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These cases are de- and his decision he commission and ue, the conditions in a considerable ll be defined. w and a Table cases he left to sion?

James, Robert A. nds of others are background, people not limited to the re of one railroad particular case, but ch concerned in solution found and essers, James, Booth e be ignored by the re the controlling reated railroad sys- the head officials together with their ho and adjust this ner far beyond the an economist-jurist

umber that Mahaffie d builder. He may ies and limitations, roeth and prosperity re builders, not to y regulator can hurt application of public an protect property an, or, in rare in- actually leave open velopment. But he the capital or the ot impart the dar- prise whereby great

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convenience and necessity to consid-

Incentive for Mighty Spirit
These elements, typified by the word "enterprise" in the fullest meaning of that word, are found in the men who worked their way up from the ranks in the railroad world and now are the heads of great transcontinental systems. True, they are on the defensive more than on the aggressive, for they must save their properties from ruin by politicians, but they are men of such force that they scheme mighty schemes and are fired with the lofty enthusiasm of ambitious execution. Men of that calibre can figure out solutions that are solutions, if they get together in a mood to reach a solution.

In the celebrated Union Pacific-Southern Pacific case for control of the Central Pacific, the bitterness of the fight was such as to split communities, and even families, into enmity. But the heads of the Union Pacific and Southern Pacific got together, and the solution reached is universally admitted to be the best for all concerned, especially the public. It is not beyond probability that the heads of the Northern lines and the Southern Pacific will be able to bring their magnificent mental powers to bear on this Oregon situation in a manner that a solution will be worked out that will be to the advantage of both their lines and to the state of Oregon.

Please, Mister, a Permit
What are the issues that must be adjusted?

Well, we listened for ten solid days, paying closest attention to every scrap of technical testimony, but the chances are that we do not know as much about the case yet as the men who have spent their entire lives in the railroad business. All we can do is to pass along to you, dear reader, in a very few words, the notions that formed gradually in our mind as to what these issues are.

To begin with, the interstate commerce act, as amended in 1920, requires, among other things, that

No railroad shall undertake extensions of its line "unless and until there shall have first been obtained from the (interstate commerce) commission, a certificate that the present or future public convenience and necessity" are served by the extension.

So that the Northern lines have applied for permission to extend the Oregon Trunk south from Bend into the heart of the Klamath timber region, and to Klamath Falls, the principal milling center for Klamath timber.

Likewise, the Southern Pacific has applied for permission to buy and extend the Strahorn line from Klamath Falls into the timber, to buy the Lakeview narrow gauge line and standardize it as a connection between one of the Strahorn branches and the main line east via Ogden (the Central Pacific) and to build the Modoc cut-off from Klamath Falls to connect with the main line. The Southern Pacific applications provide not only for connecting timber with Klamath Falls and Lakeview, but also for what amounts to a new transcontinental line from Portland and the Willamette valley via the Natron cutoff, Klamath Falls, the Modoc cutoff and Ogden. **Make Them all Happy! or Unhappy!**

Here are two ambitious plans for development. Both of them in furtherance of earlier ideas of the heads of the great railroad systems—Hill, Harriman, and their successors.

Why not allow all the permits and be done with it?
Well, there is not only the public

convenience and necessity to consid- er, but there are other considera- tions laid down by law. Again we quote the interstate commerce act:
"No such authorization shall be made unless the commission finds as to such extension that the expense involved therein will not impair the ability of the carrier to perform its duty to the public."

So, even if duplication of line would be considered as serving the public convenience and necessity, the carriers cannot be permitted to make investments which would be unnecessary, or wasteful, or that would hamper them in their finances as to giving good service on their original lines. No matter how ambitious their enterprising heads may be, they cannot let their appetite for expansion lead them into invest- ments that the commission will not approve, as being in their own finan- cial interests as well as in the public interest.

How Many Tons in Sight

What the commission must deter- mine is whether there is enough business in sight for an extension of one railroad, or both; which railroad will be permitted to extend if there is only enough business in sight for one; or, if there is enough business in sight for both, how they may extend without duplication, if it is cheaper without duplication, or with duplication, if it is cheaper that way. For instance, it might be cheaper to build a cheap railroad alongside of a costly railroad than it would be to pay half the interest on the cost of constructing the costly railroad. And it might be less complicated for a railroad to operate exclusively on its own lines than to have common use of the same line for a short piece of track.

So masses of evidence of a techni- cal character were received as to timber tonnage, railroad costs and railroad rates.

And Then Rates Were Mentioned

The latter end of it, the rate end, seemed to cut a big figure. For, if Bend and Klamath Falls are con- nected, and western Oregon lumber is sent east via the Natron cutoff, the Klamath Falls rate would have to be cut as low as the western Oregon rates to eastern points, and the Bend rate would have to be cut to be as low as the reduced Klamath Falls rate. These reduc- tions would skim the cream off from the top of the revenue from both the Bend and Klamath Falls lumber hauls. All that, and much more of an equally complicated and techni- cal nature, has to be taken into consideration. It isn't simply a mat- ter of a chamber of commerce pass- ing resolutions with a hurrah. You see, if both permits were granted, the resulting reduction in rates might be sufficient to deprive one railroad, or both railroads, not only of their expected profit from their extensions, but of their existing profits on their original lines. Their financial condition as railroads might be worse after getting this new business than it was before, should both railroads be permitted to go ahead.

Rank Injustice a Kind Favor

Then, is it best serving the public convenience and necessity to permit one railroad to invade the territory that is adjacent to territory devel- oped by another railroad? On the face of it, it would seem like a rank injustice to regulate a railroad and then let a competitor build into its front yard and divide the business after millions had been invested by the earlier occupant of the terri- tory. What chance have our unde- veloped localities to get railroads if the millions of investment cannot be protected, once they are tied up in

rails and roadbed? Is there no pro- tection for a railroad investment, or must a railroad submit to having its rates regulated and in addition be at the mercy of an ambitious com- petitor which wishes to grab off half the business after it is developed at the expense of the earlier builder?

How the interstate commerce com- mission has decided such an issue as this we do not know, and we have been unable to learn. It may be that the present case, and simi- lar cases, will establish the preced- ents, if they are allowed to run their course to decision. We do not know that the element of competi- tion is taken into consideration in the act, which in outlining consol- idation plans says:

"In the division of railroads into systems, competition shall be pre- served as fully as possible, and wherever practicable the existing routes and channels of trade and commerce shall be maintained."

Are We Frozen or Served?

This would seem to indicate a de- sire to preserve existing competition rather than to create new competi- tion. If it means that no new com- petition may be created, the entire railroad situation would appear to be frozen and the day of develop- ment over, except insofar as each railroad may reach out to develop its adjacent territory if it can do so without competing directly with another railroad which also is reach- ing towards that same territory. There is an abundance of respectable legal opinions that no such suppres- sion of future competition is con- templated by the act. Also, the act confers power upon the commission to force a railroad to extend its line if in the judgment of the commis- sion the public interest and railroad interest both can be served. Whether the commission actually can en- force that power to the extent of compelling private investors to put up the millions of dollars necessary to an undesired extension has not been finally determined, so far as we can learn. But the commission is in a position to force almost any- thing, in one way if not in another, for it has such a variety of power. It could become an oppressor; in fact, the complaints of the carriers

because of limited earnings indicates that some of them feel the commis- sion has used its power in a manner to prevent an adequate return.

Because of the great powers lodged in the commission and because of the difficulties of profit- able operation under regulation of rates, finance and service, the rail- roads are anxious not to antagonize the commission, not to involve them- selves in rulings and precedents which might be favorable today but binding tomorrow and above all not to antagonize the public. They are dependent upon public good will as much as they are dependent upon the ability of their own executives.

Courage to Command Money

Naturally, the Northern lines, seeking to invade the Klamath coun- try, magnified the benefits of com- petition. Naturally, the Southern Pacific, seeking to protect its invest- ment in the Klamath country, magnified the benefits of service as is or can be given by one line pro- tected in its investment. A host of important witnesses testified each way. The conflicting inferences were that competition was wasteful and costly, that it might jeopardize the prospect of the Southern Pacific justifying any further investment, and that it was wanted as a stimu- lus to development and service. It is difficult to reconcile these opin- ions, for the witnesses for each rail- road were stoutly and loyally con- sistent to the policies advocated by their own lines.

Robert A. Booth, appearing for neither railroad, favored just enough competition to stimulate but not enough to be destructive, to the end that enough greater development would ensue to provide more profits than could be obtained by both roads were competition not per- mitted. The only trouble with that happy theory is that the amount of timber in the Klamath region is limited, and timber is the major factor in the situation. It may be that under competition, the Klamath timber would be cut that much sooner than if the region is per- mitted to develop without rail competi- tion, so we would have double pros- perity for 25 years and take a chance on the future. The average

citizen would rather have his pros- perity now, but the thoughtful citi- zen looks beyond to what Oregon will be, realizing that our greatest resource can be sacrificed for the sake of a spree of temporary pros- perity and leave the state denuded.

To close, the issues involved are technical, financial, economic and moral, as well as legal, and possibly, constitutional. If they can be ad- justed so that, without sacrificing the just protection to which an in- vestor is entitled, the door is left open for transportation enterprise and the prosperity that follows, Ore- gon will owe a debt of gratitude to the men with brains enough to con- ceive such a solution and the cour- age to tie up the tens of millions of capital necessary to carry in into effect.

If you are uncertain about the arrangement or wording of your advertisement don't hesitate to ask us for suggestions. We shall be glad to help you with the layout and the preparation of the copy at any time.

HEALTH UNIT TO HOLD FIRST MEET

The first annual meeting of the Klamath county health unit will be held on Monday evening at 6:30 with a dinner in the chamber of commerce rooms with Dr. G. A. Newsom presiding.

Honor guest at the dinner will be Mrs. Saldie Orr Dunbar, a state wide known figure and president of the Oregon State Tuberculosis association and president of the state federation of women's clubs.

Mrs. Dunbar will be the main speaker of the evening. Dr. Newsom, head of the county health unit will give his annual report and will also incorporate in his discus- sion the report and work of Miss Lydia Fricke.

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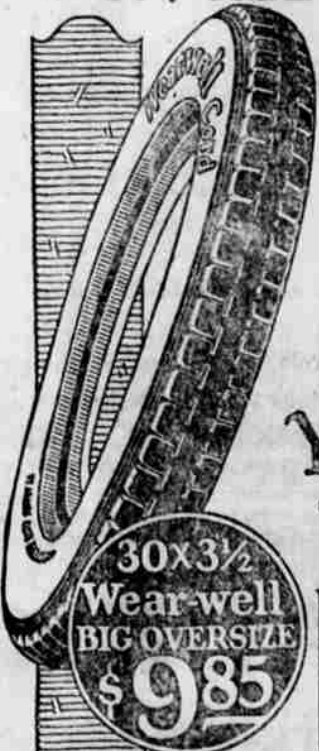
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