

OFFICIAL TRANSCRIPT PROCEEDINGS BEFORE

THE SUPREME COURT OF THE UNITED STATES

DKT/CASE NO. 85-792 & 85-793

TITLE INTERSTATE COMMERCE COMMISSION, Petitioner V. BROTHERHOOD OF
LOCOMOTIVE ENGINEERS, ET AL.; and MISSOURI-KANSAS-TEXAS
RAILROAD COMPANY, Petitioner V. BROTHERHOOD OF LOCOMOTIVE
ENGINEERS, ET AL.

PLACE Washington, D. C.

DATE November 10, 1986

PAGES 1 - 57

AR
ALDERSON REPORTING

(202) 628-9300
20 F STREET, N.W.

1 IN THE SUPREME COURT OF THE UNITED STATES

2 -----x
3 INTERSTATE COMMERCE COMMISSION, :

4 Petitioner :

5 v. : No. 85-792

6 BROTHERHOOD OF LOCOMOTIVE :

7 ENGINEERS, ET AL.; :

8 and :

9 MISSOURI-KANSAS-TEXAS RAILROAD :

10 COMPANY, :

11 Petitioner :

12 v. : No. 85-793

13 BROTHERHOOD OF LOCOMOTIVE :

14 ENGINEERS, ET AL. :
15 -----x

16 Washington, D.C.

17 Monday, November 10, 1986

18 The above-entitled matter came on for oral
19 argument before the Supreme Court of the United States
20 at 1:43 p.m.

21 APPEARANCES:

22 HENRI F. RUSH, ESQ., Deputy General Counsel, Interstate
23 Commerce Commission, Washington, D.C.; on behalf
24 of the Petitioner ICC.

25 JOSEPH L. MANSON, III, ESQ., Washington, D.C.; on

1 . behalf of the Petitioner MC-KS-TX Railroad.

2 HAROLD A. ROSS, ESQ., Cleveland, Ohio; on behalf
3 of the Respondnet Brotherhood/Locomotive
4 Engineers.

5 JOHN O'B. CLARKE, JR., ESQ., Washington, D.C.; on
6 behalf of the Respondent United Transportation Union.

C O N T E N T S

<u>ORAL ARGUMENT OF:</u>	<u>PAGE</u>
HENRI F. RUSH, ESQ.,	
on behalf of Petitioner ICC	4
JOSEPH L. MANSON, III, ESQ.,	
on behalf of Petitioner MO-KS-TX Railroad	18
HAROLD A. ROSS, ESQ.,	
on behalf of Respondent Brotherhood/Locomotive Engineers	28
JOHN O'B. CLARKE, JR., ESQ.,	
on behalf of Respondent United Transportation Union	41
<u>REBUTTAL ARGUMENT OF:</u>	
HENRI F. RUSH, ESQ.,	
on behalf of Petitioner ICC	55

P R O C E E D I N G S

CHIEF JUSTICE REHNQUIST: We will hear arguments next in two consolidated cases, Interstate Commerce Commission against Brotherhood of Locomotive Engineers and Missouri-Kansas-Texas Railroad Company against Brotherhood of Locomotive Engineers.

You may proceed whenever you're ready, Mr. Rush.

ORAL ARGUMENT OF HENRI F. RUSH, ESQ.,

ON BEHALF OF PETITIONER ICC

MR. RUSH: Mr. Chief Justice, and may it please the Court:

The Interstate Commerce Commission is the Federal agency charged with implementing what this Court has recognized on a number of occasions to be a national policy favoring consolidation of the railroads in the interests of improving the economy and efficiency of their operation.

The Commission is also charged with implementing the Congressional structure established to promote the privately initiated transactions being presented in a single forum for a fair but expeditious proceeding.

This case involves the consequences of the Interstate Commerce Commission's approval of a railroad

1 consolidation transaction. The statutory provision
2 primarily implicated is 49 U.S.C. 11341(a), which
3 provides in relevant part that a carrier participating
4 in an approved transaction, quote, is exempt from the
5 antitrust laws and from all other laws, as necessary, to
6 let that person carry out the transaction, end of quote.

7 The Commission, with the approvals of the
8 courts, over a long period of time, has interpreted that
9 section to be self-executing, which is to say that
10 individuals desiring to consummate a transaction,
11 negotiate their deal, and bring it to the Commission for
12 a proceeding in which all persons with the many and
13 varied conflicting interests that arise in these
14 transactions are permitted to make their case before the
15 Commission.

16 The Commission, upon the record made at that
17 time, determines whether the transaction is, or can be
18 made to be, consistent with the public interest, and
19 approves, disapproves, or conditionally approves that
20 transaction.

21 QUESTION: Mr. Rush, did the respondents in
22 this case raise their argument about their rights under
23 the collective bargaining agreement before the ICC at
24 its hearings on the merger?

25 MR. RUSH: They did not, Justice O'Connor.

1 QUESTION: Well, how is it that they can raise
2 them later? Raise that argument later?

3 MR. RUSH: The guise, if you'll --

4 QUESTION: Why aren't they precluded from
5 doing that?

6 MR. RUSH: Well, the court below held that
7 they the jurisdiction to determine whether the
8 Commission had improperly failed to clarify at the
9 request of the petitioners.

10 We did not argue that they did not have what I
11 would call the limited jurisdiction to determine whether
12 that denial was arbitrary and capricious.

13 The majority of the court then went on --

14 QUESTION: You took the position that it was
15 perfectly all right for them to come in later and raise
16 the issue; is that it?

17 MR. RUSH: No, that's not our position at
18 all. But in terms of the question of how the court was
19 able to address it, that's the way the court was able to
20 address it.

21 Our position is that all of the arguments
22 ought to be raised at the time of initial consideration
23 of the transaction.

24 QUESTION: Exactly. So it may turn on
25 timeliness, when they can raise it. If they didn't

1 raise it then, why can they can? It just -- I don't
2 understand.

3 MR. RUSH: Well, I think that an argument can
4 be made for waiver of rights not raised at the proper
5 time before the agency's procedure.

6 And that was one of the arguments, of course,
7 that we raised before the court below.

8 At the same time --

9 QUESTION: It isn't just that. It isn't just
10 not raising before the agency. It's not filing an
11 appeal within 60 days under the Hobbes Act, as they're
12 supposed to.

13 MR. RUSH: That's correct, Judge Scalia. But
14 at the same time --

15 QUESTION: So how do you get around that
16 here? And that's jurisdictional, so you really
17 shouldn't be talking to the merits if we don't have
18 jurisdiction.

19 MR. RUSH: Well, our view of jurisdiction is
20 that there was at least jurisdiction in the lower court
21 to determine whether the Commission abused its
22 discretion by refusing the clarify its earlier ruling.

23 QUESTION: Okay, now how is that? The
24 Commission denied the petition to clarify, right?

25 MR. RUSH: That's correct, Judge Scalia.

1 QUESTION: Then there was filed a petition to
2 reconsider the denial of the petition to clarify, right?

3 MR. RUSH: Right, correct.

4 QUESTION: And the appeal that we have before
5 us is from that denial of the petition to reconsider,
6 isn't it?

7 MR. RUSH: Both the petition for clarification
8 and the petition to reconsider.

9 QUESTION: Was an appeal filed from the
10 petition to clarify?

11 MR. RUSH: It was embraced within the denial
12 of the petition to reconsider, it seems to me, because
13 clearly, upon denying the petition to reconsider, the
14 initial petition would be in issue.

15 QUESTION: It's not what the statute reads
16 like. 49 U.S.C 10327(g) says that an interested party
17 may petition to reopen and reconsider an action of the
18 Commission under regulations of the Commission. But
19 goes on to say that, notwithstanding this subtitle, an
20 action of the Commission under this section is final;
21 that is, the denial of the petition to clarify, is final
22 on the date on which it is served. And a civil action
23 to enforce, enjoin, suspend or set aside the action may
24 be filed after that date.

25 So the Hobbes Act 60 days would have begun

1 running when the petition to clarify was denied,
2 wouldn't it?

3 MR. RUSH: That's correct, except viewed as an
4 administrative appeal, it has also been held that a
5 properly filed administrative appeal -- which is what we
6 deem the two petitions to reconsider the denial of
7 clarification to be -- tolls that period and commences
8 it running at the time of the denial of the
9 administrative appeal.

10 QUESTION: A petition to reconsider stays the
11 -- tolls the running of the Hobbes Act?

12 MR. RUSH: It commences the time running for
13 seeking judicial review, much as denial of a petition
14 for rehearing in a lower court starts the time for
15 seeking certain --

16 QUESTION: Judicial review of what? Of the
17 original order?

18 MR. RUSH: No, no, no. Of the denial of
19 clarification. We've contended all along that all that
20 was open to the court was denial of clarification.

21 The question of whether --

22 QUESTION: Why was that even open? Why was --
23 let's do it more simply. Let's assume you have an
24 ordinary ICC order, in a rate-making or any other
25 proceeding. Sixty days have gone by.

1 Within those 60 days, a petition for
2 reconsideration is filed. Then the 60-day time limit
3 expires. Then the petition for reconsideration is
4 decided.

5 No appeal has been filed in the interim. May
6 an appeal now be taken from the original order?

7 MR. RUSH: It may, if I understood your
8 question, that a properly filed petition for
9 reconsideration was filed with the agency.

10 QUESTION: Within the 60 days?

11 MR. RUSH: Within the time limit.

12 QUESTION: And then the 60 days expire.
13 That's not how the Hobbes Act reads.

14 MR. RUSH: Well, that -- there are a number of
15 cases that are not included in our brief, I regret to
16 say, that address that issue.

17 QUESTION: It's not what Eagle-Picher says.
18 It's not what any D.C. Circuit case says that I'm aware
19 of. In fact, the D.C. Circuit has advised the ICC
20 practitioners explicitly that they should file the
21 motion for reconsideration with the agency, and
22 simultaneously file an appeal to protect their rights,
23 because the motion for reconsideration does not preserve
24 the 60-day period.

25 MR. RUSH: Well, there are other cases that do

1 address that, and have in fact held that the time
2 commences from the --

3 QUESTION: Well, I'd like to know what they
4 were. Could you --

5 MR. RUSH: I will supply them to the Court.
6 I'm sorry I don't have them. And at the Commission we
7 have acquiesced in that interpretation for the last,
8 about, eight year.

9 Now, I understand the question, the ripeness
10 issue, as being another issue that you're very concerned
11 with, and so are we. And Eagle-Picher, we think, will
12 improve things greatly in review of our decisions,
13 particularly in cases like this, where the issue
14 certainly ought to have been foreseen, because the
15 parties, the MKT here, and the DRGW, explicitly
16 requested the right to crew with their own crews under
17 the trackage rights that were being granted.

18 QUESTION: Let me make sure I understand your
19 argument now. We had here the denial of the petition to
20 clarify, all right.

21 MR. RUSH: That's correct.

22 QUESTION: And your argument is that the
23 petition to reconsider the denial, what, tolls the
24 60-day period as long as that petition is pending, the
25 60-day period is tolled?

1 MR. RUSH: Made the 60-day period, for appeal
2 of that denial of clarification, run from the date the
3 administrative appeal is denied.

4 QUESTION: But what do you do with the statute
5 that says, notwithstanding the ability to file a motion
6 for reconsideration, notwithstanding it, an action of
7 the Commission under this section is final on the date
8 in which it was served, and a civil action to enforce or
9 suspend it may be filed after that date?

10 MR. RUSH: Well, I think we look at the "may"
11 in that, and also consider the issue of exhaustion of
12 administrative remedies, which is implicated in a D.C.
13 Circuit case shortly after that very provision was
14 passed.

15 QUESTION: It may be filed. It must be filed
16 for purposes of statutory limitation purposes.

17 MR. RUSH: Well, we have not so interpreted
18 it. We've interpreted it to mean that you cannot be
19 required to seek an administrative appeal. You can go
20 directly to court.

21 But should you choose to file an
22 administrative appeal, that your time to go to court
23 runs from 60 days after that appeal is dealt with.

24 QUESTION: So long as the appeal is filed
25 within the 60 days?

1 MR. RUSH: That's correct.

2 QUESTION: That does seem -- that does seem to
3 -- that does seem to disregard the 60-day reference in
4 the statute.

5 QUESTION: Well, isn't this a matter for your
6 opposition as well as for you?

7 MR. RUSH: Yes, I'm sure it is, Justice Black.

8 QUESTION: (Inaudible) real substance to it,
9 you'll win.

10 MR. RUSH: But on a very narrow ground. We
11 initially moved to dismiss, and the court then took the
12 issue, in part I presume because of the suggestion that
13 we might be required as a matter of law to have
14 addressed the question of the relation between the
15 Interstate Commerce Act and the Railway Labor Act.

16 QUESTION: And you want a ruling on the merits?

17 MR. RUSH: Yes, we very much do, having
18 exerted this much time and effort in the case to date;
19 and I believe that the respondents want the same thing.

20 We want vastly different rulings. But
21 nonetheless, a ruling seems very much necessary to guide
22 the parties for the future in these matters. And there
23 are innumerable matters pending, as we've noted in our
24 petition for the writ.

25 QUESTION: One more question. We've just been

1 talking about filing the reconsideration for the
2 petition to clarify.

3 Okay, the petition to clarify itself was filed
4 more than 60 days after the original decision here was
5 rendered, right?

6 MR. RUSH: That's correct.

7 QUESTION: So your theory would not even cover
8 that?

9 MR. RUSH: No, I --

10 QUESTION: How do you enable us to get into
11 the merits of the original order on the basis of the
12 petition to clarify?

13 MR. RUSH: I think that very much as with a
14 rule, and there are a number of cases from the D.C.
15 Circuit on that, that rather than go to court with an
16 untimely challenge, you can ask the agency to amend,
17 reconsider, in this case clarify --

18 QUESTION: Well, that's all you need to get
19 around the 60 days of the Hobbes Act? Just file a
20 petition to clarify, and then the 60 days can be
21 extended indefinitely?

22 MR. RUSH: Well, we believe, as we've
23 indicated in our brief, that an Eagle-Picher analysis
24 can and should be applied to whether that request for
25 clarification is proper.

1 QUESTION: Well, how does it work out here?
2 Why couldn't all of the points raised in that petition
3 for clarification, which is really more like a petition
4 for reconsideration, it seems to me, why couldn't all of
5 them have been made at the time of the original
6 proceeding, or urged before a court within 60 days after
7 the original proceeding?

8 MR. RUSH: They can, and unquestionably,
9 should have been. The issue is --

10 QUESTION: Well, that's the end of it then, as
11 far as Eagle-Picher is concerned, isn't it?

12 MR. RUSH: Well, of course, Eagle-Picher has
13 been -- not been applied retroactively, if you will,
14 when this case was in the pipeline.

15 QUESTION: Well, nor is Eagle-Picher -- nor is
16 Eagle-Picher a decision of this Court.

17 MR. RUSH: That's very correct.

18 QUESTION: Mr. Rush, if the respondents had
19 raised the issue of their collective bargaining rights
20 during the original ICC hearings on the merger, would
21 the agency have considered them, the ICC?

22 MR. RUSH: I have no doubt they would have,
23 Justice O'Connor. I mean, that's the point of having
24 all of the matters in tension presented at one time.

25 QUESTION: Well, the respondents seem to be

1 suggesting that had they done so they wouldn't have been
2 heard. And I wondered what your position was.

3 MR. RUSH: I think they have absolutely no
4 basis for that assertion.

5 QUESTION: Are there any limits as to what the
6 ICC can exempt under this statute? Or does the exempted
7 action have to be germane to the transaction?

8 MR. RUSH: Well, the ICC does not exempt.
9 That is a critical aspect of the case. The ICC
10 approves, and the statute exempts.

11 But yes, certainly, the exemption effected by
12 the statute could raise an issue of germaneness to the
13 transaction. And in that context, perhaps Palestine
14 revisited would come out differently if, in that case,
15 that had been a central aspect of the merger as crewing
16 was here.

17 Instead, in that case, the situation was that
18 they said, since you're approving the merger, by the way
19 can you get us out of this agreement that we're not very
20 fond of. And we said, sure, ignore it.

21 But had, for example, the consolidation of
22 yards, of which Palestine was one, been a public benefit
23 associated with the merger, I think you'd get a very
24 different analysis. And I think that's what, in
25 essence, is involved here.

1 QUESTION: Why don't you spend a couple of
2 minutes on the merits before your --

3 MR. RUSH: Well, I had hoped to reserve some
4 time. But the issue on the merits seems to be very
5 simply the question of the Commission's approval of the
6 transaction effecting a statutory exemption from all
7 other laws and impediments to the carrying out of the
8 transaction.

9 And the problems presented are classically
10 illustrated by the case here, where a condition which
11 the Commission imposed upon its approval of one of the
12 most significant rail mergers ever approved by it has
13 been thrown into doubt and left open with a cloud
14 hanging over it for three, close to four, years.

15 The Commission approved it in 1982, and that
16 approval was affirmed by the D.C. Circuit in 1983.

17 Hence we believe that unless the view
18 expressed by the Commission is carried out here, the --

19 QUESTION: Mr. Rush, can I ask just one
20 question. In the Commission's view, when did the
21 exemption from the Railway Labor Act take place? On
22 October 20, when the original transaction was approved,
23 or later on, when all the petitions were denied?

24 MR. RUSH: I would think when the Commission's
25 approval had withstood judicial review, sir.

1 QUESTION: You don't contend that the
2 exemption became effective automatically on October 20,
3 1982?

4 MR. RUSH: Well, I think it does, subject to
5 being overturned, if some aspect of the decision is
6 overturned on reviewed.

7 So yes, I would think that the Commission's
8 approval causes the statute to exempt the transaction.
9 But that if some aspect of that approval is subsequently
10 overturned or modified, then the extent of the --

11 QUESTION: Yes, but nothing has been
12 overturned since then.

13 MR. RUSH: No, it has not. So that it --

14 QUESTION: Well, that's not quite right, I
15 guess, because -- well, okay.

16 MR. RUSH: In the context of this case, my
17 answer would be that it took place in 1982 when the
18 Commission approved the transaction.

19 And if I may, I'd like to reserve the balance
20 of my time.

21 CHIEF JUSTICE REHNQUIST: Thank you, Mr. Rush.

22 We'll hear now from you, Mr. Manson.

23 ORAL ARGUMENT OF JOSEPH L. MANSON, III, ESQ.,

24 ON BEHALF OF PETITIONER MO-KS-TX RAILROAD

25 MR. MANSON: Mr. Chief Justice, and may it

1 please the Court:

2 Mr. Rush has just told you that the ICC wants
3 a ruling on the merits. Let me assure you that the
4 Missouri-Kansas-Texas would be delighted with a ruling
5 on jurisdictional grounds, if the ruling of this Court
6 is that the Court of Appeals did not have jurisdiction
7 to hear the appeal of the unions below.

8 That's precisely what we argued to the Court
9 of Appeals. We moved to dismiss the action.

10 The decision of the ICC approving the merger
11 was dated October the 20th, 1982. According to Judge
12 MacKinnon, he found that the time for an appeal under
13 the Hobbes Act expired on December the 20th, 1982.

14 Yet a petition for clarification, filed by the
15 unions, the BLE in this case, was not filed with the
16 Commission until April the 4th, 1983.

17 The Administrative Orders Review Act, or the
18 Hobbes Act, provides that any party aggrieved by a final
19 order of an agency may within 60 days file a petition
20 for review.

21 In our judgment, the Court of Appeals below
22 failed to follow National Bank of Davis and the
23 Eagle-Picher decisions.

24 QUESTION: (Inaudible) any of the questions in
25 the petitions reserved?

1 MR. MANSON: Well, it's not raised in our cert
2 petition, but the government raised it in there, as a
3 preliminary matter in its belief. And we would
4 subscribe to the government's view on that point.

5 Turning to the merits, the Commission
6 conditioned its approval of the Union Pacific-Missouri
7 Pacific-Western Pacific merger upon a grant of a
8 competitive trackage rights application, filed by the
9 Missouri-Kansas-Texas Railroad.

10 In that application, Katy proposed to use its
11 own crews, and to operate over the lines of its
12 principal competitor, the Missouri Pacific, between
13 Kansas City and Omaha.

14 The Brotherhood of Locomotive Engineers and
15 the United Transportation Union represent employees on
16 both the Katy and the Missouri Pacific.

17 Despite the fact that both of those unions
18 entered into implementing agreements with Katy, on
19 behalf of Katy employees, that provided that the Katy
20 employees would provide the operations in this trackage
21 rights application, those unions argue in this case that
22 Missouri Pacific employees have rights under the Railway
23 Labor Act to bargain with the Missouri Pacific
24 concerning the crewing of Katy's trackage rights
25 operation.

1 If the unions are correct that this
2 negotiation is governed by the procedures of the Railway
3 Labor Act, then the unions would have the right to
4 strike over this issue.

5 We agree with the government's analysis of the
6 fundamental errors in the Court of Appeals
7 interpretation of the consolidation provisions of the
8 Interstate Commerce Act.

9 We would emphasize that this statutory scheme
10 was enacted by Congress to encourage railroad
11 consolidations; and according to the legislative
12 history, to restore to the carriers all initiative in
13 formulating consolidation proposals.

14 Indeed, this Court noted in *United States*
15 *versus Interstate Commerce Commission*, that although the
16 Commission in fulfilling its statutory responsibilities
17 is to carefully review all of the terms of a merger
18 proposal, and determine whether they are just and
19 reasonable, it is not for the agency, much less the
20 courts, to dictate the terms of the merger agreement
21 once this standard has been met.

22 Unions or other parties contesting trackage
23 rights applications have never been given the rights to
24 change the terms of the carriers' proposals, as the
25 unions in this case seek to do. Rather, those parties

1 are given an opportunity to demonstrate to the
2 Commission that the proposed terms and conditions are
3 inconsistent with the public interest.

4 The Court of Appeals' decision is inconsistent
5 with the decisions of this Court, particularly
6 Schwabacher v. United States and Texas v. United States.

7 In Schwabacher, the Court held that once the
8 Commission approved a railroad merger under Section 5 of
9 the Interstate Commerce Act, the predecessor of Sections
10 1130 -- 343 and 11343, the approved transaction goes
11 into effect without the need for invoking any approach
12 under State authority.

13 This answers the question that you raised,
14 Justice Stevens, about the date of the effect of the
15 Commission's exemption. That exemption was -- went into
16 effect as soon as the Commission approved the decision.
17 And in this instance, after the Court of Appeals ruled
18 on the appeal from that decision.

19 If the Court of Appeals' necessity standard in
20 this case --

21 QUESTION: Would that also -- would that also
22 have been true if the terms of the trackage lease
23 agreements had not said anything about who would do the
24 crewing?

25 MR. MANSON: Yes, it would, Your Honor. The

1 focus, in my judgment, and in our judgment, has to be on
2 the impact of the statute, and what would happen under
3 the statute if the carriers were not exempted from it.

4 Even if the crew provisions were left blank,
5 giving the unions the right to negotiate under the
6 Railway Labor Act, the identity of the crews would also
7 give them a concomitant right to strike.

8 And if they're given the right to strike, then
9 the trackage rights operation can be frustrated. And
10 that's what the Commission recognized in its decisions
11 in this case. And that's what -- one of the main
12 reasons Congress intended for these exemptions to apply.

13 But under the Court of --

14 QUESTION: But Mr. Manson, what did the
15 statement in the ICC labor protective conditions, to the
16 effect that collective bargaining rights shall be
17 preserved, mean?

18 MR. MANSON: That provisions means, Justice
19 O'Connor, that the collective bargaining agreements, the
20 rights of the employees, are preserved, but in the
21 context of the Commission's approval.

22 You'll see that there's another provision of
23 the labor protective conditions that provides that the
24 carriers have a right to arbitrate over the
25 implementation of their agreements, in Article I Section

1 4.

2 And clearly this right to arbitrate is not
3 found in the Railway Labor Act. This right to arbitrate
4 disputes in implementations necessarily involves the
5 overriding of collective bargaining agreements,
6 especially in seniority matters.

7 And so we believe that that Article I Section
8 2 on the preservation of collective bargaining rights
9 must be read in the context of the other labor
10 protective conditions that are imposed; and more
11 importantly in this case, in the context of the
12 Commission's approval of the transaction at issue.

13 QUESTION: I'm not sure what you're saying.
14 You mean it preserves collective bargaining rights
15 except with respect to those matters that are
16 specifically disposed of by the agreements?

17 MR. MANSON: Well, except, I would say
18 principally -- the principal exception would be with
19 respect to the implementation of a transaction.

20 If, for example, a collective bargaining
21 agreement provide that there could be no layoffs, and
22 the Commission found that in order to satisfy the public
23 interest, there had to be a consolidation of facilities
24 as proposed by the carriers, then that provision of the
25 collective bargaining agreement must give way to the

1 Commission's approval.

2 And I think it's important to note that the
3 employees are not left out in the cold. They have a
4 whole series of benefits, of compensation benefits, that
5 the statute provides, including the receipt of full pay
6 for up to six years in the event that they are dismissed
7 as a result of the transaction.

8 QUESTION: Well, why wasn't the Commission's
9 order qualified then? You say that the statement
10 doesn't mean literally what it says, that not all
11 collective bargaining rights are preserved. So why
12 wasn't it qualified?

13 MR. MANSON: Well, because I think that it's
14 clear from the -- from reading Article I Section 4 in
15 conjunction with Article I Section 2, and it's certainly
16 clear from the decisions of the Interstate Commerce
17 Commission, from the legislative history and decisions
18 of the courts, that provisions of collective bargaining
19 agreements must give way to implementation of
20 Commission-approved transactions.

21 If the Court of Appeals' necessity standard
22 that it adopted were applied to the facts of
23 Schwabacher, the carriers would not have been able to be
24 exempted from the Michigan State law at issue there,
25 since the State law did not preclude the merger from

1 being implemented.

2 Likewise, applying the majority's rationale to
3 the facts of Texas v. the United States would lead to
4 the conclusion that the carriers could not be exempted
5 from the State statute at issue in that case, for the
6 same reason.

7 But the most glaring error in the majority's
8 opinion is its failure to assess whether the Railway
9 Labor Act procedures sought to be enforced by the unions
10 could frustrate the implementation of Katy's trackage
11 rights operation.

12 Putting aside for the moment the fact that the
13 unions never demonstrated that they had any Railway
14 Labor Act rights that were being violated by the Katy's
15 crewing decision, the court below failed completely to
16 focus on the fact that the application of Railway Labor
17 Act procedures, and especially the fact that the unions
18 may strike under the statute, could frustrate the
19 implementation of every rail transaction approved by the
20 Commission.

21 The most pertinent decision to this case on
22 that score is the Eighth Circuit decision in Missouri
23 Pacific Railroad v. United Transportation Union. In
24 enjoining the UTU from striking the Missouri Pacific in
25 an effort to shut down Katy's trackage rights operations

1 at issue in this case, in that decision, the Eighth
2 Circuit found it inconceivable that Congress could have
3 intended that a labor union would be able to participate
4 in an ICC proceeding, as UTU did, and then, if
5 dissatisfied with the results or a part thereof, strike
6 a carrier to obtain the advantage it desired.

7 That is the same conclusion reached by the
8 Commission in its October, 1983 decision in this case,
9 when it specifically found that its approval of the
10 transactions under Sections 11343 and 11344 necessarily
11 carries with it an exemption from the Railway Labor Act.

12 The Eighth Circuit decision again in Missouri
13 Pacific v. UTU refutes any argument that a Railway Labor
14 Act exemption is not necessary in this case.

15 In its opinion enjoining the UTU's threatened
16 strike, the District Court of Missouri found that the
17 threatened strike of UTU would cause irreparable injury
18 to Missouri Pacific and to thousands of shippers that it
19 serves.

20 The Eighth Circuit reasoned that the balance
21 and efficiency which Congress sought to achieve through
22 the Interstate Commerce Act provisions relating to rail
23 consolidations would be essentially and materially
24 frustrated if employees were free to strike.

25 For these reasons, we suggest that the Court

1 should reverse judgment of the Court of Appeals.

2 CHIEF JUSTICE REHNQUIST: Thank you, Mr.
3 Manson.

4 We'll hear next from you, Mr. Ross.

5 ORAL ARGUMENT OF HAROLD A. ROSS, ESQ.,
6 ON BEHALF OF RESPONDENT BROTHERHOOD OF
7 LOCOMOTIVE ENGINEERS

8 MR. ROSS: Mr. Chief Justice, and may it
9 please the Court:

10 As petitioners state, this case arises out of
11 a petition to review an order of the Interstate Commerce
12 Commission which purported to automatically exempt the
13 participating railroads from the provisions or
14 requirements of the Railway Labor Act in their labor
15 contracts.

16 The case, however, involves much more than a
17 question of administrative law. And as -- by the
18 questions of the Court today, apparently there is a
19 timeliness question that also arises.

20 However, that issue was presented to the court
21 below. It was only an oblique reference in the petition
22 for writ of certiorari that was filed in the case by the
23 government in regard to the timeliness issue. And that
24 only, as I understand it, to the scope of the
25 Commission's order or what had been presented before the

1 court in this particular case.

2 QUESTION: It's jurisdictional though, isn't
3 it? Isn't the Hobbes Act jurisdictional?

4 MR. ROSS: Yes, Your Honor. However --

5 QUESTION: Well, if that's the case, the
6 parties simply by agreeing not to raise it can't confer
7 jurisdiction on us, can they?

8 MR. ROSS: However, there are certain
9 exceptions that even the Court of Appeals below
10 recognized are applicable.

11 For example, in Eagle-Picher -- and this was
12 also used in the opinion of the majority in the case --
13 that the instant case clearly presents a situation which
14 the petitioners claim ripened after the expiration of
15 the statutory period due to changed circumstances
16 resulting from a misleading statement of position by the
17 ICC.

18 QUESTION: Well, Mr. Ross, Eagle-Picher isn't
19 a decision of this Court.

20 MR. ROSS: I understand, Your Honor. But I'm
21 just referring to the fact that what really is present
22 before the Court today basically gets to the merit of
23 the case. Whether the Court should enter into the
24 merits of the case is determinative about what the
25 Commission's past practice and its well-established

1 precedent was in this case.

2 QUESTION: But if all that was properly
3 brought to the Court of Appeals was a refusal of the
4 Commission to, in effect, rehear a petition to clarify,
5 I would think the standard of review would be
6 dramatically different than if you were really bringing
7 the merits before it properly?

8 MR. ROSS: Well, Your Honor, the thing was is
9 this, that it's come up in previous decisions of the
10 Court: The organizations, the employee representatives,
11 had no idea that the Commission's order that was issued
12 in October of 1982 had the function that is now being
13 claimed by the Commission that it had; that in other
14 words that the collective bargaining agreements had been
15 effectively abrogated by the Commission's decision.

16 All past precedent that the Commission had
17 ever issued before indicated that it had no jurisdiction
18 over collective bargaining matters; that it had no
19 authority in labor relation matters.

20 Rather the Commission even as -- in 1977, it
21 says that we have no jurisdiction, either to impose crew
22 assignment provisions or to remove crew assignment
23 provisions.

24 QUESTION: But the merger agreements it
25 approved specifically said that the railroads would or

1 might use their own crews. Those were the agreements
2 that were approved.

3 MR. ROSS: But, Your Honor, that had never
4 represented what actually was going to take place. In
5 every previous case that had come before the Commission,
6 the Commission merely put -- approved the financial
7 transaction between the railroads.

8 It never indicated that by doing that that it
9 was making employees rearrangements. And it always said
10 that it wasn't tampering at all with the collective
11 bargaining agreements, or making any accommodation
12 insofar as to the employee work rights.

13 QUESTION: Had all these other ones contained
14 specific provisions like that where the railroads said
15 that they would use their own crews?

16 MR. ROSS: Yes, Your Honor. For example, I
17 was going to get to that, this Court, in RLEA v. ICC in
18 1964, remanded the Southern Central of Georgia case back
19 to the Commission because the Commission purportedly had
20 not inserted Sections 4, 5 and 9 of the Washington
21 agreement in the employee protection.

22 And when it went back to the Commission as a
23 result of that, the Commission was confronted with the
24 very same case that is here before the Court today. The
25 Southern Railway in that case, on remand to the

1 Commission, said, since the rearrangements were
2 contained in our initial application, that means that
3 the Commission's approval of the transaction permitted
4 us to discharge the Central employees and give all of
5 the jobs to the Southern Railway employees.

6 Further, the Commission said at that time that
7 as a result of that the carrier was not required to give
8 notice as would normally be required -- they would
9 normally be required to do under Section 4 of the
10 Washington job -- or the Commission-imposed conditions,
11 which at that time were the New Orleans conditions.

12 The Commission said, no, you have to file
13 notice. You have to give notice to the employee
14 organizations.

15 And the reason for that is, is that when we
16 imposed the condition, we did not make any
17 rearrangements of work forces. We didn't do anything
18 except place into effect the monetary conditions for the
19 protection of employees who might be displaced or
20 dismissed; and also provided a means whereby there would
21 be a selection and allocation of work forces. Which
22 meant, in effect, that the parties would sit down and
23 negotiate, after a certain period of time when the
24 notice had been served, and they would either determine
25 the equities, or if they were unable to do that, that

1 that would be submitted to arbitration.

2 And that's the glue --

3 QUESTION: That's the case in which the
4 consolidation agreement said specifically that --

5 MR. ROSS: The Southern Railway employees
6 would have all of the jobs, or most of the jobs. It
7 specifically stated that.

8 QUESTION: What is the citation -- is that the
9 only example that you have of how the Commission
10 prevoiusly has written opinions like this that didn't
11 mean what they appear to me to mean on their face?

12 MR. ROSS: That citation is at 331 ICC 151,
13 and the discussion, I believe, was at pages 165 through
14 173. And I believe that at page 165, the Commission
15 mentioned this Court's decision in McLean v. U.S., an
16 antitrust case, in which the Commission read that -- and
17 I believe that the Court's decision specifically say
18 that there had to be an accommodation between Interstate
19 Commerce Act and the Antitrust Act, that it didn't --
20 Section 11341's predecessor did not automatically exempt
21 the railroad from the antitrust laws; that there had to
22 be something more than that.

23 The Commission also cited the decision of the
24 Fifth Circuit in the Texas and New Orleans case, which
25 they -- the Commission said required it to achieve some

1 type of accommodation with Section 5 paren 11 of the
2 Interstate Commerce Act which was the predecessor of the
3 Section 11341, did not automatically exempt the carrier
4 from the Railway Labor Act requirements or the contracts
5 that were in effect at that time.

6 As we see it, Your Honor, actually the
7 Interstate Commerce Act and the Railway Labor Act are
8 consistent with each other; that the bond that holds the
9 two acts together is the employee protection; that the
10 only thing in this case that had to be done under those
11 employee protections would be the selection and
12 allocation of work forces.

13 And as I indicated, that strictly is a
14 determination as to the equity between the various
15 employee groups that were involved.

16 Insofar as what would occur after that, the
17 rates of pay, where the home terminal and away-from-home
18 terminal would be, suitable lodging at the
19 away-from-home terminal, or those kinds of matters,
20 those would be dictated by the existing collective
21 bargaining agreements.

22 And as we've indicated, consistently
23 throughout 60 years of the ICC administering the
24 Interstate Commerce Act and the Railway Labor Act, the
25 two acts have existed together.

1 Congress during that entire period has
2 regulated labor relations. As a matter of fact, in
3 1934, 14 years after the predecessor to 11341 was
4 enacted, Congress enacted the Railway Labor Act.

5 And as this Court has found on numerous
6 occasions, that's a very intricate statute that sets up
7 the procedures for handling labor relations in the
8 railroad industry.

9 And even though that -- and Congress went
10 further, and this Court has gone farther, that the
11 Section 2 rights under the Railway Labor Act are to be
12 enforced by the Federal courts; that major disputes are
13 to be governed by the mediatory services of the National
14 Mediation Board; representation disputes --

15 QUESTION: Mr. Ross, may I just ask you to
16 clarify for a minute why you didn't ask in the original
17 proceedings that the ICC specifically eliminate the part
18 of the application that had to do with the crews on
19 trackage rights?

20 MR. ROSS: Justice O'Connor, it was our
21 understanding at the time that the case was heard before
22 the Commission that the Commission would impose certain
23 employee protections.

24 QUESTION: That the Commission would?

25 MR. ROSS: Yes, impose certain employee

1 protections under Section 11347 of the Interstate
2 Commerce Act; and that those employee protections would
3 be the methods by which the rearrangements of forces and
4 other matters that are now before the Court today would
5 be handled.

6 When I filed the petition for clarification
7 with the Interstate Commerce Commission, I thought that
8 the response of the Commission, as it had been so many
9 times before, in cases that are cited in our brief,
10 would be, use your arbitration procedures under the
11 employee protective conditions or the Railway Labor Act.

12 QUESTION: If you thought what the Commission
13 had actually done didn't protect you, I would have
14 thought you would have appealed right away?

15 MR. ROSS: No, Your Honor, we did. We thought
16 that we were fully protected. We thought that the fact
17 that there may have been suggestions in the applications
18 that had been filed by the trackage right --

19 QUESTION: Well, it wasn't a suggestion. It
20 just stated flat out that was what they were going to
21 do. You knew what they were going to do from reading
22 the application.

23 MR. ROSS: But in previous cases, Justice
24 O'Connor, where this had taken place, the employee
25 protective conditions then came into being; the railroad

1 served its notice as to what it intended to do, which
2 contained the so-called rearrangements or the employee
3 schedules that were in its application before the
4 Commission; the parties sat down and negotiated, and if
5 they couldn't agree on what the carrier had suggested to
6 the Commission, then that matter, at least in that
7 narrow area as to the equities, would be resolved by the
8 arbitrator.

9 And there are several arbitration awards which
10 were attached to the brief of the United Transportation
11 Union in this case which shows exactly what I'm saying,
12 that those matters as to what collective bargaining
13 agreements would apply, or what the equities would be,
14 had been handled by arbitrators in the past, and
15 therefore, the employees in this case had no idea that
16 the MKT employees, or the Denver & Rio Grande employees
17 would operate the trains of their carriers the 600 miles
18 or so over the Missouri Pacific, thereby depriving
19 employees of the Missouri Pacific of work that they had
20 handled previously.

21 And that's the understanding that we had. And
22 we were shocked when we received notice from the
23 Missouri Pacific that it -- or when we went to the
24 Missouri Pacific and asked why, they said, we don't have
25 to serve the notice under the employee protective

1 conditions. We don't have to sit down --

2 QUESTION: I guess behind this whole thing is
3 your view that somehow the collective bargaining
4 agreement gave the union you represent the right to have
5 its crews used?

6 MR. ROSS: To a certain extent --

7 QUESTION: Does the record show what the
8 collective bargaining agreement provided? Has that ever
9 been furnished or attached?

10 MR. ROSS: Now, it was not, Your Honor,
11 because of the basis that we had proceeded on before the
12 Commission, believing that the Commission's employee
13 protective conditions would take care of that one
14 limited area, and that the Commission was, as it had
15 said previously like in the Southern Central of Georgia
16 case, that its decision had no effect whatsoever on the
17 collective bargaining agreements.

18 As a matter of fact, Article 1, Section 2 of
19 the conditions that had been imposed by the Commission
20 in this case specifically retains the rates of pay
21 rules, working conditions, collective bargaining
22 agreements that were in effect, subsequent to being
23 changed by subsequent collective bargaining agreements
24 or by statute.

25 And therefore, we had understood that those

1 agreements would continue in effect, and that there
2 wouldn't be any problem in regard to the situation
3 that's now presented to the Court.

4 As a matter of fact, we thought that Section
5 11341's language, which says, as necessary to effectuate
6 the transaction, that that language has some meaning.

7 As we find out now, the ICC some 20 years
8 later, following Southern Central of Georgia, says, that
9 that is superfluous language. That really is not
10 necessary at all. When in the Southern Central of
11 Georgia case, it said that there had to be an
12 accommodation between the Railway Labor Act and the
13 Interstate Commerce Act.

14 And in regard to the suggestion that this
15 Court's decision in Schwabacher v. United States
16 disposes of the entire case, I think that Schwabacher --
17 which arose in 1948 -- must be read in conjunction with
18 this Court's decision in Burlington Truck Lines v.
19 United States, where the Court said that the Commission,
20 when it got into labor relations, was dealing in a very
21 delicate area; and therefore, it was required to
22 accommodate the Interstate Commerce Act with the Railway
23 Labor Act.

24 And to this day, the Commission has never made
25 any findings in regard to an accommodation of the

1 Interstate Commerce Act with the Railway Labor Act
2 insofar as railroad operating employees are concerned.

3 It has never made any study as to the economic
4 impacts on the carriers --

5 QUESTION: Well, the merger statute that the
6 ICC was operating under in this case didn't have any
7 specific requirement of accommodation, did it?

8 MR. ROSS: Yes, Your Honor. If we look at
9 Section 11347, which provided that the Commission was
10 required to impose employee protections which included
11 certain protections that had been formulated by Congress
12 in the Rail Passenger Service Act, a combination of the
13 two --

14 QUESTION: But there's no contention that
15 there was a failure to impose that here, is there?

16 MR. ROSS: No, there's no -- no. They did
17 impose the employee protections. But there's some
18 misunderstanding, I think, in regard to what the
19 employee protections do.

20 I gather it's felt that because there are
21 certain monetary benefits that are specified in those
22 conditions, that that takes care of all of the problems.

23 Those monetary protections take care of the
24 displacements and the dismissals. But also those
25 employee protections do more than that.

1 They provide for certain notices that have to
2 be served on the employees; and for other functions that
3 have to take place.

4 And that's why we're trying to say, Your
5 Honor, that the employee protections are the glue
6 between the two acts; and that when you read them
7 correctly, this whole undertaking can be resolved, and
8 requires an affirmance of the decision of the Court of
9 Appeals.

10 CHIEF JUSTICE REHNQUIST: Thank you, Mr.
11 Rosee.

12 Mr. Clarke?

13 ORAL ARGUMENT OF JOHN O'B. CLARKE, JR., ESQ.,
14 ON BEHALF OF RESPONDENT UNITED TRANSPORTATION UNION

15 MR. CLARKE: Mr. Chief Justice, may it please
16 the Court:

17 At the beginning it might be wise to go back
18 to the jurisdictional questions that's been raised here
19 in the arguments.

20 When the ICC's order -- and that's the
21 controlling aspect -- is looked at, the order shows that
22 rail labor's position was what the order imposed; not
23 what the Katy and the Missouri Pacific several months
24 later said the order meant.

25 The ICC's order that was issued in October of

1 1982 said that the trackage right application of the
2 Katy and the Rio Grande were approved, but to the extent
3 specified in the decision, and subject to the conditions
4 for the protection of employees.

5 The conditions for the protection of
6 employees, as required by 11347 of the act, specifically
7 required two things that are relevant to what we're
8 dealing with here.

9 One, that the carriers, in consummating the
10 transaction, had to preserve rates of pay, rules, and
11 collective bargaining agreement of the employees. And
12 they shall be preserved until changed by applicable
13 statute or collective bargaining.

14 Secondly, the conditions required that the
15 carriers -- all carriers -- give notice to all
16 interested employees who might be affected by a
17 rearrangement of the forces, and that they negotiate, if
18 requested by the unions, what's known as an implementing
19 agreement.

20 The implementing agreement, contrary to what
21 is being said in this Court in the briefs -- and just
22 as a matter of an aside, if you'll look at the ICC's
23 findings, beginning in the District Court -- the Court
24 of Appeals, and then on their petition, and then finally
25 on their brief and their reply brief, you'll see a

1 gradual progression into firmness, where before, in
2 front of the District of Columbia -- the Court of
3 Appeals they stated that, yes, there is some language in
4 the conditions that would support the unions' belief
5 that all carriers had to participate in the notice.

6 Now they say, we don't know where they came up
7 with that idea. It's incredible. Because the ICC's
8 never held it.

9 They've never held the other way. And the
10 District Court, in the case that was before the --
11 that's now before this Court on a cert petition to the
12 Eighth Circuit that's still pending, in that case the
13 District Court found that the ICC conditions required
14 the Katy, as well as the MoPac, to give negotiating
15 rights to the Missouri Pacific employees. And they did
16 not.

17 And the reason they did not was because the
18 ICC found in the May 18th and the October opinions that
19 are -- that were subsequently reversed by the Court of
20 Appeals, the reason they did not was because the ICC's
21 order granted them an exemption from that requirement of
22 the protective conditions.

23 But when you go back and put the thing in its
24 proper perspective, what you have in this case is an
25 order of the Commission specifically imposing an

1 obligation -- limiting the applications that were filed,
2 and imposing an obligation on the parties to consummate
3 those transactions in compliance with those orders, with
4 the employee protective conditions.k

5 Now, implementing agreements under the
6 Interstate Commerce Act are not to implement the
7 transaction, as the ICC is now saying, and as the
8 carriers are saying, but historically, back from the
9 time they were first -- the requirement was first
10 imposed back in 1936 by agreement, implementing
11 agreements are to do things. One, to apply -- and this
12 right in Article 4 of the current provisions right now
13 -- to apply the basic terms and protections of the
14 conditions, the protective conditions, to the particular
15 transaction.

16 The transactions, for example, give an
17 employee protection against being required to relocate
18 without -- and changing his residence as a result of
19 that. The question of what is a change of -- what is a
20 required change of residence, if you have to move 30
21 miles, 40 miles or 50 miles, is that a required change.
22 That's a subject for implementing agreements, and it's
23 normally devised -- decided at that point.

24 There are no claims procedures under the New
25 York Dock conditions, and that's what an implementing

1 agreement does. It establishes the claims procedure.

2 It also has a second aspect, and that is, to
3 provide the basis upon which the selection of forces
4 will be made. And it specifically provides, in any
5 assignment of forces, shall be made on the basis of the
6 agreement as to the selection or an arbitration decision.

7 QUESTION: You say, it specifically provides.
8 What is the antecedent of "it"?

9 MR. CLARKE: I guess I got to go back to it,
10 where I said it -- the interstate -- the protective
11 condition itself does not authorize -- when we're
12 talking about the implementing agreement -- it does not
13 authorize the abrogation of collective bargaining
14 agreements.

15 Because the implementing agreement
16 requirement, in the employee protective conditions,
17 provides that -- has two bases. One, to provide for the
18 application of those terms to the particular
19 transaction. And two, to provide for the basis upon
20 which the forces to perform the transaction that's
21 involved will be selected.

22 And if the parties can't agree on that
23 selection basis, that equity ratio, they are then to
24 arbitrate it. That's what arbitrated.

25 And you have to view that arbitration

1 requirement in Article 1, Section 4 along with the
2 requirement in Article 1, Section 2, that they preserve
3 collective bargaining agreements.

4 Historically, as we've shown in the
5 arbitration decisions attached to the brief by the UTU,
6 the Commission's decisions have not been viewed as
7 abrogating or authorizing the abrogation of collective
8 bargaining rights.

9 QUESTION: Well, MR. Clarke, I still don't
10 understand, if you're right that the ICC just doesn't
11 have authority to upset these collective bargaining
12 rights, and if you read in the application what the
13 intention of the merging railroads was with regard to
14 the crews, you could see for yourself that that was not
15 in accord with your view.

16 MR. CLARKE: That's correct, ma'am.

17 QUESTION: Why, then, wouldn't you have gone
18 into the ICC hearing initially and said, eliminate that
19 from the application?

20 MR. CLARKE: We did. We did, Your Honor, and
21 that's the one thing that's being ignored in this case.
22 When the applications were filed by the Katy and the Rio
23 Grande for the trackage rights, rail labor, the UTU in
24 particular along with other unions, filed an opposition
25 to that -- to those applications and said, that if

1 granted as requested they would adversely affect
2 employees' interest.

3 And we asked that if they're approved, that
4 they be approved subject to employee protection
5 conditions. Those conditions would require, as the
6 Commission subsequently imposed, preservation of
7 collective bargaining rights and a voice in the
8 selection of the forces.

9 So rail labor asked for protection if those
10 applications were approved.

11 QUESTION: But did you directly address the
12 crew trackage right problem?

13 MR. CLARKE: We did not directly address the
14 question of whether or not the Katy's provisions would
15 authorize the Katy to implement them with their own
16 people for this --

17 QUESTION: And yet it was perfectly clear in
18 the application was intended.

19 MR. CLARKE: That is correct, Your Honor.

20 QUESTION: That is the sticking point.

21 MR. CLARKE: That is the sticking --

22 QUESTION: That you should be able to lie in
23 wait --

24 MR. CLARKE: It wasn't lying in wait.

25 QUESTION: -- seeing this, and then come in

1 later; that's the point.

2 MR. CLARKE: It was not lying in wait, Your
3 Honor, because the Commission's -- the Commission's
4 approval said that the applications were approved
5 subject to employee protection.

6 This is something that has gone on in the rail
7 industry for years. This case is comparable to the
8 Texas and New Orleans case and the Southern Railway case.

9 QUESTION: Mr. Clarke?

10 MR. CLARKE: Yes, sir.

11 QUESTION: Can I ask you another question?
12 Supposing in October of 1982, all of the arguments that
13 have been had here in this Court and since then were
14 fleshed out before the Commission at that time, and the
15 Commission said, well, we think we'll change the policy
16 we've followed in the past, and with respect to the crew
17 assignments, we think it makes sense, A, to let the
18 leasee railroad use its own crews, and, B, not to have
19 any strikes or arbitration over that issue, and that is
20 what we intend, and so forth.

21 Would they have had -- and we say, we further
22 find that it's necessary in order to effectuate the
23 consolidation promptly and carry out the purposes of the
24 act to do it that way -- would they have had statutory
25 authority to enter that order at that time?

1 MR. CLARKE: No, we submit they would not,
2 Your Honor. And the reason for that is that since the
3 time that the Interstate Commerce Commission was first
4 given the authority to authorize exemptions, and that
5 exemption power is nothing more than a recognition of
6 the supremacy of the Interstate Commerce Commission over
7 the economic regulation of the railroads, it's a
8 preemption and a supremacy provision, from that time --
9 when Congress gave the ICC that power, it also was
10 regulating rail labor relations by Title III of the 1920
11 Transportation Act.

12 Regulation of labor relations is separate and
13 distinct from rail economic regulations by the
14 Interstate Commerce Commission.

15 When the Commission authorizes an exemption,
16 it can only -- the exemption can only be of transactions
17 that it has the power to authorize, or the jurisdiction
18 over.

19 QUESTION: You're saying they had a statutory
20 duty to leave open the question of who would crew the
21 trains?

22 MR. CLARKE: That's correct, Your Honor.
23 Because that goes to the --

24 QUESTION: Even though it might result in a
25 strike and prolonged arbitration?

1 MR. CLARKE: The problem -- that's the
2 argument that comes in later. They're not saying that
3 rail labor has a veto over these financial transactions.

4 Rail labor has had that veto from 1920 and
5 even prior to that. But the transactions haven't been
6 -- thousands of transactions have been authorized. And
7 they haven't been frustrated by a right to strike.

8 The right to strike -- and the need to strike
9 is different than the right to strike. The need to
10 strike only comes about as a result of unilaterally
11 imposed terms being imposed on the employees, as has
12 occurred here.

13 That is why, since 1983, you've had the
14 potential strike on the Missouri Pacific as a result of
15 this; you had the potential strike on the Milwaukee, as
16 shown in the cert petitions; you've had the potential
17 strike up in Boston.

18 All of these are because now you have the
19 Interstate Commerce Commission saying it has a power
20 over labor relations.

21 But since 1976, if there was any question on
22 that, Congress has taken that away, by specifically
23 saying, in the 1976 amendments, that from that date
24 forward, all merger approvals and trackage rights --
25 trackage rights approvals have to include provisions

1 that do two things among others: preserve collective
2 bargaining rights, and provide for the implementing
3 agreements.

4 QUESTION: Yes, but those things could both be
5 preserved and have them nevertheless decide who will
6 crew the train?

7 MR. CLARKE: No, we submit they cannot, Your
8 Honor. And that's the problem that we have here.

9 The employee protective conditions are a
10 bridge, as Mr. Ross indicated, between the Railway Labor
11 Act and the financial transaction.

12 The Railway Labor Act deals with
13 employer-employee. The financial transactions have an
14 added ingredient to it, because suddenly you're dealing
15 with a nonemployer who has an impact on the transaction,
16 namely, the Katy coming over to the Missouri Pacific.

17 You need a bridge to give the Missouri Pacific
18 employees an ability to talk to the Katy. If the Katy
19 wants to go over on the Missouri Pacific tracks, it has
20 to, as a condition of that approval, that right of
21 receiving that right, agree to talk to the Missouri
22 Pacific employees.

23 QUESTION: Would you say that was true even if
24 there was no loss of employment on the landload
25 railroad?

1 MR. CLARKE: Yes, Your Honor, because what
2 you're dealing with in this case -- and to take it out
3 of the theoretical and put it down to the concrete --
4 prior to the consummation of the transaction, January
5 3rd, when the Katy began operations, Missouri Pacific
6 employees performed that work.

7 Now, suddenly, Katy employees are performing
8 that work.

9 QUESTION: No, I'm assuming there's no loss of
10 work on the landlord railroad. Just, you supplement
11 additional operations over the same lines at different
12 times.

13 MR. CLARKE: In that case, Your Honor, the
14 employee protective conditions would most likely work
15 out an arrangement that would give the other carrier all
16 the rights, because it has the equity to perform the
17 work. But they're still talking about it.

18 Now, in this case, the Missouri Pacific
19 employees who performed the work as of January 3rd or
20 January 6th suddenly stopped.

21 Secondly, the Missouri Pacific employees went
22 to the Missouri Pacific and they said, negotiate with us
23 over two things: One, whether or not the Katy can come
24 onto the property and leave us out of the picture; and
25 two, negotiate with us over what you are going to do

1 with our people who are suddenly affected by this
2 transaction.

3 And the Missouri Pacific said, we can't
4 negotiate with you. We have no right to talk to you
5 because the ICC's order gave the Katy the authority to
6 do this. And we can't negotiate with you about that
7 because we can't control what they do.

8 But that's not what the ICC order said. And
9 it was at that point that the parties then began to take
10 the diverging paths.

11 When it became clear to the UTU that the
12 Missouri Pacific would not negotiate, they voted for and
13 declared a strike. When it became clear to the BLE that
14 the parties were not going to negotiate, they went to
15 the ICC and asked the ICC to refute what the Katy and
16 Missouri Pacific and Rio Grande were saying the ICC's
17 order meant.

18 Because the past practice has always been, the
19 Interstate Commerce Commission order, even if the
20 carriers put in the order in the application what they
21 intended to do, that did not bind -- or that did not
22 become part of the order of the Commission.

23 And that's the important thing. Does an
24 application that is submitted to the Commission that
25 says, if we're granted this authority, here's how we'll

1 do it, become an order of the Commission?

2 Historically, it has never been an order,
3 because the carrier does not have to do -- consummate
4 the transaction in the way in which it says, in its
5 application, it will do it.

6 If it says in the application, we're going to
7 use one train crew for 200 miles, the ICC's order
8 certainly doesn't exempt that carrier from the hours of
9 service laws, which prohibit more than 12 hours of work.

10 And as a result of that, the application to
11 the Commission is nothing more than a general blueprint
12 which the Commission then uses to determine whether or
13 not the financial transaction, namely, trackage rights,
14 is in fact within the public interest.

15 QUESTION: What's the best way for us to
16 satisfy ourselves that has indeed been the practice?

17 MR. CLARKE: Your Honor, that's -- I would ask
18 that you take a look at the Texas and New Orleans case.
19 Because in that case, the carriers did exactly what
20 they're doing here.

21 They put in their application an employment
22 contract which they said would govern the consolidated
23 work. And the Fifth Circuit said, that's not what five
24 two allows to be done, and then went into (inaudible).

25 I'd ask you to take a look at the Southern

1 Central case, because in that case, the carrier put into
2 its application how it would go about consolidating.
3 And it put all of the Southern people on the rosters,
4 and took the Central of Georgia and put them at the
5 bottom.

6 And the Commission said that our order didn't
7 go that far.

8 You go back and you take a look at the
9 arbitration decisions that were filed, up until 1983.
10 And two of them were attached -- two arbitration
11 decisions were attached to the UTU brief. One of them
12 was a pre-1983 decision where Referee Zumus went through
13 a tremendous history, including a Referee Bernstein
14 decision under the Washington job agreement, where they
15 specifically said that the conditions did not give the
16 right to abrogate collective bargaining agreements.
17 They were separate and distinct.

18 CHIEF JUSTICE REHNQUIST: Your time has
19 expired, Mr. Clarke.

20 Mr. Rush, do you have anything more? You have
21 two minutes left?

22 REBUTTAL ARGUMENT OF HENRI F. RUSH, ESQ.,

23 ON BEHALF OF THE PETITIONER ICC

24 MR. RUSH: Yes, I do. There's so much I
25 disagree with Mr. Clarke on that it's hard to know where

1 to start.

2 But I think perhaps the most fundamental issue
3 is the question of Commission approval, and the effect
4 that it has in connection with the employee protection
5 conditions.

6 First, I would note that in every case cited
7 to you by rail labor, they have been dealing with the
8 actual combining consolidating carriers themselves. In
9 this case, that would be the Missouri Pacific, the Union
10 Pacific and the Western Pacific.

11 The Missouri Pacific, the Union Pacific and
12 the Western Pacific have honored the employee protection
13 conditions as to rearrangement of forces, including the
14 displacements resulting from their acquiescing in the
15 condition imposed by the Commission that the Katy and
16 DRGW be permitted to operate trackage rights utilizing
17 their own crews.

18 There is no case anywhere holding that in the
19 context of an imposed condition, or even in the context
20 of a trackage rights situation, where the Commission has
21 looked at a term and deemed it to be a material term,
22 that RLA rights continue to exist.

23 And the reason that there has never been a
24 disputation on this is that until this case, labor has
25 never asserted that right.

1 Turning to the question Justice O'Connor asked
2 about what does the Commission guarantee of existing
3 collective bargaining agreements mean, and coupling that
4 with the other observation made that in 1976 with the
5 amendment to 11347 Congress intended to require that
6 existing collective bargaining agreements be preserved
7 and kicked over into the RLA, the Commission's
8 provisions, as the Commission explained, preserve
9 collective bargaining simply to the extent of the
10 approved transaction.

11 If I may finish this sentence on the 11347
12 amendment, the Amtrak agreements which were required to
13 be incorporated were added to ensure that all collective
14 bargaining would not be eliminated because the railroads
15 were transferring their operations to semi-public
16 Federally funded operation.

17 CHIEF JUSTICE REHNQUIST: Thank you, Mr. Rush.
18 The case is submitted.

19 (Whereupon, at 2:45 p.m., the case in the
20 above-entitled matter was submitted.)
21
22
23
24
25

CERTIFICATION

Alderson Reporting Company, Inc., hereby certifies that the attached pages represents an accurate transcription of electronic sound recording of the oral argument before the Supreme Court of The United States in the Matter of:

#85-792 - INTERSTATE COMMERCE COMMISSION, Petitioner V. BROTHERHOOD OF LOCOMOTIVE ENGINEERS, ET AL.; and

#85-793 - MISSOURI-KANSAS-TEXAS RAILROAD COMPANY, Petitioner V. BROTHERHOOD OF LOCOMOTIVE ENGINEERS, ET AL.

and that these attached pages constitutes the original transcript of the proceedings for the records of the court.

BY Paul A. Richardson

(REPORTER)

RECEIVED
SUPREME COURT, U.S.
MARSHAL'S OFFICE

'86 NOV 17 P5:05