

of the market de-
the prices of basic com-
ing in a very serious
the volume of traffic.
ced to Defer Maintenance
situation, a policy of the most
economy and of postponing and
to the bone the upkeep of the
ties was adopted by the rail-
This was at the price of neg-
ing and for the time deferring
which must hereafter and in the
ar future be done and paid for. This
illustrated by the fact that, as of
September 15, 1921, over 16 per cent
374,431 in number, of the freight
cars of the carriers were in bad order
and needing repairs, as against a nor-
mal of bad order cars of not more
than 160,000, as is further illustrated
by the deferred and inadequate main-
tenance of other equipment and of
roadway and structures.

Even under those conditions, and
with this large bill charged up against
the future,—which must soon be pro-
vided for and paid if the carriers are
to perform successfully their transpor-
tation duties,—the result of operations
for the first eight months of this year,
the latest available figures, has been
at a rate of net railway operating in-
come, before providing for interest
or dividends, amounting to only 2.6
per cent, per annum on the valuation
of the carrier properties made by the
Interstate Commerce Commission in
the recent rate case, an amount not
sufficient to pay the interest on their
outstanding bonds.

Roads' Earnings Far Below Reasonable Returns

It is manifest, from this showing,
that the rate of return of 5½ or 6 per
cent for the first two years after March
1, 1920, fixed in the Transportation Act
as a minimum reasonable return upon
railroad investment, has not been even
approximated—much less reached;
and that the present high rates accord-
ingly are not due to any statutory
guarantee of earnings, for there is no
such guarantee.

the expenses which
about this situa-
ident that by far
cause is the
pay out to labor
the dollar they
tion services,
the dollar went

January, 1917,
took charge of
lamson Act, the
railroads had not
of about \$1,468,000.
1920, when govern-

ne capital for e-
ments is extremel
much the railroads
fore, to reduce the
of depression, it w
the limitations su
tion do not permit
to broad and elas
might very properl
of business not th

It has been urged
that a reduction in
late traffic and that
will protect the carriers in the in-
cident to a reduction in rates. The
railroad managements cannot disguise
from themselves that this suggestion is
merely conjectural and that an adverse
result of the experiment would be dis-
astrous not only to the railroads, but
to the public, whose supreme need is
adequate transportation. Consequently
the railroad managements cannot feel
justified in placing these instrumental-
ties, so essential to the public welfare,
at the hazard of such an experiment
based solely upon such a conjecture.

Farmers Especially Need Lower Rates

It is evident, however, that exist-
ing transportation charges bear in many
cases a disproportionate relationship to
the prices at which commodities can be
sold in the market and that existing labor
and other costs of transportation thus
imposed upon industry and agriculture
generally a burden greater than they
should bear. This is especially true of
agriculture. The railroad managements
are feeling sensitive to and sympathetic
with the distressing situation and de-
sire to do everything to assist in reliev-
ing it that is compatible with their duty
to furnish the transportation which the
public must have.

At the moment railroads in many cases
are paying 40c. and hour for unskilled
labor when similar labor is working along-
side the railroads and can easily be ob-
tained by them at 20c. an hour. The
railroads of the country paid in 1920 a
total of considerably over \$1,300,000,000 to
unskilled labor alone. However desirable
it may be to pay this or that schedule
of wages, it is obvious that it cannot be
paid out of railroad earnings unless the
industries which use the railroads are
capable of meeting such charges.

The railroads, and through them the
people generally, are also hampered in
their efforts to economize by a schedule
of working rules and conditions now in
force as a heritage from the period of
Federal control and upheld by the Rail-
road Labor Board. These conditions are
expensive, uneconomic and unnecessary
from the point of view of railroad opera-
tion and extremely burdensome upon the
public which pays the bill. This sched-
ule of wages and of working conditions
prevents the railroads from dealing
equitably with their labor costs in ac-
cordance with rapidly changing conditions
and the great variety of local considera-
tions which ought to control wages in
different parts of the country. The rail-
roads are seeking to have these rules and
working conditions abrogated.

The railroads will seek a reduction in
wages now proposed by first requesting
the sanction of the Railroad Labor Board.
The railroads will proceed with all possi-
ble dispatch, and as soon as the Railroad
Labor Board shall have given its assent
to the reduction of wages the general
reduction in rates will be put into effect.



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