

Pennsylvania, New York Central Consider Merger

NEW YORK (AP)—Two rail giants, their profits off, are considering a merger that would create the world's largest railroad in revenue and assets.

Citing common problems and changed economic conditions, the Pennsylvania and New York Central railroads Friday announced they have begun studies looking toward a possible merger into one consolidated system.

The two roads are the largest in the country, based on annual revenue. Their combined assets are in excess of \$3 1/2 billion dollars.

The announcement by James M. Symes, president of the Pennsylvania, and Alfred E. Perlman, president of the Central, was made after the New York and

other stock exchanges had closed for the day.

Stocks of the railroads on the New York exchange were both off 12.5 cents. Previous announcements of planned mergers have been reflected on the exchange by flurries of activity.

Wall Street observers took a rather skeptical view of the proposed merger, pointing out the many roadblocks that would have to be cleared—approval by the Interstate Commerce Commission and the possibility that the Justice Department could intervene on antitrust grounds.

Railroad and investment men indicated it could be years before the Central and Pennsylvania operated as a single company on

the same tracks.

The ICC has long held that competing lines should not be permitted to merge. The commission has refused to approve the effort by Robert R. Young, chairman of the Central, to merge the Central and the Chesapeake and Ohio Railway because, the ICC said, the result would be loss of "extensive competition" between the two railroads.

The Pennsylvania and Central compete in some areas, chiefly between New York and Chicago. In Washington, both the ICC and the Justice Department declined comment Friday on the merger possibility. In proposed railroad mergers, the ICC investigates to determine if, among other things, the proposal would be in the public interest. The Justice Department usually intervenes to follow the testimony presented.

Other possible roadblocks include possible objection by states and cities served by the railroads and the fact that stockholders of both companies would have to approve the consolidation.

Consolidation would create a transport giant covering most of the northeastern United States. The railroads cross heavily populated and industrialized sections of the East and Midwest.

A merger would apply both to the physical properties and the financial structure. It would enable the roads to consolidate terminal facilities and eliminate duplicate

rail and yard facilities in some areas.

A merger of the roads would create the 11th largest corporation in the country.

The presidents' joint statement said economic and competitive conditions confronting railroads, particularly in the East, "have so changed that a thorough inquiry should be made into the wisdom of consolidating, as against continuing competitive operations."

The Presidents stressed the impact of other forms of transportation that are "subsidized to varying degrees"—an evident allusion to trucks, airlines, buses, barges and private automobiles.

Earnings of both railroads plummeted this year. In the first nine months of the year the Pennsylvania had net earnings of \$19,581,366 after taxes—a sharp drop from \$31,291,852 in the same period last year.

The Central's net earnings fell to \$8,759,018 after taxes in the first nine months of this year from \$28,172,388 last year.

Last month the earnings of the Pennsylvania were 25 per cent below the 1956 level. The Central's profits dipped more than one million dollars.

A slump in freight carloadings has been partly responsible. Heavy deficits from passenger traffic also have hit most major carriers.

The Pennsylvania laid off 4,000 workers recently when an expected autumn rise in traffic failed to materialize.

The Central has 10,600 miles of road and the Pennsylvania 9,663. The Atchison, Topeka & Santa Fe owns 13,000 miles of road. The Canadian National Railway Co. has 39,915 miles and assets of \$3,418,169,123.

Comment on the proposed merger varied.

W. N. Deramus Jr., president of the Missouri - Kansas - Texas Railroad, said in Parsons, Kan., he couldn't comment on the merger until the study is completed "because some strange and wondrous things can come out of such studies. Sometimes the outcome isn't what you expect at all."

William T. Faricy, chairman of the board of the Assn. of American Railroads, said the announcement came as a great surprise. He said the merger would not come within the jurisdiction of the association.

George C. Frank, director of public relations for the Erie Railroad, said, "It's an amazing announcement, but I can't see where it would make any difference in Erie's competition."

H. E. Gilbert, International president of the Brotherhood of Locomotive Firemen & Enginemen, said, "I can't think of any combining (of railroads) where the employes have benefited." He declined further comment until he studies the proposal.

Financier Bernard Baruch said that unquestionably the railroads are in a profit squeeze and that something must be done about it.

Pierre R. Bretey, an analyst of Hayden, Stone & Co., offered a

Knight Tight-Lipped On Knowland Race; May Lose GOP Support For Office

By MORRIE LANDSBERG

SACRAMENTO, Calif. (AP)—Gov. Goodwin Knight was all but written off the Republican ticket for governor Saturday by his continued silence over his reported withdrawal from the race against Sen. William F. Knowland.

But Knight, vacationing out of the state, had no assurance that he could have the GOP nomination for the U. S. Senate without a fight—assuming that's the job he decided to seek instead of reelection.

Mayor George Christopher of San Francisco, reached on a tour of Greece, said firmly he would not give up his quest for the Senate and predicted he would win the nomination. Knowland has announced he's giving up his Senate post when his term ends next year and has begun his campaign for governor.

Two other Republican Senate candidates indicated they would await Knight's decision. They are State Controller Robert C. Kirkwood and Warren K. Atherton, Stockton attorney and former na-

tional commander of the American Legion.

Rep. Clair Engle (D-Calif.), leading contender on the Democratic ticket, reaffirmed his intention to run whether Knight goes after the Senate seat held by Knowland since 1944.

Knight's reported pullout meant cheery news for Vice President Nixon, the third member of California's GOP big three, who might have been caught in the middle of a Knight-Knowland battle for governor.

Nixon also got another break. An authoritative source in Washington said Knowland will step out of Nixon's way and not enter any presidential primaries outside California in 1960.

In the absence of Knight, his office answered all questions with a steady "no comment." An aide said privately he expected the governor to say something by Tuesday or Wednesday.

Some political observers said Knight would confer with Nixon in Washington Tuesday.

Assemblyman William A. Mun-

nell (D-Montebello), assembly minority leader, raised the question of the 60-year-old Knight's health. In a statement he said the governor "has been not only physically but emotionally ill, and that is why he has been kept from public view."

Knight, before leaving Monday, was confined to the Executive Mansion for 12 days. His office said he had the flu. Knight, in a statement issued after his departure, described himself as weak and said his doctor had ordered him to take a two to three week rest.

Knight variously was reported in Arizona and Mexico but efforts to locate him failed.

Plane's Engine Catches On Fire

NEW YORK (AP)—A London-bound plane's 21 passengers and eight crew members escaped injury Friday night when one engine of a Trans World Airliner caught fire on an Idlewild Airport runway.

The plane had taxied several thousand feet on the 8,000-foot runway when the blaze broke out. The pilot immediately brought the craft to a halt, and all aboard scrambled to safety through the Constellation's emergency chute.

The cause of the fire was not immediately determined.

Queen Critic Does Quick Change, Sings Praise

LONDON (AP)—Lord Altrincham, who recently said the speaking style of Queen Elizabeth II was a "pain in the neck," now says she "shows every sign of being a television star in the making."

The 33-year-old peer wrote in a monthly magazine that the Queen did well in her television speech last month in Canada, but not so well in speeches in the United States.

"When she arrived at Washington Airport and was greeted by the President," Altrincham said, "one sentence spoken spontaneously would have been much preferable to the few sentences which were read off a piece of paper."

Commenting on the Queen's Club, Altrincham added: "The opening remarks, being unpretentious and human, seemed to come naturally from the speaker, whereas the rather trite little sermon which followed did not have an authentic ring."

The young critic said if Elizabeth is "completely and unaffectedly herself, she will lose no dignity, while gaining those qualities which, in a queen, are even more precious than dignity."

In the Canadian speech Elizabeth used simple and direct wording and the content was better than usual, Altrincham said. "Indeed," he said, "she shows every sign of being a television star in the making."

Altrincham expressed his views

in the National and English Review, which he edits. Two months ago he set off a continuing national debate with an article in the Review saying the Queen's speeches made her sound like "a priggish schoolgirl."

EASTLAND BEDDED

RULEVILLE, Miss. (UP)—Sen. James O. Eastland (D-Miss.) was confined to the hospital Saturday to prevent complications from a recent flu attack. Eastland left a sick bed earlier in the week to conduct a Senate hearing on Communism in Memphis.

curbstone opinion" in Wall Street that the merger would have to overcome major obstacles by railroad labor organizations.

In Baltimore, Howard E. Simpson, president of the Baltimore & Ohio Railroad, said the announcement "comes as a complete surprise to me." He declined further comment until he has more information on the proposal.

The main line of both roads runs from New York in the East to Chicago and St. Louis in the Midwest. The lines are not precisely parallel but both systems have branch lines serving the same cities.

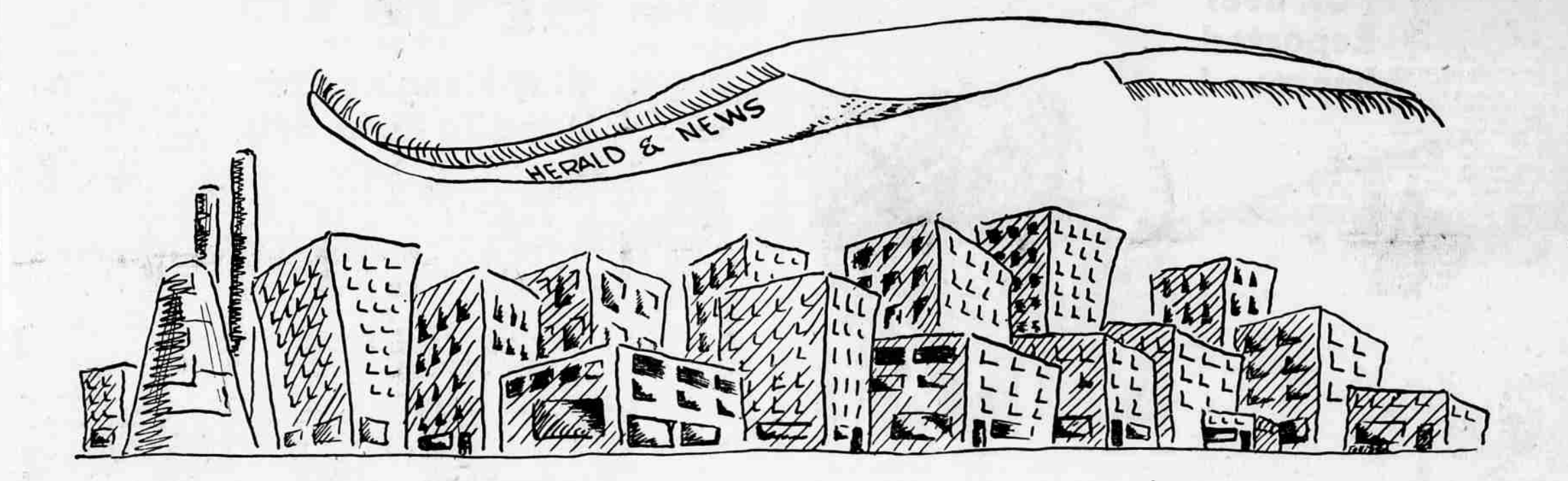
In addition to New York the Central operates in Ohio, Indiana, Massachusetts, Pennsylvania, Illinois and Michigan and extends into Ontario and Quebec, Canada. There is also some mileage in West Virginia. The road reaches Missouri at St. Louis.

The Pennsylvania operates in New Jersey, Delaware, Maryland, Pennsylvania, New York, Ohio, Indiana, Illinois and Michigan. It also reaches Missouri at St. Louis.

Important cities served by both railroads in addition to New York, Chicago and St. Louis include Indianapolis, Gary, Detroit, Toledo, Columbus, Cincinnati, Pittsburgh and Buffalo.

Total assets of the Pennsylvania as of Dec. 31, 1956, were \$2,468,953,000 and of the Central, \$2,021,038,000.

In revenues, the Pennsylvania was first among railroads last year with 991 million dollars and the Central second with 780 million dollars. The Santa Fe's revenues totaled 590 million dollars.



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