

# THE PENNSYLVANIA RAILROAD SYSTEM



## INFORMATION



FOR EMPLOYEES AND THE PUBLIC

Broad Street Station  
PHILADELPHIA, PA.

June 3, 1914

Pennsylvania Station  
PITTSBURGH, PA.

II

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## Recent News of Government Ownership of Railways

Failure of government-owned railroads to give satisfactory service to the public is indicated in information as to the experience of many countries.

The following recent quotations describe conditions which are significant of fundamental defects in the principle of Government conduct of railroads.

### What Mr. Roosevelt Learned in Chile

Ex-President Roosevelt, in an article published in *The Outlook*, May 23, 1914, among other things, said:

When the time came for us to leave Chile, we went southward on the railway to Puerto Varas.

Incidentally I may remark that the rail-

ways in Chile are owned by the State, and that the men I met who were best informed and most trustworthy expressed great regret that they had not been kept in private hands.

These men stated that there was always a deficit in the management of the railways, and that **THEY WERE A BURDEN ON THE GOVERNMENT AND UNPROFITABLE TO THE CITIZENS GENERALLY.**

### The Belgian State Railways

This article is an editorial from the *London Economist*, of Feb. 14, 1914. This publication is of recognized standing throughout the world.

Complaints have been made intermittently for many years past, both of the finance of

the Belgian State Railways and of their traffic management, and during the last few weeks the grievances set up by the latter have again become acute.

Passengers have been delayed for hours; goods have been detained in transit for three or four days, or even a week, and the steps

taken to meet the difficulties have in some respects made them worse. Thus, all consignments from certain selected stations have been held back for twenty-four hours to let other traffic pass, and a number of trains on certain lines have been temporarily — and suddenly — taken off, even on important trunk routes.

The railway authorities find their excuse in the sharp frost, which has caused the canal traffic to be diverted to the railways, and set up a shortage of trucks, besides blocking the lines with traffic. But their failure to cope effectively with their difficulties has revived the outcry against State management and the demand for a change.

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The railway accounts, it is alleged, are not published in an intelligible form; items belonging to them have to be collected from different estimates; the administration is over-centralized, the staff is too large, and the heads of the various departments have not sufficient responsibility or power of initiative.

There is too much red tape; promotion

depends on political consideration as well as on efficient service; and it may be remembered that during the general election of 1911 the Government was charged with making special concessions at the last moment to the railway men in regard to pay and other advantages in order to secure their votes.

It is stated, too, that there is not enough rolling stock, and that the fares and rates, which are extraordinarily low (and probably are directly unremunerative) for tourist traffic and for some classes of through freight, are a good deal less liberal for local traffic.

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Two schemes of reform are now proposed. One is to lease the lines to companies, which is the system recently abandoned by Italy as unsatisfactory to the public.

The other is to take the railways out of politics by establishing a separate and autonomous Railways Department, with permanent chiefs of its different sections nominated by the Ministers of Railways and Finance (high officials and Members of Parliament being ineligible) and acting under the supervision of a small Standing Committee of the Chambers.

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## Troubles in Switzerland

Harold Cox, one of the leading public men of England, writing in the *London Daily Graphic*, of January 20, 1914, thus describes the railway situation in Switzerland:

If State purchase of railways could be a success anywhere it would be in Switzerland, for the Swiss Government possesses advantages which are denied to larger countries. It is not cursed by the party spirit which prevails in England, nor by the Ministerial instability which is so injurious to France. The Swiss Government, like the Swiss people, is both prudent and patriotic.

Yet, when the results of railway nationalization in Switzerland are compared with the promises made in advance it is impossible to avoid the conclusion that the experiment has been a failure. The subject has been admirably dealt with in an article by M. Marcel Peschaud in the December *Bulletin* of the Comite Central Industriel de Belgique—an organization of Belgian manufacturers for the study of social and economic questions.

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It was in 1897 that the Swiss Ministry proposed a bill for the purchase of the railway system of the Confederation; the bill was accepted by the Federal Parliament

the same year, and ratified by a referendum in February, 1898. In the "Message" in which the Government advocated purchase it was argued that the combination of all the Swiss Railways in one administration would enable the system to be worked with fewer employes and greater economy, and would save a great deal of useless labor; that, as a consequence, it would be possible to reduce rates, to give improved train services, and to raise the pay of employes. These are exactly the promises which are made by the advocates of railway nationalization in every country. Let us, then, see what has happened in Switzerland.

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The first disappointment experienced by the Government was in the matter of the price to be paid to the five railway companies which had to be bought out. In each case the price was largely in excess of the official estimate, and the aggregate price came out nearly 36 per cent. above the estimate; namely, 385,000,000 francs, as compared with an estimate of 285,000,000 francs. That was a bad beginning, but other disappointments quickly followed.

Instead of the personnel being reduced, as promised, it grew rapidly. In 1909 the position had become so serious that the Swiss Parliament appointed a Committee of Inquiry. This Committee reported that one of the main causes of the deficit in the railway administration was the "plethora of the personnel."

As a result of this report drastic steps were taken to reduce the number of employes, and some reduction has been effected, but the personnel still remains far in excess of the standard found necessary by the companies.

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As regards the rates and fares charged to the public, the experience of the Swiss railways has been equally unfortunate. In 1901, in a spirit of hopefulness, rates and fare were cut down to the lowest scale on which the

companies had been working. This was a boon to some places, while leaving others almost unaffected.

But, in the general overhauling of the system, which took place in 1909, it was found necessary again to raise many of the rates and fares. In the same way with regard to the train service.

One of the principal arguments for State purchase was that the companies were always reluctant to give an improved service, and in the first few years of State administration new trains were added with a lavish hand.

But by 1908 the unsoundness of this proceeding was admitted, and in 1909 we find the head of the railway administration denouncing the "insatiable appetite of the public" for additional trains, and declaring that the administration had not been able to resist the pressing demands with which it was constantly assailed from local and federal authorities.

The Cabinet found itself in the same difficulty, and recommended that the reduction in the number of trains should be made with great prudence, because the improvement in the train service was one of the most explicit promises made to the people to induce them to vote in favor of nationalization.

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As regards the payment of employes, the story is the same. The administration began by making large readjustments of wages in order to carry out promises made, but very soon the demands put forward by the staff were found to be intolerable, and further concessions were refused. The employes at once complained that they had been deceived, and that they were worse off than they had been under the companies.

This complaint is still constantly repeated in the press organs of the Swiss railway servants, and it is further alleged that promotion depends on political favoritism. How far these complaints are justified it is impossible to say, but State purchase has certainly not produced contentment.

# From Bad to Worse in France

**Basing an editorial upon an article in the French Journal des Transports, the Philadelphia Public Ledger, on January 6, 1914, thus comments on the failure of government ownership in France:**

Actual experience with Government ownership of railways in France affords little inducement for other countries to imitate the French example. A recent issue of the Journal des Transports gives some figures showing the relation of the French treasury to the government-owned railways which prove instructive.

Since the State purchased the Western Railway in 1905 the advances to capital account for that system and for the old State railways have reached the enormous total of 718,500,000 francs.

But this is only part of the drain which government ownership has made upon the French treasury, for these advances were entirely outside the deficits due to the operation of these railways.

For the first five years of State ownership the deficit had exceeded 327,000,000 francs,

growing each succeeding year, as shown by the following table:

Deficit for—	Francs
1909 . . . . .	38,748,000
1910 . . . . .	58,412,900
1911 . . . . .	68,798,300
1912 . . . . .	76,020,386
1913 . . . . .	85,679,581

These treasury advances will have to be funded ultimately, and that is one of the troublesome problems of French finance. The railways have been required to pay only 2½ per cent. for this accommodation, while the obligations placed with the public call for 4.75 per cent. interest, or nearly double the charge by the treasury.

It is further to be noted that no interest at all was paid upon treasury advances from January 1, 1909, to December 31, 1911, so that the sum which should have been paid must be added to the deficit to ascertain the exact amount of the losses due to State operation.

It is thus plain that not military expenditure alone, but reckless and improvident railroading, is responsible for French financial embarrassments.

**If the thrifty French make such a mess of government ownership, what might we expect from railways under political control?**

**“American railroad rates are the lowest in the world—representing, for instance, but a fraction of the English Railway rates—and this in face of the fact that wages in the United States on the average are fully twice as high as in Europe.”**

*—Extract from Annual Report for 1913 of the Deutsche Bank (Berlin)—the largest private bank in Germany.*