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The Problem of the Railways

Secretary McAdoo on Government Control

War Plans of Supreme Importance Described

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(Prepared especially for THE SUNDAY SUN.)

ON December 26, 1917, the President, acting under authority conferred upon him by the Congress in the act of August 29, 1916, took over the control of "each and every system of transportation and the appurtenances thereof located wholly or in part within the boundaries of the continental United States and consisting of railroads, and owned or controlled systems of coastwise and inland transportation engaged in general transportation, whether operated by steam or by electric power, including also terminals, terminal companies and terminal associations, sleeping and parlor cars, private cars and private car lines, elevators, warehouses, telegraph and telephone lines and all other equipment and appurtenances commonly used upon or operated as a part of such rail or combined rail and water systems of transportation to the end that such systems of transportation be utilized for the transfer and transportation of troops, war material and equipment, to the exclusion so far as may be necessary of all other traffic thereon; and that so far as such exclusive use be not necessary or desirable, such systems of transportation be operated and utilized in the performance of such other services as the national interest may require and of the usual and ordinary business and duties of common carriers."

The Administration was confronted with the necessity of taking an extraordinary step to solve an extraordinary transportation problem. I think it was obvious that Federal control would have to be asserted over the transportation systems in order to get a more efficient operation and to get increased facilities for the demands of the war, primarily the military necessity. I think that under the competitive system of management it was impossible to get the coordination of facilities which is essential at this time.

I may cite some of the compelling needs which could only be met by putting the power of the Government back of railway operation.

The absolute coordination and, as far as necessary, common use of all railroads and their rolling stock, regardless of any private interests; the entire disregard of established routes for the movement of traffic when other routes would insure more or quicker service; the necessity for economy in the use of labor and material so as to do all that might be necessary for transportation with the least drain on the country's other demands for labor and material; the need for insuring the supply of capital necessary, notwithstanding the impaired credit of many railroads; the coordination of the Government demands for priority in shipment, impossible under private railroad management; the absolute necessity for assuring railroad that its just demands would be met without



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necessity for strikes or threats of strikes. All these things and others, which I shall not attempt to enumerate, made it imperative that the Government should without delay assume possession and control of the railroads as a war measure.

It did this and thereby brought into existence full governmental power to readjust methods of railroad operations and the currents of railroad traffic absolutely regardless of the interests of any particular railroad company or of any private or selfish interest.

Under the unified control it is possible to make common use of all tracks and facilities and equipment. I may illustrate it at once by saying that when I took charge of the railroads I found on the Eastern lines a terrible congestion of traffic which has not yet been relieved, and that was due not only to the fact that they had insufficient facilities of all kinds—that is, on the most congested systems—but they had an insufficient amount of motive power.

The railroad equipment of the country, the cars of the country, might be sufficient for immediate

needs if we could only get the use of them, but as long as a large percentage of them are used for warehouse purposes and kept standing in terminals idle the car equipment of the country is not sufficient for the need.

Let us take the question of motive power alone. Upon an investigation I found that the railroad companies throughout the country had placed orders with locomotive builders for locomotives to be delivered in January, February and March. The aggregate of those orders, I think, is, roughly speaking, 700 locomotives.

Under private management those locomotives as delivered by the builders would have been sent to the different railroads throughout the country which had ordered them. I issued an order immediately upon discovering the situation that all of those locomotives, no matter for what company's account they were constructed, should be delivered to the order of the Director-General and be sent as rapidly as delivered to those railroads which were most in need of motive power.

That would not have been possible under private management, because they probably could not have agreed among themselves to any such step. Now we can distribute those locomotives where they are most needed as rapidly as they come out of the shops.

This extraordinary step being necessary, it was essential that it should be taken in a manner calculated to help rather than to hurt a financial situation of fundamental importance. Such action was calculated to cause the gravest disturbance to the whole financial structure of this country unless unquestioned assurance could be given by the Government of an adequate protection to the holders of railroad securities, representing something like \$16,000,000 in bonds and stocks.

Even in time of peace the public interest would have made it highly important to avoid any such financial disturbance, but in the present war, when success cannot be achieved without the raising of unprecedented amounts of capital, it would have been unthinkable and self-destructive for the Government in taking over the railroads to do so in such a way as to disturb rather than reassure the general financial situation.

The Government had to take the step to promote the successful conduct of the war, and it would have been, in my judgment, most unfortunate if the step had been taken in such a way as to make the winning of the war more difficult. After a careful study of the situation I have reached the conclusion that the three-year basis, as proposed in the bill now before Congress, would not only be reasonable and just, but that it would give the necessary stability to the general financial situation and that it would carry with it the financial reassurance which was necessary in order to help instead of hurt the great financial undertakings which

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