-paying mileage where the transportation needs of the community affected can be otherwise adequately met.

Proposed consolidations of railroads which are lawful and in the public interest can also be pressed to a conclusion through the use of agencies already authorized by law. There should be adjustments of freight rates, passenger rates, the price of railway supplies, of wages and of working conditions. Such adjustments as are pressingly needed can be carried forward upon the initiative of interested parties

and should be accomplished concurrent with the working out of economies by the management under the leadership of a coordinator.

It is therefore recommended that a plan of coordination among the railroads themselves be authorized so that every legitimate encouragement may be given to the managements to eliminate waste and unnecessary drains upon the revenues of the carriers. Such economy is not only necessary to the financial health of the carriers, but is also required in the interest of employees, the stability of employment and fair rates to shippers.

Concurrent with legislation encouraging railway management to achieve necessary economies, credit of the railways should be strengthened by the repeal of the recapture provisions of the Interstate Commerce Act which have been pointed out by the Commission to be unworkable and impracticable. The experience of the past twelve years bears out the criticisms that were made of Section 15a of the Interstate Commerce Act as amended at the time of its enactment. The rule of rate-making contained in that provision has been disappointing to those who thought they would profit from it. The shippers have never favored it and the Commission has several times recommended its repeal. Proper amendments should be enacted to relieve carriers of obligations which they are not in a position to meet and thereby strengthen their credit; to provide for a more workable rule of rate-making; to simplify Section 19a and lessen the expenditure of time,

of labor and of money incident to the present requirement of bringing the Commission's original valuations down to date "in like manner", that is, in the great detail and under the same procedure as was required for the original valuations. The repeal of Section 15a and the amendment of Section 19a will have the effect of substantially reducing the expenses of the Interstate Commerce Commission.

The so-called railroad holding companies should be definitely under the regulation and control of the Interstate Commerce Commission in like manner as the railroads themselves. The menace of escaping regulation through the use of holding companies should be eliminated. The speculation in railway securities by certain of these holding companies have contributed to the present railway emergency. The House of Representatives, through its Committee on Interstate and Foreign Commerce, has completed a notable study of stock ownership and control of railroads and their report marks a high achievement in Congressional inquiry.

The emergency legislation herein recommended will be of much benefit. It is only a step toward the solution of transportation problems. It is a step taken with a warning to the railroad companies themselves to set their house in order. A reasonable period will be given them in which to solve their problems in cooperation with shippers and employees, and interested communities.

The form for the broader and more constructive legislative program to follow will in some measure be determined by what the railroads accomplish for themselves during this period in which they are being definitely encouraged to meet the responsibilities which are theirs.