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Does Not Favor Grouping of Western Railroads Proposed By Hale Holden.

**JUDGE LOVETT'S STATEMENT**

Declares a Re-Merger of Harriman System to Be the Only Fair Basis of Competition With Northern Lines

San Francisco, April 2, 1923  
"Consolidating all railways west of Chicago and the Mississippi River into four systems as proposed recently to the Interstate Commerce Commission by Hale Holden, president of the Chicago, Burlington & Quincy Railroad, would create many unnatural alliances and would greatly strengthen the so-called Hill group of railroads and greatly weaken the so-called Harriman group," said Judge Robert S. Lovett, chairman of the Union Pacific System, at today's hearing before Interstate Commerce Commissioner Henry C. Hall.

The commission's tentative plan comprising seven instead of four systems was characterized as affording the basis and ground work which should be departed from only with great caution. The Holden plan grouping the Union Pacific with the Chicago, Milwaukee & St. Paul was strongly condemned, the witness explaining that the commission's plan of placing the Chicago & Northwestern with the Union Pacific was the only logical grouping, the Chicago, Milwaukee & St. Paul being a competitor and the Chicago & Northwestern a connection and natural ally.

"Should the Hill lines merger be approved," Judge Lovett said, "a re-merger of the Harriman lines, Union Pacific and Southern Pacific, should be authorized to meet the strong combination which would be effected by the Great Northern, Northern Pacific and Burlington. The retention of the Central Pacific by the Southern Pacific with the same conditions imposed by the commission in the recent hearing, is satisfactory to the Union Pacific, as they protect with reasonable adequacy the rights of the Union Pacific," he said. Continuing he added: "Another striking effect of the way the Holden plan treats the old Harriman system appears when after assigning to the Southern Pacific the Rock Island, it also puts with the Southern Pacific the Missouri Pacific and the Missouri, Kansas & Texas systems, with which the Southern Pacific does but little business, and with which it would have occasion to do even less after acquiring the Rock Island and also the Kansas City, Mexico & Orient—which the press dispatches report is about to be abandoned—the Missouri, Oklahoma & Gulf and a half interest in the Denver & Rio Grande Western and the Denver and Salt Lake. The latter feature is especially significant because it would indeed effectually 'bottle-up' or as Professor Ripley expressed it, 'short circuit' the Union Pacific, since it would give the Southern Pacific a line of its own through from San Francisco to Chicago by way of Ogden, and Denver paralleling the Union Pacific from Ogden both to Omaha, and Kansas City and paralleling also the lines allocated to the Union Pacific from Omaha to Chicago and elsewhere east of the Missouri river.

"The plan is more kind to the Santa Fe system, for it takes away from the Union Pacific group, where the commission's tentative plans places it, the Chicago & Northwestern, which in connection with the Union Pacific is the door and gateway for most of the competition out of Chicago with the Santa Fe for Pacific coast traffic, and turns it over to the Santa Fe together with the Chicago, St. Paul, Minneapolis & Omaha, which is the principal connection and almost the sole reliance of the Union Pacific for traffic coming to its line at Omaha from St. Paul, Minneapolis and that territory. It gives to the Santa Fe the Canadian Pacific controlled lines, the Minneapolis, St. Paul & Sault Saint Marie and the Spokane International, thereby taking away another valuable connection of the Union Pacific at Spokane.

"Thus the plan sends the Santa Fe as far into the northwest as Spokane, Washington. By going through Canada and stopping short of Puget Sound, however, its capacity for harm to the business of other lines of the northwest would not be great, for while almost in sight of the promised land Seattle, Tacoma, Olympia, Portland, it is given no entrance therein, but is held safely on the east side of the Cascade mountains at Spokane. The Santa Fe is also given the St. Louis Southwestern, the Chicago & Eastern Illinois, the New Orleans, Texas & Mexico, the Western Pacific and a half interest in the Denver & Rio Grande Western

and the Denver and Salt Lake. It takes away from the Santa Fe, however, the Colorado and Southern and the Ft. Worth and Denver City, which the tentative plan of the commission put with the Santa Fe consolidation, and transfers them to the group embracing the Burlington and other strong Hill lines."

Judge Lovett made it plain that he had no objection to the commission's authorizing a consolidation of the Hill lines, but that if that were done the commission should also authorize the reconstitution of the Harriman group, the Union and Southern Pacific, to meet the strong combination that would be effected by the consolidation of the Hill lines.

The Holden plan, however, does not contemplate a consolidation of the Union and Southern Pacific, but instead weakens both by loading them down with lines with which they have no natural affiliations and makes them competitive with their natural allies, notable in the case of the Union Pacific by placing the Chicago & Northwestern in a rival group. The Holden plan also would run counter to the legislation under which the Union Pacific and Central Pacific were constructed as one continuous line by assigning to the Southern Pacific a half interest in the Denver & Rio Grande Western and Denver and Salt Lake, which with the lines of the Rock Island from Colorado Springs and Denver to the Missouri river and Chicago would make it to the interest of the proposed Southern Pacific group to tear down instead of build up the Ogden route of the Union and Central Pacific.

"In addition," he said, "both the Union Pacific and Southern Pacific are sent far afield into territories where they have never been, where they have no business or connections and where apparently there is no shadow of reason for them to go. The Union Pacific is sent down into Tennessee, Alabama, Louisiana, Texas, Arkansas and Oklahoma with lines to New Orleans, Laredo on the Mexican border and to El Paso, and again into northern Michigan. The Hill lines, however, are treated very conservatively in this respect and the only new territory in which they venture is from Fort Worth to Houston, Texas, and over the Kansas City Southern and another short line to New Orleans."

With reference to Mr. Holden's substitution of the Chicago, Milwaukee & St. Paul for the Chicago & Northwestern for consolidation with the Union Pacific, Judge Lovett pointed out that the former is a competitor of the Union Pacific for traffic to and from the Puget Sound country, while the Chicago & Northwestern is a connection. The substitution would not only disrupt existing routes and channels of trade but would run counter to another requirement of the law that competition be preserved as fully as possible. Again, the consolidation of the Union Pacific and Chicago, Milwaukee & St. Paul would be a linking of the two weakest Puget Sound lines, while the Northern Pacific and Great Northern, which are the oldest and strongest lines in that territory, would be consolidated under the Holden plan. Such an alignment would certainly not be in the interest of giving the Puget Sound country the best competitive service.

Concluding this portion of his testimony Judge Lovett said, "The consolidation of the Hill lines with their subsidiaries into a single system would so far overshadow its competitors and any other railroad system proposed in the United States in size and financial strength and possibilities that one might infer that a desire to meet this objection had something to do with the jumbling of the International-Great Northern, Texas and Pacific and St. Louis-Frisco systems with the Union Pacific, and of the Missouri Pacific, Toledo, Peoria & Western and the Missouri Kansas & Texas, and various other lines with the Southern Pacific, in order that there should be other systems equal in mileage and investment to the Hill combination, however unequal in solidarity, financial strength and prospects and in traffic and operating relationships."

Judge Lovett complimented highly the manner in which Professor Ripley and the commission had worked out for the direction of congress a plan for the consolidation of the railway properties of the United States. He said that while there were defects and mistakes here and there, which must be corrected if great injury to public as well as private interests is to be avoided, that yet the tentative plan of the commission affords the basis and ground work which should be followed and from which departures should be made only with great caution. He said he doubted whether railroad men themselves could have formulated a plan so fair and workable, because they could not have divested themselves of their environment and their affection for lines with which they had spent many years.

Judge Lovett opposed the suggestion that all lines in western territory should be consolidated into four systems, saying, "Four systems, comprising from thirty thousand to upward

thirty-five thousand miles each and each extending from Puget Sound or the Pacific ocean to the Great lakes, to the mouth of the Mississippi river and the Gulf of Mexico, and traversing most of the intermediate states, make the combinations entirely too large for efficient management and service for the welfare of the corporations themselves, their creditors and stockholders and for the public good, and present a situation which probably would be a source of much undesirable friction and in many ways a constant menace, especially in case of failure."

He answered Mr. Holden's argument, based on the fact that the traffic handled by the New York Central and Pennsylvania respectively is substantially as great as that which would be handled by any of the four systems, by pointing out that the problems of management in a territory extending only from New York to Chicago and St. Louis are very different from the problems of management in new and rapidly developing territory, extending all the way from the Canadian border, Puget Sound and the Pacific ocean to the Great lakes, the mouth of the Mississippi river, the gulf and the Mexican border.

Judge Lovett also disagreed with Mr. Holden's view that each of the Pacific coast lines should have a line extending to the gulf, stating that the east and west traffic was the important and controlling traffic with the transcontinental lines. After pointing out various reasons for this he said:

"But more important still and almost startling is the inevitable tendency and effect of the Holden plan to divert grain from the trunk lines and Atlantic seaboard to the gulf. Hitherto the Great Northern, the Northern Pacific, the Burlington, the Chicago, Milwaukee & St. Paul, the Chicago & Northwestern, the Union Pacific and the Chicago Great Western have been impartial as between Atlantic and gulf ports, as their carriage did not extend beyond Chicago, Kansas City or St. Louis, and they interchanged without preference with the trunk lines and the gulf lines alike at the usual gateways. But the Holden plan ties each one of the great 'Granger' roads up with a gulf line of its own, but without any line east of Chicago or St. Louis, thus forcing all of them in their own interest thereafter, through control of car supply and otherwise, to exert their influence in favor of movement of all export grain over their own rails to the gulf instead of being impartial as heretofore. If such consolidations are accomplished where will the trunk lines and Atlantic ports get their grain for export? I am not their advocate, but only wish to point out this as another revolutionary and disastrous effect to some interests of the nation the commission is asked to take."

Even if the four-system plan were adopted, it is Judge Lovett's view that the systems should be constituted in a much different way than proposed in the Holden plan. He said that if the Hill lines were to be consolidated, the Union Pacific and Southern Pacific should also be consolidated, as their combined strength would be needed to place them on a fair, competitive basis with the northern lines. Again he said that under a four-system plan the Chicago, Milwaukee & St. Paul instead of the Chicago & Northwestern should be combined with the Santa Fe. Such a consolidation would put the Santa Fe system into the North Pacific coast territory in competition with the Hill lines and the Union Pacific-Southern Pacific group instead of stopping the Santa Fe group east of the Cascade mountains as proposed by Mr. Holden. He also stated that the Chicago, Milwaukee & St. Paul and Santa Fe connect at both Chicago and Kansas City, while the Chicago & Northwestern has no line to the latter point.

Judge Lovett dealt at some length with the history of the Central Pacific and its relationship to the Union Pacific and the mutual dependence of these lines on each other. He referred to the decision of the supreme court, ordering the dissolution of the control of the Central by the Southern Pacific because violative of the Sherman act, and to the recent hearing before the commission of the application of the Southern Pacific for authority to acquire control, and the decision of the conditions imposed by the commission to the granting of the Southern Pacific application, protected with reasonable adequacy the rights of the Union Pacific, and that with these conditions imposed the Union Pacific would not object to a permanent consolidation of the Southern Pacific-Central Pacific.

He said that the Holden plan providing for a half interest by the Southern Pacific in the Denver & Rio Grande Western and the Denver and Salt Lake lines would be inconsistent with these conditions and would be highly prejudicial to the Union Pacific. He also referred to the testimony already offered in behalf of the Union and Southern Pacific asking that the Colorado lines of the Rock Island be eliminated from the proposed Southern Pacific group, as the ownership of these lines would be likewise inconsistent with the conditions imposed by the

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