

**RAILWAY MAIL PAY-SHORT LINES:
HEARINGS BEFORE THE COMMITTEE ON
POST OFFICES AND POST ROADS, UNITED
STATES SENATE, 64TH CONGRESS, 1ST
SESSION ON BILLS RELATING TO RAILWAY
MAIL PAY, MARCH 22 AND 23, 1916**

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HEARINGS

U. S. Congress Senate.
BEFORE THE
COMMITTEE ON POST OFFICES AND POST ROADS
UNITED STATES SENATE

SIXTY-FOURTH CONGRESS
FIRST SESSION

ON

BILLS RELATING TO RAILWAY MAIL PAY

MARCH 22 AND 23, 1916

Printed for the use of the Committee on Post Offices and
Post Roads, with illustrations

WASHINGTON
GOVERNMENT PRINTING OFFICE
1916

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RAILWAY MAIL PAY, SHORT LINES.

WEDNESDAY, MARCH 22, 1916.

UNITED STATES SENATE,
COMMITTEE ON POST OFFICES AND POST ROADS,
Washington, D. C.

The committee met at 10.30 o'clock a. m., pursuant to call, Senator John H. Bankhead presiding.

Present: Senators Bankhead (chairman), Smith of South Carolina, Swanson, Martine of New Jersey, Vardaman, Hardwick, Beckham, Penrose, Townsend, Catron, Weeks, Sterling, and McLean.

The CHAIRMAN. You may proceed, Mr. Swobe.

STATEMENT OF MR. D. M. SWOBE, VICE PRESIDENT McCLOUD RIVER RAILROAD AND PRESIDENT WESTERN ASSOCIATION OF SHORT LINE RAILROADS.

Mr. SWOBE. The Western Association of Short Line Railroads, of which I am the president, represents the small independent railroads operating in the 11 Western States. Our witnesses who are members and who will testify on the mail pay question before your committee are selected from the various sections of the West, and will testify as to the conditions that exist on their own lines, which conditions are typical of the conditions existing on other short lines in that locality, and I would like to file a list of the western short lines which we represent and which comprises 62 roads.

(The list referred to is here printed in full as follows:)

Amador Central Railroad, Balboa Building, San Francisco, Cal.
Arizona & New Mexico Railway, Clifton, Ariz.
Arizona Southern Railroad Co., Red Rock, Ariz.
Bay Point & Clayton Railroad, 9 Main Street, San Francisco, Cal.
Bingham & Garfield Railway Co., Salt Lake City, Utah.
Butte, Anaconda & Pacific Railway, Butte, Mont.
California Western Railroad & Navigation Co., Crocker Building, San Francisco, Cal.
Central Railroad of Oregon, Union, Oreg.
Centralia Eastern Railroad, Centralia, Wash.
Colorado & Wyoming Railway, 720 Boston Building, Denver, Colo.
Colorado, Wyoming & Eastern Railway, Laramie, Wyo.
Columbia & Nehalem River Railway Co., Columbia County, Oreg.
Columbia & Puget Sound Railroad, Seattle, Wash.
Crystal River & San Juan Railroad, Marble, Colo.
Denver, Laramie & Northwestern Railroad, Denver, Colo.
Great Southern Railroad, The Dalles, Oreg.
Holton Inter-Urban Railway, Redlands, Cal.
Idaho Southern Railroad, Milner, Idaho.
Independence & Monmouth Railroad, Independence, Oreg.

Las Vegas & Tonopah Railroad, Los Angeles, Cal.
 Lake Tahoe Railway & Transportation Co., Rialto Building, San Francisco, Cal.
 Lewiston, Nez Perce & Eastern Railroad, Lewiston, Idaho.
 Los Angeles & San Diego Beach Railway, San Diego, Cal.
 McCloud River Railroad Co., Flood Building, San Francisco, Cal.
 Mount Hood Railroad, Hood River, Oreg.
 Milner & Northside Railroad, Milner, Idaho.
 Nevada-California-Oregon Railway, Reno, Nev.
 Nevada Central Railroad Co., Austin, Nev.
 Nevada Copper Belt Railroad Co., Mason, Nev.
 Nevada County Narrow Gauge Railroad, Hobart Building, San Francisco, Cal.
 Nevada Northern Railway Co., East Ely, Nev.
 Nevada Short Line Railway, Reno, Nev.
 Northern Electric Railway Co., Sacramento, Cal.
 Oakland, Antioch & Eastern Railroad, 105 Montgomery Street, San Francisco, Cal.
 Ocean Shore Railroad Co., 52 Eleventh Street, San Francisco, Cal.
 Oregon, Pacific & Eastern Railway, Cottage Grove, Oreg.
 Pacific & Idaho Northern Railway, New Meadows, Idaho.
 Pacific Coast Railway Co., San Luis Obispo, Cal.
 Pajaro Valley Consolidated Railroad, Spreckels, Cal.
 Portland & Southwestern Railroad, 1120 Spalding Building, Portland, Oreg.
 Ray & Gila Valley Railroad Co., Salt Lake City, Utah.
 Riverside, Rialto & Pacific Railroad Co., Evans Block, Riverside, Cal.
 San Diego & Arizona Railway, San Diego, Cal.
 San Diego & Southeastern Railroad, San Diego, Cal.
 San Joaquin & Eastern Railroad, 624 Pacific Electric Building, Los Angeles, Cal.
 San Luis Southern Railway, Denver, Colo.
 Sierra Railway Co. of California, Jamestown, Cal.
 Silverton Northern Railroad, Silverton, Colo.
 Spokane International Railway, Spokane, Wash.
 Stockton Terminal & Eastern Railroad, Stockton, Cal.
 Sumpter Valley Railroad, Baker, Oreg.
 Tonopah & Tidewater Railroad, Central Building, Los Angeles, Cal.
 Trona Railway Co., 336 Pacific Electric Building, Los Angeles, Cal.
 Uintah Railway, Mack, Colo.
 Ventura County Railway Co., Oxnard, Cal.
 Virginia & Truckee Railway, Carson City, Nev.
 Wenatchee Valley & Northern Railroad, Leavenworth, Wash.
 Walla Walla Valley Railroad, Spalding Building, Portland, Oreg.
 Washington, Idaho & Montana Railway, Potlatch, Idaho.
 Washington Western Railway, Three Lakes, Wash.
 Yosemite Valley Railroad, Merced, Cal.
 Yreka Railroad, 818 Crocker Building, San Francisco, Cal.

Mr. SWOBE. We are vitally interested in the mail-pay question in the West, for the reason that our condition is entirely different from that of any other section of the country. When we see enormous decreases in our freight revenues and such commodities as cement, flour, sugar, canned goods, coal, cheese, etc., which were formerly moved by freight and on which we enjoyed a fair revenue, diverted to parcel post, for which we receive no revenue, we can not help but feel that a great injustice is being done.

As held by the various railroad commissions in the West, upon these short lines fall the burden of the development of the western country. The trunk lines follow the course of least resistance between large producing and large consuming centers, but the short lines must pioneer and develop the interior through sparsely settled mountainous countries from which they can draw business, and with very little promise for the future. As the Public Utilities Commission of Oregon stated, "The short lines need and are entitled to a reasonable compensation for their transportation service. No order would or could be made by this commission affecting their revenue without a painstaking and thorough investigation. The margin of

net profit is so small that neither the Federal Government nor any State tribunal should reduce their compensation * * * whether by reduction in mail pay or by reduction in freight or passenger rates, except after a full showing of the unreasonableness of the existing compensation. It goes without saying that the imposition of an undue burden upon such carriers or the withholding of a reasonable compensation must offset itself, impair service, or increase rates upon other traffic, or both. In any event, the community served will feel the effects at once."

The short lines of the West, realizing the great injustice being done them by the Government on the question of mail pay, and knowing they were right in their contention, have gone to the various railroad and public-utility commissions in the Western States which have such commissions, and have asked them to investigate the question of mail pay on the various short lines under their jurisdiction; and while each and every one of the commissions were backward about taking up a question in which the Federal Government was involved and on a matter over which they had no jurisdiction, they have, after investigation, realized that the development of the West hinged to a very large extent on whether or not our lines were to receive fair compensation for the handling of the United States mail, and recommended to their Senators that relief be given the short lines of the West. Most certainly we would not have asked our State commission to investigate this question if we had not been positive in our own minds and we believed that in the mind of any fair-minded man that our position would appear to be absolutely just. Distance and expense, I assure you, were the only obstacles which prevented our making a similar request upon the Interstate Commerce Commission. I would like to file for the record the opinions of the California State Railroad Commission, the Railroad Commission of Nevada, the Public Service Commission of Oregon, the State Corporation Commission of New Mexico, the Public Utility Commission of the State of Colorado, and the Public Utility Commission of Idaho.

(The papers referred to are here printed in full as follows:)

PUBLIC UTILITIES COMMISSION,
Boise, January 19, 1915.

CLARENCE M. ODDIE,
Secretary Western Association of Short Line Railroads,
San Francisco, Cal.

DEAR SIR: Yours of January 6 was received in due course, but we are sorry to state that, on account of the short notice and pressing matters demanding the attention of our commission, we are not able to take action indorsing the letter and report of the California State railroad commission in time for the hearing at Washington.

We are in sympathy with the stand taken by the California commission, and if there is anything in the future that we may do to assist in this matter, please advise us.

Yours, very truly,

PUBLIC UTILITIES COMMISSION,
By A. L. FREEHAFER,
Commissioner.

FEBRUARY 1, 1915.

HON. J. H. BANKHEAD,
Chairman Senate Committee on Post Offices and Post Roads,
Washington, D. C.

GENTLEMEN: Representations have been made to this commission by representatives of the railways doing business in the State of Idaho regarding the readjustment of the railway mail pay, as provided by the Moon bill (H. R. 17042) and the Bourne bill (S. 6405). This commission is informed that the enactment of either one of these

bills, or of any similar bill founded upon the same basis or premises into law, would have the effect of a sweeping reduction in the amount of compensation paid by the United States Government to the railways of the State of Idaho for the handling of the United States mail and for service of all classes and kinds performed by the railways in connection therewith.

Specific figures are submitted by some of the smaller or independent and branch lines which show that the passage of the bills mentioned would have the effect in those cases of reducing the railway mail compensation to the respective companies by from 49 to 55 per cent, and figures are submitted in these cases which indicate that the basis of pay as now in effect is inadequate and does not fairly represent the fair and just proportion which the Government should assume of the expenses of all sorts incidental to the service involved in the handling and transportation of the United States mails.

This commission is informed that the basis of proposed remunerations set forth in the bills is arrived at, where any definite basis is indicated, by taking a general line of averages of cost of handling mail throughout the whole of the United States and adding to the same a certain percentage supposed to represent a reasonable net profit to the railway companies affected.

It is submitted that wherever an average cost is ascertained, it must be apparent that some of the individual costs are higher, and many of them far higher than the average. As applied to the subject at issue, the commission believes that any average cost, however honestly ascertained, must be far below the actual cost of handling to the railways in the vast, sparsely settled, and only partially developed West, a condition perhaps particularly true in the State of Idaho. The commission feels that a reduction in railway mail pay may, and possibly must, have the effect of making the passenger train service now in effect on most of the branch railways of this State, unprofitable, and especially in this true in cases where returns under present conditions are inadequate and that such reduction may result in less frequent and less efficient passenger train service. If the present service be maintained without profit to the railways, then an unfair and undeserved burden is placed upon the operating company, and if the present service is maintained with profit to the railways, then the patrons of the lines, rather than the United States Government, are paying an undue portion of the revenues of the company for their portion of the services rendered.

It may be asserted, in the opinion of this commission without fear of successful contradiction, that where the United States Government pays less than its fair and just proportion of all operating expenses, including interest, taxes, depreciation, and a reasonable profit to the operating company, that, if the service be profitable, the other patrons of the service must be paying more than a fair and just proportion of the charge for the same.

For this reason the people of Idaho are directly concerned in a fair and equitable adjustment of the railway mail-pay situation. From the representations made and the statements hereto attached, the commission feels that both the Moon and Bourne bills should be rejected, and that any readjustment of the railway mail pay should be carefully considered, to the end that no injustice shall be done to the smaller lines of railway and through them to the people of the sparsely settled West.

Herewith inclosed you will find copies of the specific facts and figures submitted to the commission by some of the smaller, independent, and branch lines of railroad in Idaho.

Respectfully submitted,

PUBLIC UTILITIES COMMISSION OF IDAHO.
By A. L. FREEHAFER, *Chairman.*

RAILROAD COMMISSION OF NEVADA,
Carson City, Nev., January 8, 1916.

TO THE SENATORS AND REPRESENTATIVES OF NEVADA
IN THE CONGRESS OF THE UNITED STATES.

GENTLEMEN: There are certain measures now pending in Congress relative to mail pay which seem peculiarly to affect the smaller roads in this western country and very much to the injury of said roads.

This commission has no desire to criticize the detailed provisions of these various laws or even to suggest what the rates for the mail service should be. It is a question which it is very difficult for anyone to figure out closely, unless he is immediately and directly connected with the service and can give a great deal of time and thought to the matter.

This commission has an interest in the question only in a general way. It seems to us that if the rates are made unreasonably low for the mail service the railroads

will of necessity endeavor to recoup their losses by higher charges upon other classes of traffic. The committees having this matter in charge should give due consideration to this fact. There is a great deal more involved in the transportation problem than the mere question of how much the Government is to pay for the carrying of the mails. If compensation for this service is reduced below what is just and reasonable, obviously it is more difficult to make reductions in the charges imposed upon other classes of traffic. Thus, while the Government might be benefited in its revenues, the masses of the people who pay for passenger and freight service would be made to suffer.

It seems that in these various bills there are provisions with regard to the amount of space which shall be furnished in mail cars for this service. It appears to the members of this commission that these requirements may be somewhat severe upon the smaller roads with their limited equipment. This is a matter which should receive the most careful consideration at the hands of the committees in charge of the measures to which reference is here made.

There is, however, one feature of the present situation with regard to the mail service upon which the members of this commission have very pronounced views. This is the provision for quadrennial weighing. Under any circumstances in a country like this, growing rapidly, with its mail service increasing by leaps and bounds, the custom of only weighing the mail matter once in four years for the purpose of determining the compensation to be paid to the railroads does not seem to be just or fair.

The injustice is even more marked since the parcel-post legislation was enacted. This has led to an increase in the quantity of mail matter carried vastly greater than ever before took place in the history of our country.

It is not necessary in this communication to go into details. It is perfectly clear that the change in the postal laws by which enormous quantities of merchandise may be sent by mail very greatly increases the burdens of the rail carriers.

The members of this commission are strongly of the opinion that any legislation which is enacted by Congress should provide for annual weighing. Even that under existing conditions would still leave the rail carriers at a marked disadvantage.

We feel that it is only just to the carriers for us to make this statement; and we most respectfully ask you, and each one of you, to lay the matter before the committees having these post-office bills in charge and urge such committees to consider carefully the points herein suggested.

Very respectfully, yours,

RAILROAD COMMISSION OF NEVADA.
By H. F. BARTINE, *Chief Commissioner.*

NOVEMBER 10, 1915.

HON. HARRY LANE,
United States Senate, Washington, D. C.

DEAR SIR: A committee representing the Western Association of Short Line Railroads has held an informal meeting with this commission on the question of railway-mail pay, and has given us the point of view of the minor and independent railroads with reference to this subject. The short line carriers are especially alarmed at the threatened passage of the Moon bill.

The merits of that bill we do not intend to discuss, because we lack sufficient information and because this commission, being one of limited jurisdiction, has not been specifically vested with authority to inquire into the subject matter. We do, however, understand the general situation as respects the short line railroads of this State.

Your knowledge of the transportation history of the State is so intimate that without any suggestion from us you will appreciate fully the important part these small railroads have played in the pioneering of the territory; the opposition they have had to face from the larger lines; the sparsely settled country from which they can draw business, and the lack of promise for the future. They need, and are entitled to, a reasonable compensation for their transportation service. No order would or could be made by this commission affecting their revenue, without painstaking and thorough investigation. The margin of net profit is so small that neither the Federal Government nor any State tribunal should reduce the compensation of the small roads, whether by reduction in the mail pay or by reduction of freight or passenger rates, except after a full showing of the unreasonableness of the existing compensation. It goes without saying that the imposition of an undue burden upon such carriers, or the withholding of reasonable compensation, must reflect itself in impaired service or increased rates upon other traffic, or both. In any event, the communities served will feel the effects at once.