

HITS THE RAILROADS

Chandler Asks Interstate Commission to Interfere.

HAVE RAILROADS ANY RIGHTS?

The Difference Between Right and Wrong Combines of Railroads—Equity Must Prevail.

The publication yesterday by the Associated Press of the letter by the Hon. Wm. E. Chandler, of Concord, N. H., to the Interstate Commerce Commission protesting against the action of the presidents of trunk line railroads in New York, who are seeking to effect an organization for the purpose of preventing the demoralization of traffic rates by the under officials of the various lines, opens the way to some interesting arguments, both pro and con, upon the subject in general of railroads and their relation to the people.

The fight between shippers on the one side, seeking out rates from the railroads and an advantage over their own competitors in trade, and the railroads upon the other side in an endeavor to get as much as possible for their services and at the same time retain the patronage of large and influential shippers has been going on in one form or another ever since the multiplicity of the railroads has so largely increased competition, both among the railroads and the shippers. The competition among railroad agents in the large centers of trade has reached a point of intensity, which is very largely augmented by the shippers themselves shopping from one railroad office to another and plying one line against the other, often times exaggerating the proposition of each in order to benefit themselves. Under such stress of circumstances the zeal of railroad agents to secure traffic frequently got the better of their judgment as to earnings, consequently producing disaster to the companies represented by them. In all these transactions the small shipper was more or less ignored from force of circumstances, and many of the large shippers who afterward discovered that some one else had secured better rates than themselves also imagined they had cause for complaint. There was engendered a two-fold feeling of hostility against the roads, while the farmer, who could not get as good rates as the large brokers or shipping firms and who was caught in the public speeches of party politicians that the railroads were to blame for all the troubles and ills incident to the farmer's life, the small profits upon his crops and the hard work necessary for him to do in order to pay the interest and mortgage on his farm, made another element of enmity against the railroads. The politicians purposely, and the farmer ignorantly, losing sight of the fact, which has been thoroughly demonstrated by history, that in all reductions in rates upon farm products, the brokers and commission men who handle the business reap the profits, while the farmer's earnings were not increased five per cent. When rates are reduced from the producing centers to trade centers the man who buys the farmer's produce simply pays to the farmer that much less for his wares.

Strenuous efforts were made by the farming communities and the small merchants to pass legislation restricting the railroads in the matter of freight charges. The history of the old Illinois, Iowa & Missouri Grange associations, and later, similar movements in Texas, Nebraska and Wisconsin shows to what extreme an idea can run away with the best judgment of the people. The railroads were the means of populating the states mentioned and building up their wonderful prosperity and diverse industries, and yet to such an extreme had the feeling reached against these roads that legislation was had which almost succeeded in wiping many of them out of existence. Railroads, by virtue of the right of eminent domain granted to them by the people are to a more or less degree servants of the people, but on the other hand in all justice and equity they are certainly entitled to live and make a fair profit upon the millions of capital invested in the business. Private capital is entirely inadequate to conduct the business carried on by these corporations, and without the assistance of the complex transportation now in existence in the United States the business of the country could be carried on. It is therefore a self-evident proposition that the railroads have rights which are as much entitled to protection under the law as are the rights of the people. No class of men more thoroughly understand that the people at large should have an equal rate of transportation with others in their line of business, so far as the different conditions of geographical location and complex business interests will permit than railroad officials themselves. They also admit that under present conditions, owing to the unscrupulousness of some of the shippers as well as of the over zeal of some agents, this is a hard problem to solve, and that some legislation is necessary for the protection of both interests.

The evolution of the interstate commerce act enacted by congress in 1887, through the efforts of Senator Cullom of Illinois, in behalf of the granger element of the state, was a one-sided effort to protect the people regardless of the interests and rights of the railroads, and made no provision by which the railroads might protect themselves from unjust competition. The partial failure of the Interstate Commerce act is familiar to all and the railroads today find themselves either in a state of absolute bankruptcy or doing business at figures below a profit. A number of efforts have been made to pass an amendment to the Interstate Commerce act, legalizing the pooling of business under rates and regulations imposed by the interstate commission. This would give both the roads and the people a fair chance for existence.

The action of the trunk line presidents in New York city, referred to in the letter of the Right Honorable Mr. Chandler mentioned at the head of this article is an effort upon the part of the railroads to overcome the tremendous demoralization of rates between the east and the west which has been current during the entire year of 1895, as all know who have kept themselves posted upon these matters. The condition of commerce between Chicago and New York is a most peculiar one. With ten or a dozen lines of railroad competing for the business, and with lake competition on the north of them, and added to this the competition of Canadian railroads which are not subject to the laws of the United States, the battle on the part of the American roads has been a severe and most expensive one. Earnings have been reduced below the cost of doing business

and total demoralization and bankruptcy stares many of the lines in the face. Under these conditions it is not strange that the officers should attempt some measures to not only repress and confine their own agents to the observance of orders, but that some action should be taken to secure legislation protecting them against the competition of foreign roads and unscrupulous shippers who use every effort and means known to the trade to beat down the agents and overcome their better judgment. Any one who is familiar with the methods employed to make one railroad agent believe that his competitor is taking business at a lower figure than he is and that tariff rates have been cut to pieces can readily understand that companies driven to the wall by tremendous losses at unprofitable figures should make some effort at a combination or trust that would make it absolutely impossible for such a state of affairs to exist. Who will deny that railroad companies have not the same right to reasonable profits upon their business and protection against wrong that the individual has? It is admitted that great wrongs have crept into the business relations between railroads and shippers, but the wrongs have not all been on one side.

It has not been shown, as yet, that the attempted combination by the trunk line presidents is anything more than to protect their lines from further demoralization or that an increase over the low rates already in force on these lines would not be within the legal limits and a perfectly just and proper course for them to pursue. The tendency of the times and the hopeless entanglement of the large transcontinental railroads point to combination and the formation of trusts which will enable the roads to more economically handle their property and enable them to earn profits upon the low schedule of rates forced upon them by statute. Some of these combinations would be perfectly just and right, while others might be most harmful to the interests of the people. It has already been shown in these columns that the joining together of lines of railroads, thus forming a continuous railway from one point to another, as for instance in the case of the Union Pacific and the various auxiliary lines in its old system making a through route from the Missouri to the Pacific northwest, is a combination which would naturally secure better service and lower rates for the public. On the other hand the consolidation of parallel railroads, such as is proposed in the present effort being made to reorganize the Northern Pacific railroad by combination with the Great Northern, is an instance where such combination of interests probably would not be to the interest of the public. The joining of such interests would wipe out of existence, emphatic statements of railroad magnates to the contrary notwithstanding, just and reasonable competition in the territory served by both lines. Furthermore, it is conceded that the Northern Pacific, which is a land grant railroad, should not now be in its present state of financial difficulty. Had the land department of that company been managed differently it seems most probable that such profits could have been made during the earlier periods of its existence, while the country was still thinly populated and local traffic amounted to little or nothing, as would have carried it over the times of depression of '81 and '91. However this may be, one thing is certain, and that is, that this railroad is peculiarly a railroad of the people and owes to them obligations which can hardly be carried out under the combine proposed by J. J. Hill of the Great Northern. In an interview in Seattle the other day, Silas W. Peckitt, general counsel for the Northern Pacific, now in attendance upon the United States circuit court at that point in a suit instituted by Braxton-Jones to oust the present receivers of the Northern Pacific, with the ulterior object of defeating the Adams-Hill reorganization scheme, says: "The proposed Adams-Hill reorganization has never been explained in detail because it was so outrageous that it was thought best to give it to the public in broken doses. The scheme proposes to give a second mortgage bondholder a 4 per cent bond instead of a 6 per cent bond; to give a third mortgage holder a 3 per cent bond instead of a 6; and to give to the consolidated bondholders a 1 1/2 per cent bond instead of a 5 per cent bond. That is to say, they offer to give for a \$1000 bond a \$500 bond bearing 3 per cent interest and also three shares of stock. This is as near as the plan has ever been published, but in itself it shows that the Adams committee has victimized the interests of its constituents in agreeing to subject bondholders whom it professes to represent to a ruinous sacrifice."

The trial of this suit for ejectment of present receivers, which will take place in a few days in Seattle will be watched with the greatest interest by the general public. It is hoped and believed by many of the public that some organization scheme will be evolved which will place the Northern Pacific on its own basis, independent of other concerns, as the interests of the public seem to demand. Let the railroads and the public both live. There are rights and wrongs on both sides which can certainly be met on the common grounds of equity.

ACCEPTED.  
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