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TRANSPORTATION - ITS COORDINATION IN TIME
OF WAR

by

Honorable Joseph B. Eastman
Federal Coordinator of Transportation

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COLONEL JORDAN'S REMARKS INTRODUCING

HONORABLE JOSEPH B. EASTMAN

It is indeed an honor to have as our guest speaker this morning Hon. Joseph B. Eastman, the Federal Coordinator of Transportation.

Mr. Eastman is a graduate of Amherst and earned his degrees at that fine old College. Since 1919 he has been a member of the Interstate Commerce Commission and since July 1933 "in addition to his other duties" - the Federal Coordinator of Transportation.

It is the duty of the Federal Coordinator of Transportation to encourage and promote or require action on the part of carriers and subsidiaries subject to the Interstate Commerce Act, which will avoid unnecessary duplication of services and facilities, permit joint use of terminal facilities and trackage incident thereto, and to take steps to prevent waste and unnecessary expense.

Also, to study other means of improving conditions surrounding transportation in all its forms and prepare plans for its improvement and to investigate the stability of railroad employment and railroad labor conditions and relations.

We all know what confusion resulted in the World War due to lack of proper direction of our transportation facilities - the shortage of coal when there was an abundant supply, and we all feel the need of a guiding hand in the next emergency. We have now our War Department Director of Transportation and we believe most of our difficulties will be solved satisfactorily; but we ask for the larger picture from the man who is so well able to give it.

Mr. Eastman's subject is "Transportation - Its Coordination in Time of War."

It gives me great pleasure to introduce the Honorable Joseph B. Eastman.

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TRANSPORTATION - ITS COORDINATION IN
TIME OF WAR

Colonel Jordan, Members of the Army Industrial College:

I feel almost as if I were down here under false pretenses, because when Colonel Jordan invited me I declined for three times running on the ground that I was ignorant of the subject assigned me - the coordination of railroads in time of war. He finally said he wanted me to come notwithstanding this confession of ignorance. On top of all that, I have not prepared anything in the way of a formal statement. There is a great deal going on in these days; I have just come from a hearing at the Capitol where I had the pleasure of a little run-in with the Kingfish.

So far as the coordination of railroads in time of war is concerned, all that I know about that particular subject goes back to the World War. I became a member of the Commission in 1919 and saw something of Federal control of railroads in the period immediately following the war and I was also conversant with what was going on in the previous year, although I was not in Washington. I suppose you are familiar with that particular subject, but in case you are not, my suggestion would be that you take time to read "The War History of American Railroads" by Walker D. Hines, published by the Yale University Press. From my knowledge of the subject (such as it is) I think that is one of the most dispassionate, fair, and thorough analyses of what did happen during the period of Federal control that has been written. While Mr. Hines might perhaps be regarded as prejudiced because he was a part of Federal control, being the second Director General of Railroads, nevertheless he was one of the prime ministers of the railroad world during the period before the war and was a singularly dispassionate and fair-minded man in anything he undertook to present.

You will recall, I think, the transportation situation that came about immediately after the entrance of this country into the World War. It aggravated a situation which had begun sometime before due to the shipment of munitions from this country to the countries engaged in the war in Europe. That situation was intensified when we got into the war. The railroads were none too well prepared for it when it came and it had the effect of completely changing traffic conditions - turning traffic from its ordinary channels into new channels. Great quantities of munitions were rushed to the ports on the Atlantic Coast; tremendous west-east traffic was created, and that situation was aggravated by all sorts of priorities being given, many of which were conflicting - so that finally conditions of intense confusion existed not only at the ports but also in the gateway cities leading to the ports.

In meeting that situation the railroads undertook to get together themselves and eventually they formed what was called "The Railroads War Board" in April 1917, under a resolution in which they pledged that during the war they would coordinate their operations in the continental railway system, merging all activities in the effort to produce maximum efficiency. To this end they agreed to create an organization which should have general authority to formulate a policy of operation for any or all railroads, which policies when announced should be accepted and made effective by the several managements of the railroad companies represented. That War Board did improve conditions, but not enough; it was handicapped in many ways. As long as the individual railroad companies continued to operate, the managements had duties to the stockholders and they could not agree to an entire unification of operations. Although they all wanted to coordinate their activities and to help in winning the war, it was not always possible, and conditions continued to get worse until finally the Interstate Commerce Commission made a recommendation to let down some of the barriers of the law. However, a minority of the Commission recommended that the Government take over the railroads, and that was done in January 1918, and extended not only to the railroads but to many of the water carriers as well. Mr. Hines, in his book, discusses some of the chief results and I shall read a short paragraph to show you what was accomplished in the way of handling traffic:

"The car shortage in 1917 reached its highest point in May 1917, the shortage amounting to 164,000 cars, which was also the highest point in the history of railroads of which we have record. During the summer months of 1917, the shortage was reduced, but began to rise again in the fall and reached 150,000 cars in November 1917. But in November 1918; despite the enormous traffic handled throughout the year, the car shortage was less than 15,000 cars. The accumulation of freight cars in terminals in excess of normal had reached about 90,000 cars in November 1917, and had acquired a momentum that carried it steadily upwards to about 200,000 cars in February 1918, by which time the Railroad Administration began to get control of the situation. The unprecedented winter of course contributed largely to this situation. The accumulation was soon reduced to manageable proportions and in November 1918 was about 40,000 cars. The movement of freight traffic as reflected by the net ton miles per mile of road indicated that in 1917, despite the steadily increasing demand for transportation, the performance was dropping substantially almost month by month beginning with the month of July, whereas in 1918, up to October (the last full month of war traffic) the performance

was continuing at practically the maximum level. This again illustrated that the advantages possessed by the Railroad Administration enabled it as the year 1918 progressed to handle the war traffic in substantially uniform volume, while the disadvantages of 1917 resulted in the railroads steadily losing ground in the latter part of the year until they had reached a critical situation by the end of December in that year."

Of course the railroads during the period of Federal control were managed as a unit; traffic was thrown over whatever lines could handle it best; the subject of priorities was brought under control and movements controlled in every way. There was not only traffic troubles, but there were labor troubles, due largely to shortages of labor. Men had opportunities to gain employment at higher wages and the increasing cost of living made it necessary to do something in the way of advancing wages and also advancing railroad rates at the same time. The Railroad Administration was able to do those things rapidly and directly, and without the normal procedure necessary in the case of private companies under the public regulation.

I think Mr. Hines' conclusion is interesting and it is not very long:

"Federal control of railroad and other transportation systems was undertaken as a war emergency. It was continued for nearly sixteen months after the Armistice to enable Congress to formulate and adopt a constructive program of peace-time railroad legislation, which had been badly needed even before the War. The personnel that handled the railroads during the rapidly passing period of government control was entirely made up of experienced railroad men on the railroads themselves as well as in the Regional Organizations. The Central Administration also was made up almost wholly of experienced railroad men. The selection of all personnel was entirely free from politics. There was an adequate and praiseworthy performance of the public service during the extremely difficult conditions of the War and the equally difficult and constantly changing readjustments after the Armistice. The countless complications which the novelty, suddenness and brevity of the situation presented as to matters of law, finance, accounting, purchases and public, congressional and corporate relations, were considered with care and intelligently dealt with. The special policies as to labor which were adopted by the Central Administration were dictated by the conditions created by the War and, in their controlling aspects, were mostly established prior to the Armistice. The railroads in general were maintained so as to admit of effective handling of

traffic, and settlement was duly made for such under-maintenance as existed. The railroads were able, shortly after return to private control, to handle successfully the largest traffic on record up to that time.

"The country has passed through, and is now beyond, the psychological phase where extreme and exceptional instances as to particular items of service, labor and maintenance were treated as correctly defining the real levels of Railroad Administration accomplishment. Instead, a condition of fair perspective has been reached where the work of Federal Control can be viewed in its due proportions with reference to the general average of its results and in comparison with the general average results of private railroad control prior to the War and of private control of industry generally during the War.

"The increased cost of railroad operation during the period of Federal Control was due to the War and could not have been avoided by any other means of control. If private control had been retained, the increased cost of railroad operation would still have had to be met. The War would have had to be paid for, even in the case of private control of railroads. In that event, if the entire burden could not have been placed on the public through increases in rates, it would have been met through a combination of impaired service to the public and of losses to the railroad security holders, and this would probably have forced some form of government subsidy so as to place part of the burden on the public treasury. All this would have been worked out with greatly increased confusion and uncertainty to the public and to railroad security holders.

"The effect of Federal Control was to provide, as to the country's war needs, and as to the interests of railroad security holders, a protection which had become impracticable on the part of private control in view of the emergencies and limitations with which it was confronted. Any fairly balanced study of the situation as a whole must lead to the conclusion that in periods of extraordinary difficulty the Government's temporary operation of the railroads accomplished with credit the objects which made resort to it imperative. The war needs for transportation were met and railroad security holders were protected from a large part, though by no means all, of the injurious consequences of the War."

He also makes this comment which I think is interesting:

"Opponents of government ownership and operation of railroads have frequently seemed prone to exaggerate criticisms of Federal Control by way of argument against

permanent government ownership and operation. Advocates of government ownership and operation have probably been equally prone to exaggerate commendable things which were done by Federal Control by way of argument for their position. Both sides have been in error."

He continues:

"In the interest of clear thinking, it is important to realize that Federal Control does not constitute a sound argument either for or against permanent peace-time government ownership and operation. What Federal Control does primarily is to illustrate in a particularly concrete and visible way the disrupting and destructive influences of war, strictly similar in effect to what would have been exemplified by private war-time control, though differing in various details."

That is the way it was handled during the last war. The whole system had to be improvised almost over-night. It has been remarkable to me that they were able to do as well as they did, considering that no plans had been prepared - they were all just thrown into the thing and had to sink or swim. If we should have another war, the situation might, of course, be different in some respects. If the war were in this country I assume that the conditions that would have to be met would be entirely different from what they were during the World War. On the other hand, if the scene of conflict were outside this country, conditions would probably be quite similar in moving troops and munitions to the ports and keeping the Army supplied.

I assume, also, that it would be necessary to consider forms of transportation which were only beginning to appear on the scene during the World War. The truck has become a great factor in transportation in this country at the present time and that would have to be considered in a way not done in 1918. I assume that since the World War - in fact I know - the Army has been giving thought to what ought to be done with respect to transportation if we should get into another war, and elaborate plans and studies have been made. Many of these I know nothing about, but I think it quite clear that there would have to be centralized control of the whole transportation system and it could not be left to be worked out by individual carriers. It is possible that a practical scheme could be worked out whereby that could be done without transference of the properties to the Government. Personally, I believe that the only really effective way of accomplishing complete centralization would be to put the Government in power just as was done in the World War.

You would then have the maximum power and authority, and during time of war that is what would be needed.

That is all I shall undertake to say on the subject on which I was supposed to speak - the coordination of transportation in time of war. The remainder of the time I shall devote to telling you a little about my present duties and what I have been trying to do in the way of coordination in time of peace. Colonel Jordan has described my duties; I think I ought to make it clear that I do not carry on work as a Commissioner and Coordinator too. I am largely relieved from my duties on the Commission as long as I keep the temporary job of Coordinator, although not entirely.

The Coordinator of Transportation was appointed under an Act which was called the Emergency Railroad Transportation Act, 1933, and the first thought behind that Act was that the railroads were wasting money in many respects and could make substantial savings if they would cooperate more with each other - they were competing unnecessarily with each other and that such competition has become less important from the public's point of view because of the creation of other forms of transportation - or rather, the development of other forms of transportation on the highways and waterways, and in the form of pipe lines and electric transmission lines. The first plan of the bill was that the railroads should do this coordinating themselves through the establishment of three regional coordinating committees - east, west, and south - and that if those committees found there were things they ought to do which they were unable to do because of some obstacle (which might be anti-trust or State prohibitory statutes or the inability of the railroads to agree) they should then call upon a government officer, known as the Federal Coordinator of Transportation, who could, in his discretion, issue an order to compel these things to be done and protect them against all prohibitory laws. That was the original conception of the bill and it was favored by the railroads. Before the bill got through, the Coordinator was given authority to bring matters to the attention of the coordinating committees upon his own initiative and to issue an order, if they did not act within a reasonable time. He was also given the duty of studying the entire transportation situation and making recommendations to the President and Congress for further and permanent legislation for the improvement of general conditions. That applied to all forms of transportation, not railroads alone.

Before the bill was finally enacted another thing happened which further affected it. Of course, economies, so far as railroad operation is concerned, involve the saving of labor. About two-thirds of the expense of a railroad is labor and you can't introduce many economies without doing away with labor. About that same time Congress was considering the National Industrial Recovery Act, whose object was to put men back to work. The railroad employees called attention to the inconsistencies of the two Acts, and as a

result Congress put a provision in the railroad Act which placed a very severe limitation upon reduction in railroad employment by reason of anything done under it. This provision has been quite effective in preventing much actual accomplishment under the Act, and I felt from the beginning that the principal thing we could do was to get studies under way to find out what is possible. It may be that eventually the economies will have to be secured the way they were secured in England. They had a similar provision with respect to labor in connection with their railroad consolidations after the war, and they just let time take care of it. As the men died, or retired, or were pensioned, the railroads secured the benefits of the economies - but it took time.

So far as railroads are concerned, my work covers several phases. We have a small staff and the appropriation for the first year was only about \$350,000. This year we have about \$500,000, so that compared with other emergency units around Washington we have not much to spend. However, we undertook to guide the railroads themselves in making studies and have depended a great deal upon their help.

We have a section of transportation service which has been endeavoring to study the handling of the three principal forms of traffic. They are: the merchandise traffic (less than carload and express), the carload traffic, and the passenger traffic. Reports have already been made on merchandise and passenger, and one is in course of preparation on carload. We are trying to find out in these studies just how the traffic is handled; the costs; why other forms of transportation are gaining business; and what can be done to remedy the situation either by improvement in operating methods, or equipment, or changes in the rate structure. All three of these things are being covered in the reports.

In the case of this merchandise traffic, we found it was being handled in little lots; it did not average as much as 3 tons per car, and was being carried around in cars capable of handling 50 tons, over a tremendous diversity of routes between the various points; that the traffic had been slipping off for a long time before the depression - largely going to the trucks; that trucks could perform a more satisfactory service in many ways because of greater flexibility and convenience. They also give a complete service from store door to store door; are frequently more expeditious, and the packing requirements are less burdensome. The railroad rates are based to a considerable extent on the value-of-the-service theory, that is to say, the rates are higher on the commodities of higher value. Of course when you come into competition with another form of transportation it is the cost of service that counts, so that the

present railroad rate structure is not well adapted to such competition. We recommended that the less-than-carload freight and express traffic be combined and be handled by two separate nationwide companies controlled by different groups of railroads, just as the express company is now controlled by all the railroads, thus preserving competition but limiting it to two companies. By concentrating the traffic over the best routes, they would handle as much as 15 or 17 tons a car instead of 2 or 3 tons, and largely to rail-heads from which distribution would be made by motor truck right to the store door. A very much simplified form of rate structure was proposed.

The railroads have not been willing to accept that plan. I have not yet been able to determine their reasons. They say it is impracticable, but they don't say why. They submitted a report indicating that the thing to do was to leave the problem to be worked out by the individual carriers through the process of trial and error. I think it is perfectly clear that the only way to work it out is through coordination and cooperation along broad lines. However, they are now studying that matter anew. It has been turned over to the new Association of American Railroads and I hope something will come of it.

In passenger traffic we went elaborately into the question of competition which the carriers now face, due to the private passenger automobile even more than the bus. That traffic has been slipping from the railroads ever since 1920, and is now carried at a loss of two hundred million dollars a year. Yet the automobile has created a great travel habit, and it is estimated that the automobile is carrying passengers in a volume, stated in passenger miles, that is five times that ever carried by the railroads in any one year. So there is a tremendous pool of traffic to be tapped, if the railroads can adapt their services and equipment and rates to meet present conditions. The question of rates was discussed in our report; the forms of equipment which will enable more flexible and cheaper operation to be maintained; how traffic can be pooled in various ways, etc. That report is now before the railroads.

In the case of carload freight traffic, elaborate studies have been made, including a one-day test which showed just how the traffic flows all over the country. Elaborate questionnaires were sent out, not only to the railroads but to other forms of transportation and shippers. We have answers which cover one-third of the carload traffic of the country, showing how it is shipped and why each particular form of transportation is used, and we also have elaborate cost studies comparing the costs of the different forms of railroad service with the corresponding costs of other transportation services. These are with a view to determining not only the limitations in the fixing of rates but also the opportunities for substituting motor vehicles to advantage for rail service or using them to supplement

rail service. That applies to passengers as well as freight.

We have a section which has studied the opportunities in the way of pooling the cars, now separately owned by the individual railroads, and through such a pool reducing the amount of empty car mileage and the cost of maintenance of equipment. This section has submitted a plan for pooling of box cars - initially as an experiment but also as a possible step in the direction of complete pooling of cars. The railroads have that plan under consideration and are finding many difficulties in the way. I have a report from them which is being analyzed.

We have a Section of Purchases which has been going into the question of standardization and simplification of equipment and of the various materials and supplies. There we came to the conclusion that in order to handle that matter satisfactorily it would be necessary for the railroads to have a centralized scientific research staff working collectively for all railroads instead of leaving these matters to the individual companies. We secured from the Science Advisory Board a committee to work with the railroads on that matter, that committee being made up of men such as Dr. Jouett of the Bell Telephone system, Dr. Kettering of General Motors, representatives from the U.S. Steel Corporation and certain other large industries, and some men from the Universities. They got together with a committee of railroad executives and agreed upon a plan for such a scientific research staff to be created and maintained through the Association of American Railroads. This is not yet in operation, but I think it is a thing of tremendous importance, particularly in these days when invention is proceeding so rapidly. Today you find inventions everywhere in the transportation field, new forms of motive power, etc. There is great need for a central research and testing organization. In the telephone industry they have such a scientific research staff which goes so far, almost, as to make inventions to order. It is, of course, not so easy to secure such an organization in the transportation field, because there is not the same degree of concentration and control.

The Section of Purchases has organized groups of railroad purchasing officers in each of the three regions, who compare purchases and prices each month. The advantages of this has been lessened by the uniformity of prices under the Codes, but some good results have been secured. A study is being made of the disposition of scrap by the railroads, with a view to handling it to better advantage through concentration and collective action. Studies have also been made of the storehouse practices of the railroads.

We have a Section of Regional Operations, which, with the help of railroads, has been making a study of the terminals to see what economies can be effected. This survey has shown that probably as much as fifty million dollars could be saved each year by unification of terminal operations. Apart from the labor situation, much difficulty will be encountered in such unifications, as it is hard to get the railroads together. In almost all cases, some one or two railroads think they have a particular strategic advantage in the location of their present facilities, and are unwilling to agree to unification, unless they are compensated for this advantage. If economies are to be worked out in these situations, that is the problem that has got to be disposed of and on which most thought must be spent. That section of my staff is also making a study of the shops of the railroads, with a view to locating the opportunities for joint use of the more favorably situated shops, at the same time considering the modernization of shop equipment.

We have also gone into the question of inter-line accounting, which is now very complicated and expensive. We have suggested that the principle of the clearing house be applied there, starting gradually and then developing the application with experience. We think the opportunities are great.

We have a section working on routine of cost finding. That is much more difficult for the railroads than for most industries, owing to the fact that railroad operations spread all over the country, and the product is service to the public which has no uniformity. We also are inquiring thoroughly into the opportunities for increasing charges for so-called accessional services, where because of competition of the railroads with each other, either no charge or a wholly inadequate charge is now made. That describes in a general way what we have done with reference to the elimination of railroad waste.

As I have said, my other general duty is consideration of the entire transportation situation, with a view to recommending permanent measures for its improvement. We have recommended a program of legislation which is now being considered by Congress. It contemplates that all important forms of transportation shall be brought under Federal regulation. The railroads have been brought under a very complete system of Federal regulation, but the water lines are now only partially regulated and the motor vehicles are not regulated at all. We have drafted bills providing for the regulation of both motor carriers and water carriers. To my mind you have got to equalize the situation in that way or else give the railroads the same free hand in competition that the other agencies now have. However, in the latter event, I am sure from the experience

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of the past that the results would be disastrous, and that the benefits would go to those with the biggest resources, among both the railroads and the shippers. We are proposing that regulation be administered by a single Federal agency in order to avoid conflicting policies, and that this agency be the Interstate Commerce Commission. I am also proposing - but not with the approval of the Commission; we disagree on this - that in order to perform the present and the proposed new work as expeditiously and efficiently as possible the Commission should be reorganized by giving each form of transportation a separate division specializing in its problems. On most matters the division would function as though it were a separate commission, but questions of general transportation importance would be referred to a control board made up of the chairmen of the separate divisions and the chairman of the Commission. Thus conflicts and inconsistencies in policies would be avoided. I am proposing such a reorganization of the Commission for the purpose of handling the greatly enlarged work in as efficient a manner as possible and with due regard to the special problems of each form of transportation. I am also proposing, with some embarrassment, the creation of a permanent Coordinator of Transportation, who would carry on such work as I am now attempting to perform, but with respect to all of the forms of transportation as well as to the railroads. He would engage in work of planning, prevention, and coordination, and would be relieved from the quasi-judicial functions of regulation. Whether it will be adopted, I do not know; but that program is before Congress now. We are putting up the best case we can and are meeting with a great variety of opinions.

I thank you for your attention.

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Q - You are quoted by Dr. Jordan as stating "theoretically and logically public ownership and operation meet the ills of the railroad situation better than any other remedy." Would you briefly justify this statement?

A - Yes, I have expressed an opinion like that. I believe that under public ownership we would avoid an undesirable division of responsibility which comes about when a privately owned and managed industry is subjected to a comprehensive system of public regulation. Such regulation not only involves this division of responsibility, but it means that a great deal of the time of the managers of the industry is consumed in the process of investigations, hearings, and the procedure of regulation in general. When

an industry is of so public a character that such public regulation is necessary, it would certainly be simpler and more logical for it to be owned and operated directly by the Government. The Government would also assume financial responsibility and be able to provide needed funds without dependence upon private credit, which is likely to be a very undependable thing upon which to rely in the future, so far as railroads are concerned. That is one of the chief causes that have driven other countries into public ownership - because transportation was, for one reason or another, not an attractive or inviting field for private capital. That may prove to be the situation in this country. I believe it is possible to avoid many of the objections which are made to public ownership and operation, if the undertaking were properly organized. It should be administered, not by a Government bureau, but by a private corporation which the Government would control through ownership of stock, and the management should be in the hands of a Board of Trustees placed under very definite obligations to manage the properties on a self-supporting basis without regard to politics, and appointed by the President. I have not, however, recommended such an undertaking, because I think there are special and unusual dangers at the present time. I think there would be dangers incident to the taking over of the properties. The Government has terrific financial burdens at the present time; the acquisition might add very materially to those burdens, dependent upon the price to be paid for the properties, and this price could not be foretold in advance of court review. Not only that, but there are special and unusual circumstances which would tend to drive the country into certain unwise policies with respect to railroads at the present time. Government acquisition might be used as an opportunity for putting men to work, regardless of the financial effect on the railroads. There would be temptation under present conditions to plunge into an ill-advised and unwise program of large capital expenditures. There are many such expenditures which should be made, but they can easily be made too precipitately and without sufficient prior investigation. Or, in the present temper of the shippers of the country, there would be temptation to embark upon unwise policies in the reduction of rates. There again, there are reductions which should be made, but it ought to be done with considerable care. There is this difficulty also - the question of whether you could wisely take over the railroads without taking over other forms of transportation as well. I have not felt that the country could wisely embark upon such an undertaking as public ownership and operation of the railroads until public opinion definitely favors such a venture and is prepared to give it the support necessary to insure independent, non-political management. It would be necessary to have a strong force of public opinion behind it, so that the public trustees would be allowed independence of judgment and action without constant interference from the executive and legislative branches of the Government.

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Q - The Communications Act of 1934 gives the President very broad powers to regulate lines of communication, particularly radio broadcasting. He can suspend or amend licenses, establish priorities, etc. I am wondering if similar broad policies concerning transportation pertaining to pooling, use of terminal facilities, etc., would effectively control and regulate the transportation.

A - The recommendations I have made would give such power to the Coordinator of Transportation subject to review of the Commission. The railroads object to giving that power to any Government agency. We also provide for a scheme of compensation to take care of the labor situation which would give, I believe, reasonable protection to the employees and enable the companies to gain economies gradually, although not all at once. When it comes to ordering, however, I have said several times that I believe such an order should be used only as a last resort. There are all sorts of legal questions with regard to this which have never been passed upon by the courts. If such orders were used, I am sure there would be litigation - it would be like the Interstate Commerce Commission after the original Act of 1887. It took several years for the Commission to know what its powers were, because of the constant appeals to the Supreme Court. They would be orders which would affect property. In the unification of terminals, for example, you would encounter property rights and under the Constitution all concerned would be entitled to just compensation for any property rights of which they are dispossessed. All this makes it necessary to frame an order with great care.

Then again, when you are dealing with questions of operation and management, if you have a lot of unwilling railroads and you order them to do something they don't want to do and then put the doing of it in their hands, there is the question of whether the results will be very successful. For that reason I depend more upon the process of education and development than upon the issuing of orders. I feel a great deal like Charles Francis Adams did when, as chairman of the Massachusetts Railroad Commission, he was given only the power to recommend. He said that ^{was} all he wanted -- if his recommendations were sound he could depend on public opinion to do the rest; if he had the power to order, they could take him into court.

Q - You said that during the World War the trouble with the Railroad War Board in getting effective cooperation was that the railroads had liabilities to the stockholders. Is there anything in the present law which would make more effective the rules of the Interstate Commerce Commission and avoid that difficulty in another war?

A - That responsibility will always exist as long as you have separate companies. You have got to show that in the case of any proposed cooperation it will redound to the advantage of the stockholders. I think that can be shown in many cases.

Q - Please discuss a little further the present condition of the railroads respecting rolling stock and road ways. Would they require large amounts of steel for rehabilitation?

A - The railroads have been cutting maintenance to the bone; expenditures have been very greatly reduced. There is a very large percentage of cars and locomotives in bad order at the present time and there has been for a considerable number of years. They can operate with such a large percentage of bad-order cars because the demands of traffic are relatively light, and of course, the cars and locomotives which have not been repaired are the least efficient. The older equipment has been handled in that way. When it comes to the tracks, there is a tremendous amount of under-maintenance at the present time. A tremendous amount of money was spent in ballasting track and putting in heavy rails and ties during the period of prosperity and it has been found that a lot of that improved track stands up under lack of normal standards of maintenance a great deal better than they thought it would, and they have succeeded in keeping the track quite safe. There are few accidents due to bad track. There is, however, undoubtedly a tremendous amount of maintenance that has been deferred and will have to be made up some time.

Q - I read that in the last war coastal and intercoastal shipping was reduced so that it amounted to almost nothing. Would you care to comment on that? Could you give an estimate on what the railroads could handle in a future emergency? If we have to take most of the shipping away from coastal and intercoastal routes, what would happen?

A - I suppose that would depend upon the character of the war. If the scene of operations were in some foreign country, we would have to have all the available shipping facilities for war purposes. At the present time there is no question that the railroads have plenty of capacity to handle traffic even if the water lines should not operate. Of course, with the tremendous amount of production involved in a war that might not be so. There is quite a little shipping being handled in vessels not suitable for overseas operations. If we assume a given condition, it might be possible to supply our needs for shipping without depleting the coastwise and intercoastal service. They are quite heavily tonnaged now and considered by most of the operators as over-tonnaged. There has been an increase in shipping on the coastal and intercoastal routes. The opening of the Panama Canal had a

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lot to do with it. It was easy also to buy at low prices boats built during the war, and the reduction in export and import traffic has led boats to enter the domestic trade. All of these things have increased the amount of tonnage on these routes.

Q - The National Defense Act places the responsibility on the War Department, which is shared by the Navy Department, for planning for the mobilization of industry to meet war-time needs but neither the War Department nor the Navy Department are qualified to plan along war-time lines. Such an agency would be the proper place to plan that and we should contact them.

A - That might be.

Q - I notice there is an American Trucking Association. To what extent is that industry organized?

A - A code was formed for the trucking industry under the NRA and the American Trucking Association was organized about that same time. There had been a great deal of disharmony in the industry between the different kinds of carriers. The larger common carriers had organized an association called the National Highway Freight Association, but the so-called contract and private carriers felt that their interests were not in all respects the same as those of the common carriers. The American Trucking Association, however, endeavored to bring them all together. It is an exceedingly difficult industry to organize because operations are small - not like the railroads. There are more than 300,000 vehicles registered under the code and I think they estimate that the average number of vehicles per operator is not much more than two. There are many single truck operations by individuals.

Q - In your proposed legislation you are proposing to put under the Interstate Commerce Commission all forms of transportation of the country. How are you going to control the itinerant trucker?

A - That is quite a problem. I suppose you mean the man who buys produce on the farm and then transports it and sells it at the end of his journey. If that is a bona fide sale I don't think you can control him, except through safety regulation on the highways, taxation, etc. There is nothing to regulate in the way of rates, because he is transporting his own property and does not charge rates. There is a decision of the Supreme Court in the case of railroads that indicates that if such a transaction is merely a device for the purpose of escaping the control by regulation of what is really carriage for others, it can be prohibited. The C & O tried such evasion many years ago. It was a case of buying coal and transporting it ostensibly as the railroad's own property and then selling it at the end of the haul. The Supreme Court held that was a device to avoid regulation.

Maybe the same principle could be applied to the itinerant trucker. Federal regulation of trucking will be exceedingly difficult, because of the tremendous number of individual truckers. There will be difficulty in locating and policing them, etc.; and other difficulties will arise because of the fact that you not only have the common carriers but the contract carriers and the private operators. But I think the important thing to do is to get on with the job and learn from experience. We will have to adjust regulation in one way or another to meet conditions, but I don't think the difficulties are a reason for not undertaking the job.

Q - The President's Aviation Commission recently recommended that a separate commission be formed to handle transports. I believe the President disapproved that in his message to Congress stating that there were agencies already in existence for that. What do you think might be done about that?

A - We have not done anything about that because it was a subject especially delegated to the Aviation Commission created for the purpose, but I think it is possible to work the regulation of air carriers into the form of organization I have proposed for the regulation of railroads, water carriers, etc.

Colonel Jordan:

I want to express the appreciation of the College for the time you have taken out of a busy day to come down here. We are indeed grateful to you for the excellent talk you have given us.