

THE PENNSYLVANIA RAILROAD SYSTEM



INFORMATION



FOR EMPLOYEES AND THE PUBLIC

Broad Street Station
PHILADELPHIA, PA.

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Pennsylvania Station
PITTSBURGH, PA.

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“What Can We See Ahead in Railroading?”

Upon the above subject, at a dinner given by the Knife and Fork Club of South Bend, Ind., the following remarks were made by Ivy L. Lee, Executive Assistant of the Pennsylvania Railroad Company.

“There can be but two possible plans of developing the railroads of the United States:

“(1) Private ownership and management, under Government control.

“(2) Government ownership.

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“Our transportation machine is undeveloped. There is but little double or four-track railroad west of the Allegheny Mountains or south of the Ohio River. In Germany there is one mile of railroad to every 5.5 square miles of territory; in this country, but one mile of railroad line to every 13.6 square miles of area.

“Sound American public opinion is opposed to Government ownership. But are we not headed in that direction, not so much by deliberate choice as by drifting into a somewhat chaotic policy of which Government ownership can be the only logical outcome?”

“The sails of our ship are set in one direction, but there is an undercurrent car-

rying us inevitably toward certain shoals and rocks to which we are as a people but yet giving little thought.

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Wage Increases

“What are some of these undercurrents flowing beneath the surface?”

“First. A policy of organized labor slowly but surely moving in the direction of syndicalism. During the recent dispute between the eastern railroads and their trainmen and conductors, one of the leaders of the men remarked that the men cared nothing for the effect upon railroad finances of the payment of continually increasing wages. Their only concern was to bring all possible pressure to bear to obtain for the men at all times the maximum possible wages.

“The tendency of late has been to fix wages not so much with regard to the ability of the railroads to pay, not with primary regard to the needs of the men, not with any regard to the law of supply and demand, but mainly in response to tremendous organized pressure, backed up by the power of the ballot.

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Expensive Legislation

“Second. The policy of States in passing restrictive and burdensome legislation with-

out regard to the result of other States, without regard to the effect upon railroad finances as a whole. The State of New Jersey has passed a law imposing the entire cost of grade crossing removals in that State upon the railroads alone. If that law were to be literally and immediately enforced, the Pennsylvania Railroad would have little money left for the removal of grade crossings in other States.

"The State of Indiana recently ordered railroads to install automatic block signals. The effect has been that on the Pan Handle road, for instance, we have no money left available with which to make the proper signal installations on our lines in Ohio, where traffic is much heavier than in Indiana.

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"There has been in recent years a perfect orgy of State legislation tending to burden railroad operations, tending to benumb the initiative and enterprise of railroad managers, tending to crush the enthusiasm and confidence of railroad investors. In 1913 there were 42 State Legislatures in session; in them were introduced 1395 bills relating to railroad operation, and of that number 230 bills were passed.

"All safety appliances and mechanical improvements are desirable, but some much more so than others, and the vital mistake of a large proportion of this legislation directing the adoption of certain methods and standards of railroad operation is that it fails to discriminate between the relative importance of many desirable ends.

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Burdensome Requirements

"Third. A growing disposition to impose increased financial burdens upon the railroads for purposes only indirectly benefiting railroad users. Nowadays when a railroad company seeks to make some improvement in a municipality, the railroad is called upon to expend additional and unnecessary capital for incidental improvements or ornament to the city.

"There is a constantly increasing burden of taxation. The railroads pay in taxes 19

per cent. of all the revenues of the State of Pennsylvania and 46 per cent. of all revenues of the State of New Jersey. Taxes on the railroads east of the Mississippi and north of the Ohio River have increased 111 per cent. in the past 10 years. The cost of public buildings, public schools, and the development of country roads, and every State enterprise thus becomes a very material burden upon the finances of railroad companies.

"In this fact may be found such opposition as railroads may have to the development of artificial waterways. They cannot fear the competition of such waterways. But the history of artificial waterways fails to present a single case where, when full account is taken of interest on the original investment, the cost of maintenance and operation, the transportation by such waterway has been as economical as by rail. The burden eventually falls upon the taxpayer, and the railroad, as a large taxpayer, must shoulder an enormous share of the unnecessary impost.

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The Railroad Difficulty

"The foregoing three tendencies reflect themselves in the added expenses of the railroad. But the railroads are not permitted to so adjust their charges that they may meet the expenditures thus peremptorily imposed. States may enforce increased expenditures, and yet the rates in the State may not be increased unless a corresponding increase is made in interstate rates, and such increase is subject to the approval of the Interstate Commerce Commission, over which the individual State has no control.

"It is the concurrence of these forces increasing expenses on the one hand, and on the other making it impossible to secure the revenue with which to meet these expenses, which constitutes the strongest undercurrent which is moving up toward Government ownership.

"It is as though we were seeking to move along by the trade-winds carrying us to initiative, enterprise, progress, and the devel-

That the railroads are in difficulties today as a result of over-regulation few will deny. If they are to adequately meet the constantly growing demands of commerce and maintain their lines in a thoroughly up-to-date condition, there must be some readjustment. Either over-regulation must be corrected or the Government will have to take over the roads and operate them for the public benefit.

As no one believes that the country is ready to take over the railroads, the time has come for some sort of compromise, for a getting together spirit, which will find a remedy for intemperate legislation and the evils of too much regulation. The railroads have learned their lesson and paid for their former delinquencies, principal and interest. They must now be given at least a fighting chance.

—New Orleans, La., *Picayune*, February 18, 1914

opment of commerce, yet found ourselves caught in the gulf stream with a current forcing us toward the enervation, dampened enthusiasm, the political chaos and the bureaucracy of Government ownership.

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Expenses Increase Faster than Earnings

“The present result of these forces cannot be better summarized than by a statement of the main fact upon which the railroads base their claim to the Interstate Commerce Commission for an increase of 5 per cent. in freight rates.

“During the past three years the railroads in this territory have expended \$660,000,000 in improvements for use in the public service. During that time the revenues of these companies have increased \$186,000,000. In the same period the expenses of the companies increased \$203,000,000. The result is that at the end of the three years, after having provided this increased plant and performed this greatly increased service, the railroads are worse off in net earnings by \$17,000,000 than they were at the end of the fiscal year 1910 before this additional money had been spent.

“Here is the reason why more than one-half of the railroad mileage of the central West is in a state of virtual bankruptcy; and the reason why in even the strongest of

railroad companies prudence compels the utmost conservatism in making further improvements.

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The Danger of Government Ownership

“This country must have railroads—more railroads and better railroads—but as Mr. Prouty, of the Interstate Commerce Commission, said: ‘The question is, How can you obtain the necessary capital with which to develop our old railroad systems and build new railroad systems?’

“However undesirable Government ownership may be, it is certain to come quickly if there is a continuation of the same kind of State and Federal legislation which has attended in recent years the exercise of control over railroads in every respect save assuming responsibility for the financial result. Unless private capital can be more favorably treated, it cannot be much longer induced to provide the increased tracks, terminals and equipment demanded by the business of the country. Railroads will then be compelled to restrict their progress of improvements, and the inevitable result will be a demand for nationalization of the railroads, the Government stepping in to do what private capital can no longer be induced to do.

“Even if we are to have Government ownership, the American people will sooner

or later realize that they cannot improve railroads without money. The bill must be paid, whether it is done through private ownership under Governmental regulation, or whether it is done by public ownership attended by the inevitable political evils.

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The Railroad Bill Must be Paid

“Conceding, therefore, that the bill must be paid, the experience of other nations, the experience of our own people, justifies the statement that the ultimate price will be less and the result will be more satisfactory if proper inducement is given to private enterprise and individual effort.

“The people of this country have determined—and determined rightly—that the railroads shall be operated fairly, with due regard to the interests of the people as a whole. That means that we should have regulation and that there should be some power intrusted with the duty of insuring that in the operation of railroads the interests of the public should not be disregarded.

“But it is an entirely different thing to make railroad treasuries the prey of political

demagogues, to hamper railroad operations with unwise and unnecessary restrictions, and to prevent railroad properties from properly adopting themselves to the commercial requirements of the country.

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“The suggestions for a sounder policy, therefore, are these:

“**First. Let us pin our faith to the enterprise of the individual.**

“**Second. Let us abandon belief in the value of legislation in detail concerning the operations of a complex industry requiring the highest ability of trained experts; and**

“**Third. Let us see to it that as regulators we have men striving to serve the public and not to promote private political ambitions; let all railroad commissioners work with the railroads and not against them.**

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“But under and above these policies, let us restore our belief in the sincerity of earnest men; abandon the thought that material success should be an object of suspicion; and face the inexorable law that we can reap only as we sow, and that in the long run we must pay for what we get.”

The Prime Minister of England, speaking to a deputation which visited him in March, 1913, to urge Government ownership of railroads, used this language:

“There are practical difficulties of a very serious kind in the application of nationalization to railways. I am quite sure that any such operation, carried out on reasonable and equitable terms, would be immediately followed by very large demands from two entirely different quarters—from traders for better terms in the matter of rates, and, on the other hand, from the railway workers for better conditions and hours of labor; and that prospective advance in the receipts which is predicted would, I strongly suspect, be more than swallowed up before the railways had been in the possession of the State for more than twelve months.

“These are things which, looked at from the point of view of the taxpayer and the general community, you cannot leave out of account.”