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A Problem in Railroad Consolidation

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A PROBLEM IN RAILROAD CONSOLIDATION

A Thesis

Submitted in Partial Fulfillment of the
Requirements for Department Honors

By

Ursinus College,
Collegeville,
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Approved by

Department of Economics

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Preface

This paper is submitted in support of the writer's candidacy for Department Honors in Economics. It is, as the title implies, the working out of an actual problem in railroad consolidation, and an attempt has been made to present the problem from all angles. Although the germ of the idea may be found in the Reading System proposed in Commissioner Eastman's minority report, the writer may lay a fair claim to originality in the development of the plan. While considerable reading was done to give background to the work, most of the observations and conclusions in the discussion are based on personal knowledge and experience rather than on mere research into the opinions of others. This lack of direct written source material is due partly to the fact that many statistics which would have been decidedly helpful in giving a more definite tone to parts of the discussion were unavailable, obsolete, or so condensed or incomplete as to be practically useless. Furthermore, very little has been written that has a direct bearing upon the subject at hand. On the other hand, a good many miles were travelled to gain a first-hand knowledge of the physical condition of the roads affected, their equipment, facilities, and methods of operation.

That many of the topics discussed are treated only too briefly is a matter of regret. To have dealt justly with them would have been to expand this paper to limits beyond the requirements of an honor paper without, perhaps, adding much of primary importance. The main points have been discussed, the perspective maintained, and to have said more might have detracted rather than added.
A Problem in Railroad Consolidation

Historical

Much has been written in recent years about railroad consolidation. It may well be considered the salient problem which railroad executives today are attempting to solve. Recaptures, rate-making, automobile competition, rail-air coordination are all questions of great importance, but in the attempts at consolidation made in the past five years are involved ways and means of arriving at at least a partial solution of the main problem.

From the Northern Securities case of a quarter-century ago to the Transportation Act of 1920 is a far cry indeed insofar as consolidation is concerned. With the growing realization that consolidation in itself was not harmful, and that the future of many weak but comparatively indispensable roads lay in their absorption by larger and stronger companies, a complete turn-about was made in the government's attitude toward consolidation. The Act of 1920 permitted the voluntary consolidation or unification of railroads (unification is the absorption of one road by another through stock control or lease; consolidation is the formation of a new company by the merger of separate lines. Both terms, however, are used interchangeably) subject to the approval of the Interstate Commerce Commission, and authorized the Commission to draw up a comprehensive plan to which mergers would be expected to conform, and by which the Commission would be guided in giving its consent. The Commission directed Prof. Wm. Z. Ripley to draw up a tentative plan, which was, however, not entirely satisfactory. The complete plan—a pamphlet
of sixty-eight pages--was issued on December 9, 1929. This plan met with the opposition of such experts in consolidation as Prof. Ripley, and Leonor F. Loree, whose efforts to form a fifth trunk line out of the Wabash and the Delaware and Hudson in the east and to unite the Kansas City-Southern and the Missouri, Kansas & Texas in the west had been rebuffed by the Commission. It was accompanied by dissenting opinions by Commissioners Eastman, McManamy, Porter and Taylor, the objections of Commissioner Eastman being the strongest and at greatest variance with the plan. It is still a question of doubt whether this plan is practicable or that it will stand as a permanent policy. The agreement reached last December by the New York Central, Pennsylvania, Baltimore & Ohio and Van Sweringen interests, affecting trunk line consolidation, indicates a partial acceptance, at least, of the Commission's plan by the railroads, and a desire to conform thereto.

The plans of both the Commission and the executives, so far as Eastern territory is concerned, seem to deal chiefly with the relationship of the smaller roads to the four trunk lines, the Commission setting up a fifth and unwieldy system, and the executives dividing the smaller roads among themselves--a sort of railroad partition of Poland. Provision is made for facilitating the flow of traffic east and west, but little attention seems to have been paid to its effects on traffic flowing north and south.

In this we feel that both the Commission and the roads have shut their eyes to a situation which must some day be confronted and which should be planned for now. We refer to the adequate and efficient handling of north-south traffic. The purpose of this paper is to present a skeleton plan for the organization of a system which is
intended particularly to care for such traffic.

We shall first show the need that exists for such a system as we have in mind, then outline the plan itself, and finally suggest (we can do no more) ways and means whereby it may be put in operation.

Justification of the System

Westward our course of empire has taken its way. Our pioneer railway efforts were all put forth in keeping up with the westward trend of population. The Baltimore & Ohio, the South Carolina, the Pennsylvania, the Mohawk & Hudson, the Erie, all came to be through the desire of eastern cities to find a way to bring the raw materials of the boundless West to their factories and to send in exchange their finished goods. Ever since the Baltimore & Ohio slowly twisted its way through the Alleghenies in an effort to secure the rich Ohio valley trade for Baltimore, our railroad activities have been guided by a Western complex. The iron rail has always pushed west first, then, after a time, have come its extensions to the north and south.

We might possibly have done more building in a north-south direction had it not been for the Civil War. Prior to that event, both sections had been busy in pushing westward. The logical time, it would appear, had come for the two parts of the country to unite themselves by rail. The Civil War, however, impoverished the South and made the northeastern states the rich centers of industry that they have been for seventy years. With the West expanding as never before—under Northern control—Northern interests were there occupied. The South was commercially neglected. It was not until a
quarter of a century after the great northern trunk lines, The Pennsylvania, the New York Central, the Erie, had taken shape that the consolidations that have given us the Southern, the Seaboard Air Line, the Louisville & Nashville, and the Atlantic Coast Line were consummated.

Within recent years the South has begun to come into its own commercially. Cotton and negroes are no longer the staple crops. Mineral resources, lumber, raw materials and abundant water power have attracted numerous industries. The intensive cultivation of fruits and vegetables has given the southerners new products to market. Many believe that in spite of the waves of inflation, drought and bank failures that have swept that part of the country in the past five years, the South has a great future ahead of her, and there is much to justify this belief.

If the South is to become one of our greatest centers of production, means must be found to carry her products to market. What she does not produce, she will buy, and with her increased buying power, she will demand that the goods she desires be brought to her. The North is a great center of both population and industry. It is possible that it will continue so to be. As a contiguous region, it is logical that it will buy and sell in Southern markets in greater quantities than ever before. Four great seaports, Boston, New York, Philadelphia, and Baltimore will draw traffic. The North, too, is going to demand adequate transportation facilities to connect it with the South.

At present, we do not consider the rail facilities between North and South as adequate, and it stands to reason that they will be less adequate with the increased inter-sectional trade. The rail
connections between the seaboard North and South at present are via the bottle neck at Washington and at Hagerstown. At Potomac Yards the Seaboard, the Southern and the Atlantic Coast Line interchange with the Pennsylvania and the Baltimore & Ohio. Potomac Yards are huge now, cannot expand interminably, and are certain to be frightfully congested with any large increase in traffic. All freight must pass over a single bridge across the Potomac to be delivered or received from two roads which are now heavily burdened with traffic. Indeed, the New York-Washington line of the Pennsylvania is said to be the busiest stretch of track in the world. At Hagerstown, the Norfolk & Western connects with the Western Maryland, which, in turn, joins the Reading and with the Cumberland Valley, a Pennsylvania subsidiary. It is on the Hagerstown gateway that we plan to base our proposed system.

Our system is not intended purely as a new competitor to existing agencies of transportation. Rather we propose to unify or consolidate certain existing lines which will serve as a relief route to take care of increasing north-south traffic, with a view particularly to handling through traffic over a route that will avoid the congestion necessarily incident to passage through cities like Washington, Baltimore, and Philadelphia, and the lighterage situation at New York. The line in question will pass around those cities, having, however, terminal lines running to the cities, by which delivery of freight may be made. We can see no reason why the railroads, once they understand the purpose, should object to our proposal, because it is evident that the increasing north-south traffic must be taken care of somehow, and far better that it be carried by the railroads than by the trucks. Furthermore, it provides a peaceful
way of assuring a comfortable future for certain small roads which will probably be unable to stand alone long. Unification of these lines would not only serve to augment the present facilities for handling north-south traffic, but, through the creation of a strong, independent system, would stabilize the eastern railroad situation to no small degree.

Before outlining the system itself, we wish to make absolutely clear the type of road that we contemplate. It will be in the nature of a bridge-and-terminal railroad. Its main line will pass through no congested centers, but connecting lines will reach out to the large manufacturing cities and ports of the Middle Atlantic states whereby receipt and delivery of freight consigned to and from southern points will be made. It will cross and make interchange with the four Eastern trunk lines and will connect at its northern termini with the New England roads. Traffic passing over it from Southern points may be delivered to the ports for foreign shipment, to the manufacturing centers, to the trunk lines for westward movement, or to the northern roads for Canadian or New England points, and vice versa. It is intended to supplement (not to compete further with) existing facilities, and to furnish some not now existant.

The System

As a nucleus we have taken the Philadelphia & Reading and its ally, the Central Railroad of New Jersey. To it we have added the Western Maryland at its southern end, and the Lehigh & New England and the Lehigh & Hudson River at the northern. With the exception of the Lehigh & New England, these roads constitute the proposed
Reading System of Commissioner Eastman's plan and would be, as he said "quasi-terminal systems operating in the congested Eastern industrial district and designed to provide access to this district and the great North Atlantic ports freely and without favor to all connecting lines..... (It) would afford access to the ports of New York, Philadelphia and Baltimore, and through the present Lehigh & Hudson it would have direct connection with the New Haven System. At Hagerstown it would connect with the Norfolk & Western, thus affording the latter a splendid means of developing a north-and-south route competing with that which passes through Potomac Yard....serving the three above-mentioned northern ports but reaching each of them without passing through cities of the others, and reaching the New England lines without passing through New York."* We go beyond Commissioner Eastman, however, in emphasizing the north-and-south feature of the scheme, and laying all our plans around its development.

The five roads mentioned above are the skeleton of our system. With them, a compact and efficient road could be developed. The inclusion of the Norfolk & Western would insure us a greater number of connections with Southern roads, but the Norfolk & Western is already a system of some 2300 miles, reaching from Cincinnati, on the Ohio, to the seaboards at Norfolk, and its main business is the carrying of coal from the West Virginia fields to tidewater. Its line which connects with us at Hagerstown is a branch reaching northward from Roanoke, and at present, of secondary importance. Traffic meant for our system would be routed over this line anyway, and to include the Norfolk & Western for the sake of this branch might be too much like letting the tail wag the dog.

The Lehigh Valley is in a somewhat different position. Were it a part of our system, it would give us not only an additional line to New York and the Pennsylvania anthracite fields, but a through route to the lakes, possession of which might be of positive advantage. It is not a large railroad, and its inclusion would unbalance our arrangement only as it would duplicate service in the anthracite region.

If we really wanted to form a north-south line comparable in size to the trunk lines, we could take over the Norfolk & Western on the south and the Delaware & Hudson on the north. While tempting and extremely interesting in its possibilities, reaching, as it would, from Canada to Carolina, and crossing every line of importance east of the Ohio, we had better, nevertheless, limit our proposed railroad, to the Middle Atlantic territory, and follow our original intention to bridge the north and the south. We shall, however, retain the Lehigh Valley, if not through merger, at least by a close working agreement.

The system, then, would take the form of a misshapen hand. The thumb would be the Western Maryland from Hagerstown to Baltimore. The Reading, from Reading to Philadelphia would be the forefinger, the Jersey Central-Lehigh Valley from Allentown to New York the second finger, the Lehigh & Hudson and the Lehigh & New England, stretching across northern New Jersey, the third, the Central and the Lehigh Valley to Wilkes-Barre and Buffalo the elongated fourth, and the Western Maryland west of Hagerstown a very big and crooked little finger. But before viewing the system entirely as a whole, let us look at its component parts.

The Western Maryland Railroad extends from the West Virginia
coalfields at Elkins, to tidewater at Baltimore, with a branch line extending northward to Connellsville. It parallels the Baltimore & Ohio for many miles, and connects with the Pittsburgh & West Virginia at Connellsville, the Cumberland & Pennsylvania at Cumberland, the Norfolk & Western at Hagerstown, and the Reading at Shippensburg. East of Hagerstown, it splits into two lines over South Mountain, the southern, or main line, heading directly into Baltimore, and the northern line passing through Gettysburg (with a branch to York) and rejoining the main line near Baltimore. Primarily a coal-carrying road, it has numerous grades and curves, and has had many financial troubles, but it has long been coveted by larger roads seeking a Baltimore entrance. As such, it might be used as the basis of alliances with other roads which would be of great benefit to our system. Its value to our system lies principally in its twenty-five mile link with the Reading, its access to the West Virginia coal fields, from which much traffic for New England points may be secured, and the access it furnishes to the port of Baltimore.

The Reading, nucleus of the system, is a well-established, well-conducted road tapping a rich mineral and industrial area. Southeastern Pennsylvania is criss-crossed with a fine network of Reading tracks. Its Southern terminus, Shippensburg, is the all-important—to us—point of connection with the Western Maryland. At Williamsport it connects with the New York Central, at Allentown and Bethlehem with the Lehigh Valley, Jersey Central, and Lehigh & New England, and at Wilmington with the Baltimore & Ohio, while it crosses, parallels or connects with the Pennsylvania almost everywhere. It picks up coal cars at the mouths of mines owned by its sister company, the Philadelphia & Reading Coal & Iron Co., and hauls them over its
tracks to its magnificent tidewater terminal at Port Richmond, Philadelphia. All through freight from Canada, the Lakes, and New England, and much from the West, not routed via the Pennsylvania Railroad, enters Philadelphia over the Reading tracks. There is, perhaps, no better situated terminal road in the country today than the Reading. That is the reason why the Baltimore & Ohio and the New York Central have held large stock interests for years and why the Baltimore & Ohio is so desirous of getting control now. While its line from Shippensburg to Allentown will become part of the main line of the proposed system, it will be esteemed no less for its terminal facilities and its many sources of traffic.

The Central Railroad of New Jersey was once a Reading subsidiary, and the two are still bound sufficiently close together to be termed "half-sister roads." Extending from Scranton, in the Pennsylvania anthracite belt, across northern Jersey to Jersey City, with a long branch cutting diagonally across the state to the Delaware, this comparatively small road is valuable for its New York terminal connections and its coal traffic. Its connections with the Delaware & Hudson at Scranton, and the Lehigh & Hudson River at Philipsburg, and its entrance to New York render it indispensible to the system under consideration if the Lehigh Valley is not included. Even if the latter road were to become a part, the Jersey Central would still be valuable as an alternate and supplementary route.

While the Lehigh Valley parallels the Jersey-Central from Jersey City to Scranton, and its inclusion may thus be laid open to criticism, its continuation to Buffalo and its connections with the New York Central, the Erie, the Canadian roads, and the Lakes traffic make it a valuable line to possess. We have considered the inclusion
of the Jersey Central first because of its long and intimate connection with the Reading, and because we hope, either by direct unification, or by a very close working agreement, to include the Lehigh Valley too, but if compelled to choose one or the other, we would take the Valley.

The Lehigh & Hudson River extends northeasterly across New Jersey from Philipsburg (with a connection to the Lehigh Valley and Central Railroad across the Delaware at Easton) to Campbell Hall. It is first and last a bridge line. The Lehigh & New England originates at Nesquehoning in the anthracite belt, cuts across the Northampton County slate belt to Portland, where it crosses the Delaware, has trackage over the New York Susquehanna & Western from Portland to Swartswood, and parallels the Lehigh & Hudson into Maybrook. Primarily a bridge line, this little road nevertheless originates a fair amount of tonnage from the mines and quarries along its line. It connects with the Reading, the Jersey-Central and the Lehigh Valley on the southwest, and, like the Lehigh & Hudson, with the Erie, the New York, Ontario & Western, and the Central New England—a New Haven subsidiary whose route over the Poughkeepsie Bridge gives us our New England connection. At first glance it might seem that one of these roads would be sufficient and that its more direct connections would make the Lehigh & New England the more logical choice. We fell, however, that to carry the traffic which a system such as we are planning should—and would—have to carry, we will need both roads to give our northern link the proper facilities. Both are single track lines at present, and the use of one for northbound and the other for southbound traffic would save much otherwise necessary double-track construction.
Commissioner Eastman makes a tentative suggestion that the Maryland & Pennsylvania, which runs from Baltimore to York, over a winding right-of-way through no particularly rich territory, be also included. This, however, would involve construction of some thirty miles of track to make connection with our road, say, at Harrisburg, over the hilly country along the Susquehanna, where the best rights-of-way are occupied by the Pennsylvania. An alternative would be to construct from York to Dillsburg, about twenty miles, where connection can be made with a little-used branch of the Pennsylvania, which that road might be glad to sell. These obstacles, however, are rather high considering that we have little use for the road except as an alternate, and rather more direct route to Baltimore. We could take the road over and when conditions rendered it expedient, build the connections, but we make that merely as a suggestion; in this discussion we shall leave out the Maryland & Pennsylvania.

Our system, then, including the Lehigh Valley, would be laid out as follows. The main line would commence at Hagerstown, pass through Chambersburg to Shippensburg, follow the present Harrisburg division of the Reading through Harrisburg, Lebanon and Reading to Allentown, thence along the Lehigh Valley and Jersey-Central to Bethlehem, Easton and Philipsburg, and finally over the present Lehigh & New England and Lehigh & Hudson River to Maybrook and Campbell Hall. At Hagerstown the present Western Maryland main line would branch westward to Elkins and eastward to Baltimore. At Reading we would again branch—northward to the southern anthracite belt and Williamsport, southeasterly along the important terminal line to Philadelphia, with another branch to Wilmington. At Allentown still another line would run to Wilkes-Barre, Scranton, and
finally to the Lakes at Buffalo, and at Easton our terminal line would continue on to New York. The total main line mileage from Hagerstown to Campbell Hall-Maybrook by the longest of the alternate routes would be approximately 300 miles. In the absence of any accurate available means of calculating, however, the total mileage of the branches, or better, lateral lines, cannot be given, but it would mount up to a respectable figure. The trackage of the Lehigh Valley alone runs 1362 miles, and the Jersey-Central 693. The total mileage (approximate) of the Reading is about 1500 miles and that of the Western Maryland somewhere between 800 and 900 miles. A rough estimate would give our system a total of something very close to 4600 miles.*

In taking over and unifying these roads, while we secure some very desirable and highly valuable railroad properties, we shall be, nevertheless, saddled with some almost worthless branch lines. On some it may be possible to revive former traffic, in some cases the branches of our component lines may be combined with those of another to form a new route, and where service is now duplicated, one branch may be continued and the other scrapped, but many face only eventual abandonment. Besides the weak branches, there are also more prosperous lines which are not essential to our system and of which we might dispose. Take, for example, the Jersey Central-Reading route from Philadelphia to Jersey City. This now constitutes the Baltimore & Ohio's only entrance to New York, and is the main reason given for absorption of these two systems by the Baltimore & Ohio. Our system could sell or lease these 90 miles of track to the road which wants them so badly without hurting itself in the

*Partial figures from 1931 World Almanac, p. 379.
least, and removing, thereby, any objections the Baltimore & Ohio might interpose. Then there are the New Jersey Southern branch of the Jersey-Central, and the Reading's seashore subsidiary, the Atlantic City. The traffic of these lines, particularly the Atlantic City, is largely passenger, and their future is a problem which their managers are now seriously considering. Their territory is covered with equal closeness by the Pennsylvania, and the suggestion has been made, and received seriously, that the roads combine their interests in a new company, in which each would have a proportionate interest. This is probably the best disposition that could be made so far as our system is concerned.

If we are successful in weeding out some of the unproductive branches and in lopping off some of the non-essential appendages mentioned in the preceding paragraph, we should have a system with a compactness that should make for great operating efficiency. For example, a rough divisional grouping would be as follows: Main line—Hagerstown-Reading, Reading Maybrook; Branches—Cumberland-Baltimore, Cumberland-Elkins, Philadelphia-Pottsville, Pottsville-Williamsport, Scranton-Jersey City (L.V.RR. and C.RR. of N.J. operated as one division), and the present division organization of the Lehigh Valley north of Scranton. Reading, as a central point on the system would be an ideal location for the principal shops, especially since the Reading's main shops are already there, and there is room for such expansion as would be necessary. There would likewise be a great saving effected in many cases through the elimination of stations, engine terminals, coaling stations, yards, and other facilities which are now duplicated.

We believe that the route we have outlined is the one best
suited to the type of road we have in mind that involves the minimum of new construction. The only stretch that will require the laying of double track is that between Chambersburg and Harrisburg, a distance of 60 miles, since, as we have pointed out, use of both the Lehigh & Hudson and the Lehigh & New England make double-tracking of one of the other of these lines unnecessary. It may, however, be necessary to lay third track at certain places along the line, for example Reading to Allentown, should the traffic become too heavy. At the probable point of greatest congestion—Allentown to Bethlehem, the present facilities of the Central and the Lehigh Valley should suffice. The present connection between the roads converging at Allentown and the Lehigh & New England must be improved, either by double-tracking, or construction of a new line, but the distance involved is comparatively slight. Greatly increased terminal facilities will be needed at Hagerstown, our southern gateway, if we are to take care of the traffic we expect to handle. While much of the traffic entering Hagerstown will have been drawn off toward Philadelphia, New York and Buffalo by the time Campbell Hall and Maybrook are reached, yards and engine terminals at those points must nevertheless be enlarged. Besides this new construction, the roadbeds of all the lines concerned will need overhauling, particularly the Western Maryland, Lehigh & New England, Lehigh & Hudson, and the Reading south of Harrisburg. Any planning for the future should likewise provide for the gradual straightening of the numerous curves for which some of these roads are noted, and for the easing of certain unnecessarily high grades. Since the traffic to be handled, present and anticipated, is principally through, little increase in rolling stock need be made, but many of the cars now in service should be
replaced as soon as possible. Motive power, however, must be increased. Every road concerned possesses a lot of wheezy old teakettles that should be replaced by modern units at once, and the financing of the system should make appropriate provision for this.

No attempt will be made to extend the present passenger service to any great extent. Wherein it is possible to improve the existing service as to comfort and convenience, it will be done. Modern equipment will be provided, and the unification of lines where service is now duplicated should give a greater flexibility of schedule. This is primarily a freight road, but this does not mean that the passenger side will be neglected. We shall give our patrons the maximum of service consistent with the type of road we are operating. Finally, we shall install a system of dispatching and signalling consistent with the most modern practice in train control and safety of operation.

As to organization, we believe that headquarters should be located at some point central to the system, say Reading. In the beginning three vice-presidents—finance, operations and traffic—should be sufficient, but an executive in charge of corporate work and legal affairs of like rank might be advisable, especially at the start. The engineering department will be of great importance, for the first few years, when the road will be built up to standard, after which it will have the same status as similar departments on other roads. While still an independent department, it will be very closely tied up with the operating section. The actual management of the system will be centered in a general manager, to whom all division officials will be responsible. The traffic department, besides its usual function of soliciting traffic from points on the
line, will be especially active in selling the road's services to shippers in a position to route through traffic over our line, particularly in Southern and Northeastern territory. In addition every effort will be made to establish friendly relations with connecting roads.

Problems in the Formation of the System

Two alternative methods of forming this system are offered to us: unification, or the absorption by one of the constituent roads of the others, and consolidation of all into a new company. It is a question as to which plan is the better, and the decision must be made on the grounds of feasibility, which only an actual attempt to form the system can bring out. Unification should take the form of the Reading system outlined by Commissioner Eastman, the other roads being absorbed by the Reading through the exchange of stock, and the assumption of bonded indebtedness. This would have the advantage of the Reading name and reputation in new financing, which would be no small asset, but the public is likely to keep on thinking of it as a coal road, and the true purpose of the line would be obscured. We are inclined to favor consolidation as the (probably) better plan. A new company, the Northern and Southern, would be formed, and the stock in the old companies would be exchanged for that of the new on an equitable basis to be determined later, the bonded indebtedness of the constituent roads would be assumed by the new company, and bonds and notes of the company issued to refund the old obligations and provide additional capital. To keep peace in the railroad family, it may be necessary to give one or two roads
an interest in the Northern and Southern, and this could be done by issuing them a certain percentage of stock on the condition that they assume a proportionate share of the bonded indebtedness. On the whole, the financing would probably be the easiest part of the merger. The difficulty will be in finding a suitable basis on which the stock of the various companies would be exchanged.

Assuming, too, that the roads concerned would be willing to merge, objections by other systems will be raised. The Pennsylvania is likely to raise the greatest clamor, with the Baltimore & Ohio second. The Pennsylvania is quite likely to consider our system a new source of competition and object strenuously, but we feel that when it understands that the Northern & Southern will not increase present competition for existing traffic, but will furnish a route for future increases which the Pennsylvania’s present facilities would be unable to handle without congestion, it will not object. We doubt also that its competition argument would carry much weight with the Interstate Commerce Commission, whose policy seems to be to encourage such mergers as we propose. The Baltimore & Ohio’s objections are likely to be based upon its wish to control the Reading, the Jersey Central and the Western Maryland. It desires the Reading and Central, however, to make sure of its New York entrance, and this objection could be met as suggested before, let it have the Philadelphia-New York line of these roads. As for the Western Maryland, the Commission has already denied its request for this acquisition.

The Lehigh Valley is desired by several roads, among them the Nickel Plate, which, however, is conceded the Lackawanna by nearly everyone, and is included in the Commission’s proposed Wabash
system. This fifth trunk line has met with considerable opposition and was eliminated entirely in the four-party agreement of last December. Most of the lines concerned have remained independent so far only because none of the trunk lines wanted to see any of their rivals acquire them. If they should all be combined into a completely independent system, in which no one line would have an advantage over the other, we believe that the trunk lines' objections would be met.

It is not likely that the establishment of this system would affect the rate structure. The present through rates between New England and the South would not be affected, nor would the rates between the West and points on the system. The withdrawal of competition between towns served by what were formerly competing roads might imply changes, but such changes would have to be approved by the Commission, with whom we will leave this question.

There may be a labor problem at first because of the elimination of services now duplicated at certain points by such roads as the Reading, Jersey-Central, and Lehigh Valley, bringing about a cut in the force needed at those points. The enlargement of facilities at the terminals, however, may be sufficient to provide employment for the men affected, and death and retirement should take care of the surplus in a very few years.

It is reasonable to believe that, the roads concerned being willing, the merger should meet with the approval of the Interstate Commerce Commission. Its report of December 21, 1929 contains this statement: "Under the act any plan of consolidation which may be adopted shall preserve competition as fully as possible. In order that the systems herein proposed, or any others that may be formed, may properly perform the functions intended by Congress, and that
competition may be preserved as required, they must be independent in fact as well as in name."* The Act of 1920 further requires that "wherever practicable, the existing routes and channels of trade and commerce shall be maintained."** Our plan conforms admirably to these requirements. As to the remaining one, that "cost of transportation as between competitive systems and as related to the values of the properties shall be the same,"*** in the absence of definite information we cannot speak with certainty. That it does fulfill the great underlying condition, that it serve the public interest, we feel certain. It takes in a number of small, weak roads, which under the Commission's plan would be grafted upon the strong roads to ensure a balance and provide for their continuance, and makes of them a strong independent system. Judging by some of the schemes that have received the full or partial approval of the Commission, it is reasonable to believe that this proposal, if presented, should receive favorable consideration.

There is just one more problem that faces us. The full success of this proposal is predicated upon a considerable increase in the Southern traffic handled over the line. Without this increase, the present sources would no doubt furnish a sufficient quantity of revenue freight, and the economies affected in operation would add appreciably to the gross income to enable the road to carry on, but the purpose for which it was formed would remain unfulfilled. Of course, no one can predict the future with any certainty, and a discussion of this point must be mainly conjecture. We are confident, however, that the growth of the South industrially is just

** Ibid., p. 4034.
*** Ibid.
beginning, and that the volume of freight interchanged with the North will increase greatly. We can say fairly confidently that the Washington bottle-neck, and the yards at the great cities to the north cannot handle much more traffic than they are now without becoming greatly congested, and that room for their expansion is limited. We also know that the route to the North through Hagerstown cannot handle much of an increase in its present condition. In view of these facts, it seems safe to say that if the system outlined in this paper is formed, the traffic to pass over it can be secured.

Conclusion

The purpose of this paper has been to present the outline of a proposed merger of six railroads into a bridge-and-terminal line, intended to provide an additional outlet for an increasing volume of traffic between the South and the New England and Middle Atlantic states, to justify the establishment of such a system, to describe the roads involved, their relationship to one another in the proposed system, and the changes that would result thereby, and to discuss briefly the problems attendant upon their consolidation. While some of the topics have been treated rather sketchily, due to the limits of space and lack of material at hand, we have attempted, nevertheless, to give a broad survey of the problem without going too deeply into any one phase, and thus fulfill our purpose of presenting a general outline.
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