

# TRANSPORTATION INDUSTRY COMES TO FRONT AFTER BATTLE

## RAILROAD EARNINGS WERE HIGHER IN 1922

### Operating Difficulties in Last Half of Year Prevented More Favorable Showing—Many Dividends Cut, but Others Were Increased.

By Arthur P. Maher.

Certain rail achievements in the face of extraordinary difficulties have been written into the record of the transportation industry since January, last. The previous year had been one of readjustment. The efforts which had been made during 1920 to overcome the conditions growing out of the government control were continued in 1921, and the closing months of that year gave sufficient evidence that much progress had been made. It was also fairly clear that the worst of the business depression had passed.

This was at the annual rate of 2.97 per cent upon tentative valuation of the property of the roads, as compared with 2.23 per cent during the same period last year. The increase is a reflection very largely of increased revenue during the first half of the year, when comparisons with 1921 were almost entirely unfavorable.

In spite of the increased expenses consequent upon the shopmen's strike and the non-operation of the roads during the latter months of the year, the full months brought smaller gross and reduced net. It will thus be seen that the progress of the roads during government control has not been continuous, and some ground seems to have been lost during the latter months of the year.

### Divided Action.

In the case of only one important line, however, has the last measure of a receivership been found necessary. The Chicago & Alton was forced into bankruptcy, partly perhaps as a result of the difficulties arising out of the strike, but primarily because of its unwieldy capital structure and other difficulties which have existed and been recognized for many years. Two important companies reduced the rate of dividends on their stock during the year. The Northern Pacific directors concluded in the spring and summer a 5 per cent rate previously paid was not justified by the conditions then prevailing and reduced the annual dividend to 3 per cent. Directors of the Great Northern took similar action in December.

On the other hand, the Pennsylvania Railroad restored its dividend to a 6 per cent rate of 1921, and at the same time the Southern Railway recommended the payment of dividends upon its preferred stock. The Louisville & Nashville resumed its dividend on its preferred stock, suspended since 1914. In December, the Norfolk and Western paid an extra dividend of 1 per cent in addition to the regular dividend.

### Rates Reduced.

Before the effects of the suspension of coal mining had become pronounced, and while hopes were still out for earlier settlement of the trouble, the Interstate Commerce Commission handed down a decision which in effect applied a 10 per cent reduction to the freight rates schedule, except where reduced rates at least that amount had been provided previously by voluntary action of the carriers. In view of the general sentiment that the rates in effect were hampering business and depriving the roads of traffic, an opinion which was shared by the public, the decision was not surprising. It left the roads with a net revenue of 2.57 per cent of net tonnage, a rate which was lower than during the latter half of the year, when more than 50 per cent of net tonnage was carried.

However, there were worse things to come. On July 1, the very day that the rate decrease became effective, the railroads were faced with the prospect of maintaining net revenues with lower rates during the latter half of the year. Then more than 50 per cent of net tonnage was carried. However, there were worse things to come. On July 1, the very day that the rate decrease became effective, the railroads were faced with the prospect of maintaining net revenues with lower rates during the latter half of the year. Then more than 50 per cent of net tonnage was carried.

### Traffic Increased.

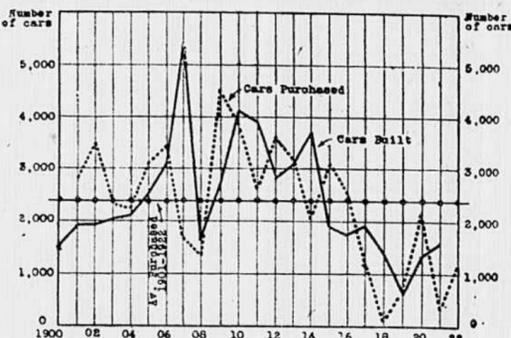
Receipts of coal mining in December, with the increased tonnage which brought coincident with the usual seasonal increase in the movement of tonnage, made the difficulties of the roads more acute. Freight offered for shipment rapidly increased in every section of the country, and before the end of the month the surplus of idle freight cars which had existed for more than a year, disappeared, and a car shortage continued to be felt. At the time of the seasonal peak in traffic in October, the shortage reached considerable proportions.

On the whole, however, the roads were very successful in meeting the demands upon them. Freight moved during the year, as shown by the weekly reports of cars loaded, was in excess of the movement during the same period in any year with the single exception of 1920, when the largest traffic in the history of our railroads was handled. During October, 1922, this record total was closely approached. In November loadings were in excess of the same month in 1920.

### Supervisory Forces Help.

This record was largely the result of the total tonnage rendered to the roads by their supervisory forces and the mechanical forces which they had succeeded in building up. It was the result of the determination of the road executives to move in the direction of whatever cost and to secure adequate operating economies to provide adequate transportation facilities for the country. To the immediate cost of this policy the monthly statements of operating revenues and expenses bear eloquent testimony. It cannot be denied, however, that the roads as a whole have earned the respect and confidence of business men and the general public by their aggressive tactics in fighting the strike. The attitude of the patrons of one or two lines which, for a time at least, followed another plan of action only serves to emphasize the fact. So much for the operating side of the railroads during 1922. As regards the financial returns received by the holders of railroad securities, the record of the year is not altogether satisfactory. For the ten months ending October 31 the class of roads reported total gross revenues of \$4,586,523,355, a decrease, as compared with the

## PASSENGER CAR BUYING REVIVES



The striking feature of the accompanying chart is the sharp falling off in passenger car buying and consequent building since 1914. Many roads were hard hit by rising costs and higher wages incident to the war and practically all reduced their equipment expenditures during the period of government control. Improved earnings during recent months have led to a revival of buying. Several years must elapse, however, before the roads will get their equipment up to a normal basis.

## RAIL EARNINGS AHEAD OF LAST YEAR

Railroad net income in November, 1922, as indicated by the statements of the carriers which have reported to date, shows fairly good progress over the corresponding month of 1921. There is the usual seasonal falling off as compared with October, however. In November, 1921, the Class I railroads of the country earned a total net operating income of \$66,198,293, which was at the rate of 3.35 per cent on valuation.

Comparison of earnings by months during 1922 follows:

Month	Gross	Oper. expenses	Net op. inc.	1921	Op. on	P. C.
January	\$291,546,289	\$237,269,122	\$54,277,167	.....	\$5.10	0.29
February	191,436,872	151,361,131	40,075,741	.....	86.84	4.58
March	174,668,629	146,928,412	27,740,217	.....	12.11	5.83
April	148,868,529	126,178,422	22,690,107	.....	68.4	3.93
May	135,917,898	105,588,877	30,329,021	.....	79.20	1.36
June	172,752,294	146,983,667	25,768,627	.....	50.0	4.75
July	162,182,200	136,725,809	25,456,391	.....	76.88	4.91
August	173,877,980	137,100,178	36,777,802	.....	41.7	2.55
September	159,376,000	148,315,500	11,060,500	.....	13.2	2.88
October	519,284,800	428,265,000	91,019,800	.....	17.18	4.95

\*More than 1,000 per cent.  
\*Benefit of \$5,164,971 in 1921.  
\*Decrease.

During the first ten months of this year the railroads had a net operating income of \$414,627,000, compared with \$199,145,679 during the corresponding period last year. This is at the annual rate of return of 2.57 per cent, compared with 3.23 per cent during the first ten months of 1921.

hand, it is also highly improbable that there will be any serious agitation for wage increases. The success of the roads in fighting the shopmen's strike has had a sobering effect on the other railroad labor organizations, and some of these have already signified their willingness to sign new agreements based upon approximately the present basis of rates and wages.

The year has demonstrated that on the present basis of rates and wages, given, of course, a normal amount of business, most of the roads can earn a satisfactory return on their capital. The result of the last half of the year should not be accepted as a criterion of the earning power of the roads because expenses have been swollen by the labor trouble, and the situation of a half dozen systems which for one reason or another are loaded with capital obligations, be characterized as typical. Either through combinations or through some reorganizing of their capital structure, they must be able to remedy for these abnormal cases, given a reasonable degree of freedom from further ill-considered regulation and the American railroad system as a whole will be able to satisfactorily perform its functions and at the same time earn a return upon the capital invested which will provide for the necessary extensions required by a still growing nation.

### Scientists End Session.

CAMBRIDGE, MASS., Dec. 30.—The American Association for the Advancement of Science closed its annual meeting here today, after a four-day session. The meeting was held at the University of Southern California, at Los Angeles, in September, with special reference to the solar eclipse.

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## CANCELLATION OF DEBT SHOULD COME IN TIME

### Trial of Ineffective Remedies Perhaps Necessary, Says Albert Strauss.

Formerly Vice-Governor Federal Reserve Board.

I expect the recovery in general business now in progress to be maintained during 1923, and possibly to witness some further general improvement.

Along with it I expect commodity prices on the whole to advance and easy money to continue.

The elements making for the maintenance of present and for the establishment of higher commodity prices are:

- (1) The full employment of labor.
- (2) The existence of no overstock of commodities.
- (3) The rising tendency of wages caused, in part, or stimulated by the restriction of immigration.
- (4) The present tariff, the effect of which is to take the edge off foreign competition.

### Shortage of Labor.

Plant facilities are probably well in excess of the labor available to man them and industry is probably adjusted to production roughly equal to this country's domestic demand plus a moderate export demand. High labor costs and a demand for commodities limited as above indicated, will have a tendency to reduce profit margins. If these conditions should go to the length of causing production at a loss with the result of a partial shutdown of industry, the result, while it would tend to lower wages, would, at the same time, cut off a considerable consumption demand from the laboring population.

If, with advancing wages, labor became more efficient, higher wages and expanding profits would go hand in hand and both would be more permanent. Unfortunately experience indicates that the opposite usually happens.

In view of existing plant facilities, there is likely to be little demand for capital for the purpose of plant extensions unless, indeed, a complete change in the railroad situation has not led to an extension of rail facilities. In the present political temper, however, this seems very unlikely.

### Reparations and Debts.

Political considerations not only abroad, but here, complicate the settlement of reparations and interrelated debts. In my judgment, Europe has not been left for the settlement of these questions. It was probably politically necessary first to try out popular, but ineffective remedies. During this stage, however, sound, if not politically attractive, would simply have served as a basis for interminable bargaining and an offer to cancel the amounts due us by foreign governments would have involved the waste of a concession, which, if used at the right time, will have real value.

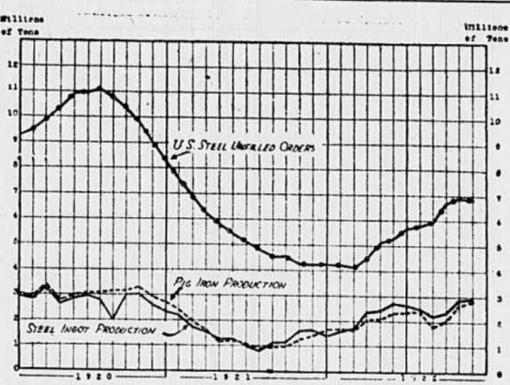
The settlement of reparations and interrelated debts involves such huge amounts that the resulting arrangements must be more or less damaging to both parties. Whenever a reasonable settlement of reparations can be made we should, in our own interest, as well as in the interest of Europe, be prepared to cancel all or a large part of the governmental debt held by us. Responsible officials have not been willing to advocate such a step. If proposed as part of a general settlement, however, it would be within the ability of all to make good. This is what will eventually have to be done—the sooner the better, the more quickly it is accomplished, just so much earlier will the world once again start on its upward journey.

We in America have never lacked courage to tackle the job. I do not believe we will fail to undertake this one which our people understand the true situation.

### G. O. P. Contestant Gets \$2,000.

WASHINGTON, Dec. 30.—James I. Campbell, Republican, who contested the seat of Representative Doughton, Democrat, of the Eighth North Carolina District, will receive the usual payment of \$2,000 under the deficiency bill reported today to the House. Mr. Campbell, with only one dissenting vote, the Election Committee report has never been acted upon legally elected, but the committee report has never been acted upon by the House.

## STEEL OUTPUT AGAIN AT HIGH LEVEL



After ten months of steady recovery from the 1920-21 depression steel ingot and pig iron production declined, beginning with June, 1922, due to the inability of the mills to obtain sufficient coal supplies as a result of the strike. With the resumption of operations at many mines in September production again began to climb.

Unfilled orders of the United States Steel Corporation rose sharply, as shown by the chart, in September and October. This was partly the result of the coal shortage, which held back shipments. (C. 1922, by N. Y. Evening Post, Inc.)

## TRANSPORTATION BELOW COST REGARDED AS RUINOUS POLICY

### Country Must Pay for All Elements Involved Either Directly or Through Higher Taxation Later On, Unless People Taxed Additionally.

By Howard Elliott, Chairman Northern Pacific Railway Company.

The most pressing problem confronting the railroads is one of simple arithmetic. Is the country willing to pay for the railroad transportation furnished enough to pay wages—practically fixed by the government, for fuel and supplies—prices for which are beyond the control of owners and managers; for taxes, fixed by the people through various governmental agencies; for interest on borrowed money, which must be paid if the roads are to be kept out of the hands of the sheriff and have anything left for the owners of the property with which to make additions to it for the use of the people, sustain credit, and pay some return to these owners?

If not, then the people will have to make up any deficiencies by adding to the already heavy tax burden now placed upon business, or the roads will be driven to government ownership, for which it seems to me the government is not ready financially or in its ability to manage 25,000 miles of railroad, with the 1,500,000 to 2,000,000 added governmental employees.

The country during the last ten years has discussed and debated the interstate commerce law, and in 1920, as a result, passed the transportation act, which has not yet been fully implemented.

## We Would

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## CO-OPERATION OF ALL IS NEED OF ROADS

### Growth of Country Demands Additional Facilities Be Provided.

By W. B. Storey, President Atchison, Topeka and Santa Fe Railway System.

I do not expect any material changes in either rates or wages during 1923. It seems to me very desirable for the country and for the railroads that the transportation act should be left alone. One of the great handicaps under which the transportation industry has labored for years past has been the constant change in laws affecting it, with the result that it cannot proceed with any certainty.

Our shops are fully manned with men. Our bad order cars are at a minimum. Our bad order locomotives have increased somewhat in number due to the large volume of transportation which we are handling, requiring us to work them very hard and not allowing sufficient time for repairs.

All reports indicate that the general physical condition of the railroads is better today than at any time since the war. We have \$23,000,000 worth of equipment on order for 1923 and are likely to increase this somewhat before the year is over, although we have nothing further in mind at the moment. Our materials are likely to be purchased usually in the neighborhood of \$50,000,000 for operating and capital purposes, and we assume that 1923 will be close to that figure.

I do not think that there is likely to be as acute a car shortage in 1923 as there has been in 1922. The railroads are adding substantially to their equipment and their facilities, and the coal strike and shopmen's strike, added to a general revival of business, made the car shortage this year much greater than it probably would otherwise have been. It is not likely that there will be a similar conjunction of circumstances this coming year.

Railroad consolidation, if intelligently made, ought to add substantially to the efficiency and economy of the transportation plant of the country. I believe that some consolidations will be found advantageous for this country.

Probably the most pressing problem resting upon the railroads at the present moment is how to improve and expand their facilities so as to permit them to furnish an adequate transportation service for the needs of this country. The country is growing and developing apace, and its transportation requirements are increasing commensurately. The carriers need the co-operation of the public, legislative bodies, investors, and their own employees to enable them to provide locomotives and cars, additional second track, new lines, and enlarged terminal facilities to serve satisfactorily the needs of our country.