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State Railway System a Menace

United States Financier Warns Canada of Dangers — Lord Shaughnessy Condemns Political Influences—Experience of Government Roads Throughout the World Proves Inefficiency and Danger—United States Experiment Gave Fair Chance to Government System

OVER a year of government operation of railways has satisfied those in the United States who looked upon such a system with favor, that America cannot achieve results in state ownership very different from results in other countries. This was emphasized by Charles E. Mitchell, president of the National City Co. at a meeting of the Canadian Club in Montreal on April 21st. Lord Shaughnessy, chairman of the board of directors of the Canadian Pacific, expressed agreement with the views of the speaker. Mr. Mitchell stated that he was unalterably opposed to government ownership and operation of railways; experience in the United States justified this opinion and he felt that results in Canada would be equally disastrous.

Mr. Mitchell said in part:—

"While the official figures of your Government-managed roads, over a long period of years, have told a sad but convincing story, they do not apparently, approach in sadness the story that has been developed by those close students and commissions who have analyzed the figures of such lines as your Intercolonial and have measured the losses sustained, when from the official operating net has been deducted interest on the investment which failed of being earned and taxes which the public would have collected had these roads been privately owned. The experience with Government-owned roads in Canada is the experience with State lines in almost every part of the globe. Most of them do not earn interest on the investment, and practically none earns the taxes which would have been forthcoming from private railways, to say nothing of the profits accruing to private capitalists under private management. A year and a third of government operation of railways in the United States has shown conclusively that we cannot expect our case to be any exception to the proven rule, for the results have been such, that while a year ago the great majority of the American people were moderately in favor of government ownership and operation, to-day the number has dwindled almost to the vanishing point. Indeed it now includes, for the most part, only the unthinking portion of that great body of railroad labor which has benefited by the free and easy dispensation of other people's money and has as yet failed to realize that, in the ultimate, labor interests will not be best served by their development as a cog in the machine of politics, and also, a few students of the situation who, worn by the struggle to see through the fog of the problem, have become so discouraged as to be willing to consign the roads to rest in peace in the arms of a paternalistic government, which stands ready to force the taxpayer to meet any deficiency resulting from government operation."

Continuing, he pointed out that upon the efficient operation and prosperity of the American railroads depended in a large measure the efficiency and prosperity of American commerce. He outlined concisely the history of railroad construction and operation in the United States. There were three of these stages, construction, government regulation and government ownership. In the first of these

there had been political control exercised by the railway interests in many states which had brought about an anti-railway reaction. In the second period unceasing and conflicting government regulation had so strangled and starved the railroads that when the war broke out government management became imperative "Private ownership did not break down, but the system under which private ownership was forced to exist—the system of government super-regulation—completely collapsed," said Mr. Mitchell.

The presidents plan of organization was simple and effective. Freight rates were advanced twenty-five per cent. and passenger rates fifty per cent. "On paper," Mr. Mitchell declared, "the scheme was sound. The country was divided into seven great traffic regions, and for these regions were appointed regional directors, who were, for the most part, the presidents of leading trunk lines. The fact that these operators, however, working to a man to the height of their efficiency and power, were unable to produce satisfactory results, and service deteriorated and morale became constantly lower, is a striking commentary on the general subject of government operation. The roads were free from hampering restrictions and yet the net earnings fell off \$285,000,000, compared with the previous year, the railroads earning only seventy-five per cent. of the amount which the government had guaranteed them as rental. Notwithstanding the increases in rates, which were far greater than private management had ever dreamed of asking, and which produced greater gross revenue by \$865,000,000, the people of our country, after suffering inferior service, were called upon as taxpayers to advance \$210,000,000, the amount by which the net earnings failed to equal the guaranteed rental. In other words; the American people paid \$865,000,000, more in rates for inferior service and were taxed \$210,000,000, in addition, so that the true cost to the people of one year of Federal operation amounted to \$1,075,000,000. With these figures before you, I need not repeat that the popular passion for government ownership and operation has materially cooled during the past year.

"The Railroad Administration, through appreciation of necessities of war conditions or otherwise, increased the wage bill of our railroads within one year \$965,000,000, which advance followed an advance made by the companies themselves in the previous year so that the total advances in the yearly wage bill arising since our entry into the war are no less than \$1,260,000,000. The annual wages paid by our railroads to-day aggregate \$3,000,000,000,—an amount equivalent to the gross earnings of all roads during the year 1915. Considering that the war-time increase in prices of railroad materials has added to operating costs between \$500,000,000, and \$600,000,000 annually, and that the yearly wage scale has been increased by \$1,260,000,000, while the entire advance in rates has added only about \$1,000,000,000, to annual railroad revenues, it will be clearly seen that the railroad financial situation is far worse than it has ever been before. Much as we may dislike the thought, a further