

928-99

Mr. Cummins. Mr. President, the Senator from North Carolina has been misinformed with regard to that. I have two tables, one for 1918 and <sup>the other</sup> one for 1919. They are computed upon exactly the same basis. ~~In Ju~~

In July, 1918, the profit to the railroad administration, or to the government, was \$62,000,000. In July, 1919, the profit was \$1,<sup>968</sup>~~902~~,000, \$60,000,000 less profit in July, 1919, than in July, 1918.

In August, 1918, the profit was \$51,672,000, and in August, 1919, the profit was \$16,397,000.

In September, 1918, the profit was \$24,049,000; and in September, 1919, the profit was \$2,392,000.

In October, 1918, the profit was \$11,576,000; and in October, 1919, it is estimated, for the reports are not fully complete, that the profit is \$2,000,000.

Notwithstanding these large profits in these months for 1918, the loss to the government was considerably more for the year than \$200,000,000.

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Mr. Simmons. I understand that.

Mr. Cummins. It is estimated by the administration

itself---I have the figures and put them in my opening statement---

that the loss for this year will be more than \$350,000,000.

Mr. Simmons. As I said, I have <sup>not carefully investigated</sup> ~~no knowledge of the matter~~ ~~the question~~ but the statement is made in one of the reports on this bill from a member of the Committee which further than the statements which I have seen in the press some framed that there was a net gain to the government in Aug + Sept after allowing for 1 1/2% of the annual rental <sup>were</sup> purporting as I have understood to come from persons who ~~are~~ in authority and who had knowledge.

I know this fact that there is a general impression in the country growing out of the operation of the roads by the Government in recent months that if the Government is permitted to retain the roads under the present rate, if there is no arbitrary increase in wages, that the Government operations <sup>will</sup> ~~would~~ hereafter in all probability be at a profit instead of at a loss. Whether that expectation will be justified or

not I could not say. I know that this <sup>impression</sup> is in the public mind



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at this time and that it has been created by statements and

declarations emanating from railroad authorities. ~~I do not~~

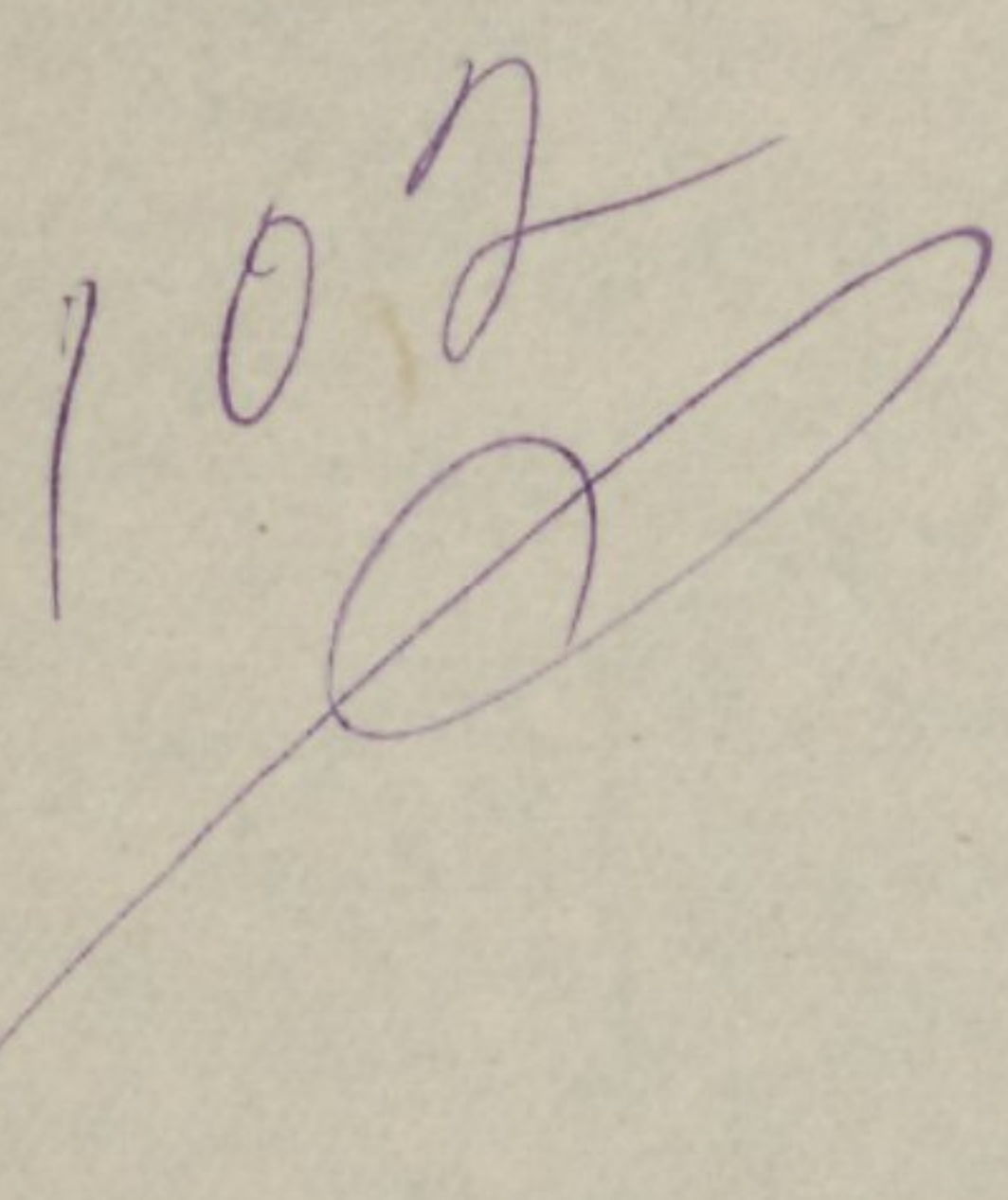
~~mean the offices~~<sup>of</sup> ~~of the private corporations that have been~~

~~operating the roads,~~ but I mean officials of the Government ~~xxxx~~

who have been charged with the duty of supervising and controlling

~~the~~  
the railroads ~~of the~~ country.



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Mr. King. Mr. President, will the Senator permit an inquiry?

Mr. Simmons. Yes. *Certainly.*

Mr. King. It is really in the nature of a statement and I apologize if the Senator thinks I am intruding.

*and my information,* and I have talked with a great many railroad men, is that if the railroads shall continue in the hands of the Government as at present the Government will be compelled to furnish in the immediate future several hundred millions of dollars for capital purposes and in addition will also be required to increase the rates materially in order that the railroads may continue to operate.

Mr. Simmons. That does not bear upon the question of whether the operating results would be one of profit or one of loss.

Mr. King. I thought the latter part of my statement included that. I meant to state, perhaps I did not make it clear,



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that the Government would also be required to increase the rates in order to meet operating expenses because there would be a constantly growing deficit.



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Mr. Simmons. I do not know how that may be. It may be  
that it will or will not, ~~but I am not particularly interested~~  
~~in that.~~ I am not here advocating the continuance of Government  
control. That is not my purpose. My purpose has been to try  
to find out if I could from Senators who have under the rules  
of the Senate been placed in charge of <sup>this</sup> ~~the~~ legislation, from  
Senators who have brought the bill into the Senate and <sup>now</sup> ~~asked~~ us  
to vote for it---I have been trying to find out and I want to  
find out if I can whether, if we pass the bill, it will be  
necessary in order to <sup>allow</sup> ~~pay~~ the railroads <sup>to earn the income</sup> ~~the compensation~~ which  
~~it carries and provides,~~ <sup>on their properties prescribed in this bill</sup> to further increase railroad rates in  
the country. <sup>and</sup> If so, to what extent? The bill allows  
practically 6 per on the value of the property  
on the railroad. Does that mean pre war  
value or present value values?



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①

Mr. Kellogg. Mr. President---

The Presiding Officer (Mr. Edge in the chair.) Does the

Senator from N. C. yield to the Senator from Minn.?

Mr. Simmons. I yield.

Mr. Kellogg. Which would the Senator prefer, that the

railroads be self-supporting from rates, <sup>that it be</sup> or paid out of taxation

as is being done now?

Mr. Simmons. I am going to reach that---

Mr. Kellogg. \$350,000,000 a year.



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Mr. Simmons. *The people will pay it in any*  
~~I do not know that I would not prefer~~

*event and it is a question which way would entail*  
*the least burden*  
~~that it should be paid by taxation.~~ I am not quite sure

that it is not to the interest# of the people if there

~~has got to be a loss that it should be paid out of taxation~~  
*to be paid by the public* *would not be economy to pay it directly*  
*indirectly through greater*  
rather than ~~by~~ increased rates.

The Senator from Wisconsin (Mr. La Follette) in the

very able speech which he delivered the other day and in

the report which he has filed *a made the statement* ~~has stated~~ -- and he has

produced authorities to support the statement *including* and brought

*direct statement*  
~~forth the testimony of~~ *in* one of the present members of the

Interstate Commerce Commission to support it, -- to the

effect that for every dollar of increase in rates the *freight rates*  
*increase as reflected in the cost of the*  
~~consumers of the country will have to pay at least \$5 more~~

*finished product to the consumer would be*  
~~for the products which the railroads transport and~~

*something like five times that amount*  
~~which the people consume.~~ I know nothing about the accur-

*Here is what it*  
~~acy of the statement.~~ It looks to me like a very wild



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statement on its face, but I think a reading of Mr.

Woolley's statement, he being the member of the Interstate

Commerce Commission to whom the Senator from Wisconsin

referred, entirely corroborates that statement. I have

not the report before me, but I have read it.



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the result would have been far less favorable to the railroads, and far less burdensome to the Government, than was arrived at by taking the three years ending June 30, 1917.

So, also, too little attention is paid to the fact that railway rates did not increase during the war in anything like the proportion that prices generally increased. Mr. Robert W. Woolley, member of the Interstate Commerce Commission, in a recent address, said:

The Interstate Commerce Commission, beginning in June, 1917, had first increased class rates in official classification territory 15 per cent, had later granted a similar increase of commodity rates, and that in June, 1918, the Director General of Railroads had granted a general increase for the whole country of 25 per cent, making in the most-favored section the net increase only about 43.75 per cent. The prices of other commodities, such as food, cloth, steel, fuel, etc., had gone up from 75 to 300 per cent. (Commerce and Finance, sec. 2, p. 999, July, 1919.)

Had railway rates been increased during the war in proportion to the increase in the prices of commodities generally, it would have resulted in still further increasing the living costs of the people, for it is well known that an increase of \$1 in rates means an increase in the price of commodities of about \$5 to the ultimate consumer. That is a matter of peculiar significance to the people at this time and one that should be carefully considered by every person who advocates returning the roads to private management.

It is well known that the very first demand the railroads will make as soon as they are out of Government control is for a great increase in rates. We know also that the Interstate Commerce Commission will grant the increase.

Mr. Howard Elliot, president of the Northern Pacific, on the 21st of November, at a banquet at the Hotel Astor, New York City, said:

For the purpose of making good the disparity between income and outgo, for the purpose of restoring the earning power of the roads, for the purpose of establishing that earning power as a basis that will create a credit for the immediate upbuilding of the transportation machine, the railroads are now preparing to ask for an increase in rates.

How much this increase should be I am not prepared to say to-night. It will require patient, careful study.

At this time, when every energy is being devoted to reducing the high cost of living, it is nothing short of folly to take a course in handling this railroad question which is bound greatly to increase the already exorbitantly high cost of living.

I quote again from Mr. Woolley, member of the Interstate Commerce Commission, in his address delivered October 18, 1919, at Philadelphia. He said *upon this subject*

Mr. Thomas D. Cuyler, chairman of the railroad executives, testifying before the Interstate Commerce Committee of the Senate last winter, sounded an alarm, though he may not have meant to do so, when he stated that upon the return of the railroads to their owners it will be necessary for the Interstate Commerce Commission to grant a further increase in freight rates. This statement has been repeated by other railroad executives and has been much elaborated upon by propagandists advocating the discontinuance of Federal control. What the measure of this increase may be I am sure I do not know. It seems to be generally agreed that it will have to be at least 25 per cent; some have placed it as high as 50 per cent. In a speech delivered at St. Louis in June last Director General Hines stated that *an advance of \$300,000,000 in freight rates would be reflected in the cost of the finished article to the consumer to the extent of \$1,500,000,000.* Investigations made in normal times amply justify such a prediction.

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For instance, when an increase of 10 cents per ton was granted on anthracite coal in 1902, the price of a ton of anthracite to the consumer advanced 50 cents and it never came down. An increase of 25 per cent in freight rates would mean approximately \$875,000,000 *additional* which the people would have to pay to the railroads and, using Mr. Hines's ratio, \$4,375,000,000 *additional which the ultimate consumer would have to pay for what he uses, eats, and wears*, because when he buys a finished article he pays an accumulation of increases. The private-control propagandists have been desperately trying to lull the public into a belief that the manufacturer, the jobber, or the retailer, possibly all three, would absorb this rate increase and the consumer not be allowed to feel it. I don't think, in a final showdown, the American people will stand for such an insult to their intelligence.

We are fighting the high cost of living. Congress is now enacting legislation strengthening the arm of the President and the Attorney General. We are trying to bring about industrial peace. Those who have caught a vision from the war and the economic revolution that has followed in its wake are pleading with us as a Nation to produce more, to save more, and to spend less, in order not only that we may improve our present condition but that we may be prepared to play a wonderful part in the future.

Does Congress propose to turn back the railroads to their owners at this perilous time and thereby make new high-price levels inevitable instead of lower price levels possible, or does it propose to enact legislation requiring the holding of these roads for a fixed reasonable period following the proclaiming of peace and thereby aid the vitally important work of checking the profiteer and getting us back to normal? That is the problem in a nutshell. There is no blinking or evading it.

The \$550,000,000 which it is claimed the Government will pay for the operation of the railroads during the two years of the war in excess of what it receives looks very small indeed when compared to the staggering amount the people of this country will have to pay in the near future as a result of turning these roads back to private ownership.

Mr. Joseph B. Eastman, also a member of the Interstate Commerce Commission, in a statement filed before the Senate Committee on Interstate Commerce last July said:

The roads have recently been operating with earnings which would drive many of them to bankruptcy if they were in private hands; but the director general has felt, and I think wisely, that the depression may be the temporary result of the uncertainty following the cessation of hostilities, and that the country can better afford, for a time at least, to carry the burden of insufficient revenues through taxation, as a part of the war cost, than to suffer further advances in rates whose resources and power of the Nation, he has been able to base his policy upon this belief; but it must be clear that no such policy could be pursued, either now or in any similar situation in the future, if the roads were in private hands.

There is nothing in the history of the railroad management by the Government during the last two years to lead us to believe that any deficit was the direct result of Government operation. It is reasonably certain that as conditions become more normal, the roads will, with improved economies, continue to be operated by the Government at an increasing profit, without any advance in rates. But even if it were certain that the roads would be operated by the Government at a loss of many millions of dollars within the next five years, it would be very much better to take the loss and pay for it during that period out of the general revenues than to have the amount raised by increasing rates and then passing them on multiplied fivefold to the people of the country to pay in the increased cost of the commodities which they must buy.



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Mr. Kellogg. If the Senator will read Mr. <sup>Woolley's</sup> ~~Wolley's~~

testimony where he recommends an absolutely mileage rate on every railroad in the United States, he will see what that would do to the commerce of the country.



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②

ask the Senator this  
Mr. Simmons. I desire to ~~answer the Senator's~~ ques-

=  
tion. Does the Senator believe that the statement of the  
Senator from Wisconsin (Mr. La Follette) is true even to  
the extent that <sup>an</sup> ~~the~~ increase of rates to the extent of  
\$1 will add more than \$1 to the cost of the products trans-  
ported by the railroads of the country?  
*to the ultimate consumer*  
↑



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Mr. Kellogg. I presume it would. I do not know as  
to that, but that argument simply means that the Government  
should forever run the railroads and pay for their operation  
out of taxation. If that is the <sup>policy</sup> ~~attitude~~ of the ~~Senator~~ Senator  
from North Carolina --



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Mr. Simmons. The Senator asked me a question and I

am endeavoring to answer the Senator's question. The

Senator asked if there was to be a loss whether I would rather

pay it by taxation or by rates ~~and~~ I am arguing that if

the principles laid down by the Senator from Wisconsin are

*if there is going to be a loss in the operation of railroad system*

true, that it would be more economical so far as the people

*as they*

*these losses*

are concerned, ~~who~~ in the last analysis have to pay ~~it~~ any-

*it*

how, ~~it would be more economical for them to pay by taxation~~

*if the sum to be paid by them through the taxation method*  
*one fifth less of the amount which they would through the*  
than to pay by increased rates in the first instance. If

the statement of the Senator from Wisconsin is true, it would

be five times the more economical.

*the sum to be paid by them through the taxation method*



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 I am not standing on the proposition of the Senator from Wis. except to the extent that I want to know, if we give ~~this~~ authority to establish this rate of  $5\frac{1}{2}$  per cent upon the value of the property of the railroads, whether or not in order to do that the commission will have to greatly or materially increase the present high traffic rates of the country.

I want some reliable information on the probable extent of the increase in ~~the~~ <sup>in</sup> rates involved in this new and novel rate making scheme and not being ~~to~~ <sup>to</sup> get it I have been using these estimates of a member of the interstate <sup>RR</sup> Commission to show the danger of hasty action in the absence of <sup>some reasonably</sup> definite and reliable data upon this vital question



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Mr. Smith of Ga. Mr. President, will the Senator permit an interruption?

Mr. Simmons. Certainly.

Mr. Smith of Ga. As I understand the Senator's argument it is that an increase in the transportation rate is carried on into the cost of living to the consumer beyond the amount ~~that~~ of the tariff, and the increase to the consumer is not simply the increased rate but that it really doubles up before it gets to him until it is substantially more than the rate---

Mr. Simmons. Yes.

Mr. Smith of Ga. And as the consumer stands a loss, it would not be worse for him to pay one dollar to meet the loss on the road than it would be to pay two dollars in the increase in the cost of living.

Mr. Simmons. Exactly that.

Mr. Smith of Ga. That is the argument of the Senator as I understand it.



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Mr. Simmons. That is the argument which I have been making.

Mr. President, it seems that I have been unable to get  
*definite* any statement about the matter. *seems able to give us* Nobody knows whether if we  
authorize the *plus* ~~5 1/2~~ per cent return it will be necessary to increase  
~~the~~ *the present high rates.* *rate increase which*



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Mr. Smith of S. C. Will the Senator yield to me?

Mr. Simmons. ~~Nobody seems to be able to give any information upon that question.~~ I yield to the Senator from S. C.

Mr. Smith of S. C. I had sent to me yesterday from the Interstate Commerce Commission revised figures, which are now in my office and which I have just sent for, indicating that there will have to be ~~possibly an increase~~ <sup>an increase</sup> as nearly as I recollect--- and I will confirm the statement by the figures as soon as I get them--- ~~of something like a rate increase~~ <sup>a rate increase</sup> to absorb one billion dollars. That is the ~~rates~~ the rates the roads will need over and above what they are now receiving <sup>amount to</sup> something like one billion dollars for the purpose of functioning if they are turned back to the owners.