

Railroads and Trucks

What Is a Fair Deal for Both?

Some Practical Suggestions for
a Co-operative Solution



Address by ELISHA LEE
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Delivered before the
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THE PENNSYLVANIA RAILROAD

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*Mr. Chairman and Members of the American
Society of Civil Engineers:*

I appreciate the honor of appearing as a speaker before an assemblage of this learned Society. You are members of a great profession, whose service to humanity has been beyond estimate, and whose contribution to the development of our railroads has exceeded that of any other calling.

My two greatest sources of personal satisfaction are that I have spent my life in the railroad business and that I, myself, am a civil engineer.

However, in discussing the subject of transportation today, I speak primarily of the economic and social problems that confront us, rather than of the technical or engineering phases.

Two Factors Cause of Unwarranted Alarm

The prices to which railroad securities descended early this summer indicated a state of public alarm for the future of these great properties, and the quotations then reached could only have been justified on the assumption that these carriers were about to go the way of the stagecoach and the Conestoga wagon.

No intelligent man, least of all one trained in engineering, could on calm consideration subscribe to such a view. Railroads have advantages of efficiency, low cost and dependability of operation which no other agency of transportation approaches. The railroads were essential factors in the rapid growth and development of this country;

they are equally essential to its continued life, and I do not think there is the slightest likelihood that any one now living will see them supplanted.

The extreme and unwarranted apprehension which was felt in the panic days, and to some extent still prevails, as to the future of the railroads, seems to have had two general causes. One is a more or less popular belief that the effects of the depression upon the railroads have been more destructive and dangerous than to any other great industry. This, I believe, is an error. The railroads have been able to hold up their heads fairly well under the distress of these times and this is, I think, a magnificent tribute to the indispensability of their service, to their conservative financing and, if I may be permitted to say so, to the character of their managements.

The second cause for excessive pessimism as to the railroads has been the focusing of so much attention upon the rapid growth in the competition against them on the highways and waterways, particularly in the last few years.

Trucking Competition Presents Grave World-Wide Problem

I do not mean to infer that this situation does not require attention. It does, and urgently. But we should try to appraise it soberly and not under the influence of an almost hysterical fear. In the minds of many good people, this competition has taken on the appearance of an incurable disease, certain sooner or later to have a fatal termination. The truth is, I think, that the disease is perfectly curable, and the remedy not unduly difficult to find or apply.

An interesting fact is that the phenomenon, as to the highway competition, is by no means local to the United States. It is almost as world-wide as the business depression itself, although in some cases other countries are ahead of us in progressing

toward a solution of the problem of establishing equitable and fair relationships, in the public interest, between rail and highway transport.

In certain countries where the railroads are under practical or complete government ownership, measures of an exceedingly restrictive if not prohibitive character have been taken against highway carriers. They have gone much further than anything contemplated or suggested in this country.

British Set Fine Example in Co-operative Results

A British conference of experts, reporting to the Minister of Transport, and headed by the celebrated economist, Sir Arthur Salter, has just completed its recommendations for the solution of the problem in Great Britain. Perhaps the most important of their interesting and informative conclusions is that all the costs of highway construction and maintenance, averaging in recent years the equivalent of \$300,000,000 annually, should be borne entirely by those using the highways, and that trucks should pay their fair share of those costs.

The statistical basis of the analysis of highway costs which they devised is too complicated to be discussed here. Briefly, they arrived at a combination of the gas tax and greatly increased license fees, with heavier vehicles paying more in proportion to lighter types. For example, the license fee for a six-ton truck, under the plan proposed, would be equivalent to \$525 per year at par exchange; for a ten-ton truck, \$1100 per year. In addition to those, there is a gas tax, equivalent to thirteen and one-half cents per American gallon. In the opinion of the British experts these levies constitute no more than the proper share which trucks should contribute for the use of the highways.

What makes all this doubly interesting, for us in the United States, is the fact that the members of the conference, beside its

chairman, consisted of four prominent railroad heads and four equally well-known figures in the highway transport industry.

Way Paved for Amicable Solution in America

That is exactly what we are trying to do today in the United States. The Association of Railway Executives recently appointed a committee consisting of four railway presidents to confer with authorized representatives of the automotive interests, including manufacturers and users, so that the two sides may sit down together, talk over matters in a give-and-take spirit and endeavor to find common ground for legislation which will end the abuse of the highways, terminate the disorderly and wasteful competition which now prevails, and protect both the railroads and the trucking industry in their own rightful provinces. While the exact personnel of the automotive committee has not yet been definitely fixed, it is assured that it will include men of high official responsibility, with mature experience in the basic needs of that field. I am firmly convinced these co-operative efforts are a constructive movement in the direction of stabilizing the present unsettled situation, and I am sure they will prove successful.

The railroads are sometimes accused of trying to kill highway transportation with restrictive and destructive legislation. Nothing could be farther from the truth. In fact, some States have adopted legislation which we consider too drastic. What we are hoping and expecting to effect, as a result of our conferences, will be a reasonable and proper code of legislation for State and Federal enactment. We seek only equal terms and conditions of regulation as between trucks and railroads, and want this to be accomplished by legislation so eminently just and in the public interest, and in the interest of the legitimate trucking industry itself, that no valid objection can be raised to it.

Let no one forget that railroads them-

selves use trucks in what we consider proper spheres of service, and expect to do so on a larger scale in the future. We are not enemies, but friends, of the legitimate trucker, and want proper legislation to shield him from the effects of destructive internal competition, as well as to protect the railroads.

Truck Privileges vs. Rail Obligations

It may be helpful if I attempt to summarize in a very brief way the great difference between the privileges enjoyed by, and the restrictions and duties placed upon, trucks and railroads in this country.

Railroads must build and maintain their own rights-of-way. Truck operators are permitted the use of rights-of-way which are publicly owned and have been built for public use and not for private gain.

In addition to furnishing their own rights-of-way the railroads contribute hundreds of millions of dollars in taxes toward general governmental expenses. Motor vehicle operators feel they have done their share when they pay part of the cost of building and maintaining the highways without making any contribution at all toward general governmental expenses.

Railroads pay taxes in every State through which they operate, as well as to the Federal government, and in many cases to counties and municipalities. Truckers frequently operate through a number of States on one license plate, and by carrying specially constructed gas tanks are enabled to buy their gasoline where taxes are lowest and avoid payment of gasoline taxes elsewhere.

The railroads spend many millions of dollars annually in eliminating highway crossings and in protecting others. Trucks, though they are among the chief beneficiaries of such improvements, contribute little or nothing to these costs.

Railroads are prohibited by law from building a single additional mile of track

without securing governmental authority. Truck operators, on the other hand, with few exceptions, are at liberty to start or extend operations when and where they please so long as they secure a registration plate for each truck in one State.

Railroads are not permitted to discontinue the operation of unprofitable lines without governmental permission. They must usually submit to long and expensive hearings. Generally speaking, truck operators may discontinue or suspend service overnight and without any obligation to give notice.

Railroad operations are surrounded with every safeguard for public and employe welfare, and railroad employes are selected and trained under rigid rules. Those in train and engine service are given frequent and thorough physical examinations. Their hours of service are regulated in the interest of safety. None of these practices is in effect with respect to trucks.

Railroads must publish and adhere to their rates, which must be fair, reasonable, and non-discriminatory, and cannot be changed without due notice. Railroads cannot bargain for business. They must accept all traffic offered, and to all destinations, at published tariff rates. For the most part, motor trucks are not bound by any of these restrictions, which are clearly for the public welfare. One of the most serious and unfair advantages enjoyed by the trucks is their ability to pick and choose their traffic. The consequence is that they take the cream, and leave the less desirable to the railroads.

A Program for Fair and Reasonable Truck Regulation

The remedy for the existing situation is to establish in every State regulations adequate to accomplish four general main purposes:

(1) The establishment of a system of payment for highway use, producing adequate charges, which shall be apportioned in

accordance with the actual use of the highways made by vehicles of varying sizes, weights and kinds. This will probably involve some recognition of the factors of both weight and mileage. In addition to paying adequately for highway use, they should contribute, in taxes, to the general expense of government as the railroads are required to do.

(2) The placing of reasonable limits on the width, height, length and weight of trucks. This is necessary in the interest of safety and to check the destruction of highways and bridges, and reduce the cost of building new ones.

(3) The barring of freight "trains" from our highways, including the excessive use of unwieldy trailers.

(4) Limitation of the reciprocity now allowed to trucks in many States. Reciprocity in the case of pleasure automobiles is a proper provision for public welfare and convenience, and conforms to the purpose for which the highways were built. Trucks operated for profit should pay every State in which they run for the privilege of using its highways to carry on private business.

While this program is one of State control, it should be supplemented by Federal regulation of interstate trucking. Congress has ample power for this purpose under the Commerce Clause of the Constitution.

Responsible Trucking Enterprises Advocate Sound Regulation

It is of interest to note that the substantial trucking interests, generally speaking, are not in opposition to legislation of the character outlined, and many of them are actively working for sound regulation. In hearings, last Spring, before the Interstate Commerce Commission in its investigation of this subject, and again this Summer in hearings on three trucking bills which were before the Pennsylvania State Legislature, some of the most determined arguments in favor of regulation came from the heads of large trucking companies. Obstructionists,

in most cases, are the irresponsible elements in the industry—the wild-cat trucker, the tramp trucker, the truck peddler, etc.

As a matter of fact, the absence of proper regulation, together with uncontrolled, wasteful and destructive competition, hurts the trucking industry relatively more than it hurts the railroads, as a result of the continual rate wars which are going on. These wars also are exerting destructive effects in many important branches of production and distribution which are large users of transportation. They are feeling the injurious and disturbing effects of rate instability, secret rate-making and discriminatory and preferential rates.

Railroads Act Vigorously in Meeting New Conditions

It should not be understood that the railroads, while advocating the legislation I have outlined, are sitting idly by pending its enactment, with the idea that legislation is the only thing that will help them. On the contrary, we are meeting the situation very materially with improved service. We recognize that under certain local conditions the flexibility of the motor truck permits it to handle traffic economically and efficiently. We do not and cannot dispute that logic, as it applies to certain localities and certain kinds of business; but, taking the freight business of the country, by and large, including the mass transportation over long distances, the railroads yield to no other agency in their ability to perform the service most satisfactorily, both from the standpoints of cost, time and dependability. This traffic we feel is rightfully ours and we are going after it with all the ingenuity and resources at our command.

To this end, freight schedules have been shortened everywhere and, in some cases, cut virtually in half, permitting manufacturers, distributors and dealers to keep their running supply of goods at a low and

economical point. The railroads have also introduced many forms of new and more efficient equipment, including the steel container and the truck body, with their ease of portability and reduced packing requirements. We are also experimenting with box cars especially adapted for the transportation of automobiles, and with self-clearing cars for bulk commodities that cannot be exposed to the elements. Furthermore, we have put into effect direct store-door collection and delivery of freight, which gives promise of favorable results.

Many other plans and practices looking to more efficient operation are now under active study by the railroads, both individually and collectively, and I have complete confidence in the capability of the railway managers to take continued advantage of every available opportunity for healthy improvements in the service, to the end that the various forms of transportation will find their proper spheres in the general scheme of distribution.