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*Illustrated.

An interesting feature of the fuel economy campaign being conducted on the Chicago Great Western, a description of which is published elsewhere in this issue, is the success attained in determining the amount of coal used by each engine crew. In contrast to the results obtained on some roads the automatic recording scale for weighing the coal delivered to locomotive tenders has given satisfactory service. The method of estimating the amount of fuel left on the tenders on arrival at terminals by means of metal strips on the sides of the coal space is also giving good results. This estimating is done by one man at each roundhouse, who becomes sufficiently experienced to give a close estimate. The secret of the satisfactory use of the scales is in their periodic

inspection and careful maintenance. Another thing in favor of the plan adopted by this road for the economical use of fuel is its organization. The superintendent is supreme on each division over every department. He is held responsible for the fuel record on his particular division; and because of his absolute authority he is in a position to enforce the proper co-operation between the different departments. The economical use of fuel is a live issue all over the road, and the enginemen display a friendly rivalry in seeking to head the published list each month. The fuel potential is not placed so high but that it may be beaten by some of the more careful crews, with the result that the crews have faith in the figures and know that the management desires to give them a fair chance. The success of any system is dependent largely on the faith the men concerned have in it, and from all reports the one in effect on the Great Western has the confidence of the enginemen as well as of the officers of the road.

On Monday of this week Mayor Mitchel of New York talked by long distance telephone directly with Mayor Ralph of San Francisco. This inauguration of direct long distance telephone service between the Atlantic coast and the Pacific coast is the result of a successful achievement by private ownership of a public utility

unaided by government and in spite of restrictive legislation. To get a telephone connection with a number in London from anywhere outside of a radius of 25 miles takes fully half an hour, and when the connection is at last obtained it is so bad, 50 per cent of the time, and so interrupted, as to try the patience of a saint. In England, as in France and other European countries, the telephones are operated by the government. The establishment of direct telephone service between New York and San Francisco cannot help but stir the imagination even of a people who have become casehardened to the achievements of modern science. As a matter of fact, however, it is no more of an achievement and no more deserving of admiration and praise than is the perfection of the kind of telephone service that is given in a single city like New York or Chicago. If it were possible to make a statistical compilation showing the percentage of avoidable annoyances in telephone connections to the total possibilities of annoyance through some slight error or carelessness on the part of operators, the minuteness of this percentage would be striking. The perfection of training of the telephone operators generally in a city like New York is a stupendous task and its successful accomplishment is undoubtedly in very large measure due to the will of one man impressing on the minds of subordinate officers that courteous service by telephone operators must be attained. Such a result under government ownership is inconceivable.

Dick Brothers, a brokerage house of New York, after having offered to sell to the Pennsylvania their holdings of the minority stock of the Long Island at par, which offer was, of course, refused, have sent out a circular to Long Island minority stockholders charging the Pennsylvania with mismanagement of the Long Island.

The Long Island and the Pennsylvania

In an attempt to show that this is not an ordinary case of holdup, Evans R. Dick has drawn attention to the fact that in 1900 the Long Island was prosperous, and in 1913 showed a deficit of more than \$1,000,000. As a matter of fact, 1900 happened to be one of the most prosperous years in the history of the Long Island and in that year it earned \$59,000 above interest and fixed charges, or half of one per cent, on its \$12,000,000 stock; and even in that year, after crediting this \$59,000 to profit and loss, it was carrying a debit balance in the profit and loss account of \$844,000. The charges against the Pennsylvania should be dismissed without mention were it not that they call attention in a rather interesting way to the inadequacy of passenger rates at a time when this subject is particularly interesting to the Interstate Commerce Commission and rail-

road managers all over the country. The Long Island is dependent for more than half of its total gross revenue on passenger business. The road does a very large commutation business, but its commutation rates are generally higher for short distances than on the other roads doing a large commutation business out of New York City. The road is particularly well managed, Mr. Thornton's "call" by England being a commentary on the management of the Long Island. Passenger business is dense and in some respects analogous to the business on English railroads. Nevertheless, the Long Island has been adding, almost without exception, each year to its deficit, the Pennsylvania really standing the losses. The particular minority stockholders who have raised the protest are not in need of sympathy, but railroad stockholders generally, and also the Interstate Commerce Commission and especially the state commissions, should carefully study the Long Island situation. The Interstate Commerce Commission has shown in various ways that it is aware of the inadequacy of passenger rates, but state commissions are still either wilfully or ignorantly unaware of the facts.

WHAT SHALL BE DONE REGARDING THE VALUATION?

SOME people believe and allege that the railway managers are opposed to the continuance of the federal valuation of railways. They are mistaken. The leading railway managers are divided in opinion on this subject. Some of them believe that the valuation should be discontinued at once, on the ground that it would not afford a practical basis for the regulation of rates, and that therefore to carry it to a completion would be a waste of both the railroads' money and the public's money. Others advocate making a valuation of only some group of roads, to determine the practicability of using valuation as a basis for the regulation of rates.

Still others favor carrying the project through to completion. No railway manager regards valuation as a desirable or practicable basis for regulating all rates. But a large part of the public still believes that the railways as a whole are overcapitalized, and that a valuation of their properties should be made to determine whether their net earnings and rates in general are reasonable. The railway managers who favor completing the valuation are confident that as to a large majority of individual roads it will exceed their capitalization, and that as to the railways as a whole it will greatly exceed their capitalization; and they wish to see it finished as a means of confuting those who charge that the railways are overcapitalized, and of establishing their right to larger net earnings and advances in rates.

A highly interesting discussion of the question of the continuance of the valuation work was contributed to the *Railway Age Gazette's* annual review number, published January 1, by Charles A. Prouty, director of valuation of the Interstate Commerce Commission. Mr. Prouty makes a very able and persuasive argument for the continuance of the valuation. He points out that, regardless of anybody's opinion concerning the practicability of using valuation as a basis for the regulation of rates, the courts have held that it is the chief standard for measuring their reasonableness as a whole. He concedes that it would be folly for the Interstate Commerce Commission to hold that it could not act on petitions of the railways asking for advances in rates until after the valuation is done; and he also concedes that after the valuation is finished the commission probably should not restrict the railways to a return on their valuation so low as barely to avoid confiscation. But, he argues, the commission and the courts should have a valuation to serve as a guide in the regulation of rates as a whole, and the problem of regulating them will never be solved until a valuation is made.

While we recognize the force of Mr. Prouty's argument, we believe that there is much force also in the contention that instead of trying to make a valuation of railroads in all parts of the country at once, as the commission is now doing, it would be best for it to confine its work for the present to some one group of railways, and, if a valuation of all is to be made, to

take them up group by group. Suppose that it goes on making simultaneously valuations of one road in the East, of another in the South, of another in the Northwest, of another in the Southwest, and so on, as it is now doing. It has been estimated that it will take ten years to finish the appraisal of all the lines in the country. If so, by pursuing its present policy, in ten years from now the commission will report a valuation for all railways which will not be as of the same date for any two roads in the same group. It will report a valuation as of one date for the Baltimore & Ohio and as of another date for the Pennsylvania. It will report a valuation as of one date for the Great Northern, and as of another date for the Chicago, Milwaukee & St. Paul. This procedure, it would seem, would render it impossible to regulate the rates in any territory with reference to the valuation until it was entirely finished, because rates must be regulated, if they are to be fairly regulated, on groups of railways, and not on individual railways. Another result might be, it would seem, that it would be impossible to use the valuation as a basis for the regulation of rates at all because of the differences between the dates on which it would be finished on different railways in the same group. Suppose that the valuation on the Baltimore & Ohio were finished in 1916, and that on the Pennsylvania in 1924. Could valuations of these two roads finished eight years apart be used as bases for the regulation of their competitive rates? It is true that it is planned after the valuation of a road is made to keep it up to date by accounting methods, but the courts hold that the measure of the reasonableness of rates fixed by public authority is the value of the property at the time they are fixed, and it is very questionable whether a valuation made five or ten years ago and kept up merely by bookkeeping methods would be accepted as a satisfactory valuation today.

Suppose, on the other hand, that the commission should take the railways a group at a time. There would be no serious difficulty in dividing them into groups. The New England lines naturally fall into one group, the Eastern Trunk lines into another, the Central Freight Association lines into another, the Trans-Missouri lines into another, and so on. It would take nowhere near as long to make a valuation of one group as to make a valuation of all groups. Under this plan the valuation of all the railways in a group would be made as of the same date. When the valuation of one entire group was finished the commission could at once begin to regulate rates with reference to it. The legal questions which the making of the valuation, and the attempt to use it as a basis for the regulation of rates, are sure to raise can be raised just as well in respect to the valuation of a single group of roads as in respect to the valuation of all the railways. If the valuation of a single group were begun now and pushed to completion these legal questions might be raised and settled before the valuations of most of the other groups were finished, or perhaps even begun. The settlement of these questions would be of immense value to congress and the commission in dealing with the valuation of the other groups.

Furthermore, if the commission should evaluate the roads group by group it would be only a comparatively short time until some practical use could be made of the valuations of one or more groups—assuming that the valuation will be of any practical use at all; whereas, if the commission continues its present policy of making valuations of roads scattered all over the country, little or no use, it would seem, can be made of the results until the entire work shall be finished, and all the legal questions shall be fought out in the courts, which would be years in the future.

The argument in favor of taking up the railways group by group seems overwhelmingly strong, and it is to be hoped that this plan will be given early and serious consideration by the commission. It seems to be the right plan, whether the matter be viewed from the standpoint of those who question the desirability and practicability of valuation as a basis for the regulation of rates, or from the standpoint of those who, like Director Prouty, have no doubt of its desirability and practicability. If