

# THE PENNSYLVANIA RAILROAD SYSTEM

Broad Street Station  
PHILADELPHIA, PA.

Pennsylvania Station  
PITTSBURGH, PA.

## Why Freight Rates Should Be Increased On The Pennsylvania Railroad

Mr. George D. Dixon, Vice-President in charge of Traffic of the Pennsylvania Railroad Company, addressed the shippers of Pittsburgh concerning the proposed advance in freight rates at a meeting at the Pittsburgh Chamber of Commerce on June 6th. Mr. Dixon's remarks, in part, are given below:

Railroad managers feel, and I believe the business men of the country concur, that the great transportation interests must continue to develop. With the growth of traffic which will naturally follow, greater terminals, more tracks, and a large increase in cars and locomotives will be necessary to handle the business.

In the passenger service, it is necessary that the public should have the fullest measure of safety and comfort which the railroads can furnish. This means the removal of grade crossings, the installation of automatic signals, and the construction of all-steel cars. All of these things have to be paid for, and for that purpose capital must be raised. If the investor is not assured of a safe return on his money, he will not supply the capital for our purposes; he will put it elsewhere, either in this country or in some other part of the world. If the investor will not supply us with new money to finance the improvements

which are required, those improvements cannot be made and the public and shippers cannot be supplied with proper facilities. The money must come from somewhere, and unless conditions can be made such as to attract that money, both the railroads and the public they serve will suffer.

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For the above general reasons, the railroads in the Official Classification territory, as a whole, feel it to be necessary for the future welfare of these great transportation interests, and have petitioned the Interstate Commerce Commission to re-open the advance in rates case of 1910.

In so far as the Pennsylvania Railroad Company is concerned, we do not plead poverty or pressing danger. There are many railroad companies, however, to whom this increase is a vital necessity. The position of the Pennsylvania is that an increase is not only warranted but necessary to enable it to continue giving adequate service to the public.

Our Company has not been paying large dividends to its shareholders. The policy has been to pay a reasonable dividend and to regularly put a fair share of earnings back into the property.

If all the money which has been put into the property of the Pennsylvania Railroad Company had been supplied by investors, they would today be earning but 4.83 per cent. on their money. At this moment it

would be absolutely impossible to find new money if that was all the return that it could be expected to yield.

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Though at the moment our Company is in strong financial condition, our records show that for several years past certain very definite tendencies have been at work. These are:

1. A steady increase, partly forced and partly warranted, in the rate of wages. Our wage payments are now at a rate 37.1 per cent. higher than in 1900.
2. A persistent increase in the ratio of cost of operation to total earnings. In 1900, for every dollar we earned, it cost us (including taxes) 67.73 cents to run the road. For every dollar received in 1912, it cost us 78.09 cents for actual operation.

This increase in operating expenses is due not only to the increases in wages and taxes, but also to the fact that the railroad is compelled to employ a constantly greater number of men relative to the work to be done. This is indicated in the cost to the Pennsylvania Railroad east of Pittsburgh alone of extra crew laws, as follows:

Names of States	Estimated Annual Cost
Pennsylvania . . . . .	\$591,805.69
Maryland . . . . .	20,611.40
New Jersey . . . . .	144,373.08
Total . . . . .	\$756,790.17

Up to January 1, 1913, and since August, 1906, our Company had paid out \$10,936,-134.90 to comply with new laws, Federal and State. These laws may have been desirable. This is not the place to discuss that point. At any rate, they are imposed upon us by public authority and we must comply. The public has the right to impose any burdens it pleases upon railways, but

it is palpable that the cost must be met by somebody.

3. A third tendency is toward an unyielding increase in the cost of capital. This is a tendency noticeable throughout the world. The general interest rate is going up, affecting the price of government bonds and securities of all kinds. Railroads must pay more for their money.

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Now, with the cost of handling business steadily encroaching upon the receipts from that business, it is evident that we are approaching a danger point. We feel that we ought, as a matter of sound policy, to be permitted to earn a greater margin between income and outgo. This is absolutely essential if we are to be able to raise the capital to finance our requirements in the next few years.

These requirements, bear in mind, are not for ourselves only, but that we may give shippers and passengers the increased and high class service they have a right to expect. We estimate that on the Pennsylvania Railroad System, in order to do our duty to the public, we must spend within the next few years very large sums of money for additions and improvements. The problem will be how to raise that money, and in solving it we must have the co-operation of the shippers and the public generally.

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Our Company feels it has a peculiar reason for appealing for co-operation in Pittsburgh. During the seven years succeeding January 1, 1902, the Pennsylvania System expended for improvements in Greater Pittsburgh and vicinity an aggregate of \$25,560,000, and your people are now getting the result in ease of traffic movement. During the year 1912, our various companies spent in the Pittsburgh District in round numbers the following sums:

Wages . . . .	\$25,000,000
Supplies and Materials Approximating . . . .	9,000,000
Improvements . . . .	1,000,000
A total of . . . .	<u>\$35,000,000</u>

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Our prosperity is your prosperity, and vice versa. The public should insist upon having the railroads handle its business at

reasonable rates. But given reasonable rates, it is to the public's interest that the railroads earn all the money possible with which to give increasingly good service to the public, and to pay reasonable dividends.

The case is very simple. There is no mystery about it. It is for the Interstate Commerce Commission to determine the merits of the case, but we feel that the shippers and the public are entitled to know the why and the wherefore of what we are asking the Commission to do.

## The Railway Problem

AS STATED BY COMMISSIONER PROUTY OF THE  
INTERSTATE COMMERCE COMMISSION

"The United States is trying an experiment which has never been successfully worked out yet in the history of the world.

"It is trying to build, develop and operate its railroads by private capital under rates and regulations fixed not by the owners of that capital, but by the public. \* \* \*

"We can make rates reasonable, we can remove discrimination, we can put on schedules for the running of trains; all that is easy.

"The question is here: **CAN YOU OBTAIN UNDER THIS SYSTEM THE NEW MONEY WHICH IS NECESSARY TO DEVELOP OUR OLD RAILROAD SYSTEMS AND TO BUILD OUR NEW RAILROAD SYSTEMS?"**

—From address before National Association of Railway Commissioners in Washington, on November 19, 1912.

