

ORIGINAL

Decision No. 5124

Decision No. \_\_\_\_\_

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the investigation,  
on the Commission's own initiative,  
into the service and maintenance  
and the economies of operation of  
transportation companies in Califor-  
nia during the emergency created by  
the war.

Case No. 1177.

- C. A. Curtis, for the California Western Railroad Company.
- C. W. Durbrow, for Southern Pacific Company.
- H. C. Nutt and A. S. Halsted, for Los Angeles and Salt Lake Railroad Company.
- Clarence M. Oddie, Secretary and Counsel for the Western Association of Short Line Railroads; Arcata and Mad River Railroad; Bay Point and Clayton Railroad; California Western Railroad and Navigation Company; Cement, Tolenas and Tidewater Railway Company; Holton Interurban Railway; Lake Tahoe Railway and Transportation Company; McCloud River Railroad Company; Ocean Shore Railroad Company; Pajaro Valley Consolidated Railroad Company; Riverside, Rialto & Pacific Railway Company; San Joaquin & Eastern Railroad Company; San Diego and Southeastern Railway Company; Sierra Railroad Company of California; Stockton Terminal and Eastern Railroad Company; Trona Railway Company; Yreka Railroad Company; Yosemite Valley Railroad; Glendale & Montrose Railway Company.
- W. S. Palmer, for Northwestern Pacific Railroad Company.
- E. J. Mitchell, for Oakland, Antioch & Eastern Railway.
- Frank Karr and Paul Shoup, for Pacific Electric Railway.
- E. H. Maggard, for Petaluma and Santa Rosa Railway Company.
- Sanborn and Roehl, for California Transportation Company; California Navigation and Improvement Company; Sacramento Transportation Company; Farmers Transportation Company; the Nevada-California-Oregon Railway Company.
- M. J. Wright, for Pacific Steamship Company.
- J. M. Sims, for Pacific Coast Railway Company.
- M. L. Shannon, for Santa Maria Valley Railway Company.
- A. J. Klampt, for Trona Railway Company;
- F. E. Sharp, for Visalia Electric Railway Company.
- G. J. Bradley, for Merchants and Manufacturers Association of Sacramento.

- S. W. Russell, for Consolidated Chambers of Commerce of Sacramento.
- Bishop and Bahler, by E. M. Wade, for certain shippers in San Francisco, Oakland and Los Angeles.
- L. H. Bishop and E. M. Wade, for Oakland Chamber of Commerce.
- A. Larssen, for California Redwood Association; California Pine Box and Lumber Company; and other pine lumber operators; also as an individual.
- Allan P. Matthew, for The Western Pacific Railroad Company and Tidewater Southern Railway Company.
- W. W. Cahill and W. W. Finchman, for Death Valley Railroad Company and Tonopah and Tidewater Railroad Company.
- D. M. Swobe, for Sierra Railway of California and McCloud River Railroad Company.
- W. R. Alberger, for San Francisco-Oakland Terminal Railways.
- G. L. Chamberlain, for Camino, Placerville and Lake Tahoe Railroad Company.
- E. W. Camp and M. W. Reed, for The Atchison, Topeka & Santa Fe Railway Company.

EDGERTON and LOVELAND, Commissioners:

Statement

This proceeding was instituted by the Commission on its own initiative on November 28, 1917, and the hearings in the case were concluded on December 20th, 1917.

On December 26, 1917, the President of the United States issued his proclamation dealing with the assumption of complete control over the railroad operation of the country by the Federal Government. With the issuance of that proclamation and the subsequent formation by the Federal Government of a new national transportation policy--the policy that is now being fixed into Federal statute--the situation has changed radically. The chief causes leading to this investigation are now no longer operative. It therefore became a question with us whether this proceeding should be dismissed and no further report made to the Commission or whether there were sufficient grounds to complete the writing of the opinion. We reached the conclusion that this report should be written.

It is not clear at this time what the useful function of this Commission and similar state commissions will be in the new scheme of things, and, being in complete sympathy with the policy announced by the President as a war measure we feel strongly that all activities and functions interfering with the full accomplishment of the President's purpose, from whatever source such interference might come, must be swept aside.

The investigation, however, has developed facts of importance bearing on this issue, and suggestions have been made by witnesses and by the Commission's staff which, in our opinion, will be of value in the efforts to bring the country's transportation machine to the highest point of efficiency. We believe that in the operation of the California railroads the Federal Government will be facing the same situation as the carriers are now facing and that the difficulties must be understood before they can be remedied.

Having in mind the announced purpose of the investigation, that the Commission wished

"to ascertain the facts as to the present condition of transportation in California and, if the facts disclosed that transportation is not adequate or efficient, to determine what the cause of such inadequacy may be, and either to suggest or order remedies."

we are making such recommendations, suggestions and observations with the knowledge that such approval, disapproval or modification thereof will be made as in the judgment of the Director General of Railroads may be deemed expedient or desirable.

## O P I N I O N

### Purpose of Investigation

During the last five years at least, the railway situation of the United States has become increasingly difficult, and the inadequacy of the available railway facilities to handle the

volume of traffic of the country has become generally recognized as beyond question.

Since the outbreak of the war in Europe, the strain upon the transportation system has steadily increased. In April of last year, when our country was drawn into the conflict, the demand upon the railways was unprecedented. With the country at war it became immediately apparent that not only would there be a still greater demand upon the carriers but that the railways would form one of the most important factors in the national defense. This was recognized by the President of the United States when he appointed a National Council of Defense for the purpose of ascertaining the resources of the country and securing the co-operation of all organized transportation and industrial activities in furtherance of this purpose.

The executive heads of the railroads responded to the emergency when, at a meeting in Washington on April 11, 1917, they adopted this resolution:

"RESOLVED, that the railroads of the United States, acting through their chief executive officers here and now assembled, and stirred by a high sense of their opportunity to be of the greatest service to their country in the present national crisis, do hereby pledge themselves with the Government of the United States, with the Governments of the several states, and with one another, that during the present war they will coordinate their operations in a continental railway system, merging during such period all their merely individual and competitive activities in the effort to produce a maximum of national transportation efficiency. To this end they hereby agree to create an organization which shall have general authority to formulate in detail and from time to time a policy of operation of all or any of the railways, which policy, when and as announced by such temporary organization, shall be accepted and earnestly made effective by the several managements of the individual railroad companies here represented."

This resolution, we believe, must be considered as one of the important documents in the American railroad history: for the first time the executive heads of the railroads give voice to their realization that the highest national transportation efficiency can be attained only through the unified operation of a continental railway system.

It is common knowledge now how, as a result of the resolution just quoted, the "Railroads' War Board" was organized and how the Board set itself to the task of improving the national transportation efficiency. Among other steps taken the Board in July, 1917 addressed the state public service commissions urging co-operation with the railroads in a suspension, during the war, of "all efforts not designed to help directly in winning the war." The letter in part says:

"Therefore this Committee earnestly recommends that during the war the railroads be required by the Public authorities to make improvements and carry out projects involving the expenditure of money and labor only when they are absolutely essential for war purposes or public safety. The prevailing high interest rate on money, the difficulty of raising money in competition with the tax free issues of the Government, the excessive cost of supplies and labor, the delay in obtaining material, the possible blockade of traffic and the diversion of labor all contribute to make non-essential construction undesirable during the war.

"The Committee considers that the erection of new stations, elimination of grade crossings, are among the non-essential improvements which should be deferred at this time. We respectfully suggest that the basis for consideration of new projects at this time should be the increase in the capacity of the carriers for national service.

"Furthermore, we urge your co-operation in eliminating all passenger service which is merely convenient and not justified by public necessity during the present emergency situation."

This Commission expressed itself as being in complete sympathy with the suggestion and took action accordingly, that

the test for most projects, and indeed for all expenditures, should be the effect on the capacity of the carriers for increased national service.

As the months passed, however, it became increasingly clear to us that as far as the railroads in California were concerned, the pledge given in the Railroads' War Board resolution remained largely on paper and, in its essence, was not translated into action. There was no evidence of any steps being taken, nor even of any general preliminary survey being made, by the principal carriers operating in this state to "co-ordinate operations in a continental railway system, merging during such period all their merely individual and competitive activities." The competitive system with all its consequences on the carriers and on the public remained in full force in California.

This Commission, of course, was aware that transportation conditions in the East were more serious than in the West, and that it was on the Atlantic seaboard rather than on the western coast where the war transportation activities concentrated and congested. It did not seem right to us, however, that the West should insist, even if it were possible, on running its transportation machine on a pre-war and normal course and regardless of the needs of the East when, perhaps, by taking stock of our transportation resources and by some sacrifice we might help where help was needed.

Meantime, it was evident also in this state that railroad transportation was not normal. Informal complaints came in increasing numbers to the Commission asking our assistance in securing cars and more prompt service. We were informed that the condition of the roadway and track of the carriers in the State was deteriorating because of the acute shortage of unskilled labor, and that the coming rainy season would aggravate this

condition. We heard that safety standards of track and equipment were permitted to relax and that operations on some roads during the winter were bound to be unsatisfactory ~~and~~ <sup>if not</sup> dangerous. The Commission understood that certain carriers intended to curtail their passenger service, and in one instance at least it was proposed to abandon a portion of the line.

These reasons, together with the general unrest prevailing in the public mind regarding the railroad situation, prompted the Commission to institute this investigation.

#### Scope and Method of Investigation.

It was our purpose to confine the inquiry to California and to California conditions. The effect, however, of these conditions on the national transportation problem will, if possible, be ascertained. Notice of the hearing was sent to all steam and electric interurban railways as well as to all water carriers under the jurisdiction of the Commission, ordering these utilities to appear and show cause why the Commission should not make this investigation. No good cause appearing to the contrary, the Commission stated that it would proceed with the investigation to the end that it would thereafter make such order or orders as might seem just and reasonable. So that the Commission might proceed on the basis of fact, letters of inquiry were sent, prior to the hearing, to:--

- (a) The general managers of all steam railroads operating in California.
- (b) The general managers of all electric interurban railroads operating in California.
- (c) The managers of all water carriers operating in California.
- (d) The principal commercial and traffic organizations in California.

Letters of notification of the hearing, stating the general purpose of the investigation, in addition to the organizations mentioned under "a" were sent to:

- (e) The Governor of this state (Wm. D. Stephens).
- (f) State Market Director (Harris Weinstock).
- (g) Hoover's Food Control Board (Ralph P. Merritt).
- (h) State Council of Defense (A. H. Naftzger, Chairman, Executive Committee).
- (i) Federal Fuel Director (Albert Schwabacher).
- (j) War Committee of the National Association of Railway and Utilities Commissioners (Max Thelen, Chairman).
- ✓ (k) Priority Board (R. S. Lovett).
- (l) Railroads' War Board (Fairfax Harrison, Chairman).
- ✓ (m) Commission on Car Service of the American Railway Association (C. M. Sheaffer, Chairman).
- (n) Interstate Commerce Commission (Henry Clay Hall, Chairman).

All these parties either took part in the hearings or responded by correspondence. A series of questions were addressed to the transportation companies mentioned under "a", "b", and "c", those to the steam roads being typical. The scope of the investigation is indicated by these questions, and the answers received from the various carriers and other parties to the proceeding show transportation conditions in this state. The questions to the steam railroads were as follows:

A - Relative to the Condition of Roadbed and Track:

- (1) The number of section men and other unskilled laborers employed by your road on November 15, 1916, and the same information for the same, or approximately the same date for 1915.
- (2) The number of men employed on the same date in 1917.
- (3) The number of men you were short, as of the last date, to carry on your track and other work for which unskilled laborers are employed.



(4) The number of derailments and other train accidents, both passenger and freight, from all causes, and, separately, the number of train accidents caused by failure of track and equipment.

(5) Statement showing expenditures incurred in the state of California for maintenance of roadway and structures, by accounts, for the nine months ending September 30, 1917; with like and comparative figures for the same nine months in the years 1915 and 1916.

Note: If accurate figures have not been worked up for items 1 to 4 inclusive, close approximation will answer the purpose.

(6) The Commission requests that you give it the benefit of any suggestions you may have tending to alleviate conditions due to the present labor shortage, as far as track labor is concerned, either by cooperation between the railroads, by action of the Government, or by any other means.

B - Relative to the Condition of Equipment:

(7) The number of skilled employees in your engine and car repairing forces on or about November 15, 1916; and the same information for the same date in 1915.

(8) The number of skilled employees employed at the same time in 1917.

(9) The number of skilled employees you were short, as of the last date, to carry on your shop and repair work, for which skilled labor is employed.

(10) Statement of expenditures incurred in the state of California for maintenance of equipment, separately by accounts, for the nine months ending September 30, 1917; with like and comparative figures for the same nine months in the years 1915 and 1916.

Note: If accurate figures have not been worked up close approximation will answer the purpose with reference to items 7 to 10 inclusive.

(11) The Commission requests your suggestions with reference to the labor shortage, so far as skilled labor is concerned.

(12) The number of engine failures in months of September, October, and November, 1917, as compared with the same months of the last two preceding years.

(13) The number of engines shopped for ordinary repairs during September, October, and November, 1917; and the same information for the same period in the two preceding years.

(14) Same data regarding complete or back-shop overhauling.

(15) The number of bad-order freight cars out of service during the months of September, October, and November, 1917, as compared with the same months of the two preceding years.

C - Relative to Freight and Passenger Service:

(16) Gross freight ton mileage for September, October, and November, 1917, as compared with the same information for the same months of the two preceding years.

(17) Passenger train mileage for the same periods as in preceding question.

(18) Comparative earnings per train mile, by months, for the last two years, of the following trains, both directions:

For Southern Pacific:

(a) Overland Limited,	(f) Fresno Flyer,
(b) Sunset "	(g) El Dorado,
(c) Shasta "	(h) Statesman,
(d) Lark,	(i) Stockton Flyer.
(e) Owl,	

For Santa Fe:

(a) California Limited,	(d) Angel,
(b) Santa Fe De Luxe,	(e) Navajo,
(c) Saint,	(f) Missionary.

For Western Pacific:

Trains Nos. 1, 2, 3, and 4.

For Los Angeles and Salt Lake:

Los Angeles Limited.

Note: This question need not be answered by other roads.

In addition to the information required under 16 to 18 inclusive the Commission requests your answers and a detailed statement of your suggestions on the following questions:

(19) To what extent is it practicable to discontinue non-essential passenger train service?

(20) To what extent is it practicable to eliminate special equipment on passenger trains where such equipment can be dispensed with without serious interference with adequate service (dining, buffet, and parlor cars, and other equipment necessitating helper engines over maximum grades)?

(21) To what extent is a reduction in local freight service practicable by less frequent schedules or alternate schedules to competitive points?

(22) Can any economies be effected by a suspension of inter-yard switching? (Give your suggestions in detail.)

(23) Can any economies be effected by a reduction in branch line service?

Note: In answering questions 19 to 23 inclusive, please base your suggestions on concrete proposals.

(24) Should the interstate demurrage rules be adopted for intrastate business, eliminating free time on account of inclement weather? And, in your opinion, to what extent would this rule relieve car shortage?

(25) Why should not embargo be placed on all commercial export freight destined to Pacific ports, unless vessel space has been contracted for and is known to be available, permitting of a release of cars at seaboard terminals?

(26) Give detailed outline of your method of car distribution and what official supervision is in effect on your lines to secure maximum efficiency.

(27) Can any economies be effected by a suspension or a reduction of reconsignment privileges? And what should be the maximum number of reconsignments allowed?

(28) Should shippers and receivers of freight be required to accept carloads on the team tracks of any carrier at destination? (Under present rules, team tracks of one railroad cannot be used for loading and unloading cars moving by a competing line. This rule might be abrogated, and where congestion exists on the team tracks of one carrier arrangement could be made for the handling of excess cars on the team tracks of competing lines.)

(29) What is the labor situation as regards freight handling at terminals and at transfer points?

(30) Have you lengthened the age limit of employees, now almost universally 25 years for inexperienced and 45 years for experienced men?

D - Capital and Other Expenditures:

(31) Furnish statement of expenditures for additions and betterments and new capital expenditures in this state for the last two years, with a short description of purpose of expenditures; also an estimate of such expenditures for 1918.

For Southern Pacific and Santa Fe:

Give such expenditures only as exceed \$2,500 for any one item.

For Western Pacific and Los Angeles and Salt Lake:

Give such expenditures only as exceed \$1,000 for any one item.

For All Other Roads:

Give such expenditures only as exceed \$500. for any one item.

(32) Furnish statement of cost of soliciting business, both passenger and freight, segregated into items according to accounts, by months, for the last three years.

A similar series of questions was addressed to the electric interurban railroads, which carriers were in addition asked to give an answer to the following question:

Are you equipped to handle additional local freight business between points reached by your line? If so, to what extent?

The water carriers were also addressed and asked to furnish information applicable to water transportation service.

Answers to these questions were received from the majority of the carriers addressed. These answers have now been tabulated for the principal steam and electric roads and will hereafter appear in Table I. The replies from the smaller carriers not listed in Table I have also been considered by us and in reaching our conclusions we have given them such weight as seems desirable.

Hearings were held in San Francisco on December 14, 15, 18, 19, and 20. There were represented thirty-three steam railroads, five electric railroads, five water carriers and, in addition, seven chambers of commerce and other commercial organizations. Several of the Federal and State branches of the Government who had been invited to appear were also represented.

In addition to the items considered in the letters of inquiry sent to the various carriers, other features of the transportation problem were gone into, as follows:

- (a) The <sup>present</sup> ~~present~~ status of control of the carriers.
- (b) Problems of priority.
- (c) The labor situation.
- (d) Possibility of closer relationship between steam and electric roads, both urban and interurban.
- (e) Possibility of closer co-operation between steam lines and inland waterways.
- (f) Use of motor truck to relieve freight congestion.
- (g) Inter-relationship between our local problem and the national transportation problem.

#### Conditions in California.

In a discussion of the testimony and the evidence in this case it will be desirable to follow the division indicated in the letters of inquiry sent to the carriers.

#### A - Relative to the Condition of Roadbed and Track:

Taking the important California interstate lines as a whole (Southern Pacific, Santa Fe, Western Pacific, and Salt Lake), it may be stated that the record establishes the fact that all the roads mentioned, including the Northwestern Pacific, are suffering from an acute shortage of unskilled labor, especially track labor, and that as a consequence the permanent ways of these roads are

not up to the usual standards of maintenance and are rapidly getting worse. This general statement is clearly borne out by the answers to questions 1 to 5 inclusive, as they appear in Table I, and by the statements of the witnesses of the various lines. From the exhibits introduced the following figures bearing on the shortage of track labor are taken:

	<u>Number of unskilled track men employed on Nov. 15, 1917</u>	<u>Number of men short on Nov. 15, 1917</u>
Southern Pacific,	5401	2700
Santa Fe,	1469	729
Western Pacific,	889	341
Salt Lake,	300	385
Northwestern Pacific,	286	175

In other words, the Southern Pacific was one-third short of its necessary track force; the Santa Fe also was one-third short; the Western Pacific was two-fifths short; and the Salt Lake and the Northwestern Pacific had considerably less than one-half their necessary forces. The same facts are equally well established by a comparison of the amounts expended in this year for the maintenance of way with those expended in past years. In making such a comparison the fact must not be lost sight of that the cost of labor and materials has very largely increased. In order merely to hold their own the companies would have to spend much greater sums this year than in previous years, to say nothing of additional maintenance made necessary by the very largely increased volume of traffic that is being handled and by the generally acknowledged deterioration of labor efficiency. The figures, however, show that the amounts spent for track maintenance are considerably less than in former years. (See Table I).

For the Southern Pacific this situation was even more startlingly brought out from a statement read into the record and

the discussion that followed (Tr. pp. 68 to 72). In that statement, Maintenance of Way Engineer Titcomb of the Southern Pacific Company said:

"In other words, we are short 4,000 men, and for a rough figure we could say that their wages, including the material that they would utilize, would easily average \$4.00 per day per man. This would mean \$16,000 per day, which should now go into the track, or in the neighborhood of -- \$400,000 per month, or, for a period of twelve months, near five millions of dollars."

This is an extremely serious condition and has its direct effect on railway operation and efficiency in all its branches. The effect on safety is immediately apparent. The effect of the necessarily resulting reduction in speed of trains is apparent on freight traffic efficiency. As this condition is permitted to continue the bad effects increase in geometrical progression. The practically unanimous testimony on this subject left us doubtful that present railway control can cope with the situation.

Various remedies to relieve this situation were suggested by witnesses. Among the proposals made were the bringing in of Oriental labor from China and Japan; the equalization and stabilization of wages; the forced employment of idle men; and the urging of woman labor into unskilled railway work. Several carriers were of the opinion that it would be necessary to draft railway labor into the military service.

There was complete unanimity as to the efficacy of one proposed remedy and one that appears to us a real solution of the unskilled labor problem, as far as this state, and probably other states along the Mexican border similarly situated, are concerned. It is suggested to permit the unhindered influx of Mexicans into

the United States and, in order to accomplish this end, to ask the Federal Government to remove the entrance tax now imposed on Mexican Labor coming into the United States; and also to suspend the literacy test for this purpose.

We propose later in this opinion to summarize the remedies that to us seem feasible and worthy of consideration in order to better transportation conditions, and will only state here that this suggestion with regard to Mexican labor deserves careful thought.

Another suggestion, to conserve the supply of unskilled labor, looked towards the stoppage of all public and public utility improvements that might interfere with the railroad labor supply and that are not absolutely essential at this time.

The president of the Northwestern Pacific Railroad Company testified as to an interesting experiment that his company had made with the contracting of ordinary maintenance work to a responsible railroad contractor. He pointed out that the difficulty with this method lay principally in the drawing up of proper standard specifications and the determination of proper cost units. Maintenance work done by a contractor might, however, have the advantage of a permanent and skilled contractor's organization--an advantage which would become apparent in greater efficiency of work done and would possibly offset higher unit costs. This suggestion we believe is one deserving of further study; and we believe that such a study can be advantageously made by this Commission.

B- Relative to the Condition of Equipment.

In regard to the maintenance of equipment, the problem of skilled labor as contrasted with unskilled labor for track maintenance is important. Here the shortage in men is not so spectacular as in the case of the track forces. But it is of



equal, and perhaps greater, significance since heavier duty is now imposed on equipment, especially motive power, than ever before. Such equipment should therefore be in better condition than ever before.

It is apparent that the labor question with skilled men is largely one of wages. No suggestions of any particular value were made regarding the possibility of relieving the shortage of skilled labor, except the general one that these men be exempt from the draft, and the suggestion of the general manager of the Salt Lake that the technical and manual training schools include shop work, to be done in railroad shops, in their student courses. The last proposed remedy seems to us to be worthy of a trial, and we shall incorporate it in our recommendations.

Some slight assistance in alleviating the shortage of both skilled and unskilled labor can be had by extending the age limit of employment now in force on a number of carriers. By setting aside this age limit a considerable number of good men could be called into service. It appears, however, that in several cases the railroads have already done this.

#### C - Relative to Freight and Passenger Service.

It is in connection with the feature of the inquiry relating to freight and passenger service that the difficulties inherent in the competitive system of railway operation become most apparent. The figures of gross freight ton mileage for the selected periods in the years 1915, 1916 and 1917 (see item 16, Table I) show the increased demands placed upon a deteriorating transportation machine. Taking the four important interstate roads and the Northwestern Pacific, the following figures were introduced in evidence:

Gross Freight Ton Mileage  
September, October, and November

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	<u>1915</u>	<u>1916</u>	<u>1917</u>
Southern Pacific,	5,018,323,631	6,144,431,517	6,866,177,399
Santa Fe,	875,618,872	1,038,672,636	1,204,366,549
Western Pacific,	226,107,654	326,591,601	259,578,815*
Salt Lake,	385,415,009	440,176,249	466,052,445
Northwestern Pacific	47,290,281	72,687,649	76,387,334

\* September and October only.

If similar figures for all the years were taken, this point would be even more clearly brought out.

While freight traffic shows a steady increase, passenger traffic for the same roads for the two years 1916 and 1917 has substantially remained on a level. We were of the opinion that a curtailment of all non-essential passenger train service would be an important item in the elimination of economic waste, and a step in the real unifying of the state's transportation.

Question 18 in the questionnaire given above was framed with that purpose in mind. The testimony of the general passenger agent of the Southern Pacific was emphatic that not only was curtailment of passenger train service out of the question, as far as the Southern Pacific lines were concerned, but that trains should be added rather than taken off. This witness was equally emphatic that competition in passenger train service by the different carriers should <sup>not</sup> be eliminated.

After consideration of the evidence and the exhibits introduced, we were unable to agree with such a contention. It is our opinion that, in compliance with the resolution of the Railroads' War Board studies should have been made by the interstate carriers of this state with the view to determining what is essential and what is non-essential in passenger train service.

Table II, attached to this opinion and showing earnings of certain California passenger trains, will be one indication of what direction such studies should take.

When it comes to proposals as to what can be done to

enable the over-taxed transportation machine to handle its abnormal load, the suggestions readily fall into two classes:

First, measures looking to increased efficiency of transportation tools, such as maximum use of cars through maximum loading; maximum use of motive power through maximum train loads; maximum output of car-days through tightening of demurrage rules and abolishing of <sup>certain</sup> demurrage, switching, industrial track, reassignment, and other privileges which the shipper now enjoys; and increases of the rates to penalize practices objectionable to the railroads. Passenger and freight service are closely related in this connection. Measures like those mentioned are intended to increase the efficiency of tools of transportation independent of the general system. In other words, maximum car loading, utmost use of motive power, maximum efficiency of man power, is to be desired under any system of conducting transportation, and need not be influenced by competitive or non-competitive fundamental conditions.

Second.- The other class of remedies lies in the direction of complete unification and such doing away with merely competitive activities by the individual carriers as is recognized in the resolution of the Railroads' War Board heretofore quoted to interfere with transportation efficiency. The necessary remedies go directly to the inefficiency of our general transportation system, and are reflected in our questions 18 to 23 inclusive.

Where the efficiencies and savings resulting from measures in the first class can be made considerable, the improvements that could be brought out by freely using measures in the second class would be enormous. But our investigation seems to prove conclusively that under a competitive system, where each road is forced to consider its own earnings first and last, radical savings and efficiencies cannot be had. It is not a question of willingness or unwillingness on the part of the car-

riers or of the regulating authorities, but it is rather the inevitable consequence of conditions as they are. The testimony in this investigation abundantly bears out these conclusions.

As a case in point, General Manager Nutt of the Salt Lake testified (Tr. pp. 103 to 105) what could be done by cooperation of competing lines in the matter of lengthening the passenger schedules of through trains between Chicago and Los Angeles. He said that if the time were lengthened from twelve to fifteen hours he could take off one or two of his main line trains. Mr. Nutt said, however, "We could not do it unless the others did." Such an arrangement, he said, would release "about eighteen engines."

Later on, when this matter was taken up with the witnesses of the competing roads (Southern Pacific and Santa Fe), it developed that no joint study of this and similar problems had been undertaken by the interested companies. The two stronger competing lines objected, for competitive reasons, to any change in transcontinental passenger schedules.

A similar condition became apparent in the question of export freight embargo to Pacific Coast ports, when this was under discussion (Tr. pp. 363 to 366). In answer to a question as to whether an absolute embargo at Pacific ports would not result in relieving the present congestion, the General Freight Traffic manager for the Southern Pacific said, "We would be glad to see that done." Being further questioned he said that his road would follow any order dealing with this question "if somebody will issue it." And explaining why his company was unable to handle matters as they should like to handle them, gave as his reason, "We were not strong enough."

The following colloquy then took place:

COMMISSIONER EDGERTON: You say you are not strong enough. What do you mean by that?

MR. LUCE: I mean the different carriers would be appealed to that way, that the ship was already here for that freight and that if one carrier would not take it, the other would; and so they naturally caught us in that sort of position.

COMMISSIONER EDGERTON: Well, now, that illustrates exactly what I was getting at. Now, you have earnestly assured us that co-ordination had gone to the extent that it was necessary. Now, Mr. Luce pictures a situation whereby, if all the carriers would do this thing and stand together, it could be done, but that the Southern Pacific, for instance, could not do it alone, as he says.

The attorney for the Western Pacific, Mr. Matthew, upon invitation took part in this discussion and said (tr. p. 367):

"I don't think there is anything to add. I am reluctant to express any opinion that seems to be even superficially at variance with Mr. Durbrow's reply to your Honors. I think I would have put the thing the other way around and said, 'As far as the present conditions are concerned, there has not been any great amount of co-ordination of the service for co-operation between the carriers, so far as facilities are concerned; at least, if there is any, it has not come to my knowledge. I take it we have all loyally undertaken to obey all instructions from the Railroads' War Board. I do not think there is anything more to be added than that.'"

These quotations are made to illustrate the point. The evidence in this direction is not limited to these excerpts but runs through the entire testimony.

The testimony shows that a joint survey by the carriers, with a view to determining what is practicable in the way of a more efficient rearrangement of a unified passenger service within the State had not been made; and that there was no intention on the part of the individual companies of getting together and making such a study.

The same testimony developed in the matter of a possible reduction in local freight service by less frequent schedules or alternate schedules to competitive points. The carriers do not intend to make any changes that might benefit the whole if these changes interfere with individual advantages. This is also true in the matter included in our question 23, as to what economies can be effected in a reduction of branch line service.

And as to what can be done by real unification of the physical properties of the various companies operating in California — this question the carriers have not even asked themselves. There was unanimity on the part of the witnesses that unification to such an extent is, in spite of the Railroads' War Board, out of the question at this time. Several witnesses testified that not

only is it out of the question but that it is not desirable.

We believe that the situation can be summarized by saying that major efficiencies and consequent savings are out of the question under the competitive system, and that the minor efficiencies that can be had will not affect conditions sufficiently to enable the railroads of the United States to cope with the war emergency.

D- Relative to Capital and Other Expenditures:

The branch of investigation dealing with capital and other expenditures confirms the general impression that large expenditures of new money are required for essential additions to the present facilities. In answer to our question 31, figures for additions and betterments in 1916 and 1917 and estimates for new work in 1918 were submitted. Again taking the totals for the principal roads we have these figures:

	<u>Capital Expenditures for Additions and Betterments</u>		
	<u>1916</u>	<u>1917</u>	<u>Estimate for 1918</u>
Southern Pacific	7,601,154	7,590,637	31,833,000
Santa Fe	2,525,035	2,618,351	8,249,595
Western Pacific	4,435,304	*	
Salt Lake	70,372	1,516,661	1,445,000
Northwestern Pacific	319,268	427,395	763,000

\* From January 1, 1916 to October 21, 1917; no estimate for 1918 submitted.

Included in the amounts shown are expenditures for a certain amount of new construction on all four of the interstate roads. In the case of the Western Pacific and the Salt Lake railroads such construction includes at least two items for new lines to be built, for merely competitive reasons, into territory which is already served by existing railroads. We have in mind the Western Pacific extension now being built from Niles to San Jose and the Salt Lake Branch line now being built from Whittier to Santa Ana. The former extension is 23 miles long and is estimated to cost \$1,300,000, and the latter is 20 miles long and is estimated to cost \$1,400,000.

Under the unified operation of the railroads by Government, the full joint use of the railroad property is made possible and the entry of a carrier into territory not theretofore tapped

by its lines (which under competitive conditions would be considered desirable even though it involved duplication of facilities) can now be fully accomplished by the use of existing lines over which the new-comer can do all of the railroad business possible to be done by the expenditure of large sums of money in the construction of additional lines. We therefore believe that unless these competitive projects are so far advanced that stoppage would entail heavy losses to the constructing carriers that further construction of these competing lines is unwarranted.

The difficulties of the railroads in competing for new money with other investments and with the Government is public knowledge so common that this matter was not gone into exhaustively during the investigation. The carriers' universal remedy for this situation is, of course, the raising of rates.

The fact is established, however, that it is not principally lack of funds that interferes with necessary improvements of track, equipment and terminals. As far as equipment goes, witnesses for all the roads testified that locomotive and car manufacturers are not now able to fill the orders of the carriers. Of remedies there seem to be only two: First, that the carriers themselves enter the manufacturing field; and second, that the Government establish priority for railway necessities. The first remedy is not a real one, for the reason that the railroads cannot in fact manufacture cars and locomotives; they can merely assemble the parts. The demand for parts is almost as difficult to fill as that for the finished product.

#### E- General

It is in their attitude towards the general aspect of the present transportation situation that the testimony of the witnesses before the Commission is most important and illuminating. This is particularly true of such witnesses as may be said officially to represent the carriers and to speak with authority:

Mr. William Sproule, President of the Southern Pacific Company, Mr. H. C. Nutt, General Manager of the Los Angeles and Salt Lake Railroad, Mr. I. L. Hibbard, Assistant General Manager of the Santa Fe Coast Lines, and Mr. Paul Shoup, President of the Pacific Electric Railway.

Mr. Sproule was the chairman of the western division of the Railroads' War Board; and the Commission attempted to secure his views as to the actual meaning and scope as well as the actual effects of the War Board resolution passed by the presidents of the railroads of the United States, which has already been referred to.

Mr. Sproule's interpretation of the resolution is that the policy of the War Board "is a developing policy which will be announced by the Railroads' War Board from time to time, as the circumstances of the time call for". It is definitely his view that the co-ordination of the railways' operation in a continental railway system and the merging during the war period of all their merely individual and competitive activities, which the railroad presidents pledged themselves to bring about, should not be undertaken until the occasion actually arises to unify the roads. In Mr. Sproule's opinion, on December 20, 1917, the time for unification had not yet come. This is borne out by the following quotations (Tr. p. 560):

COMMISSIONER EDGERTON: Therefore Mr. Sproule, we can conclude safely, can we not, that co-ordination, unification, merging, has gone as far as necessity in the judgment of the War Board.

MR. SPROULE: The War Board holds the authority to accomplish those purposes. It is like all other authority that is well used: we may have the authority, but we do not exercise it until the need for the exercise arises.

and continuing

COMMISSIONER EDGERTON: Yes. And the absence of orders or suggestions promoting a greater degree of merging or unification would lead to conclude that the War Board does not at the moment think further steps are necessary.



MR. SPROULE: I would say that the War Board, in the exercise of a normal business prudence, aims to interfere as little with the ordinary processes of transportation as they can, because the ordinary processes of transportation are responsive to the ordinary wants of business, and the less interference there is with the railroads in the conduct of their general business, the less interference will there be with the commercial, industrial, and social wants of the country, to which alone the railroads are responsive.

COMMISSIONER EDGERTON: Yes. Now, Mr. Sproule, considering the railroads operating in California, in and out of California, in your judgment has there been up to the present time a merging during such period, meaning the war period, of their merely individual and competitive activities?

MR. SPROULE: There has not been such a merging because there has been no occasion for it.

This last statement may fairly be said to be the dominating note in the railway managers' attitude. This attitude leads to a peculiar position. A reading of the transcript will clearly create the impression that the railroads of the west consider the western states as a country only remotely connected with the rest of the United States, particularly with the middle western states and the Atlantic seaboard. As far as the war is concerned, it seems as if we in the west, from a transportation standpoint, are only mildly interested in it, and that the east has no business to interfere with our normal activities. That conception was again and again defended by the witnesses of the various roads as the proper one.

Conditions in California are normal--There is no emergency here -- That is the opinion of the representatives of the California interstate roads.

Leaving aside the question whether transportation conditions here are normal or abnormal ( and it is abundantly clear that they are far from normal) , the view that the country, and the transportation system of the country, must be considered as a whole for the purposes of the war, and that the conditions in the

east and the west must be equalized as far as possible; that there is no sound reason why in justice the east should forego not only non-essential but essential transportation needs, while the west goes on as if nothing had happened -- this view, at the time of the hearings, found no favor whatever in railroad circles.

Mr. Sproule's testimony makes this very evident. Not only is it his view that unification should be resorted to only as a last means but that such unification would be an evil rather than a blessing. (see transcript, page 565)--

COMMISSIONER EDGERTON: Yes. But the point is, can they do it better, can they meet the emergency better in a unified condition, Mr. Sproule?

MR. SPROULE: Again we are confronted with the word "unified."

COMMISSIONER EDGERTON: Well, let us call it merging, or whatever you want.

MR SPROULE: Physically unified, and with competitive relations eliminated, they would do it probably better under the stimulus of Government demand at the time to meet that emergency; but under normal conditions, when the stimulus of competition is removed and they would be released from the economic pressure that competition creates, I would say that unification would not serve the public purposes as well as a competently regulated and competently compensated competition would do.

Assistant General Manager Hibbard of the Santa Fe, in dealing with this feature of the investigation, testified from the point of view of a practical railroad man. He said that unification of freight and passenger service has not yet been considered and that while he is satisfied that economies could be effected, he does not understand "the suggestions or orders or declarations of the War Board to mean that he should get together with his neighboring railroads and consider the matter". And, "Well, to be honest about it, no; not to the extent of turning over to him some revenue if we could handle it ourselves" (Tr. pp. 452 to 455).

Mr. E. W. Camp, Attorney for the Santa Fe, interpreted the Railroads' War Board resolution to mean that the railroads should get together and co-operate (Tr. p. 478):-

COMMISSIONER EDGERTON: It did not say anything about co-operation.

MR. CAMP: Well, collaboration.

COMMISSIONER EDGERTON: Didn't say that. The word is very much stronger than that. They said "one consolidated American railroad system."

MR. CAMP: Oh, I know the newspapers offered that---

COMMISSIONER EDGERTON: No, no.

MR. BRADLEY: My dear sir, I will show it to you-- no newspaper business about that all.

MR. CAMP: That was -- that, in the nature of things, was more or less exaggerated, an exaggerated statement. It could not possibly be done by any war board.

COMMISSIONER EDGERTON: This was not a war board, Mr. Camp.

MR. CAMP: I mean to say by Fairfax Harrison and his Board. It could not be done.

MR. BRADLEY: That was done by the presidents of the different railroad systems of the United States.

COMMISSIONER EDGERTON: Let me read it to you, Mr. Camp. (Resolution was read)

Now, I ask you again, Mr. Camp, whether you interpret that language to mean that co-ordination was intended only to the extent that it has now been accomplished.

MR. CAMP: I suppose it was intended from time to time to reach whatever might be necessary.

Mr. Hibbard of the Santa Fe was equally pronounced as to the impossibility and impracticability of "unification".

(Tr. page 507):

COMMISSIONER EDGERTON: Well now, frankly, Mr. Hibbard, within your knowledge has any railroad or any two railroads or any number of railroads merged competitive activities?

MR. HIBBARD: I don't know-- in the way of wiping out differences between them, I don't see that they have, and I don't see, Mr. Edgerton, how you or anybody else can expect that they are going to surrender their earnings and surrender their individuality until some order is passed by the Commission or some law enacted that will enable them to pool their issues between those points, so that the earnings heretofore enjoyed by each fellow will still be continued to him. You would not expect us, because of our 112 miles of distance, even in these war times, if anybody comes to us with freight, as they do in Los Angeles, for San Francisco, do you think that war measure means that we should say, "Here, the war is on; go over and

offer that to the Southern Pacific", that we will say, "No, the Southern Pacific is the short line to Los Angeles, and our line is the longer from San Francisco, and we will incur more ton miles and it will cost more to handle the business, and you go give it to the other fellow:"

COMMISSIONER EDGERTON: Please don't make me responsible for that pronouncement. I was quoting, if you please, Mr. Hibbard, from a pronouncement of the railroads themselves, of which the Santa Fe, your railroad, was a party. In other words, practically you, Mr. Hibbard, have said that during the war you would merge your merely competitive activities.

And finally, on being asked how he did interpret the language of the War Board, Mr. Hibbard answered: "I don't know what the fellow had in mind that wrote it".

Mr. Paul Shoup, President of the Pacific Electric Railway, whose road is an important factor in the freight situation of the State, being the third road in California in the number of freight cars handled (Southern Pacific is first and Santa Fe second), was in general agreement with the views expressed by Mr. Sproule on the transportation problem as a whole. He felt that the co-ordination ought to begin with the Government itself in its dealings with the railroads, and that a "traffic director for the Government" should be appointed.

All matters of priority and all orders for transportation services emanating from any department of the Government, such, for instance, as the War Board, the Navy Department, the Food Control Board, the Fuel Control Board, the Shipping Board, the Air Craft Board, etc., should come through one channel to the railroads, who would then know what to do and would not be left to their own resources in determining who should be served first.

Mr. Shoup sees grave dangers in a too-centralized and inaccessible administration of the entire transportation system of the country. He believes that "you must place the responsibility for the business of carrying in general upon the people

who are directly in contact with it locally," (Tr. pp. 696 and 697). He says (page 696) that

"when you have a situation of this kind and all of this service responsive to the public needs has been created, why, then, that service is not to be disturbed rashly nor the organizations which are giving that service and directing that service to be ripped apart, especially in time of war, with any attempt at making them all over rashly."

On the same subject, and after expressing his views that if the need arises the war boards will reorganize the transportation systems, he says (Tr. p. 701):

"they will try at first to operate them as they are, because any attempt to rip apart these railroads must be attended with more or less confusion, and I think it would be wholly disastrous to this country to start now, you might say at the bottom, to reorganize these railway systems while we are at war. You can see now the difficulty that we are having to attempt to create organizations we take care of the new problems that come along, such, for instance, the Shipping Board, and the wisest judgment, as I see it, would be to make use of the organizations as you find them and of the railroads and the facilities as they are, and then change those and adapt them to the situation as you may have to do as you go along."

He believes that an amalgamation of the system or a rearrangement into any number of groups "would be a very dangerous thing to do, and a last resort".

#### Proposed Remedies

We have already pointed out that all possible and proposed remedies fall into two classes: (1) remedies going to the root of things and (2) remedies looking to greater savings and efficiencies of the individual parts of the transportation machine.

Remedies in the first class were not advocated by any of the witnesses for the railroads. We believe, however, that they should be distinctly and definitely suggested by this commission.

When these hearings were held, the machinery enabling such remedies to be put into practice was not available. The President of the United States since then has placed the operation of the roads under Government control; and whatever fundamental changes are found necessary and desirable can now be made. Among the fundamental remedies belong such matters as the most direct routing of freight over the most efficient line ( and this resolves itself mainly into a question of grades and curvature): the using of two independent single track systems for purposes of operation as a double track; the doing away with all unnecessary "cross-haul" of commodities, such as rice in California, coal throughout the country, and other commodities. As an indication of the significance of the last suggestion, it should be pointed out that Sacramento Valley rice is now shipped to Louisiana as peddy rice, is cleaned there, and then sent back to California. It might have been cleaned here in this state and saved the transportation in and out of the State. This cross-haul waste is most clearly apparent in the coal situation, although that particular commodity does not figure to any extent in this state. We believe that the English system of dealing with the coal traffic and supplying the demands of a particular locality from the nearest available source, is an excellent one and should be adopted in this country, where the coal traffic represents approximately 30 per cent of the entire traffic.

Other large remedies in the first class are the tremendous saving in man power and expense to be effected by doing away with all merely competitive passenger and freight service with its consequent saving in man power, motive power, equipment, fuel etc.

The even more important matters, such as the improved credit of the railroads resulting from a unification of the entire

transportation system and the consequent reduction in the cost of capital; the efficiencies and savings effected by doing away with manifold and unnecessary overhead and general expenses of the companies; the very great simplification and savings that would result from the adoption of uniform standards of construction maintenance and operation; the savings accruing from consolidated purchasing of materials and equipment;--these and other similar major remedies need merely to be pointed out in order to attract attention to their significance.

We realize the limitations of the force of any suggestions made by this Commission or any actions taken by it along such lines; but we are of the opinion, nevertheless, that the Commission should suggest and recommend to the principal railroads operating in this state the immediate necessity of appointing a joint board or committee, made up of qualified men from the technical, operating, and traffic departments, who should study the situation in the state as a whole and make definite recommendations looking to complete unification and complete elimination of all merely competitive activities along the lines suggested above. We believe that a definite program, divided into sections, should be mapped out for such a board and that its report, to be completed within a certain time, should be furnished to the proper Federal authorities and to this Commission. This report should state concretely what changes should be made, the effect of such changes on the freight and passenger service, and savings in equipment, man power, and dollars effected thereby. The basis for such a report is given in the accounting classifications of railroads of the Interstate Commerce Commission.

It seems to us that such a comprehensive study by qualified men is the first step that must be taken to carry into effect the program laid down by the President and by the Director General

of Railroads.

We should venture the further suggestion that such a board, dealing with California or western conditions, should not act independently but should merely handle a portion of a similar study to be carried on simultaneously throughout the United States.

The President of the United States has proposed to Congress that the railroads be guaranteed an annual net return equal to the average annual net operating income of the three years, ending June 30, 1917. As a corollary to the guarantee of profits, goes the assumption by the Federal Government of all operating expenses of the carriers, irrespective of what the financial operating result will be during the period of government guarantee and government operation. If such specific terms are enacted into law by Congress, it seems to us that the obligation on the carriers is greater than ever to operate economically and with as little waste as possible.

That the savings of railroad operating costs also results in the savings of man power is, during the war, an additional reason why a most thorough survey should immediately be made to determine what economies and efficiencies can be effected. We know that, in dollars, the savings will run into the hundreds of millions.

Among the lesser remedies and efficiencies advocated during this investigation, it is our opinion that the following suggestions are of value and should be acted upon by the appropriate authorities:

With reference to the labor shortage, and referring now to unskilled labor, it is our opinion that the illiteracy and head tax restrictions in our immigration laws should be eliminated or



or suspended, so far as Mexican labor is concerned. We recommend that the Commission call this recommendation to the attention of the Director General of Railroads, the representatives of this state in Congress, and the Immigration Commissioner in the Department of Commerce and Labor. We also recommend that the co-operation of the State Council of Defense be sought in this matter.

Mexico, it is agreed, affords the nearest and best source of unskilled railroad laborers to meet the additional requirements on our railroads. There is the additional advantage that no repatriation difficulties enter into the Mexican labor problem, since these laborers would be brought into the country, as they have been in the past, by the railroads, used on track work, then made available for farm labor in California, Arizona, Nevada, Texas and other states not too far from the Mexican border, and after their seasonal occupation in the United States has ended they will again, and without cost to them, be returned by the railroads to their home country. It is our opinion that the unskilled railroad labor problem in a considerable part of the country will be solved if the Mexicans are permitted to come in freely and if it is made clear to these aliens that they need not fear compulsory drafting into the United States armed forces. This fear, however, groundless, in addition to the impediments already mentioned, is now a contributing cause to their staying away from this country.

The proposal made by several of the carriers that the bars against Oriental labor be let down need not be further considered herein in view of the availability of Mexican labor for railroad purposes.

✓ We further recommend that this Commission lend its aid in the establishment of priority in the necessary<sup>t</sup> of new public

and private construction requiring unskilled labor, as compared with the necessity of the maintenance and construction work that must be done on the railroads. We believe it is a sound proposition that all public improvements not essential to the prosecution of the war be stopped at this time if the labor necessary to do such public work is more needed for the railroads. Incidentally, the elimination of such work would have an additional effect on the railroad situation by the release of equipment and cars that would be necessary to haul the material required for such construction.

Related to this recommendation is another one; namely, that steam electric interurban, and street railways, as well as other public utilities, should not be required at this time to live up to such of their franchise stipulations as necessitate otherwise uncalled for new construction, such as street paving in cities, replacement of existing T-rail with more expensive girder rail, and similar items. The latter suggestion will, of course have its effect also on maintenance and capital expenditures and consequently on the net earnings of the carriers.

We recommend that the Commission address the appropriate state, county and city governmental authorities, inviting their co-operation with the program in the last two recommendations. We also suggest that the Commission offer its informal assistance in cases where, by reason of franchise requirements, a city insists upon construction work that is not essential and that would appear to interfere with the more important work on the railroads.

With regard to skilled labor, we recommend that the Commission lend its assistance to the suggestion that our universities, technical, and trade schools be called upon to arrange during the present emergency their courses of study by giving to students desiring it, in addition to schoolroom work, practical

experience in the railroad shops. The railroads are willing to pay a reasonable compensation for such service. We agree that not only would this be valuable experience for the young engineers and technical students but it would also, to some extent at least, relieve the very serious shortage of mechanics and engineers that is now felt by the railroads in common with other industries. There might also be the additional benefit to both the men and the carriers, as suggested by some witnesses, that a good many men would be led to railroad work as a permanent vocation. To bring about this recommendation we suggest that the Commission get in touch with universities and other technical schools of the State and also with the labor organizations to secure, if possible, their co-operation in this matter.

While we are making these suggestions with regard to the question of labor, we are impressed with the justice, and indeed the absolute necessity, of the proposition that in all recommendations and actions taken by any Governmental body looking to the solving of any labor problem, the wishes and needs of labor itself, irrespective of whether this labor is organized or not, must be given full consideration. We are convinced that any attempt to solve the labor problem on the railroads, or anywhere else, "from above", or without a sympathetic understanding of the point of view of labor, will not only <sup>not</sup> solve the problem but will merely aggravate it.

Our recommendations as to remedies with reference to the shortage of equipment and motive power are as follows:

The commandeering by the Federal Government, whenever it <sup>is</sup> ~~is~~ necessary, of car and locomotive works; the establishing of priority by the federal Government as between the railroad requirements of the United States and the orders for foreign allied Governments and for other industries in this and other countries. We consider this recommendation general and one that might be brought to the attention of the Federal authorities as a suggestion of this Commission.

Remedies looking to greater efficiency of existing equipment are advocated by the railroads principally along lines of added penalties for the shipper in order to enforce the prompt loading and unloading of cars; and the taking away of privileges he now has in the matter of freight switching, permission to re-consign, and similar privileges. It was proposed to tighten demurrage rules and to eliminate free time on account of inclement weather, the right of the receiver of freight to have his cars delivered on his own team tracks, and like measures.

The appointment of a Director General of Railroads has made unnecessary any orders of this Commission along these lines. Prior to Government operation, and during the period of War Board control, that Board theoretically issued its general orders on matters of this nature from its central point of authority, Washington, to the individual railroad companies throughout the country. Events proved that this method was not effective and did not accomplish its purpose.

We believe that under the new direction of railroad operation, supervision and control over matter indicated in the last paragraph can be better exercised through logical division headquarters, having no regard to the ownership of individual lines than under the present system where such ownership still remains the dominant factor in the actual and detailed operation of the transportation system. As an illustration: the Southern Pacific Company's representative testified that during car shortage if the company had orders for cars at Watsonville and at Stockton, Watsonville, a non-competitive point, would have been given preference, on the assumption that the Southern Pacific Company's competitor at Stockton would be able to take care of the needs up there. It does not appear that the ability of the competitor to do this was considered; and if this competitor had taken

the same course, it is very clear that non-competitive points would have had an advantage over the cities which have two or more railroads.

In regard to the suspension or reduction of reconsignment privilege, it is unquestionable that this privilege is greatly abused. While there are many cases in which the reconsignment privilege is of large value to shippers, this occurs mainly in connection with perishable products; and there seems to be no reason why this privilege should not be entirely suspended so far as shipments of lumber and other non-perishables is concerned.

It is evident from the record that jobbers and speculators especially in the lumber trade, are in the habit of purchasing in carload lots without having a buyer for the product or a place in which to store it. Such people abuse transportation facilities and use them as they would warehouses or bargain counters. No undue hardship would result to anyone if such practice were made impossible. As far as perishables are concerned, it is customary for cars consigned to a destination which is overstocked with a particular commodity to be diverted enroute or, after arrival, to some other locality. It does not seem desirable under any condition to do away with this practice, although the reconsignment privilege can undoubtedly be reduced even in such cases. We recommend that the carriers make a study of this situation with a view to bringing about a reduction of all reconsignment privileges to the lowest possible minimum.

It is our intention to recommend the joint use of team tracks by all carriers which are able to reach such tracks, irrespective of ownership. With unified control of operation this condition may come about automatically; but it is nevertheless a means of relieving congestion in terminals, and might profitably be made the subject of special instructions from the Director General of Railroads.

The investigation developed the fact that the steam railroads of California thus far have been generally able to take care of all business offered them. There are ~~xx~~ exceptions to this general statement, but as a rule the congestion in the west other than that at terminals incident to export business has not embarrassed the business of the community as it has elsewhere. This is another way of saying that California transportation facilities can probably be spared to a considerable extent to relieve the acute situation in the East. During the course of the investigation the attention of the Commission was called to an order by the War Board requisitioning a number of freight locomotives from the Southern Pacific and Santa Fe lines for service on congested lines in the central east. While there is no surplus of motive power and ~~xxxx~~ equipment in the West, it is a fact that there is less shortage herethan in the East and if real unification is brought about a diversion from the West to the East would help to relieve the situation.

It is from this point of view that the facilities of the carriers other than steam roads, and their ability to relieve the latter, were considered in this proceeding. The hearings developed the fact that the steamer lines of the State, especially those operating in inland waterways, the interurban electric lines, the motor truck, and even the street car lines, are in a position to handle a very large amount of short-haul freight, especially less than carload freight, that is now handled by the main interstate roads. On the ability of the electric roads to give such relief, the testimony of Mr. Paul Shoup, President of the Pacific Electric Railway, was particularly illuminating. The Pacific Electric is the third carrier in the State in the number

of freight cars handled. This company does a very large amount of switching to and from industry tracks in and out of the City of Los Angeles; and it appears that electric operation is superior to steam operation in such service. One of the chief advantages of electric operation seems to be the flexibility of the service and the fact that motive power is used practically in the proportion to the weight to be moved, and that consequently there is much greater economy than in the case of steam locomotive.

We call attention the matter of electric operation in terminal freight service for the reason that the possibilities along this line seem to be very large in almost every important city in the United States. There is at this time practically no co-operation between the electric lines and the steam lines in such localities, and we know of no intelligent investigation that has been made to see what can be accomplished in this direction. It is only in instances like that just mentioned, where the Pacific Electric Railway is through ownership and operating agreements intimately associated with an important steam line such as the Southern Pacific, that reliable data can be had on the possibility of relief from this source. ~~It is our recommendation that~~ We believe this feature/should be given careful consideration in the study of the Los Angeles terminal problem now being made by the Commission.

When the possible elimination of unnecessary passenger service is considered it becomes evident at once that in almost all cases where steam lines compete with electric interurban lines the latter can as a rule render this service more satisfactorily, more economically, and as a rule, altogether relieve the steam lines of such competing business. Mr. Shoup testified that the Pacific Electric in the Los Angeles/<sup>territory</sup> is

"now carrying all the Southern Pacific Company's passenger traffic for them practically in the territories served by both lines. We carry all their Pasadena, Long Beach, San Pedro, and Santa Monica traffic, and their tickets are also good over practically all lines of importance on the Pacific Electric. We are handling all their San

"Bernadino and Riverside business for them. The subject has been discussed with the Salt Lake, but no conclusion reached as to making some such similar arrangement. The result has been very satisfactory, I think, from the Southern Pacific point of view, and has been quite acceptable from the Pacific Electric point of view. The difficulties which might face the Santa Fe or Salt Lake would be in transferring packages and baggage to our stations. In Los Angeles, the principal transfer point, our cars run directly to the Southern Pacific station. We do not run either to the Salt Lake or to the Santa Fe station; but with that one feature eliminated, we should be able, assuming it is to the interest of the steam line to do so, to take care of their traffic at common points locally. I know of no reason why we should not."

Now that we have unified railroad control, and operation has become a question of most efficient service rather than largest possible net earnings to individual lines, we agree altogether with Mr. Shoup's last sentence. The savings in operating expenses, in man power, and in equipment that can be made by a rearrangement of passenger service along such lines, and without any impairment of the service to the public, is very large. It is evident that the same condition exists in all of the large communities of the country where interurban electric roads compete with so-called commutation steam passenger service.

It is our recommendation that in the case of the Los Angeles territory the Commission ask the steam lines concerned immediately to institute a survey with a view to determining to what extent the Pacific Electric can furnish the necessary passenger service in the territory affected and to what extent competing steam line passenger service should be eliminated. If necessary, authority to make such a survey and the recommendation into effect should be secured from the Director General of Railroads.

Question 32 of the inquiry sent to the carriers dealt with the cost of soliciting business. While the figures returned by the carriers are not complete and are not so arranged as to permit of finding the total cost of soliciting business in any one territory, they nevertheless lead to the conclusion that the



item of advertising alone runs into millions. It was our purpose, even prior to the taking over of the railroads by the Federal Government, to recommend to the Commission that steps be taken to eliminate to the largest possible extent all traffic expenses resulting from the cost of securing competitive business. It seems to us a peculiarly indefensible waste of energy and money to expend large sums in efforts to get more business when, as a matter of fact, many carriers were unable properly to handle such business as was offered to them. Now that competitive operation is a thing of the past, such expenditures are altogether unwarranted. How considerable an item this is will be apparent from the summary of the Interstate Commerce Commission's statistics of revenue and expenses of the large steam roads in the United States for the year ending June 30, 1916, where it is shown that "traffic expenses", which include only expenditures for advertising, soliciting, and securing traffic and for preparing and distributing tariffs governing such traffic, aggregated--- \$60,604,496. There is no doubt in our minds that at least 75 per cent of this expenditure can now be eliminated without any impairment of the efficiency and convenience of the transportation service.

In view of the present status of railway control we recommend that the Commission take up informally with the railroads and all other parties interested in this proceeding, such of the recommendations made by us as may appear to be useful in bringing about complete national control and the highest possible efficiency of the transportation system during this emergency. In cases where the authority of the Director General of Railroads should be had before any of the recommendations can be acted upon, such authority should be secured and the results of this investigation and our report made available to him.

We believe that this proceeding should not be dismissed at this time but that it should be kept open for such further action as may be deemed advisable by the Commission.

O r d e r

The Commission having on its own initiative instituted an investigation into the services and maintenance and the economies of operation of transportation companies in California, during the emergency created by the war; and public hearings having been held; and testimony having been submitted;

IT IS HEREBY ORDERED, That the recommendations and suggestions in the foregoing opinion be called to the attention of the parties referred to, and that the proceeding be continued for such further action as may appear desirable to the Commission.

The foregoing statement, opinion, and order are hereby approved and order filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of February, 1918.

Max Thelen  
H. J. Howard  
Alex. Gordon  
Edwin O. Edgerton  
Frank Nelson

Commissioners.

TABLE I  
CALIFORNIA RAILROAD COMMISSION  
ENGINEERING DEPARTMENT

ANSWERS TO QUESTIONNAIRE OF DEC. 3, 1917, SENT TO STEAM & ELECTRIC RAILROADS

CASE 1177

QUESTION	GROUP I - PRINCIPAL STEAM ROADS							GROUP II - PRINCIPAL ELECTRIC ROADS							TOTALS for Electric Roads
	Southern Pacific Ry.	A. T. & S. F. Ry.	Western Pacific Ry.	Northwestern Pacific Ry.	Los Angeles & Salt Lake Ry.	TOTALS Steam Roads	Pacific Electric Ry.	Oakland & Eastern Ry.	S. F. Napa & Calistoga Ry.	Petaluma & Sta. Rosa Ry.	Northern Electric Ry.	Central Calif. Traction Co.			
<b>Group A - Relative to the condition of Roadway &amp; Track</b>															
#1	Section Men & Unskilled Labor employed on	(Nov. 15, 1916)	6 366.	1 697.	544.	X	308.	9 105.	1 410.	103.	25.	12.	X	X	1 550.
#2	Section Men & Unskilled Labor short on	(Nov. 15, 1917)	7 211.	1 832.	694.	511.	294.	10 542.	1 445.	129.	26.	16.	201.	31.	1 846.
#3	Accidents & Derailments	(Nov. 15, 1917)	5 401.	1 469.	889.	286.	300.	8 345.	1 240.	99.	15.	7.	165.	17.	1 543.
#4	Section Men & Unskilled Labor short on	(Nov. 15, 1917)	2 700.	729.	341.	175.	365.	4 330.	200.	20.	18.	7.	60.	19.	324.
#4	Accidents & Derailments	(Aug., Sept., Oct. of 1917)	11 months 1917	(November 1915, '16, & '17)	11 months 1917	Oct. '16, '17.	2 mo. 1915, '16, '17.								
	(a) From all causes		143.	1 471.	48.	139.	8.	260.	7.	-	49.	X	X	316.	
	(b) Due to Failure of Track		6.	92.	11.	-	-	46.	6.	-	7.	X	X	59.	
	(c) Due to Failure of Equip.		37.	393.	10.	3.	3.	24.	-	-	7.	X	X	31.	
	(d) Due to Failure of Track & Equipment		43.	485.	2.	37.	3.	70.	6.	-	14.	X	X	90.	
#5	Maintenance of Way & Structures for														
	(a) 9 months ending Sept. 30, 1915		5 711 543.	1 967 228.	540 971.	X	276 179.	8 495 921.	782 985.	69 984.	29 119.	11 152.	X	X	893 240.
	(b) " " " Sept. 30, 1916		5 926 316.	3 077 765.	656 963.	469 519.	321 658.	10 452 221.	635 074.	72 152.	22 697.	9 248.	X	X	739 071.
	(c) " " " Sept. 30, 1917		5 816 491.	1 858 037.	850 983.	512 258.	366 432.	9 403 201.	648 496.	81 860.	17 891.	9 048.	124 129.	27 298.	908 722.
<b>Group B - Relative to the condition of Equipment.</b>															
#7	Skilled Labor employed on car & engine repairs	(Nov. 15, 1916)	8 771.	1 069.	388.	X	112.	10 360.	530.	28.	10.	11.	X	X	+579.
#8	Skilled Labor employed on car & engine repairs	(Nov. 15, 1917)	9 248.	1 370.	454.	252.	131.	11 455.	587.	29.	9.	9.	X	X	+634.
#9	Skilled Labor short	Nov. 15, 1917	10 481.	1 252.	494.	239.	130.	12 596.	573.	27.	8.	9.	X	X	+617.
#10	Skilled Labor short	Nov. 15, 1917	483.	64.	-	30.	32.	609.	6.	2.	4.	2.	X	X	+ 14.
#10	Maintenance of Equipment for														
	(a) 9 months ending Sept. 30, 1915		7 247 358.	2 156 980.	227 904.	X	417 428.	10 049 650.	487 961.	24 829.	19 344.	15 946.	X	X	+548 080.
	(b) 9 " " " Sept. 30, 1916		7 681 614.	2 610 878.	244 588.	390 588.	463 124.	11 390 792.	444 642.	33 309.	17 475.	14 066.	X	X	+509 392.
	(c) " " " Sept. 30, 1917		7 603 157.	3 192 522.	307 052.	409 437.	484 555.	12 196 703.	494 151.	47 862.	15 972.	16 561.	78 951.	19 535.	673 032.
#12	Engine Failures														
	Sept., Oct., Nov., 1915		X	284.	18.	5.	29.	336.	17.	9.	X	1.	X	X	+ 27.
	" " " 1916		319.	209.	15.	8.	11.	562.	26.	6.	12.	6.	X	X	+ 50.
	" " " 1917		370.	167.	26.	6.	19.	588.	18.	6.	18.	3.	X	X	+ 45.
#13	Engines shopped for ordinary repairs														
	Sept., Oct., Nov., 1915		374.	427.	132.	56.	20.	1 009.	108.	35.	1.	1.	X	X	+ 145.
	" " " 1916		350.	394.	140.	90.	21.	995.	109.	35.	1.	6.	X	X	+ 151.
	" " " 1917		468.	414.	156.	107.	16.	1 161.	75.	46.	-	3.	X	X	+ 124.

REMARKS: Northwestern Pacific Ry. omitted data for 1915 s/o expenditures for line Willetts to Shivley not included in operating expenses prior to June 30, 1915.

+ = Totals incomplete      X = Not Answered      - = None

QUESTION	GROUP I - PRINCIPAL STEAM ROADS					GROUP II - PRINCIPAL ELECTRIC ROADS					TOTALS for	Includes Inspection	No Record Equipment in 1st class condition	Average	No Record 2 or 3 cars 2 ea. month	TOTALS for	
	Southern Pacific Ry.	A. T. & S. F. Ry.	Western Pacific Ry.	Northwestern Pacific Ry.	Los Angeles & Salt Lake Ry.	Pacific Electric Ry.	Oakland Antioch & Eastern Ry.	S. F. M. P. & Callistoga Ry.	Petaluma & Sta. Rosa Ry.	Northern Electric Ry.							Central Calif. Elec. Roads
#14 Engine Repairs - complete or backshop																	
(a) Sept., Oct., Nov. 1915	161.	42.	16.	-	5.	22.	6.	11.			X	X	+	17.			
(b) " " " 1916	183.	60.	22.	3.	3.	271.	3.	9.			X	X	+	12.			
(c) " " " 1917	129.	45.	22.		1.	197.	2.	8.			X	X	+	11.			
#15 Bad Order Freight Cars out of service				Daily Average		excluding N.W.P.	Inc. Foreign	No Record									
(a) Sept., Oct., Nov. 1915	6 102.	981.	84.	8.09	X	+7 167.	1 136.	1st class condition			X	X					
(b) " " " 1916	4 171.	1 031.	251.	7.05	90.	+5 543.	1 733.				X	X					
(c) " " " 1917	5 351.	872.	427.	8.52	70.	+6 720.	2 622.				X	X					
Group C - Relative to Freight and Passenger Service																	
#16 Gross Freight Ton Mileage	Pacific System		2 months 1917														
(a) Sept., Oct., Nov. 1915	5 018 323 631.	875 618 872.	226 107 654.	47 290 281.	385 415 007.	6 552 755 445.	X	104 048.	81 739.	334 663.	X	X	+	520 420.			
(b) " " " 1916	6 144 431 517.	1 038 672 636.	326 591 601.	72 687 649.	440 176 249.	8 022 559 652.	60 778 853.	144 670.	62 477.	367 342.	X	X	+	51 353 542.			
(c) " " " 1917	6 866 177 399.	1 204 366 549.	259 578 815.	76 367 335.	466 052 445.	8 872 562 543.	48 935 643.	192 594.	66 696.	579 062.	X	X	+	49 573 995.			
#17 Passenger Train Mileage	Pacific System																
(a) Sept., Oct., Nov. 1915	6 053 182.	1 236 408.	511 954.	279 268.	565 587.	8 645 399.	X	415 347.	74 216.	97 097.	X	X	+	586 660.			
(b) " " " 1916	5 551 603.	1 162 699.	337 428.	367 716.	547 530.	7 966 976.	6 183 874.	369 546.	70 509.	97 578.	X	X	+	6 721 507.			
(c) " " " 1917	5 722 764.	1 161 412.	345 853.	356 170.	543 710.	8 129 909.	6 665 618.	374 455.	78 770.	97 146.	X	X	+	7 215 989.			
#19 Discontinue non-essential passenger service	X	No	None	Yes	No			X	No	No	No						
#20 Elimination of Special Equipment	X	No	No	None	No			None	No	None	None						
#21 Reduce Local Freight Service	X	No	No	Yes	No			X	No	No	No						
#22 Suspension of Inter-Yard Switching	X	None	None	None	None			None	None	None	No						
#23 Reduce Branch Line Service	X	X	No	No	No			Yes	Yes	None	No						
#24 Adopt Interstate Demurrage Rules	X	Abrogate weather rule	Abrogate weather rule	Require prompt loading	Yes			Yes	No delay No Shipments	Do not apply	Cancel Rules						
#25 Embargo on ocean-going freight if no cargo space	X	Yes	Yes	No	No			X	Shipments	Yes	Yes						
Group D - Relative to Capital & other expenditures																	
#31 Additions & Betterments and New Capital Expenditures	8 months 1917		( $\frac{1}{2}$ )			( $\frac{1}{2}$ )											
(a) Year 1916	7 601 154.	2 525 034.	2 217 652.	319 268.	594 346.	13 257 454.	1 290 876.	38 673.	3 412.	7 611.	X	X	+	1 340 572.			
(b) " 1917	7 590 637.	2 618 351.	( $\frac{1}{2}$ ) 2 217 652.	427 395.	2 302 572.	15 166 607.	1 290 877.	36 470.	5 742.	9 334.	X	X	+	1 342 423.			
(c) Estimated 1918	31 833 000.	8 249 595.	X	763 000.	1 445 000.	+42 290 595.	1 775 000.	X		12 500.	X	X	+	1 787 500.			
#32 Cost of Soliciting Business																	
(a) Year 1915	1 990 482.	598 738.	126 894.	X	387 947.	+ 3 104 061.	1 357.	9 099.	72.	-	X	X	+	10 528.			
(b) " 1916	1 913 545.	440 951.	128 533.	58 069.	391 822.	2 932 920.	1 216.	10 665.	36.	-	X	X	+	11 917.			
(c) " 1917	1 605 458.	369 621.	105 611.	53 699.	327 983.	2 462 372.	1 232.	12 050.	23.	-	X	X	+	13 305.			

+ = Totals incomplete X = Not Answered - = None

