

**WATERWAY CONNECTING THE TOMBIGBEE
AND TENNESSEE RIVERS, ALA. AND MISS.**

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HEARINGS

BEFORE THE

**COMMITTEE ON RIVERS AND HARBORS
HOUSE OF REPRESENTATIVES**

SEVENTY-SIXTH CONGRESS

FIRST SESSION

ON

**THE IMPROVEMENT OF
WATERWAY CONNECTING THE TOMBIGBEE AND
TENNESSEE RIVERS, ALA. AND MISS.**

MAY 4, 8, AND 9, 1939



**UNITED STATES
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WATERWAY CONNECTING THE TOMBIGBEE AND TENNESSEE RIVERS

THURSDAY, MAY 4, 1939

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RIVERS AND HARBORS,
Washington, D. C.

Mr. DEROUEN (acting chairman). Gentlemen, the committee will come to order.

Pursuant to the agreement when we adjourned, we will now take up Document 269, Seventy-sixth Congress, the Tennessee and Tombigbee Waterway.

Mr. Rankin, are you the first witness?

STATEMENT OF HON. JOHN E. RANKIN, REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSISSIPPI

Mr. RANKIN. Yes, Mr. Chairman. I presume it would be in order to offer the report. But first, I want to offer this map, a photostatic copy of a map we are going to exhibit here, and then I want to offer the report and the President's memorandum approving it as an exhibit. (The matters referred to are as follows:)

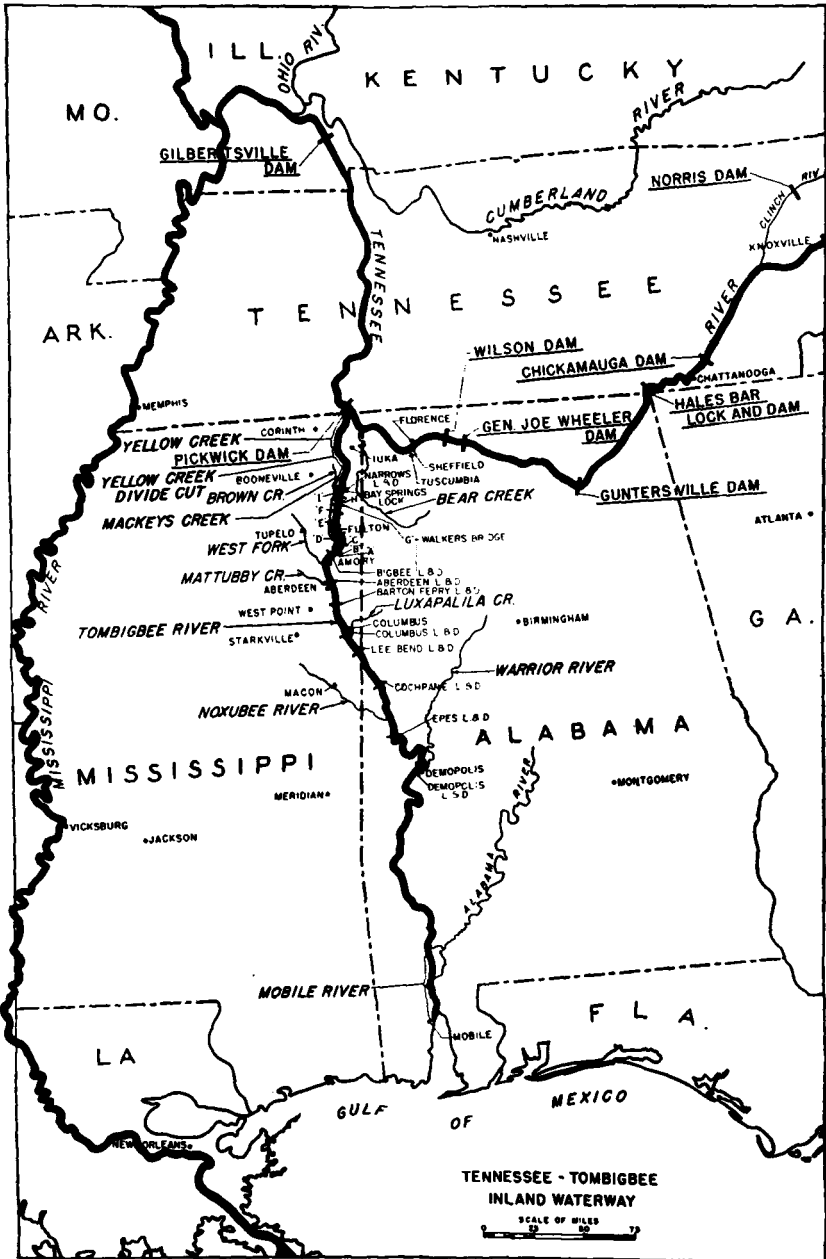
WATERWAY CONNECTING THE TOMBIGBEE AND TENNESSEE RIVERS

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF ENGINEERS,
Washington, February 27, 1939.

The CHAIRMAN, COMMITTEE ON RIVERS AND HARBORS,
House of Representatives, Washington, D. C.

MY DEAR MR. CHAIRMAN: 1. The Committee on Rivers and Harbors of the House of Representatives, by resolution adopted February 27, 1934, requested the Board of Engineers for Rivers and Harbors to review the reports on waterway connecting the Tombigbee and Tennessee Rivers, submitted in House Document No. 218, Sixty-third Congress, first session, and the report submitted December 8, 1923, with a view to determining if the construction of this waterway is advisable at the present time. I enclose the report of the Board in response thereto.

2. After full consideration of the report secured from the special board, the Board of Engineers for Rivers and Harbors recommends that the United States undertake the construction of a waterway to connect the Tennessee and Tombigbee Rivers, by way of the East



Fork of the Tombigbee River, Mackeys Creek, and Yellow Creek, so as to provide a channel of not less than 9 feet in depth and a minimum bottom width of 170 feet in river and canal sections and 115 feet in the divide cut, with locks approximately 75 by 450 feet clear inside dimensions, substantially in accordance with the general plan presented in the report of the special board, at an estimated first cost to the United States of about \$66,000,000 and an estimated annual cost of \$500,000 for maintenance and operation, subject to the condition that local interests give assurances satisfactory to the Secretary of War that they will—

(a) Make at their expense alterations, as required, of existing highways, highway bridges, and approaches thereto, and build and maintain at their expense any additional highway bridges that may be necessary incident to the improvement.

(b) Make at their expense alterations, as required, in sewer, water-supply, and drainage facilities.

(c) Assume the cost of operation and maintenance of reconstructed and new railroad and utility crossings.

(d) Provide at their expense and as required suitable and adequate river and canal terminals in accordance with plans approved by the Chief of Engineers and the Secretary of War.

(e) Hold and save the United States free from claims for damages that may occur due to construction of the waterway.

3. The Board further recommends that in view of the extraordinary enlargement of the river channel, required to provide a suitable through waterway, the United States pay the cost, as determined by the Chief of Engineers, that is finally involved in making necessary changes in existing railroad bridges and track adjustments in connection therewith.

4. The special board finds that the savings in transportation costs which will probably accrue to shippers over the waterway will amount to about \$2,168,000 per annum. It believes that barge tonnage destined to Ohio River and upper Mississippi River points from New Orleans can be moved over the proposed waterway instead of up the improved Mississippi River at an annual saving in cost to barge-line operators of \$1,000,000. The Board of Engineers for Rivers and Harbors concurs generally as to these estimates of transportation savings. The estimate of \$2,168,000 savings has been arrived at by the collection of full data, by thorough analysis thereof, and by sound conclusions. I concur in the view that it is conservative rather than liberal. The estimate of saving of \$1,000,000 to up-bound traffic on the Mississippi River results from a thorough study and I do not doubt that such a saving would result, but I doubt the wisdom of dependence upon diversion of any considerable part of the Mississippi River traffic to justify this new project, even though the credit is confined to the additional saving in transportation cost.

5. The special board has credited the proposed waterway with \$600,000 per annum for national defense, with \$275,000 for enhancement of land values in the tributary area, and with \$100,000 per annum for recreational value. These amounts, together with the estimated tangible savings in transportation charges, exceed somewhat the annual carrying charges for the improvement. The Board

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of Engineers for Rivers and Harbors concurs in the view that the benefits to result from the improvement justify the cost of the undertaking.

6. I have no doubt that benefits of value to national defense, from enhancement of land values, and from increased use of recreational areas will be produced. Furthermore, provision of a direct water route to the Gulf of Mexico from the Tennessee Valley may hasten the development in that valley resulting from the navigation project and electric-power system now being constructed there by the Federal Government. The large amount of construction involved in this connecting waterway to the Gulf would provide substantial direct employment over a period of 8 years and large orders to cement and steel mills and to the lumber industry. All these intangible or indirect benefits must be considered in addition to the direct savings in transportation costs in order that this project will show a substantial excess of benefits over costs. They are difficult to evaluate and appear to me to be questions falling within the realm of statesmanship to which the Congress can best assign the proper values.

Very truly yours,

J. L. SCHLEY,
*Major General,
Chief of Engineers.*

REPORT OF THE BOARD OF ENGINEERS FOR RIVERS AND HARBORS

WAR DEPARTMENT,
BOARD OF ENGINEERS FOR RIVERS AND HARBORS,
Washington, D. C., January 24, 1939.

Subject: Tennessee-Tombigbee Waterway.
To: The Chief of Engineers, United States Army.

1. This report is in response to the following resolution, adopted February 27, 1934:

Resolved by the Committee on Rivers and Harbors of the House of Representatives, United States, That the Board of Engineers for Rivers and Harbors created under section 3 of the River and Harbor Act, approved June 13, 1902, be, and is hereby, requested to review the reports on waterway connecting the Tombigbee and Tennessee Rivers, submitted in House Document Numbered 218, Sixty-third Congress, first session, and the report submitted December 8, 1923, with a view to determining if the construction of this waterway is advisable at the present time.

2. The Tennessee River is formed by the confluence of the Holston and French Broad Rivers near Knoxville. It flows generally south-westward through eastern Tennessee; westward through northern Alabama to the northeast corner of Mississippi; and then northward across Tennessee and Kentucky to the Ohio River at Paducah, Ky., 46 miles from the Mississippi River at Cairo. The Tombigbee flows generally south through northeastern Mississippi and southwestern Alabama to confluence with the Alabama River, forming the Mobile River which empties into Mobile Bay. A major tributary, the Warrior, joins the Tombigbee at Demopolis, 231.1 miles above Mobile Bay.

3. The Tennessee River is under improvement by the Tennessee Valley Authority in the combined interest of navigation, flood control, power, land conservation, and other purposes. Seven high dams constructed or proposed by the Tennessee Valley Authority will supplement old dam No. 1, the Wilson Dam at Muscle Shoals, and the Hales Bar Dam, which are 256.8, 259.4, and 431.2 miles, respectively, above the mouth of the river, and upon completion in 1944 will provide a navigable depth throughout the 648-mile length of river below Knoxville. A project authorized by Congress for the Mobile-Tombigbee-Warrior Rivers provides for a channel 9 feet deep and 200 feet wide, where practicable, from Mobile to mile 457 on Sipsey Fork, mile 454 on Mulberry Fork, and mile 430 on Locust Fork of the Warrior River. The project involves the construction of 17 low dams with navigation locks, combined with snagging and dredging where necessary. Construction of a single high dam near Tuscaloosa is now in progress for the purpose of replacing 3 of the low dams. This dam was 69 percent complete on June 30, 1938, and will be completed by November 1939. The total cost for the improvement to June 30, 1938, was \$25,112,000 and the approved estimate for annual cost of maintenance, operation, and care is \$574,000. In a separate report, recommendation is being made for the construction of a high dam at mile 227.5 in the Tombigbee River below Demopolis to replace the low dam near that point and the lower 3 dams in the Warrior River. The pool of the high dam would extend nearly 100 miles upstream in the Tombigbee.

4. The project authorized by Congress for the Tombigbee above the mouth of the Warrior provides for snagging, tree cutting, bank revetment, and bar improvement to secure a channel 6 feet deep at low water for 146 miles to Columbus, Miss., and for the removal of obstructions to secure a high-water channel thence 134 miles to Walkers Bridge. Navigation to Columbus is possible for small steamers during mean and high stages for about 4 months each year. Controlling depth at low water is 1 foot. Total costs of improvement to June 30, 1938, were \$368,600 and the approved estimate for annual cost of removing snags is \$5,000.

5. The headwaters of the Tombigbee River rise within 20 miles of the improved reach of the Tennessee River above Pickwick Dam and the divide between the two basins is relatively low. The construction of a suitable navigable waterway between the Tennessee and the Tombigbee has been urged by local interests in order to permit interchange by water transportation of the products of the Tennessee Valley and of the area served by the Warrior-Tombigbee system. Proponents of the improvement claim that economies would result from the use of a route from the Tennessee and upper Ohio Rivers to the Gulf of Mexico shorter than the natural route via Cairo and New Orleans and from north-bound navigation in slack-water pools in the canalized Tombigbee, Tennessee, and Ohio, rather than against the currents in the lower Mississippi, for traffic destined to points above Cairo. The value to national defense of a direct outlet to the coast from the potential munitions plants in the Muscle Shoals area is stressed. Some local interests believe that diversion to the Tombigbee of surplus waters of the upper Tennessee would reduce flood crests in the Tennessee and Mississippi and would permit generation of electrical energy.

6. The area potentially tributary to the Tennessee and Tombigbee Rivers has a population of nearly 3,000,000 and is rich in natural resources. Cotton is the principal agricultural crop, but tobacco, grain, and vegetables are also produced in large volume. Forests of merchantable timber are extensive and lumber is an important product. Important deposits of coal, iron ore, limestone, phosphate rock, marble and other building stone, copper ore, zinc ore, clays, sand, and gravel are found in the Tennessee Valley and, except for coal and phosphate rock, in the Tombigbee Valley. The area is generally rural and agricultural, but urban and diversified development is being accelerated throughout the Tennessee Valley and an important steel-producing industry has grown up about Birmingham which is served by the port of Birmingham on the Warrior River. Many railroads and improved highways serve the area. In addition to the area immediately tributary to the Tennessee and Tombigbee Rivers, the Ohio Valley, the middle and upper Mississippi Valleys, and the Missouri River Valley would also be concerned, as the water route from the Ohio above Paducah to the Gulf at Mobile would be 200 miles less than via Cairo to New Orleans, while for points on the Mississippi above Cairo the corresponding reduction would be 108 miles.

7. A special board of officers has made a thorough study to determine the best route for a connecting waterway, the engineering features of a suitable improvement, the cost of accomplishing the work, and the prospective benefits to result from it. A separate report on the

waterway to connect the Tennessee and Tombigbee Rivers by way of the Warrior River, Ala., will be submitted at a later date. The special board finds that the most practicable plan of improvement would require a summit cut to carry the pool of Pickwick Dam through the divide generally following the course of Yellow Creek and Mackeys Creek; a lateral canal skirting the east edge of the flood plain to bypass numerous sharp bends in East Fork and the upper portion of the Tombigbee; and canalization of approximately 180 miles of river above Demopolis by construction of 7 dams in addition to that separately recommended for the Warrior-Tombigbee project. Cut-offs in the river would improve navigation conditions and materially reduce the distance. To maintain the summit pool, a dam would be built across East Fork at The Narrows and the bottom of the cut through the divide would be carried to elevation 396 to assure a minimum depth of 12 feet with Pickwick Pool at its minimum controlled elevation. For the lateral canal section, 10 locks would be required. Water required for lockages would be supplied by gravity from the pool of Pickwick Dam, and spillways, drainage ditches, and levees would be provided as required to take care of local drainage and protect the canal.

8. Studies of present practices and of trends in design of floating equipment indicate the desirability of lock chambers 75 feet wide and 450 feet long with 12 feet over the miter sills and of channels 170 feet wide to permit two-lane navigation. In the divide cut the width would be 115 feet, which would be sufficient for only one-lane traffic, but passing places 1,000 feet long would be provided at 4,000-foot intervals. Minimum depths in the river section would be 9 feet and in the canal section 12 feet. To provide adequate clearances, three existing highways and five railroad bridges over the Tombigbee River would have to be reconstructed, and for crossings over the lateral canal and the summit cut nine new highway and two railroad bridges would be required. Relocation of approximately 10 miles of railroad would be necessary to clear the Yellow Creek valley. The construction cost for the entire waterway, not including the cost of the high dam below Demopolis, is estimated by the special board as follows:

Locks.....	\$26,485,400
Dams.....	6,853,300
Channel rectification and cut-offs.....	3,684,200
Lateral canal.....	11,053,300
Yellow Creek divide cut.....	13,806,300
Aids to navigation.....	21,000
Railroad bridges.....	1,901,000
Railroad relocation.....	839,500
Rights-of-way and flowage damages, summit section.....	678,300
Transmission-line relocation.....	17,000
Highway bridges.....	1,449,000
Highway relocation.....	201,200
Rights-of-way and flowage damages, river and canal section.....	332,500
New terminals.....	150,000
Grand total.....	67,472,000

The annual carrying charge on the improvement, including interest, during a construction period of 8 years, maintenance and operating charges after completion, and a credit for rental of the terminals, is \$3,561,000. Studies of the special board have permitted determination of the volume of commerce potentially available to the waterway

at this time and the savings that would result from its transportation by water, if a waterway were now in existence, as compared with charges on the routes necessarily used. From a study of trends, an estimate has been made of the volume of traffic potentially available in the year 1950 and of savings in transportation charges that might be realized from the use of the waterway if it becomes available by that time. Estimates have also been made of the savings to be realized from providing a slack-water return route for Mississippi River traffic; of the value to national defense of a direct water route between the Tennessee Valley and the sea coast; and of other tangible benefits expected to follow the improvement. The special board has evaluated these benefits at a total amount of \$4,143,000. It has considered numerous possible benefits in the form of indirect savings from a general lowering of transportation charges and of improved economic and social conditions throughout the region served by the improvement. It has investigated the possibilities of developing electrical energy at the navigation dams and of diverting floodwaters from the Tennessee Valley through the summit cut to the Tombigbee Valley, but has found both to be uneconomic. The special board concludes that construction of a connecting waterway, generally as indicated in its report, is feasible and that the economic benefits warrant the undertaking. The special board recommends construction of the waterway by the United States, subject to assumption of certain obligations by local interests as to participation in the cost of rights-of-way and of necessary highway and utility reconstruction.

VIEWS AND RECOMMENDATIONS OF THE BOARD OF ENGINEERS FOR RIVERS AND HARBORS

9. The Board concurs generally with the special board as to the feasibility of the project. The Yellow Creek-Mackeys Creek route is a practicable route for the crossing of the divide; the lateral canal appears to be the best means for providing a navigation channel of satisfactory alinement in the upper part of the Tombigbee Valley; and the proposed cut-offs will materially improve the natural channel in the river above Demopolis. For present and prospective barge equipment the proposed dimensions for lock chambers are believed to be the most suitable and the proposed dimensions of the various sections of the waterway, which are consistent with those of connecting waterways, are adequate for ready navigation by the volume of commerce expected to use the facility. Diversion from the pool above Pickwick Dam assures an adequate supply of water for lockages, but diversion of floodwaters for reduction of Tennessee or Mississippi River floods would not be practicable or economic. Electric power developed at the navigation dams would be of insufficient value to justify installation of generating equipment.

10. The Board believes that the direct and indirect benefits to result from the improvement justify the cost of the undertaking. The advantages of a slack-water route to the Gulf 200 miles shorter than the Mississippi River route should attract a large volume of through traffic from the upper Ohio Valley and should also prove even more attractive than has been estimated by the special board to up-bound tows destined for points on the Mississippi River near and above Cairo. The region to be served by the waterway is rich in forest, mineral,

and agricultural resources, and is favored by a mild climate and adequate rainfall. Nevertheless, it has not enjoyed the economic development that might reasonably be expected under such conditions. Lack of low-cost transportation to distant markets has long been recognized as a principal factor retarding industrial development and construction of an adequate waterway giving outlet from the hinterland of Alabama and Mississippi and providing a direct route from the Tennessee Valley to the Gulf should give impetus to the development of the rich natural resources and provide much more commerce than that estimated by the special board.

11. The Board does not wholly concur with the special board as to the division of the cost of certain features of the project as between the United States and local interests. The special board is of the opinion that as the reconstruction of railroad bridges is necessary to provide clearances sufficient to accommodate a through traffic, the requirements of which are much greater than of the traffic that might reasonably be expected to use the Tombigbee River, the owners of the bridges, the railroad companies, who will not benefit directly from the improvement, should not be burdened with the cost of modification. With this view the Board is in complete accord. The special board is of the opinion that the United States should assume the full cost of providing rights-of-way for the summit-cut section of the canal, but that local interests should provide rights-of-way and assume the cost of flowage damages for the river and lateral canal section, which it estimates at \$332,500. Were the improvement to be confined to the bed and banks of the Tombigbee River and East Fork, below ordinary high water, there would be no necessity for acquiring any additional right-of-way nor any flowage damage. To obtain a more satisfactory alinement, certain cut-offs are proposed for the Tombigbee River section and a lateral canal is selected as superior to the tortuous East Fork. The cut-offs and the canal result not only in better navigating conditions but also are expected materially to reduce maintenance costs. Similarly, canalization of the river, although it may maintain pools above ordinary high water and necessitate the acquisition of flowage rights, is preferred to regulation of the open river because it will assure more satisfactory navigating conditions and reduced maintenance costs. The Board therefore is of the opinion that the cost of rights-of-way and flowage, not only for the summit-cut but also for the river and the canal sections, properly should be borne by the United States. The Board concurs with the special board in the view that the local benefits are sufficient to warrant assumption by local interests of the cost of providing necessary highway crossings over the improved waterway.

12. The Board recommends that the United States undertake the construction of a waterway to connect the Tennessee and Tombigbee Rivers, by way of the East Fork of the Tombigbee River, Mackeys Creek, and Yellow Creek, so as to provide a channel of not less than 9 feet in depth and a minimum bottom width of 170 feet in river and canal sections and 115 feet in the divide cut, with locks approximately 75 by 450 feet clear inside dimensions, substantially in accordance with the general plan presented in the report of the special board, at an estimated first cost to the United States of about \$66,000,000 and an estimated annual cost of \$500,000 for maintenance and operation,

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subject to the condition that local interests give assurances satisfactory to the Secretary of War that they will—

(a) Make at their expense alterations, as required, of existing highways, highway bridges, and approaches thereto, and build and maintain at their expense any additional highway bridges that may be necessary incident to the improvement.

(b) Make at their expense alterations, as required, in sewer, water supply, and drainage facilities.

(c) Assume the cost of operation and maintenance of reconstructed and new railroad and utility crossings.

(d) Provide at their expense and as required suitable and adequate river and canal terminals in accordance with plans approved by the Chief of Engineers and the Secretary of War.

(e) Hold and save the United States free from claims for damages that may occur due to construction of the waterway.

13. The Board further recommends that in view of the extraordinary enlargement of the river channel, required to provide a suitable through waterway, the United States pay the cost, as determined by the Chief of Engineers, that is finally involved in making necessary changes in existing railroad bridges and track adjustments in connection therewith.

For the Board:

M. C. TYLER,
Brigadier General, Corps of Engineers, Senior Member.

MEMORANDUM FROM THE PRESIDENT

THE WHITE HOUSE,
Washington, April 24, 1939.

MEMORANDUM FOR THE SECRETARY OF WAR:

I approve this survey report for a waterway connecting the Tombigbee and Tennessee Rivers.

The report of the Army engineers and the reports of the Tennessee Valley Authority and the National Resources Committee should also be forwarded to the congressional committee.

I take it that no water power is involved. If any is involved, please get also a report from the Federal Power Commission and send it to the Congress.

F. D. R.

REPORT OF TENNESSEE VALLEY AUTHORITY

TENNESSEE VALLEY AUTHORITY,
Washington, April 4, 1939.

The honorable the SECRETARY OF WAR,
Washington, D. C.

MY DEAR MR. SECRETARY: Under date of March 10, by request of the President, you submitted to the Authority for review two reports prepared by the United States Army engineers pertaining to navigation of the Tombigbee River, Ala., as follows: Lock and Dam at Mile 227; Survey Report for a Waterway Connecting the Tombigbee and Tennessee Rivers.

This whole enterprise, providing as it does a major addition to the transportation system of an entire region, is of great importance nationally, and of vital interest to the Authority. The Authority

as you know feels that the development of an economically sound waterway system will play a large part in the development of this region, an objective already laid down by the Congress. This particular project, however, because of its scope and complexity, cannot be thoroughly understood without a careful study of all its different aspects. Such a study must include familiarity with the plans and estimates for the proposed waterway, and with traffic conditions and possibilities over a large area.

The report of the Army engineers follows several years' investigation by a special board of officers, which has resulted in the accumulation of a great amount of detailed information. Any review of this report, to have real value, would require an equally thorough analysis of this material. Sufficient time for such a review is apparently not available at present; it is also to be presumed that you do not wish the Authority's engineers to duplicate to any extent the very thorough and extensive work on this project already done by the Army organization.

For the above reasons I shall not attempt to express any opinion regarding the general economic value of the proposed project, but will comment briefly on certain general features of this work and their relationship to the developments in the Tennessee Valley.

The proposed lock and dam at mile 227 on the Tombigbee River would replace three low dams on the present canalized waterway leading from Mobile up the Tombigbee and Warrior to the Birmingham region. It would also form a link in the proposed waterway connecting the Tombigbee and Tennessee Rivers. This project, if economically sound, appears to be a desirable improvement to the present waterway system.

The proposal to construct a waterway connecting the Tennessee with the Tombigbee and thus provide a more direct outlet from the Tennessee Valley to the Gulf is of great interest to the Authority, and would form an important addition to the whole inland waterways system.

As the project lies so largely outside the Tennessee Basin, the Authority has not made any intensive studies which would warrant a critical review of cost estimates, economic studies, or engineering details. Since, however, this waterway connects directly with the Tennessee, it seems appropriate to compare the limiting dimensions of the proposed structures in the two channels. Locks in the Tennessee below the Pickwick Reservoir are 110 by 600 feet, whereas those for the Tombigbee route would be 75 by 450 feet. The minimum bottom width along the Tombigbee would be 170 feet in river and channel sections, and 115 feet in divide cuts, while the navigable channel in the Tennessee will have a minimum width of 300 feet. Overhead clearances above normal pool will be 52 and 57 feet on the Tombigbee and Tennessee, respectively.

The proposed route following up the Tombigbee, Mackeys Creek, and Yellow Creek to a junction with the Tennessee in the Pickwick Reservoir is an alternate to a route up the Warrior which would connect with the Tennessee River near Gunter'sville, on which the Army engineers are later to report. The report on the Warrior route has not yet been made available to the Authority.

The diversion of water from the Tennessee River will cause a reduction in the power which can be generated at Pickwick and Gilbertsville Dams. The estimates given in the report indicate a maximum

diversion of 400 cubic feet per second from Pickwick Reservoir. This would have a value for power generation of about \$100,000 annually. We are not in entire agreement with the amount of this estimate, believing that a somewhat greater amount of water for lockages might be required. Other than the loss of this revenue, the use of this water would not materially affect the proposed operation of the Tennessee Valley system. It appears that the annual fixed charges for the Tombigbee project should be increased to cover the value of the power which will be lost.

Economic studies in the report include assumptions that adequate terminals and adequate common carrier and contract carrier barge service would be established upon the Tennessee River. The problem of the establishment of such terminals and carriers is being studied by the Tennessee Valley Authority, but no policy relating thereto has been formulated.

Should you feel that time would permit of supplementary investigation by us and care to suggest additional lines of inquiry, we will, of course, be glad to cooperate.

Yours very truly,

TENNESSEE VALLEY AUTHORITY,
JOHN B. BLANDFORD, Jr.,
General Manager.

REPORT OF NATIONAL RESOURCES COMMITTEE

NATIONAL RESOURCES COMMITTEE,
Washington, April 7, 1939.

The Honorable SECRETARY OF WAR.

MY DEAR MR. SECRETARY: On March 10, 1939, you transmitted to me a report on reexamination of waterway connecting the Tombigbee and Tennessee Rivers, and informed me that the President had requested that a review of that report be made by the National Resources Committee.

Our Water Resources Committee, representing the chief Federal agencies concerned with water use and control, has reviewed the report without attempting to assign any priority to the project. (The representative of the Chief of Engineers desired to be recorded as not voting upon this matter, since it related to a report already acted upon by the Chief of Engineers).

There also is being transmitted to you under separate cover the Committee's comments on the report on reexamination of another related project on the Warrior and Tombigbee Rivers, indicating that the recommended improvement of the existing project for that system would be in harmony with a reasonable plan for water use and control in the Mobile Basin. That improvement would be essential to consummation of the Tennessee-Tombigbee project.

The comments of our Water Resources Committee on the Tennessee-Tombigbee project follow:

The report of the Chief of Engineers addressed to the chairman of the House Committee on Rivers and Harbors, February 27, 1939, concerning the proposed waterway connecting the Tombigbee and Tennessee Rivers, does not specifically recommend the construction of the waterway. It confirms the estimate by the special board appointed by the Chief of Engineers of the saving in transportation costs and also the values assigned by that Board to benefits accruing to national defense, land values, and recreation. It concludes that there are intangible and

indirect benefits accruing from the project which will furnish a substantial amount of direct employment and large orders for cement, steel, and lumber over a period of 8 years; but that the proper evaluation of these intangible benefits involves matters of public policy which should be determined by the Congress.

In the opinion of the Water Resources Committee, the benefits ascribed to national defense, land value, and recreation are speculative and should be given careful scrutiny as to the effect that their acceptance may have on the formation of national policy.

A further basic issue of policy is raised by the relation of the proposed water-transportation facilities in this project to the most effective coordinated system of water, railway, highway, and pipe-line facilities to serve the transportation needs of the region.

The report of the Special Board states in paragraph 35 that "the principal railroads serving the Southeastern States furnish adequate facilities either through or into the territory adjacent to the proposed waterway." A major economic justification claimed for the project is its prospective effect on rail rates. The report indicates that 25 percent of the estimated tonnage and 52 percent of the estimated savings are applicable to petroleum products moving chiefly from the Gulf to Tennessee River points. In view of this large percentage of saving attributable to petroleum products, the possible transportation of these commodities by pipe line in the future should be given consideration.

These and similar problems should be considered more fully if a sound conclusion is to be reached concerning the justification for the project in relation to transportation needs and facilities of all types in the region.

It is recommended that in addition to the current review by the Tennessee Valley Authority these transportation problems be investigated by the Interstate Commerce Commission with a view to advising the President and the Congress on them.

The report is returned to you herewith.

Sincerely yours,

HAROLD L. ICKES, *Chairman.*

Mr. RANKIN. Mr. Chairman, this is a proposition to connect the Tennessee with the Tombigbee River, for the purpose of improving navigation on the Tennessee, Tombigbee, Ohio, and Mississippi Rivers; and, while this report does not say so specifically, I will show before I get through, that it will also afford flood relief on the Tombigbee, where we have been subjected to floods and overflows for many years.

The Tombigbee River arises in northeastern Mississippi here [indicating]. It is formed by the confluence of Brown and Mackeys Creeks, which come together at about the point I am indicating on the map, and form the Tombigbee, which flows southward and empties into Mobile Bay. You will note down here that they call it the Alabama River. But on investigation, you will find that it was originally the Tombigbee. De Soto called it the Rio de Los Angeles, or the River of Angles. But when he struck it up higher, he called it the Chickasaw River, because it was in the territory of the Chickasaw Indians.

When my people went to this country 100 years ago, steamboats navigated the Tombigbee up to Walkers Bridge, about where I am indicating on this map, which was the head of navigation on the Tombigbee River. The last boat I remember going up the river was about 1910; I think it was 1908 or 1910.

Some large sawmill interests went in there and bought large tracts of timber, and in floating the logs down the stream, being hardwood timber, a great many of them got loose and clogged that stream up to where it caused damages from overflows.

I might say, in this connection, that this is the finest body of young hardwood timber, I daresay, in the world, along that Tombigbee River now. Of course, at that time, it was virgin timber.

We now have the Army engineers working in there with a large crew of men and with draglines, cleaning out the mouths of those canals or streams that were completely filled up, and they are now ready to proceed southward to clean out and straighten the main stream of the river, but they are in a quandary to know what to do until this proposition is settled, because it will be necessary for them to comply with the requirements of the Army engineers here in Washington, if this project is approved.

The Tennessee River at the mouth of Yellow Creek, which is about on the line of Tennessee, Alabama, and Mississippi, right about the line, is 125 feet higher than the Tombigbee River at the confluence of Brown and Mackeys Creeks here, about 27 miles away. Between those points, there is a slight sand ridge, that the Army engineer will explain to you with his maps, when he comes to make his statement.

This proposition was not considered to be feasible until after the Pickwick Dam was built. The Pickwick Dam raised the water level about 55 or 60 feet at this point.

The Army engineer informs me that they have hydraulic dredges they can transfer to this project, and we have a supply of power here in the Tennessee Valley that can be used for that purpose.

In that area is a large amount of unemployment, men who could be used on this project profitably, and at the same time be made to feel that they are doing something useful and not merely getting on the Government pay roll.

Now, right through here [indicating], as the engineer will explain, there will be about 18 locks down to the mouth of the Warrior River here, in southwestern Alabama.

This project will shorten the water distance from the Tennessee River to the Gulf by 630 miles. In other words, it will be 630 miles nearer to go down this course, down the Tombigbee River, than it would be to go down the Tennessee to the Ohio, down the Ohio to the Mississippi, and then follow the Mississippi River to its mouth. It would be something more than 200 miles nearer from points on the Ohio River, north of Paducah, to the Gulf, than it would be for them to go down the Mississippi River. It will be 108 miles nearer from points on the upper Mississippi, that is, above the mouth of the Ohio, than it would be following the present course of the Mississippi River.

For ascending traffic, it would be of inestimable value. It is 900 miles from the mouth of the Ohio to the mouth of the Mississippi River. Going up the Mississippi River, traffic has to fight a strong current. Passing up the Tombigbee, traffic would be going nearly all the way in slack water until it entered the Tennessee, and then it would be going downstream to the mouth of the Ohio River.

From that standpoint, from the standpoint of navigation this project is more than justified. These are the two phases we are most interested in, in that area—navigation and flood control. I am sorry to say this project will not generate any electric power to amount to anything, so far as I know. We do not propose to take enough water out of the Tennessee River to affect its level in Pickwick Lake, so that question may be dismissed.

It will also give us an additional inside passage. From the standpoint of national defense, this project is almost imperative. At Muscle Shoals here would be our nitrate supply in case of war. If we should get into war, certainly it would be with a world power, and

probably with several of them, and if they should blockade our coast, we would have an inside passage from Mobile up to the Ohio River, and up the Ohio River to Pittsburgh and other points in that area. If this project were completed, we could go on up to Youngstown, Ohio. This route would give us an inside passage for the transportation not only of war material, but of all other material necessary in case of a conflict with a foreign power.

As I said, the traffic on the upper Tennessee, going down to Mobile, would save 630 miles, to say nothing of the benefit that would be derived from slack water for ascending traffic.

In this area here that will be traversed by this route or by the Tombigbee River, is the world's reserve supply of many raw materials. We have, as I said, in this area here, the Tombigbee and Tennessee, and within the scope of a few hundred miles, the world's reserve supply of timber. I daresay that you may search from one side of this country to the other and you will not find as much real hardwood as you will find in that immediate territory. Now, when I say "hardwood" I do not mean spruce, fir, and hemlock, because they are soft, but when it comes to oak and poplar and hickory and ash and gum and cypress, you find the world's reserve supply in this area.

In addition to that, there are large deposits of iron ore right across the Alabama line here, within a few miles of this route. It is probably the greatest undeveloped deposit of iron ore in the world. It has been stated, on this floor, that it surpasses the deposits around Birmingham; one of the greatest deposits of rock asphalt in the world has been discovered in this area. I had a letter from a man this morning, who told me that the engineer had found a seam of rock asphalt underlying his land measuring between 7 and 15 feet thick.

In here [indicating] we have the world's supply of limestone; and in here, we have large deposits of bauxite, in Tennessee and Alabama and in Mississippi.

In addition to that you will notice that this is a great agricultural country. Large towns, or towns of considerable size, have grown up all along this stream that are absolutely, so far as navigation is concerned, without navigation, or their navigation has been ruined. In addition to that 35,000 acres of the richest farm land to be found in the South has been flooded year in and year out, in one county, in which Fulton is the county seat, and also Prentiss and Lee Counties, as well as in the counties below.

Mr. DEROUEN. What agricultural commodities are produced?

Mr. RANKIN. We produce cotton. Outside of the Delta, this is, by far, the largest cotton-producing section of Mississippi. Of course, one commodity that everybody seems to overlook, except the southern people, is cottonteed. Every bale of cotton has 1,000 pounds of cottonteed in it, which contains 22 gallons of oil. All the seed, or practically all of it, is shipped out, and even though it may be crushed, the oil and meal and hulls are shipped.

In addition to that, this is a great dairy country. Some of the largest condenseries and some of the finest cheese plants in America are to be found here. We have lumber, as I said, in addition to the hardwood that I mentioned, these areas right here are covered with pine timber, and in that country we do not talk about reforestation. We do not have to reforest. Sometimes I doubt whether anybody

does in the pine country. All you have to do with your land is to turn it out, and if you let it alone, it will reforest itself and grow pine timber big enough to saw in 10 or 15 years.

Mr. DEROUEN. That would be white pine?

Mr. RANKIN. Well, it is hill pine. It is not what we call heart pine.

Mr. GREEN. You have slash pine, do you?

Mr. RANKIN. Yes. The day of heart pine is over in this country, because it takes a hundred years to grow the heart pine tree.

But this young hardwood that is growing there now ought, by all means, to be taken over by the Government and preserved, because the time is coming when you cannot get hardwood in this country. You cannot get ash, you cannot get poplar, and you cannot get cypress, and a great many of those other hardwood timbers that are found in the Tombigbee Valley, the immediate Tombigbee Valley, which are going to pass out of existence in this country. I have been from one side of the United States to the other, and I have been through the forests in Alaska, what they call forests, and I have seen no growth of timber that compares with that young belt of hardwood timber along the Tombigbee River.

Mr. DEROUEN. Might I inject myself, in regard to cypress, to say that, in Louisiana, in the Mississippi-Atchafalaya basins, we had probably the finest red cypress that can be found, which can be used for 300 years and will not rot. But that is no more. Once trees were 10 feet at the base. You cannot find a tree now. So I agree with you on that proposition.

Mr. RANKIN. And it takes a century to grow cypress.

There is a gas field around Amory, and I do not think there is any question but that they will find oil in that area.

At one time, the Tennessee River probably flowed down the Tombigbee Valley. But in some prehistoric age there was a great upheaval, and the Tennessee River, which is up on a plateau to the north, turned and flowed to the north. The streams that flow into the Tennessee here flow north. The ones that flow into the Tombigbee flow to the south. The dividing line is right here where you see these red marks.

Now, by cutting through this ridge here and straightening out this river, you will not only restore our transportation to us; you will not only provide flood control for the people along there, who are striving to make a living, but you will also, as I said, improve the traffic on all of these streams by shortening the distance from any point above the mouth of the Ohio River, and at the same time furnish a slack-water route for ascending traffic that will save millions of dollars in years to come, to those transporters who have to navigate the Mississippi River.

It will be just about the same distance from the Tennessee River to Mobile that it is, today, from Vicksburg, Miss., to the mouth of the Mississippi River, down that stream. There might be 25 or 30 miles difference.

Mr. DEROUEN. Mr. Rankin, is there any element of the diversion of floodwaters from the Mississippi?

Mr. RANKIN. No; not in this project. We contemplated that at one time, but the engineers said it would not be advisable. Down on the Tombigbee River, a lot of our people do not know whether they want any more water down there or not, because they had so much

trouble in getting flood control that some of them felt it might overdo it.

Mr. DEROUEN. You know you would have our consent, as far as the Mississippi is concerned.

Mr. RANKIN. Yes; that may be done some day, and I think it could be done. You could turn enough water down the Tombigbee River to cut the flood crest on the Mississippi River anywhere from 3 to 6 feet. But I do not know what you would do for us people down on the Tombigbee.

Mr. BOYKIN. Their floods do not come the same time that ours do.

Mr. RANKIN. Yes; that is true.

Mr. DONDERO. What effect would this have on the commerce of the Mississippi?

Mr. RANKIN. I will say, Mr. Dondero, that I doubt that it would have very much effect, except on the ascending traffic. It would be a great relief in that respect. But here you have, in this area all of these materials bottled up for the want of the water outlet. It will be a great thing for them, and it would add greatly to all kinds of activities. For traffic on the Mississippi River, it would furnish them a slack-water route going back.

Mr. CULKIN. What would be the depth of the channel and the width?

Mr. RANKIN. Nine to twelve feet, a minimum of 9 feet, with a possibility of 12. I will say to the gentleman from New York that I would like for it to be built, so that we can have a 12-foot channel, because some day, this opening into the Great Lakes is going to be made at some point, and that would enable us to go around and use the Erie Canal, with which the gentleman is more familiar than any other Member of the House, probably.

Mr. CULKIN. It is now 9 feet and it is going to be 12 feet?

Mr. RANKIN. It would be made 9 feet, with the possibility of going to 12 feet.

Now, from the standpoint of navigation, this is almost mandatory. From the standpoint of flood control, it will enable the Army engineers to take care of this situation here that they are now working on, and forever prevent the filling up of that stream, or the clogging up of the mouths of those collateral streams that have caused us so much damage in years past.

From the standpoint of national defense, we would have at least two outlets to the sea; and I might say to you that we needed another one about 75 years ago, when you fellows took Vicksburg away from us. The next time, it will not be the Confederacy, but it will probably be the entire United States that will need an additional outlet to the sea.

Mr. CULKIN. Probably we had better leave it the way it is.

Mr. RANKIN. No; you will not have the Confederacy fighting you any more, but somebody on the outside, and you will need this route for the transportation of war materials. So, from every standpoint, I submit that this project is not only feasible, but it is absolutely necessary.

If any of you gentlemen want to ask me any questions, I will be glad to answer them. If not, I am going to introduce the Army engineer.

Mr. DONDERO. I was interested in what you said about the shortening of the distance for traffic, coming down the Mississippi, from the mouth of the Ohio, by 108 miles. Has any estimate been made, at all, of the traffic that it might be anticipated going down this waterway from the upper Mississippi?

Mr. RANKIN. I think the Army engineer has an estimate on it that he will present. You understand, St. Louis is above the mouth of the Ohio River, and it will shorten the distance from St. Louis to the Gulf by 108 miles. Now, the ascending traffic, going up to St. Louis, would have a tremendous advantage, following this inside passage.

Mr. DEROUEN. That would all be barge traffic?

Mr. RANKIN. Yes.

Mr. DONDERO. How long is the proposed improvement? How long a distance does it cover?

Mr. RANKIN. The Army engineer can tell you that. This short connection here [indicating] would only be about 18 to 25 miles, if I remember correctly.

Mr. CULKIN. You are pointing at the junction of the Tennessee and the Tombigbee?

Mr. RANKIN. Yes. This is just another picture of it. The improvement will go all the way down to the mouth of the Warrior River.

Mr. DONDERO. Is not that junction very near a place called Stevenson, Ala.?

Mr. RANKIN. Demopolis, Ala., you mean?

Mr. DONDERO. No; it is in Alabama, I mean near the Tennessee line?

Mr. RANKIN. There is a place called Stevenson, but it is in Mississippi. This project does not go into Alabama until it gets below Columbus, Miss. We did not have a 9-foot channel there before, we only had a 6-foot channel, and in recent years, of course, it has been clogged with logs and debris, but it is now being cleaned out. But this would make a 9-foot channel all the way through, with the possibility of being extended to 12 feet.

Mr. GREEN. What is there connecting those two streams?

Mr. RANKIN. There is a sand ridge in between here [indicating].

Mr. GREEN. How long?

Mr. RANKIN. I believe it is 18 miles.

Mr. GREEN. That is a rather short divide, is it not?

Mr. RANKIN. Yes; the Army engineer has a map of it under this, and he will explain it to you in a moment.

Mr. SEGER. What is the approximate distance from the Erie Canal down to that red broken line?

Mr. RANKIN. It is about 900 miles, the captain tells me, from Struthers to the mouth of the Tennessee River.

Mr. DEROUEN. By water?

Captain COUGHLIN. Yes.

Mr. CULIN. What is that broken red line going into Lake Erie. Is that the proposed diversion point?

Mr. RANKIN. Yes; I believe they call it the Beaver-Mahoning Canal.

Mr. CULKIN. Those red lines indicate the Lake Erie connection?

Mr. RANKIN. Yes; right here [indicating].

Any other questions? If not, I am going to present Captain Coughlin of the Army engineers. He has a map that he will refer to in presenting the matter to you.

However, I might say, in this connection, that this is one of the few outstanding places on earth where you can transfer traffic from one major watershed to another with so much ease and so little expense.

STATEMENT OF CAPT. R. E. COUGHLIN, OFFICE OF CHIEF OF ENGINEERS, WAR DEPARTMENT

Captain COUGHLIN. Mr. Chairman and gentlemen of the committee, I feel that Congressman Rankin has already ably presented the general features.

The project, as considered in our report, concerns the physical connection between the Tennessee River, just above Pickwick Dam at this point [indicating], and the Warrior-Tombigbee at Demopolis. The present project is for a 9-foot depth to be obtained by canalization in the Tombigbee to this point, and then in the Warrior and Black Warrior to Birmingham and above. The project presented this morning for the reconstruction of the dam at Demopolis was a part of that project, which had the further virtue of providing for a new pool up to here.

The distance is 39 miles in the summit cut between the Pickwick pool through the cut to the dam to be built at the narrows here, and then 41 miles in a canal, paralleling Mackeys Creek and the east fork of the Tombigbee River, 41 miles, then 180 miles in the improved Tombigbee River, canalized by locks and dams, to Demopolis, a total distance of 260 miles from the Pickwick pool to Demopolis.

Mr. CULKIN. Is that the extent of it, Captain?

Captain COUGHLIN. That is the extent of the project as considered in this report, simply a connection between the existing projects in the Tennessee and Tombigbee.

Mr. CULKIN. This project under consideration does not include a connection with the Gulf?

Captain COUGHLIN. No, sir.

Mr. CARTER. That is already improved.

Mr. CULKIN. What is the status of that?

Captain COUGHLIN. That is a going project, which has been maintained for the last 30 years.

Mr. CULKIN. Tell me what it is.

Captain COUGHLIN. A 9-foot channel with a minimum width of 200 feet from the Gulf to Birmingham, a distance of 457 miles from the mouth of the river, which is a project that has been in use over the last 30 years.

Mr. CULKIN. It says here to connect the Tennessee and the Tombigbee Rivers by way of the Warrior River, Ala., which will be submitted at a later date. What is that?

Captain COUGHLIN. In explanation of that statement, I might state that, in the preliminary examination, which was made under the authority of a resolution adopted by this committee, a special board which was handling this project, considered all the possible routes, that is, all that seemed to have virtue. One was by way of Mackeys Creek and Yellow Creek, and the other by way of the Black Warrior and Warrior Rivers. Both of those were investigated.

In the case of the Tennessee-Tombigbee route, this route here, the investigation had been concluded and the report has progressed to the point that definite recommendations could be made to the committee.

In the case of the other route, although the report is not yet submitted, it will be submitted, and is separate from this. This report is made on its own merits, regardless of what may later be reported on the other one.

Mr. DEROUEN. That would connect the Warrior—the new report you speak of would be to connect what?

Captain COUGHLIN. It considers the possible connections along this route, and an alternate route, a different route.

Mr. SEGER. What is the topography of the land; is it flat, or expensive to go through, from the Guntersville Dam down to the Warrior River?

Captain COUGHLIN. The average cut that would be necessary to come through here [indicating] would be considerably greater. The maximum elevation of the ridge between is 800 feet, and the elevation in the upper limits of the improved Warrior River is 740. The elevation behind the Guntersville Dam is 594 feet. Therefore, in connecting the upper Warrior, with an elevation of 740 feet, with the Tennessee, with an elevation of 594 feet, it would be necessary to go up from the Warrior something like 150 feet, and then down again to 594 feet—

Mr. RANKIN. You would have to have a lift both ways?

Captain COUGHLIN. Yes, sir; you would have to rise from the Guntersville pool something on the order of 200 feet, and then step down 60 feet or more to the upper pool in the present project in the Black Warrior.

Mr. DONDERO. How much water will be taken out of the Tennessee River?

Mr. RANKIN. Before he leaves there, I want to say, without committing the captain to anything, that this other project will not be recommended.

Captain COUGHLIN. The question is as to the amount of water—

Mr. DONDERO. How much water will be taken out of the Tennessee?

Captain COUGHLIN. Only sufficient for lockage and the evaporation, and the estimate on that is 400 cubic feet per second.

Mr. DONDERO. And will that have any effect on lowering the water of the Tennessee River between the point or junction and where it will come into the Ohio River?

Captain COUGHLIN. No, sir; no appreciable effect.

Mr. DONDERO. There would still be some use for the Gilbertsville Dam?

Captain COUGHLIN. Yes; the normal flow of the Tennessee River will still pass the Gilbertsville Dam.

Mr. DONDERO. I notice all through this report it speaks of a special committee, and I am interested to know who this special committee consists of.

Captain COUGHLIN. A special board?

Mr. DONDERO. Yes.

Captain COUGHLIN. A distinction was made and it has been emphasized throughout the report, perhaps. Our normal procedure is, that the district engineer makes a report, and then the division engineer,

who is his superior, reviews it, and then the Board of Engineers for Rivers and Harbors, and, finally, the Chief of Engineers. In this particular case, since it extended into two districts, the Nashville district, which is responsible for the watershed of the Tennessee River, and the Cumberland River also, and the Mobile district, which has jurisdiction over the Tombigbee-Alabama watershed—the Chief of Engineers delegated the responsibility of making the survey and report to a special board, consisting of the district engineers at Nashville and Mobile, and the division engineers in the two divisions, the Gulf of Mexico division and the Ohio River division; and so, throughout the report, we had to say special board, in order to note the distinction between it and the Board of Engineers for Rivers and Harbors. Do you wish to know the names of the individuals?

Mr. DONDERO. They are in the report?

Captain COUGHLIN. Yes; and they change from time to time as assignments are changed.

Mr. DONDERO. It has been called to my attention that this project has received the approval of the National Resources Board.

Captain COUGHLIN. That is true, and I believe you will find that is published in the document.

Mr. DONDERO. I am interested in knowing whether all of the projects that come through your Board go to the National Resources Board before they come to this committee.

Captain COUGHLIN. I would rather reply to that off the record, if I may.

(Discussion off the record.)

Mr. PARSONS. Captain, in reply to a question, a few minutes ago, you said that there would be a diversion of probably a maximum of 400 cubic feet per second, which would not perceptibly influence the flow of water from the Tennessee into the Ohio. Then, under those conditions, this connection would not, in any way, reduce the flood threat or the flood stage of the Tennessee going into the Ohio?

Captain COUGHLIN. No, sir; it would have no effect upon the flood flow in the Tennessee.

Mr. PARSONS. I thought, when this matter first started out, that it was with a view to construct a project that would aid and assist, when necessary, in lessening the flood of the Tennessee into the Ohio, and, incidentally, into the lower Mississippi.

Captain COUGHLIN. That was investigated, because that was one of the things that very properly should be considered, and it was thoroughly investigated, and the conclusion considered these facts, in order to provide sufficient capacity for the amount of water which it might otherwise be desirable to divert. The cut through here would have to be very greatly increased in size over what is necessary for navigation, in order that the water could physically pass through. That would greatly increase the cost of the project.

Mr. DEROUEN. When you say "very greatly," can you give us an idea of what you mean, to what extent?

Captain COUGHLIN. Well, the project, as recommended for navigation, will have a cut 115 feet in width, and that will take 400 cubic feet of water per second, which is the amount estimated that is required for lockage, and to offset evaporation, et cetera, and still to reduce the velocity so it would not impede navigation.

Now, the flow of the Tennessee River—I do not have the figures at hand, but I would not be very far off if I said 200,000 cubic feet per second. That is one five-hundredth, is it not? That is, the flood capacity is 500 times what we expect to take out.

Mr. GREEN. That would be inconsequential?

Captain COUGHLIN. It would be less than we could measure safely. When I say 200,000 feet we are more in error than when we say 400 cubic feet.

Mr. PARSONS. When the Gilbertsville Dam is completed, the Pickwick Dam, Muscle Shoals, the two Gunterville dams, Chickamauga, Hales Bar, and Norris Dam, which is now completed on the Clinch River, will any of those reservoirs have any effect, whatsoever, on controlling the floodwaters in the Tennessee, in keeping them out of the Ohio, when the Ohio and Mississippi are at high flood stage, like 1937, for instance?

Captain COUGHLIN. Of course, the entire project is under the jurisdiction of the Tennessee Valley Authority and is not connected with my organization. Therefore, I am not authorized to speak for them. I can merely point out—

Mr. PARSONS. Off the record, what is your opinion about it, as an engineer?

(Discussion off the record.)

Mr. PARSONS. When the Gilbertsville Dam and all of these are—all of these that I mentioned—completed, will there be any appreciable area for reservoirs to control the waters of the Tennessee River?

Captain COUGHLIN. That, again, is within the field of the Tennessee Valley Authority.

Mr. RANKIN. How long will this development take?

Captain COUGHLIN. The normal construction period we believe would be spread over 8 years.

Mr. RANKIN. How much unemployment would it absorb?

Captain COUGHLIN. The estimate on that was that it should provide employment for 6,000 men over a period of 8 years.

Mr. RANKIN. An average of 6,000 men?

Captain COUGHLIN. That is the average employment throughout the time, 50,000 man-years.

Mr. RANKIN. That takes those people off of the W. P. A. and other governmental projects and absorbs unemployment for the entire area, does it not?

Captain COUGHLIN. If done in accordance with the procedure which has been followed on similar projects in recent years, a large proportion of the labor would have to come from local sources. That would depend, of course, upon the type of construction. If it were done by contract, in accordance with the standard form of contract, the contractor would have the option as to his source of employment, whether he used organized labor, or depended upon the reemployment service.

Mr. RANKIN. But if the Army engineers were in control of it, which I hope they will be, it would absorb all the labor in that area, would it not?

Captain COUGHLIN. It would be done in a very similar manner to Fort Peck, done with Government plant and labor hired in the locality.

Mr. RANKIN. Now, I pointed out, in my statement, that this work would be done with hydraulic dredges; is that correct?

Captain COUGHLIN. Yes, sir.

Mr. RANKIN. The Army engineers have those dredges, do they not?

Captain COUGHLIN. They have, at the present time, employed at Fort Peck a fleet of Government plant developed for that work. As to whether it would be advisable to transfer it from Fort Peck to this site, I am not prepared to say. A study of that would have to be made, of course.

Mr. RANKIN. You also have some at the Sardis Dam?

Captain COUGHLIN. Yes; they have similar plant at Sardis.

Mr. RANKIN. It was suggested to me—I will say to the committee—by the Army engineer that the proper course would be to transfer those dredges over there. They are run with electricity, are they not?

Captain COUGHLIN. Yes, sir.

Mr. RANKIN. And could be run with surplus power there.

Captain COUGHLIN. Yes; the power is supplied from commercial sources at Great Falls, Mont., over a transmission line 400 miles long.

Mr. RANKIN. There is a transmission line right across this Tombigbee route, right in the center of this divide, so you will have no trouble about making a connection there.

Mr. WILLIAMS. How many men did you say would be employed?

Captain COUGHLIN. Six thousand. I would like to check that, now.

Mr. WILLIAMS. Are you going to use any machinery in that project?

Captain COUGHLIN. Yes; it would be done with hydraulic dredges.

Mr. WILLIAMS. Where are you going to put those 6,000 men, if you are going to use hydraulic dredges?

Captain COUGHLIN. One section requires the construction of levees and also locks. There are 18 locks and dams required. On similar work on the Mississippi River, the average employment for a period of 18 months was 500 to 600 men at each of the sites, and there are to be 18 structures, locks and dams, in this project.

Mr. WILLIAMS. I was just wondering, under your present method of construction of that kind, where you are going to use dredges of the latest design—where you would ever place 6,000 men for 8 years.

Captain COUGHLIN. It would be spread over 260 miles, and as to the use of dredges, the gentleman probably had opportunity to look at the work at the Washington Airport, where you have the largest dredges now employed, and you do not actually see a great many men there, but you will see them out on the pipe line and on the fill attaching some of those large pipes. Some of those dredges carry a crew of close to 100 men.

Mr. WILLIAMS. I should think 6,000 men would be a very great number. Those men would come from the W. P. A. rolls?

Captain COUGHLIN. That is a detail not yet considered, because, after all, this is an engineering report and, at this stage, it has not gone into that detail. It will be done, I assume, in a manner quite similar to similar work elsewhere, as in the case of the upper Mississippi, with which I am familiar, because I was connected with that. We got the bulk of the labor from the rolls of the National Reemployment Service. That was done by contract, but the contractor was required to obtain his labor, both skilled and unskilled, by certification

from the National Reemployment Service Agency in the county in which the work was located.

Mr. WILLIAMS. Could this be done cheaper, if you used improved machinery and smashed it on through and got it done?

Captain COUGHLIN. Our experience has shown that the most economical results are obtained when work is done by standard engineering methods, either by Government plant and hired labor, or by contract.

Mr. WILLIAMS. And your estimate is on which basis?

Captain COUGHLIN. Our usual procedure is to make an estimate based on what we think we could do it for, using our own plant, or hired plant, and using our own labor. We have had vast experience in doing that. Whenever we call for bids on a project, we must have a basis of comparison, because the law requires that the award be made to a responsible bidder, who submits a satisfactory bid not more than 25 percent in excess of the Government estimate. This is based on that standard practice, assuming that we use modern, efficient machinery, and obtain our labor in the normal practice, common in the construction industry.

Mr. CULKIN. Captain, it is your opinion that, if this canal is constructed, it will have a vital and beneficial effect on 3,000,000 people living in that section; is that right?

Captain COUGHLIN. The report of the study of the special board considered that very thing. They found, or they make the statement in the report that the development in that area has been restricted or hampered by the lack of adequate low-cost transportation, which will enable the bulky commodities to move at a price that can be paid.

Mr. CULKIN. That is by reason of the present transportation situation, where the utilization of the national resources of the section are not probable or possible?

Captain COUGHLIN. The development which the special board thought might be expected has not taken place, and they believe that the lack of adequate low cost transportation is a strong influence in that retardation of development.

Mr. CULKIN. What do you figure the ultimate tonnage in that area to be?

Captain COUGHLIN. The tonnage upon which the economic justification is based, includes 1,848,000 tons to move on the waterway; that is, commerce originating and moving on the waterway, itself. There is an additional credit to it of that tonnage which is moving upstream, as a part of the through route to the Mississippi River, but the tonnage for the waterway, itself, what you might call local tonnage, is 1,848,000 tons.

Mr. CULKIN. In other words, you put into the scales the greater ease with which the tonnage can move up this waterway, rather than the Mississippi River?

Captain COUGHLIN. No, sir; the basis of comparison is the known cost of operating towboats.

Mr. CULKIN. The cost of operation?

Captain COUGHLIN. It is based on the actual experience of towboats now moving up the river, against the current of the Mississippi River, and compared with the known cost of operating similar towboats in slack water. Of course, if a boat is capable of running 8 miles an hour, and the current is 2 miles an hour, its net against the current

is only 6 miles an hour. Therefore, it takes longer to move upstream, against the current, than if it moved a similar distance in slackwater.

Mr. CULKIN. Will you enumerate the natural minerals that are present there in that area?

Captain COUGHLIN. I do not have them listed in as great detail even as Congressman Rankin enumerated them. The commodities that we considered, and which are included in this estimated tonnage, consists of forest products, iron and steel, limestone and shale, sand and gravel and coal, and upstream, sand and gravel, petroleum products, vegetable and food products, iron, sulphur from the Gulf Coast, and paper. In addition to that, the various minerals that the Congressman spoke of a while ago, such as bauxite, limestone, coal, iron ore, which are all present in the area and are being worked to some extent now.

Mr. CULKIN. This will stimulate the work?

Captain COUGHLIN. It is thought that the transportation cost, at which these commodities can move, will stimulate their production.

Mr. CULKIN. And this special board that you told my colleague about, was composed of how many officers?

Captain COUGHLIN. Four; the division engineers of the two divisions, the Gulf of Mexico division and the Ohio River division; and the district engineers of the two districts, the mobile district and the Nashville district.

Mr. CULKIN. They made a full and complete investigation, I assume.

Captain COUGHLIN. Yes; they made a very complete investigation, which is contained in the public document.

Mr. CULKIN. I wish the public, and Members of Congress, particularly, would take time off occasionally to read one of these very able documents that are presented.

Mr. RANKIN. My recollection is that the Army engineers put in 5 years on this investigation; is that correct?

Captain COUGHLIN. Yes, sir.

Mr. RANKIN. From 1934 to 1939. Let me say also to the gentleman from New York, that this project was unanimously endorsed by the Rivers and Harbors Congress that met here in Washington this year.

Mr. CULKIN. That is not binding on me.

Mr. RANKIN. No; but it is very encouraging.

Mr. DONDERO. I wonder if it included the St. Lawrence waterway.

Mr. CULKIN. I will tell the gentleman from Michigan that they did not.

Mr. DEROUEN. Any further questions?

Mr. DONDERO. Yes. Captain, I notice on page 2 of the report, that \$600,000 has been estimated for national defense. I suppose that is annual?

Captain COUGHLIN. Yes, sir.

Mr. DONDERO. \$275,000 for the enhancement of land values. You mean for farming purposes, agriculture?

Captain COUGHLIN. No, sir; the value of the banks of the stream, especially Mobile and the other urban developments along the Tombigbee and Mobile Rivers, due to their increased desirability for commercial and industrial use. Land which is now overflowed will become very valuable.

Mr. DONDERO. The building of dykes will provide that?

Captain COUGHLIN. Yes, sir.

Mr. DONDERO. There is \$100,000 shown as a saving annually, for recreational craft. That is pleasure boats, I take it?

Captain COUGHLIN. Does it say "recreational craft" or recreational purposes?

Mr. DONDERO. "Recreational value."

Captain COUGHLIN. That might not be so much the movement of boats, but the general value of having a controlled body of water available to the urban population.

Mr. DONDERO. Now, we come to this language, which I think will interest the committee. On the same page, at the bottom, are these two lines, referring to these three things that I have just enumerated, the report says this:

They are difficult to evaluate and appear to me to be questions falling within the realm of statesmanship, to which the Congress can best assign the proper values.

What did the Board of Army Engineers mean when they said, "fall within the realm of statesmanship"?

Captain COUGHLIN. I think you will find that the Chief of Engineers said that.

Mr. DONDERO. What does the general mean by that, Captain, if you know?

Captain COUGHLIN. Well, the general alone can say exactly what was in his mind, but the understanding that I got from him was this: You will notice that the economic balance between the annual carrying charges of this project and the annual estimated benefits include the value for national defense and for recreation, and is in favor of the improvement. If we could credit this improvement with only those things that we can evaluate in money and back up with figures, it would not show a credit balance. Nevertheless, the special board, which made the study, and the Board of Engineers for Rivers and Harbors, which reviewed that special report, based upon their experience and their general knowledge of that section of the country, and drawing largely upon their experience in this and similar projects, which they have seen develop, felt that it had merit and, therefore, they went on record as definitely favoring it. You will find, in the report of the Board of Engineers of Rivers and Harbors, that it is specifically recommended.

Mr. DONDERO. Captain, the line of demarcation between the experiences of your Board, where that ends, and where statesmanship begins, is something that is rather hazy in that language, and I thought that you might inform us about it.

Captain COUGHLIN. Well, I can only say that the picture I got from the Chief of Engineers, when he chose those words—and I can assure you he chose them—was that he felt that the inclusion of these valuable benefits, the benefits to national defense, the benefits to recreation, was something that the Congress should pass upon, rather than a group of engineers. Engineers deal usually with tangibles.

Mr. DONDERO. That applies to the recreational value, and also to the question of national defense?

Captain COUGHLIN. National defense and recreational value, and even the enhancement of the land values, although it is a part of our job to be able to appraise land values.

Mr. DONDERO. I have some sympathy with this project, because I find it is free from the sin of unnecessary power.

Mr. RANKIN. Captain, I did not understand the value to the land that the Army engineers had in mind.

As I pointed out, in one county, there are 25,000 to 35,000 acres of land that has been ruined by these waters backing up on them along that stream. I would say there is anywhere from 25,000 to 100,000 acres of the best farm land in that country. So the relief of that land from this flood danger would amount to a great deal more than what is indicated here for the improvement of the lands that the Army engineers indicate.

Mr. BOYKIN. Off the record, please.

(Discussion off the record.)

Mr. RANKIN. I want to ask Captain Coughlin a question. The gentleman from Delaware said, a while ago, this ought to be done with 6,000 men, and I believe you estimated 8,000 men?

Captain COUGHLIN. No; I think it is 6,000 men for 8 years.

Mr. RANKIN. The majority of this cost then would be absorbed by labor, would it?

Captain COUGHLIN. A very large part of the cost would be labor.

Mr. RANKIN. The rest of it would be largely cement, lumber, steel, and materials of that kind?

Captain COUGHLIN. Yes; and the operation of the dredges.

Mr. RANKIN. Now, the gentleman from New York, Mr. Culkin, was asking about using W. P. A. labor. I want to say to him that this work the Army engineers are doing on this river now is absorbing what would be our W. P. A. labor, and it is much more satisfactory, because they feel as if they are doing something that is of value. They are better satisfied, and they are doing a wonderful job. So I would think this labor, if this project is put through for this area—that it would at least absorb what labor would otherwise be on the W. P. A.

Mr. DEROUEN. Any further questions, gentlemen? Any other witnesses?

Mr. RANKIN. That is all the witnesses I have.

Mr. DEROUEN. Captain, have you completed your statement?

Captain COUGHLIN. Well, there is, of course, practically no limit to the detail into which this might go, if any of the members wish it.

Mr. Rankin. Captain, at the starting point, there is a sand ridge that you are going to have to cut through. I think the committee ought to understand that a little better.

Captain COUGHLIN. The improvement consists of, or is divided into, three sections: The summit cut between the Pickwick pool and the pool which will be formed behind the dam in the headwaters of the Tombigbee. It is approximately 39 miles between the dams. Then a lateral canal parallels the east fork of the Tombigbee River. That is where one of the land values comes in. Rather than leave the stream uncontrolled, to devastate the land and flood it, it will be put between the banks, so that the land will have a permanent-use value, and that is one of the details upon which the land value was estimated.

Mr. RANKIN. Then, so far as the stream is concerned, it will not be permitted to spread out and overflow the farm land?

Captain COUGHLIN. No, sir; it will be retained between dikes, so that the land can be used with certainty that it will not be periodically or unexpectedly flooded.

The most interesting feature, possibly, is the summit pool, where it will be necessary to make a cut through the ridge. The actual length of the cut, the total length, is 39 miles, and the maximum depth of the cut is 173 feet from the summit elevation to the bottom of the canal. The material is of such a nature that it can be readily removed by the modern hydraulic dredge with a cutter head. They can cut it and take it out by pumping to the disposal areas, and the plan considers a very ingenious arrangement, whereby the dredge will be able to start cutting 173 feet above the elevation of the canal.

Mr. RANKIN. How much dirt will one of those dredges move?

Captain COUGHLIN. A modern dredge moves a million yards a month, and I think those at Fort Peck move more than that. But a million yards a month is not beyond the capacity of a modern hydraulic dredge.

Mr. RANKIN. A million cubic yards?

Captain COUGHLIN. Yes; they are a very efficient type of earth-removing machine. We commonly excavate, with a hydraulic dredge, for 6 or 7 cents a yard.

Mr. RANKIN. That is 30,000 cubic yards a day for one machine?

Captain COUGHLIN. Yes, sir.

Mr. DEROUEN. You have larger dredge boats than that?

Captain COUGHLIN. Yes, sir. Those at Fort Peck—their capacity is considerably in excess of a million yards a month. That is a highly specialized job, a very large job, where it has been very much to the Government's interest to develop or increase efficiency. When a pump wears out, they can put in a new one within a very short time of not over 2 hours whereas, when they first started, it would take 12 hours. All of which leads to economy and reduces the cost.

Mr. RANKIN. It would not take very long to cut through that ridge?

Captain COUGHLIN. It could be done with considerable dispatch.

Mr. DEROUEN. How many cubic yards involved here?

Captain COUGHLIN. I do not actually see the figure here, but that is one we should have had, because it is always raised. It is several million yards.

Mr. RANKIN. If you move a million yards a month, several million yards would not take you very long?

Captain COUGHLIN. They could not maintain that rate, though, here, because they are going through a narrow cut.

Mr. DEROUEN. There is always a slack time that comes in?

Captain COUGHLIN. Yes; they are going through a narrow cut, where the sides have to be shaped, and that, I think, reduces the capacity, as well as many other things. The Tennessee is already taken care of by the Pickwick Dam, and that will maintain water at an elevation between 408 feet and 430 feet above sea level. The variation depends on the operation of the dam, both for power and in the interest of providing capacity for flood storage.

Mr. RANKIN. Captain, can you get me the amount of yardage that will be necessary?

Captain COUGHLIN. Yes, sir; that is in the report, I am sure.

Mr. CULKIN. How many locks in the canal, Captain?

Captain COUGHLIN. A total of 18. Ten in the canal section; one high dam known as The Narrows Dam, which maintains the water at the same elevation as in the Tennessee, behind the Pickwick Dam;

and 10 locks in the canal; and then a lock and dam at the mouth of Mackeys Creek, known as the Bigbee Dam; and 6 more locks and dams in the Tombigbee River, above the Demopolis Dam.

Mr. CULKIN. Is the water supply in that proposed project constant?

Captain COUGHLIN. Yes, sir; the pool maintained behind the Pickwick Dam in the Tennessee has, of course, a vast capacity, and that is operated in the interest of power development, and also in the interest of providing capacity for flood waters. That varies or operates in such manner that its surface ranges between 408 and 430 feet.

Mr. RANKIN. I will say to the gentleman from New York, also, that the tributaries of these two streams come in within 3 miles of each other. You can stand on top of a slight ridge and see from one to the other. The tributaries of Mackeys Creek flows out, into the Tombigbee; and the tributaries that flow north, in Yellow Creek, are very close to each other and parallel each other for some distance.

Captain COUGHLIN. Because of that draw-down of the pool behind Pickwick Dam, sometimes to as low as 408 feet, it is necessary to set the bottom of the canal on the summit cut at such elevation that there will always be a minimum depth of 12 feet, and at other times, when the pool is up, of course—

Mr. CULKIN. This matter does not enter into the present Tennessee picture, does it, the T. V. A. picture? It does not in any way quarrel with that?

Captain COUGHLIN. No, sir; you will find, in the public report, a letter from the T. V. A., in which they give it their approval.

Mr. BOYKIN. It was sent over by the T. V. A.

Mr. DONDERO. Captain, I hope I have not been deceived by your statement, and Mr. Rankin's, regarding this project being free from the sin of power, but on page 21 of the report, I am somewhat surprised to find this one line:

A substantial annual saving at some future date might be obtained by installing power facilities.

Is it contemplated to build these dams with the idea of looking forward to installing power?

Captain COUGHLIN. No, sir; it is not. We are required, of course, under the present law, to consider the possibility of the future installation of power and, in appropriate cases, even to build penstocks for the future installation of turbines. But the report dismisses power and says it is more economical to develop power at Pickwick Dam rather than to divert the water through here and develop it elsewhere.

Mr. DONDERO. Yes; and I understood you to say, a little while ago, that steam-generated power could be produced cheaper than you could produce it by water power?

Captain COUGHLIN. That was in the case of the Demopolis Dam on the lower river.

Mr. DONDERO. Power is out of this picture?

Captain COUGHLIN. Power is definitely out, sir. However, since you find the germ of sin present, I will probably have to protect myself, and say that many years from now, if they put in a little generator, I will say that that is consistent with the practice on the upper Mississippi, and even on the Ohio River, where they have installed, in the case of dam 15 on the upper Mississippi, a stand-by unit for the generation of power, or, rather, giving them an additional

source of power for the operation of the dam, in case the normal source of power fails, because it is extremely important that we have no failure of power to operate a dam.

Mr. DONDERO. These dams will be operated by power from Pickwick Dam?

Captain COUGHLIN. That would be the practical way of operating them.

Mr. DONDERO. If you do not do that, could you install enough power at these dams for the use of the Government in operating them?

Captain COUGHLIN. It is not contemplated in the report that they be installed initially. The estimates do not include that, but this is, as I say, consistent with our practice, too, to provide that added safeguard. In time of storm, for example, the power lines might be disrupted, but, nevertheless, that is the very time we need to operate the dam.

Mr. DONDERO. Then where would you get power?

Captain COUGHLIN. Normally, power would be obtained from the normal set-up within the territory. I can speak so much more certainly for some particular instances; for example, the case of the dam at Rock Island on the upper Mississippi, where it was extremely important that there be no failure to operate the dam. That is right in the middle of a highly developed region and they have, to my knowledge, five sources of power: They have commercial power from both sides of the river, from two different States; they have power from the Government arsenal, which happens to be hydropower, and they have their own hydro plant; and in addition to that, they have a standby unit run by gasoline engine. So they simply have multiple sources of power to guard against possible failure to get power, when they must operate the dam. It would be most unfortunate if they should not be able to operate the dam.

In addition to that, they can open it by hand.

Mr. DONDERO. Then this reference to power might be disregarded?

Captain COUGHLIN. Yes; and I think you will find, in the report of the Board of Engineers, that it is dismissed with the statement that it is not economically justified.

Mr. RANKIN. I will say to the gentleman from Michigan that I do not believe we have any more than enough water-power development on this stream than is necessary to run these locks. I am sorry to have to confess that, but I believe that is true.

Mr. DONDERO. I was greatly impressed with the statement of the Army engineer, too, that it could be generated there cheaper by steam than it could be generated by water power.

Mr. DEROUEN. Any further questions? If not, the committee will stand adjourned until 10:30 tomorrow morning.

(Thereupon, the committee adjourned until 10:30 a. m., Friday, May 5, 1939.)

Now dealing first with the prospective tonnage for the proposed waterway: As shown in the report of the Board of Engineers, the abbreviated survey of the report of the Special Board contains the result of a traffic survey made by the Board and the prospective tonnage as a whole developed by that survey; but the vast detail of the survey is not available to us, so that we have not been able to make any tests to determine the accuracy of the underlying traffic data. In those circumstances, we have, of course, been compelled to confine our consideration to the estimate of prospective commerce, as set forth in that report, without making any attempt to test the validity of the figures themselves.

The report shows the estimated prospective tonnage for the proposed waterway, as of 1937, as 1,478,419 tons, of which 70 percent, or 1,034,029 tons, consists of three bulk commodities which could be handled entirely by private or contract water carriers by or for three industries, that is, gasoline, 366,938 tons (25 percent); logs, 352,091 tons (24 percent); and sand and gravel, 315,000 (21 percent). This leaves only 444,390 tons, or 30 percent of the estimated tonnage, to be handled for the general public as distinguished from the three industries for which 70 percent of the tonnage would be transported.

The total savings estimated by the Board, as of 1937, are \$1,501,729. If the savings shown from petroleum products, sand and gravel, and logs, be deducted, these estimated savings, as of 1937, would be reduced to \$375,079. In other words, the estimated savings on gasoline, sand and gravel, and logs, alone, represent 75 percent of the total estimated savings in transportation charges to be derived from the construction of the proposed waterway.

We can only conclude from this analysis of the estimated tonnage and savings thereon that the canalization of these streams at an initial expense of about \$75,000,000 to the taxpayers of the country would be predominately in the interest of three special groups, that is, the refiners of gasoline, the producers of sand and gravel, and the logging industry. The validity of this conclusion, we may add, is attested by the following, quoted verbatim from the report of the Special Board, at page 56, paragraph 78:

An analysis of the above tables reveals that the tonnage movements would not be balanced. The up-bound movement would be approximately 1.4 times the down-bound. There is also a great disparity between the up-bound and the down-bound average saving per ton, the up-bound being 2.3 times the down-bound. The unbalanced tonnage movement indicated by the traffic survey is attributable to the large volume of petroleum products moving from the Gulf to inland points, principally in the Tennessee Valley. Petroleum products account for 42 percent of the up-bound traffic. The saving on this commodity of \$2.14 cents per ton being relatively larger than on most of the other commodities results in an average saving per ton up-bound much higher than the average saving per ton down-bound. The down-bound traffic contains no large movements on which relatively high savings are indicated. The largest single movement of logs shows an average saving of only 66 cents per ton, while the other large item, sand and gravel, shows a saving of only 22 cents per ton.

In comparison with the estimated saving of \$375,079 on the remaining commodities that may be transported for the general public, the estimated carrying charges for the project are shown to be \$3,561,400 annually. The carrying charges, therefore, are almost ten times as large the estimated savings when the savings on gasoline, logs, sand, and gravel are excluded from the estimate.

At this point, it seems proper to point out with respect to the estimated prospective movement of 366,938 tons of gasoline, on which a saving of \$785,247 in transportation charges is predicated, that the public would not benefit in any way whatsoever from such savings if they could actually be effected. It is well known the oil companies do not pass on to the public, through reductions in the price of gasoline, any savings in transportation that are accomplished through the use of water transportation.

Mr. CARTER. How about your railroad companies, where they make savings: Do they ever pass any of it on to the general public?

Mr. MORRIS. Yes, sir.

Mr. CARTER. But you do not think these people do?

Mr. MORRIS. Their own testimony is that they do not, sir.

Mr. CARTER. Where was that testimony given? Do you mean in this hearing?

Mr. MORRIS. No; it was given in a hearing in Memphis, Tenn., in the latter part of February.

Mr. RANKIN. Now, as a matter of fact, is not gasoline about 5 cents a gallon cheaper in Memphis, than it is in Tupelo, Corinth and Amory?

Mr. MORRIS. Perhaps.

Mr. RANKIN. And is it not cheaper at all those water points where they have cheaper freight rates?

Mr. MORRIS. No, sir.

Mr. RANKIN. You know, as a matter of fact, it is cheaper in Washington than it is down in Virginia and Maryland, particularly when you get away from this point?

Mr. MORRIS. I am speaking of the fact——

Mr. RANKIN. I understand that that is the case and, if so, then it does not make any difference how much the freight rates are, higher or lower freight rates do not benefit the people at all?

Mr. MORRIS. Insofar as the handling of gasoline is concerned, that is correct. At the hearing in Memphis, in February——

Mr. RANKIN. I want to say to you that the benefits are about \$2 a bale on cotton.

Mr. MORRIS. The price of gasoline at the filling stations—and I am talking about this area, of course; I won't undertake to cover the whole United States, but I am talking about the area with which I am familiar—reflects the refinery prices, plus the rail-transportation charges and, if savings are effected through the use of water transportation, such savings inure to the oil companies and are not passed on to the consuming public. That is their own testimony.

Mr. CULKIN. The chairman suggests that I ask you this question: Did you ever hear the testimony of Major Ross, before the Committee on the Merchant Marine, on that question?

Mr. MORRIS. No, sir; I did not; but I am going to refer to the testimony of Major General Ashburn, in a few minutes.

Mr. CULKIN. I mean Major Ross, who has some connection with the Petroleum Institute? He makes the flat claim that, based on transportation by water, from the oil fields to the ultimate consumer, and the use of specialized carriers on waterways for gasoline, that the actual saving is 20 cents a gallon on gasoline to the consumer—20 cents at the pump. Those figures, he states, were the result of an exhaustive examination made by certified accountants at the request of one of the major oil companies.

The CHAIRMAN. And on 8,000,000,000 gallons?

Mr. CULKIN. Yes; and the testimony in 1935 before a subcommittee of the Commerce Committee of the Senate, by a representative of that particular company, showed that the saving to the people at the pump, nationally, was \$1,300,000,000 a year, by reason of the intervention of water transportation. I would be glad to refer you to that testimony.

Mr. MORRIS. I would be equally glad to give a reference to the case—

The CHAIRMAN. And in case all of the petroleum and its products were conveyed by rail, gasoline would have to sell at 39 cents a gallon to the consumer; whereas, by reason of large quantities of it being conveyed by water and pipe line, at a much cheaper cost of transportation than by rail, the average price, 3 years ago, to the consumer, was 17 and a fraction cents a gallon. Now, the railway attorneys were there and heard him, and none of them have ever denied that. It has been quoted a number of times since and none of them, up to this time, have ever denied it or disputed it, and we would like to put it up to the railway attorneys generally, and see what they have to say about it.

Mr. MORRIS. I can only state, so far as the area I am talking about particularly is concerned, I am relying in this statement on the statement of a responsible officer of one of the large oil companies in the presence of the officers of about six others and he made that statement, and it was not refuted by any of them.

Mr. CULKIN. That is, there were no—

Mr. MORRIS. Let me make it clear, that in this area the price at the filling station is based on the refinery price plus the rail rate to the filling station. If there is any saving that comes about through the use of water, that saving inures solely to the gasoline company and is used in its competition, and in other ways.

Mr. CULKIN. That is related to that particular area?

Mr. MORRIS. That is right.

Mr. CULKIN. That did not go into the question of the transportation of the crude petroleum from the wells?

Mr. MORRIS. No, sir; it did not.

Mr. CULKIN. To the seaboard or the refinery?

Mr. MORRIS. You are correct—or the use of pipe lines.

Mr. CULKIN. It did not include that?

Mr. MORRIS. No, sir.

Mr. CULKIN. Now this witness [Mr. Ross] testified that the cost of transportation of gasoline products from the well to the refinery on the Atlantic seaboard was five-eighths of a mill per ton-mile, and that went into the savings to the public.

Mr. MORRIS. That included the crude movement into the refineries?

Mr. CULKIN. Yes; exactly. That is in the picture.

Mr. MORRIS. The two statements, then, are not necessarily conflicting.

Mr. CULKIN. You are testifying only as to this area?

Mr. MORRIS. As to gasoline?

Mr. CULKIN. Yes; I had some information that that testimony was given.

Mr. RANKIN. If you will go back and check those figures, you will find whoever gave you that information was badly in error.

Mr. MORRIS. Well, it was given under oath before the Interstate Commerce Commission.

Mr. RANKIN. I understand it was given under oath; but, if you will go back and check, you will find that gasoline is cheaper in Memphis or Pittsburgh than it is in the interior points.

Mr. MORRIS. Oh, certainly; that is perfectly apparent, because the western refineries base the price on the greater distance to Tupelo. For example, the rail distance is longer and, therefore, the rail rate is higher and, therefore, adding the rail rate to Tupelo inevitably produces a higher price.

Mr. RANKIN. That would not apply to Jackson, and you will find the gasoline price cheaper in Memphis than in Jackson, and Jackson is probably 100 miles closer to the refineries than Memphis. Your rates are so high, I will say to the gentleman, to Tupelo, where I happen to be from, that they are trucking most of the gasoline in there to escape the high freight rates.

The CHAIRMAN. That is largely a matter of convenience, too.

Mr. MORRIS. As we have pointed out, the estimated tonnage savings from gasoline, logs, sand, and gravel constitute the great preponderance of the tonnage and savings estimated by the survey board for the project, but this by no means tells all of the story. According to the report, the following commodities, included in the prospective tonnage would be handled exclusively by contract or private carriers: Gasoline, logs, sand and gravel, lumber, scrap iron, and iron and steel, and these six commodities are estimated to produce 1,172,655 tons with savings of \$1,269,803. If the total estimated tonnage and savings from these six commodities are eliminated from the board's estimate, there remain 305,764 tons of prospective traffic, as of 1937, and \$231,926 savings. It follows that the survey board only expects 21 percent of the tonnage and 15 percent of the savings to come from the common-carrier transportation in which the general public is primarily interested.

Here we desire to quote from the testimony of Gen. T. Q. Ashburn, president, Federal Barge Lines, on May 2, 1938, in connection with H. R. 9073 and H. R. 10464:

It is not clear just how the operations of private and contract carriers improved and maintained at Government expense benefit the public. Do the great steel companies, oil companies, and so forth, handling their own commodities, pass on these savings to the public? Do the contract carriers or the fortunate few enabled to employ their services either pay for the right-of-way maintained by the public or pass on the profits to the public? The only way in which the public may benefit through the savings inherent in these waterways is through the operations of common carriers whose services are available for hire to all on equal terms. * * * The savings accruing through the use of the publicly constructed rights-of-way on the Warrior and Savannah Rivers by private and contract carriers are not made available to the public, but are pocketed by those now utilizing these streams.

A further criticism of the estimated tonnage for the proposed waterway lies in the assumption that a saving of \$2.14 per ton would be brought about from the estimated movement of 366,938 tons of gasoline included in the prospective tonnage which, it is stated, will move from the Gulf to inland points, principally in the Tennessee Valley.

Mr. PARSONS. The statement has been made here repeatedly in this committee this year that it costs a great deal more to ship goods out of that area than to ship goods into that area. I think that statement has been made by Mr. Rankin. Could you give us your rates,

for the record, showing the rates on some of the basic commodities that move out of that area, and the rates on basic commodities that move into the area, from a given point?

Mr. MORRIS. I could not possibly give that at the moment; but, in the extension of my remarks, I would be very happy to do so.

Mr. RANKIN. That will apply particularly, I will say to the gentleman from Illinois [Mr. Parsons] to freight shipped out of the South; on freight shipped north, that is true.

Mr. PARSONS. That is what I mean; that is, goods shipped north, for instance, from Tupelo.

Mr. RANKIN. Yes; or from any of those points.

Mr. MORRIS. You are referring to traffic that may move, for example, to points north of the Ohio River, and traffic from points north of the Ohio River moving into this area, in the reverse direction?

Mr. PARSONS. That is right. The ton-rate on goods. You make a selection of two or three basic commodities that move south, and two or three basic commodities that move north.

Mr. MORRIS. We could very readily do that.

Mr. PARSONS. Is there an appreciable difference in the tonnage rates, for instance, on shipments from Cairo, Ill., down into that area, and from that area to Cairo?

Mr. MORRIS. If you are dealing with the same commodities, sir, the rates are generally the same in both directions. Of course it may be true that the rate on a given commodity from this area to Cairo is lower or higher than the rate on another commodity from Cairo, in the reverse direction. I might go just a little bit further, if you like, and explain the underlying theory of the freight rate adjustment in the South. That is a system of rates based upon mileage, which has been prescribed by the Interstate Commerce Commission and, under that system of rates, the general rate level is the same in both directions and for equal distances in any direction. That is basic.

Mr. PARSONS. Of course, I understand perishable goods would take a higher rate than nonperishable goods; that is true.

Mr. MORRIS. That is correct. It all depends on the character of the tonnage that may be moved.

Mr. RANKIN. Well I have a letter from a man in Tupelo, my town, who shipped a carload of goods to a consumer.

Mr. MORRIS. What kind of goods?

Mr. RANKIN. Clothes.

Mr. MORRIS. Dry goods?

Mr. RANKIN. Yes; drygoods. He shipped them to that northern area, I think Columbus, Ohio, and had to ship them back, and he wrote me he paid nearly twice as much to ship them north as he did to ship them south.

Mr. MORRIS. If I may explain, I think I can——

Mr. RANKIN. Of course, that is an area that is not being served now, has no railroads—in that Timbigbee area. There is one log road, but that area has really been neglected.

Let me call your attention to another thing: You know, you make discriminatory rates in favor of water points.

Mr. MORRIS. Mr. Rankin, we do not make them; the water carriers make them. They make them, and we meet them.

Mr. RANKIN. Oh, no; you reduce your rates to the water points, and here is what you do: You ship goods through my town, or any town in this area, from one water point to another, cheaper than you will put them off in that area. That is true, is it not?

Mr. MORRIS. That frequently happens, with authority of the Interstate Commerce Commission; but we must meet our competition where we find it.

Mr. RANKIN. I will show you where the rest of the country is entitled to some consideration. When I speak of "the interior" I mean the vast majority of the American people. You will ship goods from Mobile, Ala., into the interior, cheaper than you will put them off at Amory, Tupelo, or Aberdeen, or points between, or at a great deal less in proportion to the haul, to put them off at those points. That is true, is it not?

Mr. MORRIS. I could not answer your question, unless you tell me what commodities you are talking about.

Mr. RANKIN. Is it not also a fact you ship goods from Mobile, Ala., or Pensacola, Fla., terminating on the Frisco Railroad—that you ship goods from one of those points up through that area and invariably change trains and carry them on to Memphis, or to points on the Mississippi River, cheaper than you will put them off at any of those intermediate points?

Mr. MORRIS. I would say generally that is not correct, sir. There undoubtedly are instances where it is, where these railroads, fighting for their very lives—

Mr. RANKIN. I will say this to you—

The CHAIRMAN. Let him finish.

Mr. MORRIS. I say there may be, and, in fact, I know of, certain instances where that does exist; but I say it is only as the result of those railroads in that area fighting for their very lives; they have to reduce their otherwise reasonable freight rates in order to avoid going completely out of business between points affected by water transportation, which is the real rate cutter.

Mr. RANKIN. In other words, in order to drive transportation off of the Mississippi River?

Mr. MORRIS. No, sir; in order to retain some tonnage that these railroads were built to carry.

Mr. RANKIN. You reduce your rates to those water points and charge it up to the interior points?

Mr. MORRIS. No; we do not charge it up to the interior points; but, in order to live, we have to meet the water rates.

Mr. RANKIN. Could not you hold your water rates up—I am speaking now for the people of the whole United States—in order to make up whatever deficit you might have in trying to meet that competition?

Mr. MORRIS. There is the very trouble, sir. We cannot make up the deficit. We have to reduce the rates between the water points and have not any way of recouping. That is one of the reasons why the railroads are in the terrible condition they are in today.

Mr. RANKIN. Let me ask you: You are an economist, are you not?

Mr. MORRIS. No, sir; I am only a poor traffic man.

Mr. RANKIN. I wonder if you gentlemen have ever suggested to the railroads the advisability of squeezing about ten billion dollars' worth of "water" out of their capital structure and get down to doing business on a legitimate basis?

Mr. MORRIS. Speaking for my own railroads, there is no water in the capital structure.

Mr. FORT. Mr. Chairman, we have a very important and conflicting subject to talk about here and have a very limited time. We would be very glad to talk about the so-called northbound and southbound rates; we would be very glad to talk about the capitalization of the railroads, but each of those subjects, within itself, is a enormous subject and would require a lot of time and, today, if we may be permitted, we would just like to talk about this project which is before this committee for decision. And our time is so short, I would like very much if Mr. Morris could finish his statement.

Mr. MORRIS. As heretofore pointed out, the prospective savings attributed to this gasoline movement amounts to \$785,247 per annum, or 52 percent of the total transportation savings estimated for the year 1937. This estimated saving, according to the report, represents the difference between the estimated cost of transporting gasoline from the Gulf to the Tennessee Valley by water through this proposed waterway and the Tennessee River, and the cost by rail at the rail rates which were in effect July 1, 1938.

In the absence of the underlying traffic data, we have no way of determining whether or not this assumed saving of \$2.14 per ton on gasoline represents the actual difference between the water cost and the freight rates from the Gulf to the Tennessee Valley as of July 1, 1938; but, in any event, the railroads serving this area on July 8, 1938, applied to the Federal authorities for permission under the fourth section of the Interstate Commerce Act to reduce the rates on gasoline from all of the refineries in the New Orleans-Baton Rouge district, to all of the Tennessee River cities at which bulk terminal facilities for the handling of gasoline exist, approximately 50 percent. Specifically, the rates proposed by the railroads to the principal Tennessee River cities, in comparison with the rates upon which this report, apparently, is based, are: Sheffield, Ala., the rate as of July 1, 1938, is 40.5 cents; proposed by the railroads, 21 cents; Florence, Ala., 42 cents; proposed by railroads, 21 cents; Decatur, Ala., 37.5 cents; proposed by railroads, 21 cents; Gunter, Ala., 38.5 cents; proposed by railroads, 21 cents; Chattanooga, Tenn., 47 cents; proposed by the railroads, 21 cents.

I think I should say there, very frankly, the reason the railroads have been compelled to propose those reductions lies in the fact that a part of this gasoline has already been diverted not to the Mississippi River from New Orleans, but to the Mississippi River from St. Louis, and a large tonnage is now going into this area by water from St. Louis, and we were told unless the rail rates were reduced—and, by the way, gentlemen, these rail rates are not rates that we made; they are rates which the Interstate Commerce Commission, after months of investigation, prescribed as reasonable rates—we were assured if we did not reduce the rates from the New Orleans area into the Tennessee Valley, that the tonnage remaining on the rails would go to the Mississippi River from New Orleans. I do not want to mislead you and have you think we voluntarily reduced rates that otherwise we have every reason to believe, from the highest authority, the regulatory body, are reasonable rates.

Mr. CULKIN. I dislike to interrupt the gentleman, but I would like to ask a question at that point.

Mr. MORRIS. Yes, sir.

Mr. CULKIN. How do those proposed rates by rail compare with the existing water rates, if you know?

Mr. MORRIS. I cannot tell you, because there are no existing water rates. The tonnage is moved by the oil companies either in their own barges or in barges they contract for. In one case, I know they hire a tow for \$300 a day, and it carries a tremendous amount of gasoline, of course.

The CHAIRMAN. Generally it is not conveyed in vessels which are engaged in the common-carrier trade?

Mr. MORRIS. In no case that I know of, in this area, and the report of the Army engineers so show.

Now, going back to these proposed reductions in rates: Thus, the railroads themselves have proposed to reduce the gasoline rate to these Tennessee River cities upon the average, 20 cents per 100 pounds, or \$4 per ton, which is a saving of \$1.86 per ton more than the entire saving on this commodity estimated by the survey board's report. In the finality, this means that the saving of \$785,247 credited to the gasoline tonnage in the survey board's report will not actually come about from the construction of the proposed waterway; because, obviously, the total saving claimed, plus \$1.86 per ton, will be brought about through the action of the railroads before the construction of the proposed waterway could be begun, assuming, of course, that the Interstate Commerce Commission acts favorably upon the request of the railroads. This request of the railroads is now pending before the Interstate Commerce Commission in a proceeding known as Fourth Section Application No. 17413—Gasoline and Kerosene to Alabama, and should be acted upon in the next several months.

By the way, the record in that proceeding is the authority for the statement I have made about the prices of gasoline and their relation to water transportation.

Included in the estimated prospective tonnage, as of 1937, are wheat, 9,000 tons; tanning extract, 1,350 tons; wood pulp, 2,274 tons; cooperage stock, 9,786 tons; fuller's earth, 17,000 tons; scrap iron, 44,800 tons; bauxite ore, 3,750 tons; roofing, 3,868 tons; and cement, 4,000 tons.

This estimated tonnage, like the balance of the prospective tonnage estimated by the board, is the result, as we understand, of replies made to a questionnaire distributed by the board and we have, of course, no way of testing the accuracy of these estimates, except by the tonnage now handled on the most comparable waterway in this area, namely, the Tombigbee-Warrior system between Birmingham and Mobile. An examination of the reports of the Chief of Engineers of the United States Army for the year 1937 shows there was no movement on the Tombigbee-Warrior system of wheat, tanning extract, wood pulp, cooperage stock, and bauxite ore. The movement on the Tombigbee-Warrior system of the remaining commodities listed above was far less than the movement estimated by the survey board for the proposed waterway; that is, fuller's earth, 3,926 tons; scrap iron, 1,395 tons; roofing, 396 tons; cement, 150 tons.

Surely this comparison of the actual movement of these commodities on the Tombigbee-Warrior system with the estimated movement over the proposed waterway at least suggests that the latter may be somewhat overstated. What has been said in the foregoing has to

do only with the prospective tonnage and savings estimated by the survey board as of 1937, or, in other words, the basic figures on which other assumptions of the board as to the traffic available upon completion of the project in 1950 are rested.

Now turning to the effect of the diversion of the estimated prospective tonnage from existing modes of transportation to the proposed waterway: Accepting, for the purpose of this discussion, the prospective tonnage estimated by the proposed waterway by the survey board, we have undertaken to examine the probable effect of the diversion of this tonnage from existing transportation agencies to the proposed waterway.

The survey board estimates the prospective tonnage, as of 1937, for the proposed waterway, as 1,478,419 tons and its report shows this to be commerce that would be immediately available for movement over the proposed waterway. It does not include the allowance subsequently made by the board for the additional traffic that might develop as the result of the construction of the waterway and other factors. It follows, therefore, that the estimated tonnage of 1,478,419 tons must be considered as tonnage that would be diverted from existing transportation agencies. There are but three transportation agencies in the affected area today from which this tonnage can be taken—first, the railroads; second, existing waterways; and, third, the motor carriers.

Dealing first with the railroads: In 1935, at the request of the Engineer Corps, 13 railroads operating in the waterway territory reported the carload movements of the principal commodities between specific key points in the immediately tributary area, and between such groups and more remote territories via routes susceptible of diversion through the proposed waterway for the calendar year 1934, and the total freight reported by the railroads under these restrictions was 1,544,522 tons. Increasing this tonnage in percentage ratio to the increase of total tonnage of railroads in the southern region, 1937 over 1934—37 percent—we have 2,115,995 tons as the tonnage of the 13 railroads in 1937 susceptible to diversion to the proposed waterway. It follows that if all of the tonnage estimated for the proposed waterway should be diverted from the railroads in the affected area, the diversion would represent 70 percent of their estimated tonnage in the affected area in 1937. We will later show the tonnage carried by the Tombigbee-Warrior and the Mississippi Rivers between New Orleans and Cairo, and the effect of the diversion of any part of the estimated prospective traffic from these systems to the proposed waterway can be ascertained from these tonnages. We have no way of estimating the tonnage carried by the motor trucks in the affected area, but it can be safely assumed that the preponderance of the tonnage estimated for the proposed waterway, consisting as it does largely of such bulk commodities as gasoline, sand and gravel, logs, and the like, is not susceptible of the long-distance transportation contemplated by the Board's report in trucks, so that the diversion must come largely from the existing railroads, or waterways.

The CHAIRMAN. Can you give us a reasonable estimate as to what proportion of it might come from the Mississippi River?

Mr. MORRIS. I have only the tonnage on the Mississippi River. It amounted to approximately \$11,000,000 between Baton Rouge and Cairo in 1937. The Army engineers suggested—

The CHAIRMAN. Excuse me; I have not had the time to read the report.

Mr. MORRIS. Certainly, sir. It is my recollection that the Army engineers proposed there might be a diversion of some 800,000 tons from the Mississippi River. The figure may be higher. I am going to undertake to locate it later and give it to you exactly. I think probably it is in excess of that, but one of my colleagues is going to locate the page in the report and I will give you the figure they estimate.

The CHAIRMAN. And that is estimated as the tonnage that will be transferred from one waterway to another?

Mr. MORRIS. Yes, sir. But do not misunderstand me: That is not included in the Army engineers' estimated tonnage of 1,100,000 tons for the waterway as of 1937. They do predicate an annual saving and estimate an annual saving of \$1,000,000 from this Mississippi River diversion; but they do not include that in the estimate of prospective tonnage. I do not want to leave any wrong impression there.

The CHAIRMAN. I wonder if that tonnage, probably to be diverted, would be northbound or southbound, principally, or both?

Mr. MORRIS. Their suggestion is it would be northbound tonnage, and I think the figures show it will consist quite largely of gasoline. I will give you the precise figures in just a moment.

With the country facing, as it does today, a large surplus of transportation facilities, is it not robbing Peter to pay Paul to construct an additional waterway at the huge cost of about \$75,000,000 in order to divert a substantial tonnage from existing transportation facilities equipped to handle adequately and expeditiously a far greater amount of tonnage than they can obtain? Furthermore, the railroads are not the only "Peter" in that familiar saying, for it would also mean robbing the other patrons of the railroads in order to subsidize, primarily, the shippers of those commodities who would use this waterway. This is not mere talk, because the railroads must continue to operate and it is perfectly obvious that, when you take away from them as much traffic as is contemplated by this project, the unit cost of transporting the remaining traffic in that territory will be substantially increased. In this circumstance, one of several things will happen for, having lost this traffic, the railroad cannot continue to operate in the same manner as before, at the same rates, unless its aim is bankruptcy. Either the remaining traffic will have to bear the burden of increased rates, or else the operating cost of the railroads in this territory will have to be drastically cut, or very likely both of these results will occur. As everyone knows, operating costs can never be reduced sufficiently to offset the loss in revenue from lost business, because your plant simply has to continue to operate; but, to the extent that they can be reduced, it is primarily at the expense of the employees of the railroads. Thus the employees of the railroads are another "Peter" in this picture. You have expressed your interest in the effect which this project would have on employment, and I submit that you will be depriving hundreds of men of regular employment with private industry and will be sending these men to the W. P. A. rolls or the relief rolls.

The CHAIRMAN. Can you tell us about how many men are employed on the railroads that you represent?

Mr. MORRIS. I cannot, Mr. Chairman, but I think a witness who will follow me can. I am not sufficiently familiar with the personnel of the carriers in that area to say how many employees they have today.

Mr. GRISWOLD. May I ask what percentage would this decrease the tonnage of the railroads?

Mr. MORRIS. Of course, sir, that is impossible to answer. We know if they shut off all of this tonnage from us, it would take 70 percent of the tonnage we have estimated as being susceptible of diversion in that area. I would not stand here and tell you they would take all the 70 percent—all of the tonnage from the railroads. I do not know. It has got to come from somewhere; it has got to come from the railroads, or the existing waterways, and, perhaps to some extent, from the trucks.

Mr. GRISWOLD. If this canal is built and carries the tonnage that statement says it will carry, and it takes from the railroads what they state it will, what percent of your traffic will be taken?

Mr. MORRIS. In the traffic for that area, it will take 70 percent of the traffic available, according to the estimate I have made.

Mr. GRISWOLD. What do you mean by "that area"?

Mr. MORRIS. I am basing that, sir, on the traffic test we made for the Engineer Corps in 1934, considering all traffic that might be diverted will be susceptible of diversion to this waterway. The engineers selected the points and we merely supplied the traffic.

Mr. GRISWOLD. Would it be between Memphis and Mobile?

Mr. MORRIS. Yes. It might include traffic going much beyond the confines of this particular waterway, in joint services; for example, traffic moving from the Gulf to Ohio River cities. It is estimated by the board that traffic could be handled through the canal. We have no way of knowing from and to what points the prospective tonnage is estimated to move, because the detail of the survey of the engineers has not been made available to us. I have given merely the best estimate I know, assuming all of it would be diverted. I am not willing to say all of it would; certainly we would make a tremendous effort to avoid that.

The CHAIRMAN. You proceed upon the basis that all of this traffic must come from some other mode of transportation?

Mr. MORRIS. Yes, sir.

The CHAIRMAN. Would not there be some new traffic developed?

Mr. MORRIS. Presumably. The board has allowed 25 percent for that, 1,700,000 tons, to take care of traffic that might be created by the construction of the waterway. So that figure is not in this part of the discussion I am undertaking just now. They have given certainly a generous estimate for the creation of traffic and then to that 25 percent they have added 15½ percent to cover the estimated increased activities in 1950 over 1937. Heaven knows if our trend in the next 10 years follows the last 10 years, I doubt the wisdom of the addition of that 15½ percent for increased activity. It has not followed.

Mr. RANKIN. Mr. Morris, the traffic that would be diverted, the north-bound traffic that would be diverted from the Mississippi River would not affect the railroads any, would it?

Mr. MORRIS. No.

Mr. RANKIN. It is already being hauled by water?

Mr. MORRIS. That is right. I do not make that contention, sir.

Mr. RANKIN. So that instead of fighting the terrific current of the Mississippi River for 900 miles to Cairo, this traffic would have the advantage of moving in slack water through the canal, and then downstream?

Mr. MORRIS. That is the theory of it.

Mr. RANKIN. That is the through traffic, and, of course, the traffic in Tennessee would have the route cut from 1,300 miles to 494 miles.

Mr. MORRIS. Of course, the board's report also suggests this, that there would be probably a redistribution of the import and coastwise tonnage as between New Orleans and Mobile; in other words, ships that now land at New Orleans, under the statement in the board's report, might come into Mobile and change to train traffic there, so that it would go up the proposed waterway instead of up the Mississippi.

Mr. RANKIN. Are you familiar with the raw materials in that area?

Mr. MORRIS. In a general way.

Mr. RANKIN. With the millions of tons of ceramic clays that are now imported from foreign countries, and the discovery of millions of tons of asphalt that are needed for roads throughout the country, and the sand and gravel, limestone, timber, and so forth, that are now virtually cut off?

Mr. MORRIS. But I call your attention to the fact, with the exception of sand, gravel, lumber, and logs, the estimated prospective tonnage that the engineers have predicated carries very little of such commodities as ceramics and the like.

Mr. RANKIN. It does not venture any forecast as to the future development, but there they have found America's reserve supply of ceramic clays.

Mr. MORRIS. You are quite right that an analysis of the mineral resources of that area indicates the presence of those commodities; but, as far as I can determine from a hasty study of the estimate of prospective traffic, on pages 54 and 55, the engineers do not suggest the movement of those commodities.

Mr. RANKIN. But they justify it even without the movement of those commodities.

Mr. DONDERO. It might be fair to ask, if those materials are there, why are we importing them from foreign countries; why have they not been developed?

Mr. RANKIN. I can answer that—they had not been discovered.

Mr. DONDERO. They have just been discovered recently?

Mr. RANKIN. About 5 years ago the ceramic clays in northeastern Mississippi were discovered.

Mr. MORRIS. You gentlemen expressed your interest last Thursday in the effect this project might have on employment, I submit you will be depriving hundreds of men of regular employment with private industry—that is, the railroads, and perhaps existing waterway projects—and will be sending those men to W. P. A. rolls or relief rolls, or somewhere else. That is a rather broad statement. What I mean to say is simply this: As tonnage is taken from the railroads, the employment for the men who serve the railroads—and there are lots of them—necessarily decreases. There is much unemployment of railroad men today, and these railroad men are skilled men.

Mr. RANKIN. Mr. Morris, it would also employ 6,000 men for the next 8 years, would it not, on this work?

Mr. MORRIS. Yes; accepting the engineers' discussion of the other day. But I am sure, Mr. Rankin, as far as the railroad men are concerned, you would not consider it would be a benefit to them to be taken from the pay rolls of the railroads as skilled men and to be employed in common labor in the construction of this canal?

Mr. RANKIN. Well, it would certainly be a benefit to those people in there who work on this canal and need employment, just the same as on the railroad or any other public works.

Mr. MORRIS. I grant you that.

Mr. RANKIN. You speak of driving the railroad employees to the W. P. A. rolls?

Mr. MORRIS. Yes.

Mr. RANKIN. Which I think is rather farfetched.

Mr. MORRIS. Probably, sir, but they have to go somewhere.

Mr. RANKIN. But you are taking 6,000 men that probably would go on the W. P. A. roll, or a great many of them, and employing them.

Mr. MORRIS. Naturally, I am somewhat prejudiced in favor of the railroad men, though.

Mr. RANKIN. And I am prejudiced in favor of the men down there.

Mr. MORRIS. Even adopting these measures, as the railroads would necessarily be compelled to do, in the interest of self-preservation, the railroads in this territory would be weakened, and there can be no question but that the general public interest is far more concerned with the maintenance of a sound railroad transportation system than with the building of this waterway. Furthermore—

Mr. CULKIN. Do you not think what the public is concerned with is adequate low-cost transportation in America?

Mr. MORRIS. Yes.

Mr. CULKIN. Is not that vital, too?

Mr. MORRIS. I think so.

Mr. CULKIN. And is not that just as essential to our very national existence?

Mr. MORRIS. It is essential to our national existence. In other words, a national transportation system, as a whole, is essential to our existence.

Mr. DONDERO. Up to this point, this project is not an example of that, however?

Mr. MORRIS. In my judgment, no. Furthermore, it must be apparent to you gentlemen that, from the point of view of national defense, the presence of a healthy, strong railroad system in this territory would be of inestimably greater value than this proposed connection between the Tennessee and the Tombigbee Rivers. I do not think that point needs any elaboration. Expedition—the ability to transport a tremendous tonnage in a short time—lies in the railroads and not in the waterways; and in time of war you require expedition.

Mr. DONDERO. Does the Interstate Commerce Commission fix water rates?

Mr. MORRIS. No, sir.

Mr. DONDERO. Who fixes water rates?

Mr. MORRIS. Anyone who has a boat. I am speaking of the interior rates. The Maritime Commission has, over the intercoastal lines.

Mr. ANGELL. There is a bill pending now before Congress to place this matter under the Interstate Commerce Commission, and to have that Commission fix water rates as well as rail rates.

Mr. MORRIS. I so understand, and I earnestly hope that Congress, in its wisdom, will see fit to pass such a bill.

Mr. CULKIN. You are in favor of the Interstate Commerce Commission having that power?

Mr. MORRIS. My experience, over a period of some 20 years now with the Interstate Commerce Commission, has caused me to believe it is a body, on the whole, of highly experienced men who show fairness and ability in dealing with our transportation problems. I should answer, "Yes, sir."

Mr. CULKIN. You heartily endorse the Interstate Commerce Commission?

Mr. MORRIS. I do.

Mr. CULKIN. And the railroads?

Mr. MORRIS. I do.

Mr. RANKIN. Of course, you understand there are several other routes that have been discussed, and you would be opposed to connecting the Tennessee with the Gulf of Mexico, or with any inland water route, would you not?

Mr. MORRIS. Any I have heard of; yes, sir.

Mr. RANKIN. Well, I guess you have heard of all of them. Could you imagine hearing of one that you would not be opposed to?

Mr. MORRIS. I doubt it very seriously.

Now, dealing with the estimated prospective tonnage for the proposed waterway in the year 1950: Having arrived at the 1937 prospective tonnage for the proposed waterway—1,478,419 tons—the survey board adds an arbitrary 25 percent to cover the increased traffic which might develop as a result of the construction of the proposed improvement, and to this is added another 15½ percent of the resultant total to reflect presumed increased activity in 1950 over 1937. These assumptions produce an estimated prospective annual commerce in 1950 of 2,134,468 tons and an estimated saving in that year of \$2,168,121. At this point, attention is invited to the great disparity between these estimates and the estimate made by Lt. Col. W. D. A. Anderson, district engineer, Mobile, Ala., in the report of November 17, 1930, included in House Document No. 56, Seventy-third Congress, first session. I am going merely to quote briefly from this, in the hope you gentlemen will have an opportunity to read the entire excerpt. He says:

* * * The volume of traffic estimated as available for movement on the waterway as of the year 1950 is shown as 1,275,000 tons and the annual savings to commerce thereon estimated at \$1,340,000.

It will be noticed, first, that the prospective tonnage now estimated by the survey board for the year 1950 is almost double the volume of traffic estimated as available for movement on the waterway in 1950 in Colonel Anderson's report, and the savings now estimated for 1950 are almost double the savings which Colonel Anderson estimated could be made in 1950 through the construction of the proposed waterway.

Mr. RANKIN. You are quoting Colonel Anderson and not the Board of Army Engineers?

Mr. MORRIS. Colonel Anderson's report to the Board of Army Engineers, which was made in 1930, as I recall.

Mr. RANKIN. But the Board of Army Engineers, in its report, estimates the tonnage in 1950 to be 2,150,000 tons.

Mr. MORRIS. Which is the figure I just gave.

Mr. RANKIN. That is a considerable increase over former estimates.

Mr. MORRIS. That is the very point I am undertaking to make. No explanation whatever is made by the board of review of the disparity between these two reports; yet it seems inconceivable that these great disparities can be accounted for by any known changes in economic conditions in the affected area.

As heretofore shown, the elimination of the single item of gasoline from the Board's estimate of prospective tonnage and savings for 1937 reduces the estimates to 1,111,481 tons and savings of \$716,482. Increasing these two amounts by 25 percent, the figure used by the survey board to represent the commerce to be created by the waterway, and 15½ percent to represent the presumed increased activity in 1950, we have these totals as the savings in 1950 from traffic other than gasoline, namely, 1,604,700 tons and savings of \$1,034,421. Thus if the single item of the estimated gasoline tonnage and savings thereon are eliminated, the total transportation savings under the Board's estimate as of 1950 would be reduced from \$2,168,000 to \$1,034,241 per annum, and the savings would represent less than one-third of the estimated annual carrying charges of \$3,561,400. I am speaking now of the transportation costs alone. If we go further and eliminate all six of the commodity groups which are to be handled exclusively by private or contract carriers, the estimated tonnage and savings, as of 1950, under the assumptions used by the special board, would be reduced to 441,441 tons and savings of \$334,843 annually.

It is readily apparent from this analysis, we believe, that the economic justification for the construction of the proposed canal, using the special board's own figures, rests clearly upon the large savings that, under the plan outlined in the report, would accrue to the oil companies, the lumber and logging industry, the sand and gravel producers, and the iron and steel industry from the movement of their products in private or contract carrier transportation. Indeed, the economic justification offered by the special board may properly be said to rest upon the estimated savings to the oil companies alone; because, without these savings, the project is obviously without economic justification, since, as we have just shown, the estimated transportation savings, exclusive of those accruing to the oil companies, would be more or less than the annual carrying charges.

It follows, we submit, that in passing upon this project the Congress must decide whether the expenditure of \$75,000,000 or more can be justified by the estimated saving of a million and a quarter dollars annually for these four industries, bearing in mind that every ton diverted from the railroads and other existing transportation agencies, excluding existing waterways, must inevitably increase the distress of an already impoverished national transportation system.

During the construction of the proposed waterway from a long-range viewpoint, there is another important factor arising from the inclusion of this large saving from gasoline traffic in the estimates, which, it is submitted, should have most earnest consideration before a final conclusion is reached. This is a rapid transition that has

occurred and is now occurring in the marketing and distribution of gasoline through the use of pipe lines.

Mr. DONDERO. Right there may I ask whether or not it is true that crude oil is now being pumped from the Texas field and the Louisiana field as far north as Chicago and Detroit?

Mr. MORRIS. I understand that is true. I have some figures here showing the transportation of crude oil by pipe lines, and they are rather startling.

Mr. DONDERO. Do you know of any reason why oil could not be pumped from the same fields to the Atlantic seaboard, across the State of Florida?

Mr. MORRIS. I do not.

Mr. DONDERO. And in the State of Florida they want to construct a canal across that State.

Mr. MORRIS. So I understand. I know a gasoline pipe line, in recent years, was contemplated into this very district, but it was abandoned. I do not know why. I should like just here to refer, in answer to a question, I believe, from the chairman to Mr. Fort, to the statistics of the oil pipe lines from 1921 to 1937, in a paper distributed recently by the Interstate Commerce Commission and marked "Statement 396." I think that answers your question, sir. If I may, I would like to read a short excerpt from it.

Mr. DONDERO. You mean there are 396 pipe lines?

Mr. MORRIS. No, sir; that is just the number of the statement. I can give you the number of the pipe lines directly. That is the number of the statement signed by the Commission.

Mr. DONDERO. I do not think there is any difference, Mr. Morris, between you and the chairman; because the chairman's question referred to whether or not gasoline, in its refined state, was transported by pipe lines.

Mr. MORRIS. That is what I am going to undertake to explain from this paper. They say:

According to information published by the Bureau of Mines, the shipping of gasoline by pipe line was begun in the early part of 1930. The first long line for this purpose was owned by the Tuscarora Oil Co., Ltd. It extended from the refineries of the Standard Oil Co. of New Jersey, the parent company, to a point in western Pennsylvania. The next long line for gasoline was that of the Great Lakes Pipe Line Co., which was placed in operation in February 1931. It connected various refineries in Oklahoma and Kansas with important consuming centers, including Chicago, Milwaukee, and St. Paul. This line was constructed of new material, whereas the Tuscarora line was a converted crude oil line. The Phillips Pipe Line Co. was the third large gasoline system placed in operation. This line extended from the Phillips refinery at Borger, Tex., to St. Louis.

Mr. DONDERO. What town in Texas?

Mr. MORRIS. Borger, Tex., to St. Louis.

Mr. DONDERO. Are you reading now, Mr. Morris, the pipe lines that are actually transporting refined gasoline?

Mr. MORRIS. Yes, sir; I am. This continues:

* * * In 1932 eight gasoline pipe-line systems with a total mileage of 3,662 were in operation. By 1937 the total mileage of gasoline lines had reached 5,065.

Now, the tabular statement in the paper shows that in 1931 15,658,000 barrels of gasoline were moved by pipe lines; in 1937, the movement by pipe lines of gasoline had increased to 62,978,000 barrels.

Mr. DONDERO. What proportion is that to the total consumption in this country?

Mr. MORRIS. I have not those figures.

Mr. DONDERO. In other words, in 7 years it had increased 400 percent?

Mr. MORRIS. Yes, sir. It is certainly a threat—not only a threat to the water lines, but a threat to the railroads.

Mr. ANGELL. Is the raw, crude oil transported also?

Mr. MORRIS. Oh, that is almost all transported. I have not the figures for crude oil here. I am talking about gasoline. The tonnage I have just given was of gasoline.

Mr. ANGELL. I understand that; but is crude oil transported by pipe line and then refined at the end of the journey?

Mr. MORRIS. Yes; in tremendous quantities. I am dealing here in millions of barrels. This statement also shows that in 1930 the total movement by rail of crude oil to the refineries consists of 36,000,000 barrels; by all forms of water transportation, 307,000,000 barrels, and by pipe line, 846,000,000 barrels.

Mr. DONDERO. How much by rail?

Mr. MORRIS. By rail, the crude movement was 36,000,000 barrels, or 3 percent of the total movement of crude oil, by rail.

Mr. CULKIN. Do you know what our annual consumption is, nationally?

Mr. MORRIS. No, sir; I do not.

Mr. CULKIN. Well, I understand it is about 22,000,000,000 gallons.

Mr. MORRIS. It is tremendous.

Mr. DONDERO. Reducing that to barrels, how much would that be?

Mr. MORRIS. There are 42 gallons to the barrel, and the weight is 6.6 pounds per gallon, generally.

Mr. CULKIN. That is gasoline?

Mr. MORRIS. That is gasoline.

Mr. CULKIN. How many in excess of 20 billions per year?

Mr. MORRIS. I do not recall the upset figure. It is tremendous. It is not possible, of course, to predict when a gasoline pipe line may be projected into the Tennessee Valley from the refining areas, and I do not make any attempt to do so.

Mr. DONDERO. Will you give that figure again, of the amount of crude oil that is being conveyed by pipe line. Is that 846,000,000 barrels?

Mr. MORRIS. Yes, sir; the statement shows the receipt of crude petroleum at refineries and methods of transportation. It is captioned "Millions of Barrels of 42 Gallons." It shows, first, the rail movement—

Mr. DONDERO. I know that. It is just that one item.

Mr. MORRIS. Just the one item of 846,000,000 barrels, or 71 percent of the total movement into the refineries is by pipe line.

Mr. DONDERO. And by water?

Mr. MORRIS. Three hundred and seven million, or 25.8 percent of the total movement.

Mr. DONDERO. In other words, the amount now conveyed by pipe line is practically three times the amount conveyed by water?

Mr. MORRIS. That is right. It is well known that the great bulk of the crude oil now used in this country has already been diverted from rail and water transportation to pipe line and, within the past

several years, this development has been extended to gasoline with the result that gasoline is now being transported in large quantities by pipe line. It is not possible to predict when gasoline pipe lines may be projected into the Tennessee Valley area from the refining sections. It is apparent, however, that aside from anything else, the greater part of the total savings estimated by the Board for the waterway is to be derived from the gasoline tonnage which could be wiped out instantly by the construction of a single pipe line into the affected area. Now, gentlemen, I am not the source for that suggestion. You will find the Resources Committee points out the same danger to the project. This possibility alone, we submit, is sufficient to demonstrate that the construction of the proposed waterway would not be a provident or business-like venture based upon the very estimates that have been used by the Survey Board.

Now, dealing with the transportation facilities in the affected area, we say that they are now entirely adequate and additional facilities are not needed for the transportation of the traffic that is available today, or traffic potentially available in the predictable future. And I would like to ask you to refer—

Mr. DONDERO. About the only conclusion one can reach, from the astounding figures you have revealed, is this, that oil can be conveyed or transported a great deal cheaper by pipe line than either by water or rail. I think that must be the answer.

Mr. MORRIS. That is the only assumption you can draw from those figures.

The survey report by the special board clearly shows that the existing transportation facilities are entirely adequate for the transportation of all of the traffic available in the affected area. As concerns existing railroad facilities, the survey report, at page 37, paragraph 35, shows:

The principal railroads serving the Southeastern States furnish adequate facilities either through or into the territory adjacent to the proposed waterway. The Southern Railway System crosses the tributary area at several points, connecting Mobile, New Orleans, and the principal ports of the Atlantic coast. The Louisville & Nashville Railroad, extending from New Orleans and Mobile into the North Central and Northeastern States, parallels the eastern boundary of the tributary area; and the Illinois Central System, serving the Central and Midwestern States parallels the western boundary. Within the area itself, the Mobile & Ohio Railroad, the Alabama, Tennessee & Northern Railroad, and the Gulf, Mobile & Northern Railroad roughly parallel the Tombigbee River and lower part of the Tennessee River, connecting Mobile with St. Louis and Paducah. The Columbus & Greenville Railway crosses from east to west near the center of the area, and the Nashville, Chattanooga & St. Louis Railway crosses the northern portion, roughly paralleling the Tennessee River. The St. Louis-San Francisco Railway from Birmingham and Pensacola, crossing western Alabama and northeast Mississippi, serves the Midwestern and Southwestern States. Branch lines and several short lines interconnect these roads and the principal centers along the waterway.

And at page 37, paragraph 36, it is shown that—

A network of hard-surfaced roads connects the principal centers of the region, and good improved roads interlace practically the entire area. In 1930 the total mileage of county, State, and Federal roads in the States immediately affected was, Tennessee, 18,018; Alabama, 19,784; and Mississippi, 17,950. Since then an extensive program by the State and Federal Government has considerably improved this net, particularly of the trunk highways. Five Federal highways traverse the area in a general north and south direction and an equal number cross from east to west.

In addition, improved waterways and adequate water transportation facilities have been provided at the expense of the general public on the Mississippi River from New Orleans, La., to Cairo, Ill.—860 miles; on the Tombigbee-Warrior River systems from Mobile to a point 20 miles west of Birmingham—a distance of 409 miles; and on the Tennessee River from Knoxville, Tenn., to Paducah, Ky., 652 miles. According to the survey report, the total tonnage on the Tennessee and the Tombigbee-Warrior systems during the year 1937 amounted to—Tennessee, 1,377,107 tons; Tombigbee-Warrior, 1,825,568 tons, and the annual report (1938, pt. 2) of the Chief of Engineers of the United States Army shows that 11,331,852 tons were transported on the Mississippi system between Cairo, Ill., and Baton Rouge, La., during the year 1937.

For the convenience of the committee, we are presenting a map of the southeastern section which shows the existing railroad lines and waterways in the area and on which is indicated in green the present waterway from Mobile to Demopolis and, in red, the route of the proposed project from Demopolis to the Tennessee River. The map fully confirms the statement in the excerpt from the survey board's report that the existing transportation facilities in the affected area are entirely adequate for the traffic now available. As a matter of fact, the capacity of these existing facilities is much greater than the tonnage now available or potentially available in the predictable future.

Mr. ANGELL. Is that new cut in red all of the way, or following existing streams?

Mr. MORRIS. As I understand, it follows existing streams, with the exception of some thirty-odd miles of new cut. It is more explicitly shown on the map that the captain of the Army engineers presented here last Thursday. I was just indicating another route that is proposed and, in comparison, have undertaken to show the existing railroad lines in that area.

Mr. ANGELL. The green follows the Tombigbee River?

Mr. MORRIS. Yes, sir.

Mr. DONDERO. May I ask how long before you will conclude your statement?

Mr. MORRIS. I have one more page.

As in the case of the Nation as a whole, there is now a surplus of transportation facilities in the affected area. In the final analysis, the construction of the proposed waterway would simply add to this surplus.

In addition to those indirect benefits which the special board attempts to evaluate, the report apparently undertakes to capitalize on the assumption that the construction of the waterway might cause the railroads in the affected area to reduce their freight rates in order to meet the competition thus created and to avoid, if possible, the loss of traffic to the waterway. When it is borne in mind that the freight rates of the railroads are strictly regulated by the Interstate Commerce Commission and the State regulatory authorities, this is, we submit, a most remarkable and, indeed, dangerous theory; as it simply means, in the finality, that the rates of the railroads in the particular area should be controlled not by the regulatory bodies created by the Federal and State Governments for that express purpose; but, instead, by competition made possible by the Federal Government itself

through the expenditure of public funds contributed by the taxpayers of the Nation, including, of course, the railroads.

Just here, it seems proper to quote from the dissenting opinion of Mr. Commissioner Eastman, which the special board has cited with apparent approval:

This return of competition has so alarmed the railroads that they are clearly about ready to go back to the old policy of rate cutting, and have clearly made several moves in this direction, of which that which is here under consideration is one:

He was speaking of another rate case, not this particular canal.

* * * If they continue with this policy unchecked, I have little doubt that they will eventually cripple their water competitors as they were crippled in days gone by. The country will then be in the situation of having expended many millions of dollars on the improvement of waterways merely for the purpose of depressing railroad rates between certain favored points, and all hope of recouping some return on this investment through the imposition of tolls will be gone unless these tolls are imposed upon the railroads.

Mr. CULKIN. Might I suggest that Mr. Eastman does not say anything there about the public, does he?

Mr. MORRIS. Well, he probably does in the full text of his report.

Mr. CULKIN. But not in what you have quoted?

Mr. MORRIS. Not in what I have quoted; no, sir. He continues:

Before going back to this old policy, it would seem wise to indulge in some forethought and consider where it will eventually lead, with respect to both water carriers and trucks. While I make no pretense to having thought the matter through, I have the feeling that the ultimate results will be good for neither the country nor the railroads.

In conclusion, we desire to point out what we believe to be the net effect of the proposal. As we have called to your attention, the Chief of Engineers has stated that he doubts the wisdom of dependence upon diversion of any considerable part of the Mississippi River traffic to justify this new project and, further, he has expressed the opinion that the intangible or indirect benefits are difficult to evaluate and appear to be questions falling within the realm of statesmanship to which the Congress can best assign the proper values. We have shown, we believe, that these speculative and intangible elements should not be considered as parts of the economic justification for the project and that only direct and tangible benefits should be used as the basis for the committee's decision. On this basis, we have undertaken to test the final value of the proposed waterway to the general public.

Table 21, page 56, of the report shows that the average estimated saving in transportation cost would be \$1.02 per ton and the estimated commerce, as of 1937, 1,478,419 tons. The carrying charges for the project are shown to be \$3,561,400 per annum; therefore, the carrying charges which must be paid by the taxpayers of the entire Nation would represent \$2.41 per ton, or \$1.39 per ton more than the estimated saving. The report estimates the prospective tonnage in 1950 to be 2,134,468 tons; therefore, in 1950, the carrying charges would represent a tax of \$1.67 per ton to be borne by the general public, or 65 cents more than the estimated saving per ton. I want to make it entirely clear, in these calculations, I have disregarded the so-called intangible values and the diversion of traffic from the Mississippi River. I do not want the statement misunderstood in that respect. In the final analysis, this simply means reducing the cost of transportation for the particular shippers who might use the waterway and charging the

amount of the reduction, and more, to the taxpayers throughout the country.

Gentlemen, I deeply appreciate your tolerance and consideration.

Mr. GRISWOLD. According to those figures you just gave, it would be cheaper to the taxpayers of this country to subsidize freight shipments there to the extent of \$1 a ton or so, than it would be to build the canal?

Mr. MORRIS. That is the only conclusion I can reach.

Mr. DONDERO. Your figure is \$1.39 a ton loss?

Mr. MORRIS. As of 1937; but I have carried it from there to the estimated tonnage in 1950, accepting the Board's figures.

The CHAIRMAN. Mr. Morris, I can now make a brief reference to the rates fixed by the Interstate Commerce Commission without having it taken out of your time. You can take two tank cars from the city of Galveston, fill one with imported coconut oil from the Philippines, and fill the other with cottonseed oil, and ship them to Procter & Gamble at Cincinnati, and the freight rate on the coconut oil is 30 cents per hundred pounds and on the cottonseed oil, 61 cents per hundred pounds—1 cent more than double.

Mr. MORRIS. Of course, I am not familiar with the movement at Galveston, but I think I can tell you a part of the answer at least. In the case of the imported oil, from Galveston the railroads serving the Texas Gulf ports must compete with the railroads serving the Atlantic seaboard, if they are to obtain any portion of the imported oil, and I think I am correct in my recollection that the basis for a lower rate on the imported oils is to permit the southwestern railroads to compete for the movement of that imported oil which otherwise would be moving through the Atlantic seaboard.

The CHAIRMAN. My information is the same as yours in that regard. I understand it is worked out in this manner, that the 30-cent rate is from Baltimore, which was the nearest point to Cincinnati.

Mr. MORRIS. That is my understanding.

The CHAIRMAN. And they made the same rate to all Atlantic and Gulf ports. However, it has had the effect of killing the cottonseed oil industry, so far as the manufacture of soap is concerned. Not many years ago, large quantities of cottonseed oil were consumed in the manufacture of soap; now they do not use it, because it cannot compete.

Mr. MORRIS. Of course the action of the southwestern railroads in meeting their competition and procuring a part of this movement in competition with the railroads serving Baltimore did not really change the situation; because, if they had not met the competition, the imported oil would have moved just the same through the port of Baltimore.

The CHAIRMAN. Yes.

Mr. DONDERO. May I ask if that is the reason behind the rate as fixed by the Interstate Commerce Commission? In other words, did the Interstate Commerce Commission use that as the reason for fixing the rate in that proportion?

Mr. MORRIS. Yes, sir.

The CHAIRMAN. I understand they did it, though, at the request of some of the ports that wanted to be placed on a basis with Baltimore?

Mr. MORRIS. That is right.

The CHAIRMAN. And for that importation of coconut oil, Cincinnati is the great consumer—the largest in the country?

Mr. MORRIS. They are large consumers of both oils.

The CHAIRMAN. And the ports competing with Baltimore wanted to be placed on an equality with Baltimore for this imported product?

Mr. MORRIS. That is right.

The CHAIRMAN. And the rate was made that way and also applies to the domestic products that we produce here locally that compete with them.

Mr. RANKIN. The same thing applies on some coconut oil shipped from Mobile to Cincinnati, does it not?

Mr. MORRIS. That is correct. In other words, the Southern Railroad and the Southwestern—

Mr. RANKIN. In other words, do not you penalize us for the shipment of the very things we produce in that area, and in favor of the foreign commodity? That is what it amounts to; we pay the freight?

Mr. MORRIS. We not only do not penalize you; we help you. If it was not for the railroads, you never would get your products from the South into the northern ports.

Mr. DONDERO. But the opposition is to the railroads.

Mr. MORRIS. It varies; you will find the people of Mobile are just as strong for that policy as anywhere in the land.

(The committee thereupon took a recess until 2 p. m.)

WATERWAY CONNECTING THE TOMBIGBEE AND TENNESSEE RIVERS

MONDAY, MAY 8, 1939

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RIVERS AND HARBORS,
Washington, D. C.

The committee met at 2 p. m., pursuant to recess, the Honorable Joseph J. Mansfield (chairman) presiding.

The CHAIRMAN. The committee will be in order.

STATEMENT OF J. H. PARMELEE, DIRECTOR, BUREAU OF RAILWAY ECONOMICS, ASSOCIATION OF AMERICAN RAILROADS

Mr. PARMELEE. Mr. Chairman and members of the committee; my name is J. H. Parmelee, director of the bureau of railway economics Association of American Railroads, located here in Washington.

The function of that bureau, which is a division of the Association of American Railroads, is largely that of fact finding and research.

I shall try to be brief in my presentation to the committee this afternoon of certain matters which it seems to us are fundamental in a discussion of the question which is before you. The matters are extremely important and fundamental and, of course, cannot be taken care of in a brief way. It will be my purpose, however, to address myself to them in a very brief and, I hope, fairly succinct and clear fashion.

I address myself particularly to three general questions. I will state the questions and then come back and discuss each briefly.

The questions are these: First, there now exists in this country a surplus supply of transportation facilities; two, generally speaking, the several agencies of transport are in financial distress, due to a lack of adequate volume of traffic and that, in turn, due in part to a condition of intensive and unregulated competition; three, the need today and the effort that is being made in this very Congress is to lay down the principle of a broad transportation policy, not to extend or benefit any one agency of transport to the disadvantage of another agency unless there is a clear, outstanding, and compelling reason for such disadvantage in the public interest.

May I now refer to those three questions, taking them up in turn, and giving each brief consideration?

First, on the question of the surplus supply of transportation facilities. That is a matter which I think is generally recognized. It is not a matter which can be proven by strictly statistical methods, for obvious reasons. However, so many authorities have considered the question and have come to a common agreement, that I think we may take it as reasonably accurate.

Let me give you what two or three outstanding authorities have said on that subject. You will recall that in 1933 the Congress created the office of Federal Coordinator of Transportation, and that for 3 years, from 1933 to 1936, that office was filled by the Honorable Joseph B. Eastman, a member then and now of the Interstate Commerce Commission.

One of the functions which the Congress gave to the Federal Coordinator was to consider this question of the extent of transportation facilities, the extent of waste in transportation, if any, and recommendations as to the ways in which such waste could be eliminated.

Mr. Eastman, after studying the question for about a year after his appointment as Federal Coordinator, made a statement which is so startling in its implications that I am going to present it to you. He said this in April 1934:

Between 1920 and 1932 the country's investment in transportation, excluding the purely local type, more than doubled; the supply materially exceeded the demand at the peak of prosperity, and of course the excess became much more pronounced during the depression.

That means, Mr. Chairman, and gentlemen that in 12 years, in the short period of 12 years, from 1920 to 1932—

The CHAIRMAN. Will I disturb you with a question there?

Mr. PARMELEE. Not a bit, Mr. Chairman.

The CHAIRMAN. When did this condition first become apparent? A number of years ago they were continually building more railroad track, and we have more commerce now than we had then. It seems now that the railroads in the United States are doing very little business, and according to the facts under my observation it comes about more from highway competition than from waterways. Take my State of Texas; there is not a pound of freight carried by inland rivers. We have a canal near the coast that has been there for 3 years, but some of the railroads now run only 2 or 3 passenger coaches, with gasoline engines. Where they used to run 10 or 12 coaches with a big engine. It seems that business has all gone to the buses and trucks and private automobiles. There is no waterway competition. It has not gone to the pipe lines, because that has developed since this condition was brought about. Aren't the railroads endeavoring to curtail their mileage—or are they endeavoring to curtail their mileage to any great extent?

Mr. PARMELEE. I was going to refer to that in just a moment, but I can answer it now if you wish. This excess of transportation facilities which I have just referred to has not come about through any overcapacity which the railroads have put into their plant in the last few years. That, I think, is indicated very strongly by the fact that during the last 10 years the railroads have abandoned 10,000 miles of railroad. That is the net abandonment.

The CHAIRMAN. Over and above the increased mileage?

Mr. PARMELEE. Over and above what may have been built in the meantime; yes, sir. At the same time they have reduced the number of their locomotives by 27 percent; their total number of freight cars by 25 percent.

The CHAIRMAN. By locomotives you mean in number?

Mr. PARMELEE. In number.

The CHAIRMAN. But the present locomotives have more capacity.

Mr. PARMELEE. That is true; but when you take it in terms of traffic capacity, the tractive power of locomotives, there has been almost the same marked decline, although not as large as 27 percent. They have reduced their freight cars by 25 percent in number and their passenger cars by 25 percent in number.

The peak of the railroad mileage in this country was reached in the year 1916, and it has been going down slightly each year since that year, so that I think the answer to your question, Mr. Chairman, is to say that, generally speaking, the railroads, so far as their mileage and facilities are concerned, reached their peak in 1916 or shortly thereafter.

Mr. RODGERS. May I ask whether or not the condition the witness has referred to is due to the economic situation, and whether if we should be restored again to the economic basis such as in 1929, the railroads would not be overtaxed to carry the produce of the country?

Mr. PARMELEE. No; I don't think so, Mr. Congressman. The railroad group—that is, the Association of American Railroads—has made a careful study of that very question recently in connection with some matters which they have been discussing with the War Department. I supposed I do not need to indicate for what reasons. It is the considered opinion of those who are competent to make an estimate of the matter that with the present plant and with the equipment in its present state, in its present physical condition, the railroads could easily carry 25 percent more freight traffic. They believe that to be conservative rather than an overstatement. If the rather large number of units of equipment which are at the present time in need of repair were all put back into repair, at an expenditure of about \$100,000,000, the railroads with the present plant could carry not less than 45 percent more freight traffic than they are carrying today.

The CHAIRMAN. Is any railroad carrying up to its capacity?

Mr. PARMELEE. I would say no, Mr. Chairman. There may be some exceptions on some small lines somewhere, but I think the answer to your question is generally and unqualifiedly no.

The Chairman raised what to me is a very interesting question. That is, why there has been a bringing about of this excess capacity. It has been due in part, of course, to the development of the other agencies of transport, and in part, and I call this particularly to the committee's attention, to the large expenditures of money by the Government, the Federal Government and State and local governments, in the way of highway improvement and construction and in waterway construction and improvement, and at that point I may perhaps bring in a quotation from the last Annual Report of the Interstate Commerce Commission, submitted to this Congress in November of 1938.

The Commission naturally has been aware of this exact situation we are discussing now, and they have given a great deal of attention to it, and this is what they said. I am reading now from page 17 of the 1938 report of the Commission:

The vast increase in the supply of transportation facilities thus accomplished (they had been discussing the increase in various forms) was made without any general plans, provision for results, or attempt to shape or control them on the part of the Government.

I am going to refer, when I come to discuss the question of national transportation policy, to the very point made by the Commission in this quotation, that this has all been a growth like Topsy. There was no plan, no coordinated idea of any kind.

The Commission went on:

The railroads are not the only carriers that have suffered from the conditions so created. The bankruptcy of a large number of the railroad companies has attracted much attention, but the fact is that the same malady has afflicted motor carriers, particularly those engaged in the carriage of property, certainly to as great an extent. Their general financial condition has been most distressing, and this has also been true (and I want to call this particularly to the committee's attention) of water carriers and air carriers in general. The one exception has been the pipe lines, whose efficiency and low operating cost, together with favorable business affiliations have made them very prosperous.

The CHAIRMAN. I think that has come from the other modes of transportation, as a rule, because the pipe-line business is a recent development.

Mr. PARMELEE. And you notice this significant remark, that this is due to their business affiliations.

Mr. DONDERO. Do the figures indicate the amount or percent of water carriers that have suffered the same distress as the railroads?

Mr. PARMELEE. I haven't the figures on that, Mr. Congressman, because the larger portion of the water carriers, as you know, do not make any reports. They are in somewhat the same situation as Mr. Morris referred to with respect to their rates this morning. A limited number report to the Interstate Commerce Commission, but those are contract and common carriers for the most part.

Mr. DONDERO. If we had that, it would bear directly on the question that we do have excess transportation.

The CHAIRMAN. If you take large shippers, like Jones and Laughlin, for instance; they do all their own shipping.

Mr. PARMELEE. Yes, sir.

The CHAIRMAN. They make no report to anyone.

Mr. PARMELEE. No, sir. And of course, no one but themselves know at what cost they do that business.

I am going to give some figures when I come to discussing the question of financial distress to the carriers, about the operation of the Federal Barge Line on the Warrior River, but as to water carriers generally, I think this statement from the Commission is certainly conclusive and very persuasive, to the effect that generally speaking the water carriers and others, motor and air carriers, are in almost as serious financial distress as are the railroads. As to the railroads, I shall give you some figures in a moment.

Mr. ANGELL. Do you have any figures as to the proportionate amount carried by truck and motor carriers?

The CHAIRMAN. I suppose that is very much in the category of the water carrier transportation, so much is in private hands. All those in the common carrier or contract carrier business are under the Interstate Commerce Commission.

Mr. PARMELEE. That is the difficulty, Mr. Chairman. I have some figures here that relate only to what are known as commercial carriers; that is, carriers for hire. I can give you those figures, but unfortunately a large segment, both in water carriage and in motor-truck carriage, is omitted for obvious reasons from these figures, because there are no statistics.

I was told the other day—I don't know how authoritatively—that of the total traffic carried by the motortruck only 2 percent is carried by common carriers. I asked immediately what percentage was carried by contract carriers and the gentleman was unable to inform me, but to me that is an extraordinary statement, which would indicate the great bulk is handled by contract and so-called private carriers.

Last December there was submitted to the President of the United States at his request by the committee of three railroad executives and three railway labor leaders, to which reference was made this morning, a report in which there were some factual figures about the traffic of various agencies of transport. These were figures as to the freight traffic distributed among the different classes or agencies of transport. I want again to make the statement that this deals only with the freight traffic handled by so-called commercial carriers and does not include private carriers.

In the year 1937, according to this report, and I am reading from page 66 of that report to the President; in the year 1937, steam railways handled 363,000,000,000 ton-miles; intercity trucks handled 43,000,000,000. That is the common and contract carriers by motor truck, not including private carriers.

There was handled on the Great Lakes 93,000,000,000 ton-miles; through inland waterways, 17,000,000,000, which includes rivers and canals, but not the coastwise or intercoastal; pipe lines 45,000,000,000; electric railways, 1,000,000,000, or a little less, and a fraction for the airways, about 2,000,000. The airways, of course, are not engaged in freight traffic to any great extent.

The grand total was 562,000,000,000 for all these agencies combined.

Mr. RANKIN. Some of the big railroads are electrified, are they not?

Mr. PARMELEE. There is only one long section in this country, and that is the Milwaukee over the mountains in the West. The Pennsylvania is electrified between here and New York, and a small section in west Philadelphia. The Virginian in West Virginia is electrified, where they handle coal, and those are the principal cases.

The CHAIRMAN. Which road in West Virginia?

Mr. PARMELEE. The Virginian, and the rest of the electrification in this country, outside of those I have mentioned, are all within city limits or within closely congested suburban areas.

Mr. RANKIN. Isn't the Pennsylvania Railroad electrified now between here and Columbus, Ohio?

Mr. PARMELEE. I didn't know they were. They were working west from Philadelphia, taking a section at a time, and eventually they may reach as far as Columbus. I am not informed on that point.

The CHAIRMAN. Where does the Pennsylvania get the power it uses between here and New York?

Mr. RANKIN. They get it from the Susquehanna River, a great deal of it.

Mr. DONDERO. May I comment at this point. Recent information has come to me that the Pennsylvania would not have electrified its road when it did, if it had known as much about the Diesel engine as it does today.

Mr. RANKIN. Taking either horn of the dilemma, the very railroad that is supposed to live by the hauling of coal, is running its trains by either oil or electricity, produced by water power.

Mr. PARMELEE. Mr. Chairman, I am afraid we have gotten into some technical matters about which I am not competent to comment. If I may, I will get on with the discussion of the general question of surplus transportation facilities.

The CHAIRMAN. In these days electricity gets into almost everything.

Mr. DONDERO. Mostly the Treasury of the United States.

Mr. RANKIN. Mostly into the homes.

Mr. PARMELEE. I have quoted, gentlemen, from the Interstate Commerce Commission. I can give you a number of other quotations, but in view of the passage of time, I think I will give you only two.

Mr. RANKIN. May I ask you a question right there? The figures 562,000,000,000 ton-miles of freight hauled last year. Isn't it a fact that a great deal of the potential freight is lying dormant, because transportation rates are so high they can't pay it?

Mr. PARMELEE. Mr. Rankin, you are getting into another field which is outside my general purview. I am not a rate expert. I think Mr. Morris put it very well this morning when he pointed out that the Interstate Commerce Commission for 30 years, or since 1910, has had complete control of the railroad freight rate structure of this country, and not only have they had this control in the sense that they pass on what the railroads propose, or someone else, but they have the right of initiation of these freight rates.

Mr. RANKIN. Are they exercising that right?

Mr. PARMELEE. Yes, sir; in the case of the class rate structure, I think Mr. Morris referred specifically to that this morning, you will find the class rate structure throughout the several territories of this country have been largely formulated and initiated by the Interstate Commerce Commission, and in some cases over the protests of the railroads.

Mr. RANKIN. There are areas in this territory where there are simply bottled up millions and millions of tons of raw material that cannot meet the prevailing freight rates, and therefore cannot be distributed. As I pointed out this morning there are probably hundreds of millions of tons of iron ore, clays, and so forth, right in this area that cannot meet the transportation cost.

Mr. PARMELEE. In just a moment I am going to emphasize to the committee the importance of this very transportation policy which I think we ought to have in mind. When that question is considered, Mr. Rankin, by some authoritative body, as we hope it will be, the problem to which you have called attention will receive full consideration.

The CHAIRMAN. We will have to recess for a roll-call vote, gentlemen.

(Short recess.)

The CHAIRMAN. You may proceed, Mr. Parmelee.

Mr. PARMELEE. Thank you, Mr. Chairman.

Just before the recess I was asked a couple of questions and will be glad to put the answers into the record now if I may.

The first question had to do with the source of electric power utilized by the Pennsylvania Railroad in the section between Washington and

New York. I find on inquiry that they purchase their power from three different sources. For the New York area they purchase it from the Consolidated Edison Co. of New York; for the Philadelphia area, they buy it from the Philadelphia Electric Co., and that company among other sources, gets a part of its power from the so-called Conowingo Dam on the Susquehanna River. They also have a third supply, which is somewhat of a supplementary or emergency supply, the Baltimore Consolidated, and the Public Service Corporation of New Jersey.

The CHAIRMAN. I suppose those concerns all use coal as fuel?

Mr. PARMELEE. Except at the Conowingo Dam.

The CHAIRMAN. They don't use oil or gas?

Mr. PARMELEE. I don't understand the Consolidated Edison uses anything but coal.

The next question had to do with the financial condition of the water carriers, and I have before me a report of the Interstate Commerce Commission for the year 1937, covering about 100 water carriers which report to that Commission.

The committee will understand, of course, that not all water carriers do report to the Commission. Only those common carriers which are tied in in some way with the rail systems, by reason of joint rail and water rates do so report.

Mr. RANKIN. Before you get away from that, you said the Pennsylvania is running its trains with power purchased at the Conowingo Dam.

Mr. PARMELEE. Yes.

Mr. RANKIN. Is it using any power produced by coal?

Mr. PARMELEE. Oh, yes; I understand the Consolidated Edison uses nothing but coal.

The CHAIRMAN. He just made inquiry about that in answer to a question I asked him before we adjourned. It seems they are getting some power from the Susquehanna River, the Conowingo Dam.

Mr. PARMELEE. In part, as I understand it. It comes from the Philadelphia Electric Co., which gets part of its power from the Conowingo Dam.

The CHAIRMAN. And the New York end and the Washington end are both using power produced by steam?

Mr. PARMELEE. So-called "carboelectric" power. That is, power generated by the use of coal.

As to these water carriers, some 100 of whom reported to the Interstate Commerce Commission for the year 1937, they showed a total operating revenue in that year, the 100 combined, of \$108,-479,000.

Their operating expenses were \$105,006,000.

They paid taxes of \$2,258,000, and came out in the red, that is, they failed to earn their expenses, taxes, and interest—

Mr. RANKIN. What were the taxes?

Mr. PARMELEE. \$2,268,000, and about half those taxes were payroll taxes, so-called, under the Social Security Act.

They came out at the end of the year's operations with a net deficit, after all expenses, taxes, and charges, of \$1,863,000.

That is just for those carriers, you understand, which report to the Interstate Commerce Commission.

Coming back, Mr. Chairman, to this question of surplus transportation facilities, I might close that subject by giving you only two brief quotations from two authorities, because I do not want to labor that question too much.

The first is the chairman of the Interstate Commerce Commission, the then chairman, Mr. Splawn, who made an address a year ago last month, in which he made this very significant statement:

Under the spur of competition and the whip of Government subsidy, we have developed more and better transportation than the traffic now requires. The result is a deadly contest between different companies for the existing business. We not only have more transportation facilities and equipment than the present traffic now supports profitably, but we have all sorts of organizations engaged in transportation.

That from the chairman of the Interstate Commerce Commission, I think, gentlemen, is a very significant statement.

The CHAIRMAN. I will state he is a very competent gentleman also. He is from Texas.

Mr. PARMELEE. He is from Texas, Mr. Chairman, and one of my own profession. He is an economist.

Mr. DONDERO. Many of us concede that to be born in or to come from Texas is the first requisite of a statesman.

The CHAIRMAN. I am sorry I was not born there.

Mr. PARMELEE. My final quotation on this point, Mr. Chairman, is from the very able survey of the whole economic situation of this country published by the Brookings Institution of Washington in 1934, under the significant title "America's Capacity to Produce."

Some of you may have seen that volume, and it is a very interesting document, in my opinion, and discussion of the transportation situation. I will read you two brief sentences from that report.

They say:

It is abundantly evident from this analysis [which they had just presented in some detail] that the transportation industry of the United States has been overdeveloped. We find in this field a remarkable illustration of the extent to which duplicate capacity may be developed for want of a coordinated national policy.

In other words, gentlemen, the transportation facilities which we have in this country, and I am speaking generally of the whole United States, have grown up without any plan up to the present time, no over-all or considered or consolidated plan; and it seems to us that a decision as to any particular project or proposal, certainly of the magnitude here involved, should not be undertaken or carried out without further consideration of its national and industrial aspects.

I have referred, Mr. Chairman, to what I called the desperate and critical condition of the various agencies of transport. That is the second of the three points which I outlined to you at the beginning of my presentation. I think as to motor and water carriers I have already presented to the committee some figures and have given you a very interesting and significant quotation from the Interstate Commerce Commission, showing that, generally speaking, and outside of the pipe lines, practically all agencies of transport are suffering financial distress at the present time.

I want to address myself more particularly to the railways, because it happens to be the field in which we are more interested, and give you a few statistics and facts which indicate the critical condition of the railroad industry at the present time. I shall also refer briefly

to the operations of the Federal Barge Lines in the Warrior River territory.

Taking up first the railway situation, may I present, Mr. Chairman, to the committee three statistical statements to which I would like to talk for just a moment, and which I think will clearly indicate to you what that situation is.

(The statements referred to are as follows:)

Income, employees, and traffic, railways of class I in the United States, calendar years 1929 and 1938

Item	1929	1938	Percent decrease, 1938 under 1929
	<i>Thousands</i>	<i>Thousands</i>	
Total operating revenues.....	\$6,279,521	\$3,565,491	43.2
Total operating expenses.....	\$4,506,056	\$2,722,229	39.6
Taxes.....	\$396,683	\$340,780	14.1
Percent of revenues.....	6.3	9.5	+50.8
Net railway operating income.....	\$1,251,698	\$372,846	70.2
Rate of return on investment, percent.....	4.81	1.43	70.3
Net income or deficit after fixed charges.....	\$896,807	¹ \$122,912	113.7
Number of employees.....	1,661	940	43.4
Total compensation to employees.....	\$2,896,566	\$1,746,194	39.7
Revenue ton-miles.....	\$447,321,561	\$290,154,410	35.1
Revenue passenger-miles.....	\$31,074,135	\$21,633,140	30.4

¹ Deficit.

Source: Reports of Interstate Commerce Commission.

Net income or deficit after fixed charges, railway of class I in the United States, calendar years 1929-38

1929.....	\$896,806,611	1934.....	¹ \$16,887,078
1930.....	523,907,472	1935.....	7,539,127
1931.....	134,761,911	1936.....	164,630,041
1932.....	¹ 139,203,821	1937.....	98,057,740
1933.....	¹ 5,862,836	1938.....	¹ 122,911,784

¹ Deficit.

Property investment, income account, rate of return, and traffic, 12¹ selected class I roads—years 1929 to 1938, inclusive

Year	Property investment ¹	Total operating revenues	Total operating expenses	Taxes	Equipment rents (net)	Joint facility rents (net)
1929.....	\$2,598,214,007	\$614,560,992	\$460,566,190	\$39,064,823	² \$1,706,434	³ \$1,125,102
1930.....	2,611,275,431	508,990,888	393,084,638	31,711,811	² 3,314,744	³ 1,617,582
1931.....	2,600,021,891	399,305,174	325,119,483	27,259,958	² 4,667,799	³ 1,888,564
1932.....	2,586,177,663	298,649,475	240,085,266	24,337,393	² 3,662,778	³ 1,969,979
1933.....	2,537,526,275	302,301,970	225,217,377	21,305,681	² 4,208,460	³ 2,164,396
1934.....	2,517,254,672	314,823,791	242,815,695	20,139,146	² 5,362,810	³ 2,490,434
1935.....	2,489,488,938	333,747,429	267,254,305	20,774,281	² 4,539,640	³ 1,922,622
1936.....	2,478,712,161	394,519,838	290,997,633	28,047,959	² 6,026,012	³ 2,679,100
1937.....	2,479,172,830	399,046,692	303,228,034	29,515,384	² 5,881,070	³ 2,330,809
1938.....	2,491,628,205	361,154,871	272,979,386	31,527,641	² 5,429,393	³ 2,316,433

See footnotes at end of table.

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Property investment, income account, rate of return, and traffic, 12 selected class I roads—years 1929 to 1938, inclusive—Continued

Year	Net railway operating income		Net income after fixed charges	Revenue ton-miles	Revenue passenger-miles
	Amount	Rate of return on investment			
		<i>Percent</i>			
1929.....	\$112,098,443	4.31	\$64,838,162	47,107,000,622	2,621,061,684
1930.....	79,262,113	3.04	34,777,423	33,323,174,055	2,130,867,286
1931.....	40,369,370	1.55	¹ 14,008,206	31,436,706,223	1,600,719,583
1932.....	28,594,059	1.11	¹ 30,787,420	24,130,211,777	1,281,113,401
1933.....	49,406,056	1.95	¹ 10,204,082	25,295,935,392	1,367,968,332
1934.....	44,015,706	1.75	¹ 14,579,661	26,677,170,534	1,612,106,745
1935.....	39,256,581	1.58	¹ 19,981,868	28,719,831,851	1,653,178,561
1936.....	66,769,134	2.69	9,852,083	34,776,928,455	1,946,359,425
1937.....	58,091,395	2.34	3,265,853	36,521,845,382	2,077,799,617
1938.....	48,902,018	1.96	¹ 7,129,180	31,207,723,483	1,630,701,223

¹ Covers operations of following carriers: Alabama Great Southern; Columbus & Greenville; Gulf & Ship Island; Gulf, Mobile & Northern; Illinois Central; Louisville & Nashville; Mobile & Ohio; Nashville, Chattanooga & St. Louis; New Orleans & Northeastern; St. Louis-San Francisco; Southern Ry.; Yazoo & Mississippi Valley.

² Represents property investment used in transportation service including allowance for working capital.

³ Debit.

⁴ Deficit.

Income, employees, and traffic, 12¹ selected class I roads—calendar years 1929 and 1938

Item	1929	1938	Percent decrease, 1938 under 1929
	<i>Thousands</i>	<i>Thousands</i>	
Total operating revenues.....	\$614,561	\$631,155	41.2
Total operating expenses.....	\$460,566	\$272,979	40.7
Taxes.....	\$39,065	\$31,528	19.3
Percent of revenues.....	6.4	8.7	+35.9
Net railway operating income.....	\$112,098	\$48,902	56.4
Rate of return on investment, percent.....	4.31	1.96	54.5
Net income or deficit after fixed charges.....	\$64,838	¹ \$7,129	111.0
Number of employees.....	191	100	47.6
Total compensation to employees.....	\$299,665	\$177,983	40.6
Revenue ton-miles.....	47,107,001	31,027,723	33.8
Revenue passenger-miles.....	2,621,062	1,630,701	37.8

¹ Deficit.

Net income or deficit after fixed charges, 12¹ selected class I roads—calendar years 1929 to 1938

1929.....	\$64,838,162	1934.....	² \$14,579,661
1930.....	34,777,423	1935.....	² 19,981,868
1931.....	² 14,008,206	1936.....	9,852,083
1932.....	² 30,787,420	1937.....	3,265,853
1933.....	² 10,204,082	1938.....	² 7,129,180

¹ Covers operations of following carriers: Alabama Great Southern, Columbus & Greenville, Gulf & Ship Island, Gulf, Mobile & Northern, Illinois Central, Louisville & Nashville, Mobile & Ohio, Nashville, Chattanooga & St. Louis, New Orleans & Northeastern, St. Louis-San Francisco, Southern Ry., Yazoo & Mississippi Valley.

² Deficit.

Source: Reports of carriers to Interstate Commerce Commission.

Mr. RANKIN. You realize it will be 8 years before this project could possibly give the railroads any competition.

Mr. PARMELEE. I am going to speak, if I may, about the fact that those same 8 years, if the railroad companies get back even a part of the traffic they have lost, they can furnish far more employment to men than this project could possibly produce.

May I direct your attention, Mr. Chairman, to the first of these statements, which is entitled "Income, employees and traffic, railways of class 1 in the United States; calendar years 1929 and 1938."

That is a very brief comparison of the operations of railways to class 1 throughout the United States for the year 1929, just before the present depression began, and for the year 1938, the latest complete year for which statistics are now available.

I call your attention to the fact that during that period, or between 1929 and 1938, the railways lost 43 percent in revenues; their net railway operating income, after expenses and taxes, was reduced 70 percent.

In other words, they had only 30 percent as great a net in 1938 as they did in 1929. In the year 1938 they experienced a loss or net deficit of almost \$123,000,000. In other words, they failed by that amount to meet out of their current revenues their operating expenses, taxes, and charges.

Mr. DONDERO. Does that take into account depreciation?

Mr. PARMELEE. Yes, sir; depreciation on the equipment, and to such extent as depreciation is charged on fixed property. That is all taken out.

I call your attention to the number of employees in the year 1929 on the railways of class 1, namely, 1,661,000 employees. In the year 1938 that had declined to 940,000, or less than 1,000,000. That was a decline of 43 percent, and closely parallels the decline in rail revenues.

Notice also the total compensation to employees, which in the year 1929 aggregated \$2,896,000,000, and in 1938 had declined to \$1,746,000,000.

That was a decline of over \$1,000,000,000 in a single year to employees and represented a decline of nearly 40 percent.

At the bottom of that statement is a brief summary for each of the years from 1929 to 1938 of the net income or net deficit of the railways of class 1 as a whole, after the expenses, taxes, and charges had been met.

You will notice that in the year 1929 they had \$896,000,000 of net income for that 1 year; that that steadily declined in 1930, and again in 1931, and that in 1932 they had a net deficit or a red figure of \$139,000,000. They remained in the red in 1933 and 1934; came out by a narrow margin in 1935, increased their net income in 1936, had about \$100,000,000 of net income in 1937, and in 1938 slumped back into the red by \$123,000,000.

Mr. DONDERO. What is the main cause of that difference of \$220,000,000 in one year?

Mr. PARMALEE. Almost entirely decline in traffic, Mr. Congressman, and I think that will be shown by the fact that in 1937 their total revenues were \$4,166,000,000, and in 1938 were only \$3,565,000,000, a decline of over \$600,000,000 in 1 year. That is the answer to the decline into the red in that year 1938.

Now let me call the attention of the committee to the next two statements, which deal with the 12 railway companies which operate in this particular area covered by the projected waterway.

The second statement is the longer statement. It is entitled "Property investment, income account, rate of return and traffic; 12 selected class I roads, for the years 1929 to 1938, inclusive."

I call your attention to the fact that these 12 railroads, whose names are given at the bottom of the statement, as a whole constitute a considerable railway network. They had in 1938 the 12 combined, nearly 2½ billion dollars of investment in their properties. They took in \$261,000,000 of revenues, and yet that same group came out at the end of the year with a net deficit of \$7,129,000. That indicates the condition in which those 12 railroad finds themselves at the present time.

A question was asked this morning about two of these railroads, which it was stated almost exactly parallel the route of the proposed water route, namely, the Mobile & Ohio and the St. Louis-San Francisco. It may or may not be significant that those are the only 2 of these 12 roads which are now in bankruptcy. One is in the hands of a receiver, and the other in the hands of a group of trustees.

Mr. RANKIN. That is not an unusual condition for them, is it?

Mr. PARMELEE. I say it may not be significant, but it is the fact. The Mobile & Ohio has been in receivership for several years; the Frisco has more recently gone into bankruptcy.

May I call your attention to the last of the 3 statements, which is a brief summary for these 12 railroads for the years 1929 and 1938, similar to the first statement, which applies to all railroads of the country. This statement, too, I think is extremely significant. It shows that these 12 railroads in this period lost 41 percent in revenues, that their net railway operating income declined 56 percent, and that they suffered a deficit of over \$7,000,000 in the year 1938, so that they cannot be said to be in any profitable financial situation at the present time.

The short statement at the bottom of the page indicates the extent to which they have or have not earned their expenses and charges during the 10 years from 1929 to 1939, inclusive.

I again call attention to the number of employees shown on this statement. These 12 railroads in 1929 had 191,000 employees; in 1938 that had declined to 100,000, and the loss between 1937 and 1938 alone, due to this loss of traffic revenues which I mentioned a moment ago, was between seven and eight thousand men, just for these 12 railroads.

In other words, if the traffic should come back, from the 1938 level only back to the 1937 level, which is a very moderate increase, these 12 railroads would put on their pay rolls again seven or eight thousand skilled railroad men, now out of a job, which would be a greater number than those who would be employed on this particular waterway project for a period of 6 or 8 years.

The CHAIRMAN. Mr. Parmelee, speaking of the railroad mileage at this time; you say they are abandoning how many miles of track per year?

Mr. PARMELEE. I said the net decrease in the last 10 years had been 10,000 miles, which is approximately 1,000 miles per year.

The CHAIRMAN. One thousand miles per year?

Mr. PARMELEE. On the average. This does not apply to every single year, but that is the average.

The CHAIRMAN. I understand. Now, then, has the tonnage of these railroads decreased in the same proportion, or do they handle more freight than they did then?

Mr. PARMELEE. You are speaking now of the 10-year period?

The CHAIRMAN. Yes.

Mr. PARMELEE. No, their tonnage has gone down more than the mileage has gone down. That will be clear from this first statement which I presented to the committee.

The CHAIRMAN. I want to call your attention to a matter. Five years ago we had a hearing here, and Mr. Forsberg, the chief engineer of the Pittsburgh and Lake Erie Railroad, made a very full statement before the committee and said that their road was now handling from 112 to 115 cars in a train, with 70 tons to a car on the average, with 1 engine, a Mikado, when 60 years ago, the road that I worked for handled 30 cars to a train, 15 tons to a car, on the average. That is 450 tons to a train. The Pittsburgh & Lake Erie now has some eight or nine thousand tons to a train, and employs the same number of men in a crew, 5 men. Of course, the Pittsburgh & Lake Erie is a railroad with much higher tonnage than the average railroad.

Mr. PARMELEE. And it has a peculiar kind of tonnage, if you will remember; coal, iron ore, and steel.

The CHAIRMAN. Yes; coal, iron ore, and steel. Now, there are 5 men handling say 8,000 tons, when 50 years ago 5 men handled 500 tons. Now, if they had to employ the same number of men per thousand tons that they did a half century ago, they couldn't—

Mr. PARMELEE. The thought that was running through my mind as you were speaking was that if such a situation were put into effect at the present time you would find your freight rates at least doubled, and probably more than doubled.

Mr. VOORHIS. I think we have figures on a cost per ton-mile of freight.

Mr. PARMELEE. Yes, we have.

Mr. VOORHIS. And that has gone down.

Mr. PARMELEE. That has gone down, it has gone down steadily especially since the war, 1921. As a matter of fact, the average length of a train has not increased greatly in the last 10 or 15 years. The average is 47½ freight cars per train. That is freight-carrying cars per train.

The CHAIRMAN. That is in the mountainous districts and all?

Mr. PARMELEE. That is the average of the whole country; yes.

Mr. CULKIN. We had testimony here from one of the brotherhood representatives, at a former hearing, to the effect that when he started railroading, one train with 5 men carried so much tonnage, while at the present time one train carries 40 times as much tonnage with the same crew of 5 men. In other words, there has been a reduction in employment. It has gone down practically 40 times since that period.

The CHAIRMAN. But they have been up against a proposition of building much more expensive tracks, bridges, and things of that kind. They had to build enormously to handle this additional traffic in a train.

Mr. PARMELEE. May I address myself for a moment to this statement about the increase in the trainloads? It may be true, as the Congressman has stated, that a particular train is handling 40 times as

much freight today as it was some years ago. That is not true, however, of the general average of all freight trains. The average trainload, the number of tons in the average freight train last year, was not greatly in excess of what it was in 1920 and 1921, immediately succeeding the war period. There has not been a very great increase.

Mr. CULKIN. Well, you see that would not apply generally. It would apply where there was bulk commodities being transported over a particular area.

Mr. PARMELEE. It might apply. Take all kinds of freight trains carrying heavy commodities, and the lighter goods, and all kinds of business, and you will find there has been probably not over 15 or 20 percent increase in the average trainload in the last 20 years. I make that statement based on official statistics of the Interstate Commerce Commission.

Mr. RANKIN. The railroad transportation system virtually broke down during the war, didn't it? Didn't it break down to the point where it was virtually unable to carry the load? If we had had our inland waterways it would have been a great relief to us in those trying times, wouldn't it?

Mr. PARMELEE. Mr. Rankin, I don't think it an accurate statement to say the railroad system broke down during the war. What did happen was because of the great number of so-called priority permits issued without any control, with no clearing house through which they were cleared, and there was congestion at certain points, particularly in the eastern ports, but simply because the freight came in there faster than it could be taken care of. That was not the fault of the railroads. They handled the freight, but when they got into some of the important ports, and as freight cars were held up there on siding for days at a time—first of all, the tracks were congested; in the second place, the freight cars were held there idle with this freight in them, not able to be shunted back to where they could handle additional and other loads, and in the third place, the expense of the handling was greatly increased.

Mr. DONDERO. May I observe at that point, if my recollection is correct, the Government took over the railroads and attempted to run them during the war.

Mr. PARMELEE. Yes; they were in the hands of the Government.

Mr. RANKIN. The Government did not change the men running the railroads. You don't claim that, do you?

Mr. PARMELEE. They changed a good many of them.

Mr. CULKIN. I read a statement the other night to the effect that the railroad men did run the railroads during the war. That was by Mr. McAdoo. He said that the railroad men ran the railroads during the war and he was not going to foul his own nest by attacking Government operation during the war. As a matter of fact, the Government was very good to the railroads after that period and during that period, wasn't it?

Mr. PARMELEE. That is a large subject to open up. Just what do you mean by pretty good to the railroads? I would be glad to discuss that, if you—

Mr. CULKIN. I mean while they were operating them, they were extremely generous in appropriations, and subsequently when they let them go, they gave them a couple of billion dollars in material and funds.

The CHAIRMAN. The Government provided for the maintenance during the 26 months of operation, and the last year of the Government maintenance of the railroads, the maintenance was more than three times the average maintenance that the railroads themselves put into their equipment and tracks, so you see they were good to the railroads in providing them with equipment and with upkeep which the railroads themselves did not supply for themselves. Perhaps they were not financially able to do so, but those are the facts.

Mr. PARMELEE. Mr. Chairman, I didn't come here prepared to go into all the minutiae of the Federal control period, but I think when you speak of expenditures in terms of money, and say that a certain amount was three times as great as a certain other amount, you have to take into account the fact that during that war period and subsequently prices were all out of control, and that wages had gone up very materially.

The CHAIRMAN. That is true. That accounted for a good deal of it.

Mr. PARMELEE. The cost of buying those materials and placing them in the tracks or elsewhere had materially increased, and those facts have to be taken into account when you try to make a comparison as to the question of the expenditures, or gifts or grants, as the Congressman has expressed it. In the first place, the Government when they took the railroads over agreed to pay the operating expenses. Those expenses were under the control of the Railroad Administration. They were under the control of the Director General of Railroads, who was not a railroad man, and the rates were increased or decreased by Executive order of the Director General, and the wages were increased in the same way.

The CHAIRMAN. The latter part of the administration was under a railroad man.

Mr. PARMELEE. Mr. Haines was, but the major changes went on under the control of Director General McAdoo.

Mr. CULKIN. You don't want to argue, do you, that Mr. McAdoo did not rely for his technical direction and information on railroad executives?

Mr. PARMELEE. I don't know how far—

Mr. CULKIN. You don't mean to say that.

Mr. PARMELEE. My belief is that in some of these matters Mr. McAdoo used his own judgment. Whether because or in spite of the advice that he received from his staff, is, of course, a matter for speculation.

May I go on just a minute? The Government was to pay all the expenses, and was to pay as a rental for the railroads a sum which was an average of the amounts actually earned by the railroads themselves during a 3-year test period prior to the war. That was fixed by the Government. To whatever extent the Government failed to earn that rental out of the operating revenues of the railroads, of course, that had to be charged against the appropriations made by Congress. I don't think that that can be called a gift or a grant to the railroads. The Director General, if he had so chosen, could have increased the rates more than he did, and Heaven knows, he did increase the rates considerably. But he did not choose to do so.

When it came to the end of Federal control the Transportation Act of 1920, if you gentlemen will recall, was approved on February

29, 1920. That was the day before the railroads went out of the hands of the Government. They went out at midnight that night. The railroads came back to their owners and operators at a time when prices were very much higher than were justified by the rates and the revenues of the railroads. Up to that time the Government had been meeting the deficits. They were now turned back to the railroads in that position. There wasn't time between the time the law was signed, some time on the day of February 29, and that midnight, to make the necessary adjustments in wages, in rates, and in other traffic factors. The Congress recognized that lack of balance which existed at that time, and therefore put in what is known as the 6 months' guaranty period, during which these changes could be made, and they were made.

That was the reason for the guaranty period of 6 months from March 1 to September 1, 1920.

During that period, as you will recall, the Interstate Commerce Commission took the time to make a very thorough investigation of rates, freight and passenger rates, and made very material increases in those rates. At the same time the Railroad Labor Board, which was created by that act, 2 months later, in May, made a considerable increase in railway wage rates, so that the rate structure of the railroad went up during those 6 months and the wage structures went up considerably during those 6 months, and it was for that reason that the Congress in its wisdom created this so-called guaranty period. It was not a gift or a grant to the railroads; it was to take care of the increases for which the railroads were not responsible.

Mr. CULKIN. How much did that amount to?

Mr. PARMELEE. Approximately \$525,000,000.

Mr. KIRWAN. What raised the expenses of the railroads during that period?

Mr. PARMELEE. One was the increase in wage rates made by the director general, and that was done by his own executive order; the other was, of course, the very large increase in the price of materials and supplies.

Mr. KIRWAN. No; that wasn't it.

Mr. PARMELEE. Which was the result of economic factors.

Mr. KIRWAN. What raised the expenses of the Government is something else. I worked on the railroads for 25 years. If you go along the railroad tracks today you will find three-quarters of the towers are operated by four men. During the time the Government had it, during the war, every one of them was loaded up with former railroad men who had been crippled, sitting up in those towers to expedite the traffic. Consequently they put on thousands of them. Immediately after the war came, they closed them up.

Now, if we went into an emergency tomorrow, do you think there are enough railroads in this country to handle such an emergency?

Mr. PARMELEE. I made the statement this morning—

Mr. KIRWAN. I am asking it again, now.

Mr. PARMELEE. I was asked a question somewhat similar to this, and I made the statement that it is the considered opinion of those responsible for the operation of the railroads that if an emergency came tomorrow they could handle it with the present plant, in its present physical condition—they could handle at least 25 percent more freight traffic than they are handling today, and with enough

money in hand to put the locomotives and freight cars back into running condition, because there is an unusually large percentage in bad order at the present time—if those units were put back, all of them, into operating condition, they could handle from 45 to 50 percent more freight traffic than they are today.

Mr. KIRWAN. If an emergency should come, could they handle the situation?

Mr. PARMELEE. Immediately; yes, up to 25 percent; within 6 months up to 50 percent.

Mr. KIRWAN. I am asking the question in view of what happened to the railroad companies in 1920, when they placed an embargo on pretty nearly every railroad in the country. We didn't even handle the emergency then. They couldn't meet the situation. They were completely broken up. It took 3 weeks to open up one railroad track in Buffalo. And that was not an emergency; that was just an everyday occurrence.

Mr. PARMELEE. I didn't quite finish the Federal-control period. Someone spoke of a grant or a gift to the railroads. The agreement the Government made with the railroads was that the tracks and facilities were to be kept in the same condition, as good as they were when they went into the hands of the Government. As a result of that agreement, and following the period of Federal control, when the settlements were made by the Director General of Railroads, the Director General found it necessary to pay to a number of the railroads large sum of money which represented the failure of the Railroad Administration to keep those tracks and facilities up to the level at which they stood when they went into the hands of the Government. That neither was a grant nor a gift to the railroads. That was part of the contract.

Mr. CULKIN. How much did that amount to?

Mr. PARMELEE. As I recall it, about \$180,000,000.

Mr. WILLIAMS. Did the Government during this operation make any charge for freight handled for the Government?

Mr. PARMELEE. No; there was no charge for that. To that extent it was in part a payment, as you might call it, for Government traffic.

Let us go a step further. The Government at that time provided a so-called revolving fund to help the railroads finance some of the improvements which they found to be necessary. That was in section 210 of the Transportation Act. That was not a grant or a gift. It was money loaned to the railroads at 6-percent interest, and that revolving fund, which amounted to two or three hundred million dollars, plus other loans, made to the railroads, in all totaling something like \$1,000,000,000 of loans to the railroads—of that \$1,000,000,000 more or less, the Government has received back all but \$38,000,000, with interest at 6 percent. That could not be called a grant or a gift to the railroad.

This situation, Mr. Congressman, you spoke of, that went on through 1920 and 1921, and even into 1922, was in part the result of the physical condition of the railroads which they encountered when they came out of Government control.

I don't say it was all that. We also had, as you remember, two coal strikes at that time.

Mr. KIRWAN. I am not interested in the expense account of running the railroads. I am asking the question, Could they transport or

handle the business of this country in the case of an emergency? I say "no".

Speaking now as a railroad man of 25 years' experience, I can state that I, as a sergeant in the Army, had to post up copies of notices, in Camp Dix, on a Saturday, that no soldiers were allowed to ride on passenger trains, even though he was wearing the uniform of this country, and between Philadelphia and New York there was no room to carry them on a passenger car. I say that because I tacked that notice up as a sergeant.

I also call your attention to Florida, just a sort of a boom town, and your two railroads, the Atlantic Coast and the Seaboard, put an embargo on so that hardly anything except perishable stuff could enter or leave that area. That was not an emergency. It was an everyday business occurrence, and you couldn't handle it. That was in 1924 or 1925.

Mr. PARMELEE. Do you recall any emergency or congestion of that sort that has occurred since then?

Mr. KIRWAN. That is the question I asked. Could you handle an emergency, not an everyday business occurrence?

Mr. PARMELEE. I have given you the best answer I can, based on the opinion of those who know, and the answer is yes.

Mr. KIRWAN. But according to the record they couldn't handle it when they were put to the test.

Mr. PARMELEE. Remember also, that since 1925, this time you have spoken of, the railroads have spent a great deal of money in capital expenditures on their roads. They have a much better plant, both as to tracks, rolling stock and all. They have spent between five and six billion dollars in net capital expenditures in that period. That has to be taken into account when you are talking about 15 years ago.

Mr. KIRWAN. In my own opinion, the railroads cannot handle the business if we ever get into an emergency, and the testimony of an Army general with 50 years' experience, is to the effect that you couldn't handle it.

Mr. VOORHIS. Mr. Witness, you spoke about the tons a train carried. What is the capacity of your cars now, over 80,000 pounds?

Mr. PARMELEE. The average is——

The CHAIRMAN. About 49 tons, isn't it?

Mr. PARMELEE. Forty-nine and a fraction tons is the average.

Mr. VOORHIS. There are none over 100,000 pounds?

Mr. PARMELEE. Yes; there are some coal cars which go above that, but they are not typical of the average freight car.

May I say by way of final comment on this subject, regardless of the facts as to whether the railroads could or could not meet an emergency, and that is, of course, a matter of opinion and judgment of those best qualified to express an opinion, the best way to improve the railroads and produce the emergency that is being spoken of here is to produce more competition for them. That would be one of the most effective ways I can think of to make the railroads less able to meet an emergency than they are today.

May I refer very briefly to the Federal Barge Line, Mr. Chairman. The Federal Barge Line, as the committee is well aware, is a Government organization operating on the Mississippi and the Warrior Rivers, and has been operating since 1924; also on certain other rivers for shorter periods.

A comparatively small section of its operation is on the Warrior River; that is, from New Orleans down, along the Gulf coast and up through Mobile and so to Birmingham, the river port of the city of Birmingham.

That is a comparatively small part of the Federal Barge Line operation.

The Federal Barge Line operates in a much better position than any common private carrier could possibly operate, such private carriers as you may have on this project. It is financed by the United States Government and pays no interest on the money which has been advanced out of the Public Treasury for its capital. It pays no taxes, absolutely no taxes whatsoever, because it is a Government instrumentality.

Mr. RANKIN. You understand there is the separate project in there now, to extend that—

Mr. PARMELEE. That may be.

Mr. RANKIN. Your railroad is opposed to that, too—

Mr. PARMELEE. I am not taking any position on that, Mr. Rankin. I am just speaking as to the facts of the financial results of this particular operation. I am developing that for the moment.

The Federal Barge Line, as I have stated, pays no taxes and they are not subject to certain overhead costs which a private carrier must pay. The salary of their president is paid out of the War Department appropriation, and they have offices here in the city of Washington free of charge, and they have free use of the mails and they get telegraphic allowances from the telegraph companies, and have a number of other Government privileges which a private carrier does not have. Despite all those advantages, and on this comparatively small operation, they have lost every year on their Warrior River operation, every single year they have failed to take in enough revenues from their operations to meet their operating expenses, not taking into account any fixed charges or rate of return or taxes or anything of that sort.

Mr. RANKIN. I think in Birmingham and Memphis they have forced the railroads to bring their rates down.

Mr. PARMELEE. When you get into rates, I think you will have to ask that question of a traffic man.

Mr. RANKIN. I am halfway between Memphis and Birmingham. I know Memphis and Birmingham both get cheaper rates than they did because they had more competition. They have a great deal cheaper rates, and that is what we people of the interior are looking for.

Mr. PARMELEE. The point I am making, Mr. Chairman, is this: When you have a Government operation which is in that same territory, and it fails and has failed consistently for 15 years, since 1924, to earn its expenses, the question, I think, might well be raised and considered as to whether private carriers operating on this project or some other project in that general territory, would be able to compete with the railroads on a rate basis which will give them a competitive advantage and at the same time make any money.

I think the question is well worth raising for consideration.

Mr. RANKIN. You don't take into consideration the millions of dollars the people of Birmingham—and Birmingham is where they have several of the biggest railroads—you don't take into consideration the savings because of reduced rates which this barge line has

compelled the railroads to furnish them. Those benefits you disregard altogether. That is the trouble with you railroads; you overlook us fellows who pay the freight. If you take into consideration the reduction in freight to the people of Birmingham and give them credit for that, you would have to admit that the barge line has done an overwhelming good.

Mr. PARMELEE. It may be, Mr. Rankin, that the Government operation, if the Government is willing to go in and subsidize operations to that extent, will do that very thing, but I am talking now about a private carrier which would have to pay its own way. It doesn't have a Federal Treasury to fall back on. Whether they could operate at those rates you speak of and at the same time make any money, is a different thing.

The CHAIRMAN. On the Warrior there are quite a number of common carriers besides the Government-operated line. Mr. Oliver, some 6 or 7 years ago, put a list of them in the record. There were five or six private companies there engaged in common-carrier service.

Mr. PARMELEE. Were they making any money, Mr. Chairman?

The CHAIRMAN. I couldn't tell you about that.

Mr. PARMELEE. May I close this section by quoting from a committee report filed with the President of the United States by three members of the Interstate Commerce Commission last year. That committee, as you will recall, was designated by the President and asked to make a general survey of the transportation situation. They worked rapidly and brought in a report about 3 weeks later.

Mr. CULKIN. What report was that?

Mr. PARMELEE. It is known generally as the Splawn committee report. It was a committee headed by Mr. Splawn, then chairman of the Interstate Commerce Commission, and the other two members were Mr. Eastman, formerly Federal Coordinator, and Mr. Charles D. Mahaffie, also a member of the Interstate Commerce Commission.

The committee said, in discussing the low state of railroad freight traffic, and indicating to some extent at least the causes for the low state of freight traffic:

For the immediate low state of railroad freight traffic the present marked recess in industrial activity throughout the country has a very large measure of responsibility, but its effect has been greatly aggravated by the influence of a factor of continuing and growing importance, namely, the competition with other forms of transportation.

Mr. CULKIN. Did they say anything about the public that pays the freight in there?

Mr. PARMELEE. I think, Mr. Congressman, the Interstate Commerce Commission does represent the American people.

Mr. CULKIN. I am asking you did they say anything right there about the public?

Mr. PARMELEE. There is nothing in that particular paragraph, if that is what you mean; no, sir.

I close with another extract from the same report, at page 25, which indicates what the result has been of this 8 or 9 years of depression, aggravated, as they say, by increasing competition.

Mr. RANKIN. You don't know who wrote those words for the Interstate Commerce Commission.

Mr. PARMELEE. You mean the individual, Mr. Rankin?

Mr. RANKIN. Yes.

The CHAIRMAN. Was he a brain truster?

Mr. RANKIN. You know the railroad lawyers are the brain trust of the Interstate Commerce Commission.

Mr. CULKIN. May I interject there and say that the railroad lawyers are the ablest lawyers in America?

Mr. PARMELEE. May I make this statement to the committee, Mr. Chairman? While this report was signed by only three members of the Interstate Commerce Commission, they said in the introductory section of their report, that every member of the Commission, except one who happened to be out of town at the time, endorsed the report, so that you may take it, I think, as virtually the unanimous opinion of the commission as a whole.

I will end this section by this final quotation from the Splawn committee report.

They said:

At the present time 37 class I railways are in the hands of the courts; 10 of them in receivership and 27 in trusteeship.

Mr. WILLIAMS. What percentage did that represent?

Mr. PARMELEE. A little over 30 percent of the mileage.

Mr. WILLIAMS. It is at the present time?

Mr. PARMELEE. It is a little worse at the present time. I think two more railroads have gone into bankruptcy since that time.

The unmatured funded debt of all railways in the hands of the courts amounts to approximately \$3,190,000,000; the amount of their bonds that have matured and are unpaid is over \$577,000,000, and the interest on these and other bonds in default for as much as 90 days or more, has accumulated until at the close of 1937 it was over \$491,000,000. Of this amount \$354,500,000 is owed by railways in the western district. The excess of interest accruals over interest payment is running now over \$100,000,000 a year. At the present time it is safe to say the unpaid interest has accumulated to over \$600,000,000.

That, Mr. Chairman and gentlemen of the committee, is the effect of these various causes which I have been trying to outline this afternoon.

The CHAIRMAN. Let me make a little suggestion for you to think over. Isn't it a fact that the railroads that are operating in some sections of the country—we will say some districts—where traffic is handled by waterways, aren't those the most prosperous railways in the United States today, under the present conditions? On the other hand, the railroads out in the West, in the Rocky Mountain regions, where there are no waterways, and in Texas, where they have no inland waterways in operation, the railroad rates are 48 percent higher than they are in the eastern district, as I understand, and the railroads seem to be less prosperous there than they are in the Northeast where we have a great deal of water traffic?

A great many years ago there was a statement put in the record here to the effect that in 1900 the water traffic in the Pittsburgh district, in the Alleghany and Monongahela and Ohio was about 9,000,000 tons a year; the railroad traffic at that time in the same territory was about 47,000,000 tons. At the end of 1925—I may be mistaken in the exact figures, but I will correct them tomorrow—the waterway traffic had increased to about 40,000,000 tons and the railroad traffic to 173,000,000 tons in the same length of time, in far greater proportion than the waterway traffic increased. How do you account for that?

Mr. PARMELEE. What period of 25 years was that?

The CHAIRMAN. From 1900 to 1925.

Mr. PARMELEE. I would say everything and anything has happened since 1920—

The CHAIRMAN. My totals may not be exactly correct, but they are approximately correct.

Mr. PARMELEE. Economic conditions and competitive conditions are entirely different and have been since 1925 than they were in the previous 25 years.

Answering your direct question, I am not prepared to give you an unqualified answer. I think it is dangerous to generalize about such things, if I may say so without offense.

The CHAIRMAN. You may be correct—

Mr. PARMELEE. I want to call this to your attention; that some railroads that do not seem to be directly affected by water competition, or the fact that waterways are in their territory, may yet be indirectly affected. They join in through traffic involved in waterway operations, and do not forget the influence of the Panama Canal on the western railroads, and the fact that that has only been open since the early 1920's.

The CHAIRMAN. That canal handles only about 25,000,000 tons a year, and much of that was foreign traffic which the railroads would not handle. It is a mere drop in the bucket.

Mr. PARMELEE. Seven million tons pass annually through the Canal from one coast to the other, either from the Atlantic to the Pacific or vice versa. That traffic is unquestionably directly competitive with the railroads. I don't see how it could be taken as anything else but that.

Mr. CULKIN. Would you abolish the Panama Canal?

Mr. PARMELEE. Seven million tons is certainly a considerable traffic.

Mr. CULKIN. Would you abolish the Panama Canal?

Mr. PARMELEE. No; I am not advocating that, but I am simply commenting on the fact that the chairman was speaking of the fact that these western railroads, apparently without contact with water transportation, were less prosperous. I say that the Panama Canal affects every one of these transcontinental railways, even those that operate in the Northwest, possibly 2,000 miles away.

Mr. CULKIN. It must be infinitesimal, especially when you consider the volume, 7,000 tons—

Mr. PARMELEE. I say 7,000,000 tons. And remember, Mr. Chairman, that is a long haul; 3,000 miles or more.

Mr. CULKIN. And especially when you consider the fact that these ships, intercoastal, are paying tolls, a 10,000-ton ship is paying a toll of—

The CHAIRMAN. \$1 a ton.

Mr. CULKIN. And there are tolls on the passage each way. It seems to me that is something—

Mr. VOORHIS. At the time they put in the Panama Canal, didn't the railroads reduce their transcontinental rates because of the Panama Canal, which automatically reduced their revenue per ton and decreased their total revenue, not because the freight was diverted to the Canal, but because of the cheaper rate at which they were hauling it from coast to coast?

Mr. RANKIN. They reduced their rate, coast to coast, and applied the cost on the people in the interior. You can ship goods from New York to San Francisco cheaper than you can put them in Iowa.

Mr. PARMELEE. I am afraid I can't answer that question, Mr. Chairman. I am not familiar with that situation. I am not trying to argue the Panama Canal situation here. I just pointed out that there is that traffic.

Mr. DONDERO. It seems to me if the American people have any quarrel with the railroads over the question of rates, as my good friend here from Mississippi has been advancing here all afternoon, their quarrel ought to be with the Interstate Commerce Commission that fixes the rates and not the railroad bodies themselves, and in spite of the high rates, which seem to be the burden of the discussion, the railroads find themselves in an insolvent condition. What will be the condition if we continue to either depress the rate or increase the competition? It will mean they will all be in the hands of a receiver or in bankruptcy.

Mr. PARMELEE. I think you have put your finger on the nub of the problem, and I want to reemphasize and perhaps make stronger a statement I made this morning about the Interstate Commerce Commission's control over rates. I have talked to some of the traffic men in the interval, and find in their opinion not less than 75 percent of the freight revenue derived by the railroads today from their traffic is derived from traffic as to which the Interstate Commerce Commission has initiated and formulated the rate structure. That applies not only to the class rates, to which I realier referred, but to a great many of the commodity rate structures, so that to a very large degree those rates are the children, if you can express it that way, of the Interstate Commerce Commission.

Now, may I refer to my last point for a moment, and that is the lack of a national transportation policy in this country? It has seemed to us that a proposal of the kind before you now, or any similar proposal, should tie in with the formulation of a transportation policy which should envision not just waterways, not just railways, but all agencies of transport, and I take as the keynote of that statement a single brief but very telling sentence in the special message which the Congress received from the President of the United States in June 1935, on the state of the railroads, and this is the statement: "It is high time," he said, "to deal with the Nation's transportation as a single unified problem."

The President was more than sound when he made that statement, and the way he stated it—"It is high time"—indicates his belief that there had been a lack, up to that time at least, of consideration of a national policy.

Without burdening the committee with details, you will recall that the Federal Coordinator of Transportation, in a number of his reports from 1933 to 1936, emphasized the vital importance of working out a unified transportation policy. He submitted, in exact language, the policy which he would be glad to see the Congress adopt. The Splawn committee reported about a year ago to the President, and had several vital and significant statements to make along the same lines. The Committee of Six last December reporting to the President at his request made somewhat similar recommendations, and the Splawn committee also went to the extent of suggesting to the Congress that

an authoritative committee or board or group be set up, to do two things, to study the fitness and economic adaptability of each form of transportation to the needs of the country, and to consider the extent to which any form, any agency of transport, railways, waterways, or what not, are being unduly benefited by Government subsidies. A provision to that effect, that such a study should be made by an authoritative body is in some of the legislation before the Congress at the present moment.

Mr. CULKIN. In any of these bodies were waterways represented?

Mr. PARMELEE. The conference held by the President at the White House had a very large number of groups represented—

Mr. CULKIN. Was there any stage in these dealings where water transportation had representation?

Mr. PARMELEE. I am not sure about these White House conferences—

Mr. CULKIN. You are familiar with the history of this more than I am. Do you know as a matter of fact that there was any time when waterways were represented at these conferences?

Mr. PARMELEE. You will recall these conferences at the White House were largely made up of Government officials. There were three representatives from the Interstate Commerce Commission—

Mr. CULKIN. I am talking about when it got to the stage where a board or group was appointed here to draft legislation. Was whatever represented as such?

Mr. PARMELEE. I can't answer that question, because there have been a number of bills introduced both in the House and the Senate—

Mr. CULKIN. That is not my question at all.

Mr. PARMELEE. As to the background—

Mr. CULKIN. I will waive my question.

Mr. PARMELEE. I am trying to answer it as fully as I can.

Mr. CULKIN. I am sorry.

Mr. PARMELEE. This legislation that has been introduced, we don't know the background of it. Chairman Lea has introduced—

Mr. CULKIN. You don't expect me to believe that, do you?

Mr. PARMELEE. Sir?

Mr. CULKIN. Of course the original bill was the Lea bill which was drawn by a committee of six.

Mr. PARMELEE. I beg your pardon. The Lea bill was not drawn by the committee of six at all.

Mr. RANKIN. Gentlemen, there is a man sitting here who has been here all afternoon waiting to speak on behalf of the brotherhood, and I think we have covered everything from the Panama Canal to the North Pole with this gentleman. Can't the gentleman bring his remarks to a close? It is now 4:35.

Mr. CULKIN. I think I am partly to blame for the delay. I think the witness ought to be permitted to finish.

Mr. PARMELEE. May I finish with this one suggestion, which I will leave with the committee, and that is that in view of this proposal now actively before this Congress for authoritative studies of all these questions, it seems to us this is not the time to embark on any large project until those studies have been completed by an authoritative body or group of individuals. I thank you very much for your kindness and your patience.

The CHAIRMAN. I have been listening for 20 years or more to railroads and waterways. Can you or any other man present or absent place in the record the name of any railroad that has been injured by an inland waterway navigation improvement? Can you state which railroad it was, which waterway it was, and the amount and type of traffic it took away from the railroad? I would like to have those things put in the record. I have called for that information for many years and have never been able to get it. I would like to have the facts as best we can.

Mr. RANKIN. You may extend your remarks in the record, Mr. Parmelee, and put that in.

Mr. PARMELEE. Thank you.

**STATEMENT OF J. G. LUHRSEN, EXECUTIVE SECRETARY, RAILWAY
• LABOR EXECUTIVES ASSOCIATION**

Mr. LUHRSEN. My name is J. G. Luhrsen, executive secretary, Railway Labor Executives Association.

The CHAIRMAN. Where are you located?

Mr. LUHRSEN. 10 Independence Avenue, Labor Building, Washington.

First of all, I want to say our objection to this project is, of course, because we believe it will cause more unemployment of railroad workers; second, however, I feel that we would rather deal with facts and know something more about this. I had no particular advance notice of this particular case until Friday, and we usually develop the figures of actual loss of employment as best we can, which I did not have particular opportunity to do in this case.

For example, the Kansas Pipe Line Co., when they filed their application for a certificate of public convenience and necessity before the Commission, we had practically 3 months to investigate. Our position is we have legislative men in the States, and we have general and divisional chairmen on every railroad, and we ask for the information direct from them as to how it is going to affect them and what business will be lost. In that way we can figure out in more precise manner what the actual loss is.

However, if I go back to 1920 and tell you we had 2,022,000 railroad employees, with a pay roll of \$3,681,000,000—

Mr. RANKIN. Repeat those figures.

Mr. LUHRSEN. We had 2,022,000 employees with a pay roll of about \$3,681,000,000; today we have 940,000 employees, with about \$745,000,000 of pay roll. That is more than cut in two.

Speaking for the particular class which I represented for 22 years, our train dispatchers force has been practically cut in two. We think we have suffered enough—

Mr. RANKIN. You said there were 2,022,000.

Mr. LUHRSEN. That is right in 1920.

Mr. RANKIN. With a pay roll of \$3,000,000,000—

Mr. LUHRSEN. \$3,681,000,000 pay roll.

Mr. RANKIN. That figures about \$1,800 apiece.

Mr. LUHRSEN. Yes.

Mr. RANKIN. How many have you now?

Mr. LUHRSEN. We have 940,000 employees, with a pay roll of \$1,746,000,000.

That is as we look at it, and we chief executives have discussed at various times for a number of years, when a resolution is passed, asking for an Army officer to come in and make a report, we have felt, because of the knowledge the Interstate Commerce Commission has of transportation generally, that it would be well to have some other authority besides just one particular governmental agency make a report, have the investigation broadened, make it of wider scope.

For example, we have men in the field right where this project is being contemplated that could be helpful with information. They know what work they would lose and how it would affect them, and I think the scope of the investigation should be broader before a report comes in here reporting favorably on this situation.

Mr. CULKIN. Surely the gentlemen knows the engineers give at least three hearings on this question where all parties interested may come in and be heard. There is a hearing originally when the project goes into the field, then a hearing before the engineers, then there is an appeal and ultimately a hearing before this committee.

Mr. LUHRSEN. That might be right. The trouble is, just like before the Commission, they have lots of hearings we know nothing about, and we have to be on the lookout every day to see what is happening on these truck-line cases and barge lines and everything else. We have to be Johnny at the rat hole. We don't get notice of these things and we are not in these hearings half the time when we really would like to be in them from the start.

Mr. RANKIN. If we did that, we would be under the same obligation toward the farm organizations.

Mr. LUHRSEN. I think they would be interested, too.

Mr. RANKIN. They would want to come to the hearings and this thing would be interminable.

Mr. LUHRSEN. Since it is for the public benefit, I think they ought to have the opportunity.

Mr. RANKIN. It would take 5 years to hold these hearings.

Mr. LUHRSEN. I would rather deal with the proposition and have it sound when we do have it, than have something that is unsound and temporary instead of permanent.

Without taking much of your time, there was some discussion this morning as to the benefits the people received through different advances made to various groups of transportation. I do feel that I should put this notice in the record, or a letter that I received from Mr. Harrison's headquarters. That is our chairman of the Railway Executives Association. It refers to the I. C. C. hearing had on or about March 12, 1939, at which Mr. A. M. Stevens, who was general traffic manager of the Standard Oil Co. of Kentucky, was sworn, and he testified as follows:

We find that on all of our inland waterways terminals we amortize this investment as to our inland waterways terminals, we usually amortize them within 2 or 3 years. In other words, the money we make on our water terminals we put in our pockets. We don't pass it on to the consumer. No other oil company does that I know of, except where there is price competition. We have such a great saving in our waterways terminals, inland waterways terminals, that we eliminate entirely evaporation and insurance in all our calculations. We have found that none of the other companies are passing any of this money on to the consuming public. In other words, Mr. Beck—

he is the Interstate Commerce Commission examiner—

we have not seen any passage of this saving on to the consuming public.

Mr. DONDERO. Who was the witness?

Mr. LUHRSEN. Mr. A. M. Stevens, general traffic manager of the Standard Oil Co. of Kentucky, before an Interstate Commerce Commission examiner at Memphis.

In his sworn testimony Mr. Stevens cited numerous cities where the public did not get the advantages of water rates, and the specific question was asked of Mr. Stevens if he knew of an opposite condition, and his reply was:

No, I haven't. I have tried to, but I cannot, and I am going to tell you that we put the money in our pocket like everybody else did. The public is not getting the benefit of these rates. I don't think there is one company that does it.

That was the statement made before an examiner.

Here is a point where we feel the railroad employees should oppose these water projects. There is nothing in this, if it is put into operation, where the railroad men who are bound to lose their jobs, have any protection whatsoever. If railroads consolidate, two or more railroads consolidate, we do have protection by a national agreement. We had it originally in the Transportation Act of 1933, where Congress saw fit to say that no employee should be any worse off than he was in May 1933 as to losing his job because of consolidations.

Subsequent to that time, in 1935 or 1936, we worked out a national agreement with practically all the railroads, whereby, in the case of consolidation, we get some compensation if we lose our positions. Here again we have our Railroad Retirement Act. It is national in scope. If we lose our jobs here, we throw more men on the retirement list. If some are not long enough in the service to get benefits, the result is they are thrown out of work and begin to be on the taxpayers pay roll.

We feel that this project here, the same as all the rest we have investigated, will result in a loss of railroad employment, and that is our principal objection. If it does, we oppose it.

The CHAIRMAN. Don't you understand that the reduction in railroad labor has been far greater in the sections of the country where there is no inland waterway traffic than it has been where there is a great deal of waterway traffic?

Mr. LUHRSEN. That may be, but nevertheless even on top of that we believe if you have this waterway it will reduce still further the railroad employment. It is bound to. When the railroads lose that traffic it means less trains, it means less operation for the employees all the way down the line.

Mr. RANKIN. There won't be a single railroad man lose his job on account of the construction of a public barge line, because just as soon as the railroads know they have to bring their rates down they bring them down, and they will haul more freight and put more men to work.

Mr. LUHRSEN. My general experience would be along this line—

Mr. RANKIN. They may have to cut out a few vice presidents, maybe—

Mr. LUHRSEN. Don't get the impression I am defending the railroads, because I am on the other side, I hope.

Mr. RANKIN. The men who work on these railroads after this line is constructed, there will be more at work than there are now. That has been the history of it.

Mr. LUHRSEN. The fact is, nevertheless, we investigated this *Beaver-Mahoning case*, and we know we lost 12,000 men in that

Mr. KIRWAN. Where are the 12,000 men in the Cleveland-Mahoning?

Mr. LUHRSEN. I say, 12,000—

Mr. KIRWAN. The employees?

Mr. LUHRSEN. No, the whole people that we have inundated—

Mr. KIRWAN. I can say now there are more railroad employees on W. P. A. than of any other class, in Ohio, and we have no inland waterway there. It is my experience, if you ever get an inland waterway there, we would put more railroad men to work.

Mr. LUHRSEN. I don't know what you would pay them, or what the general purchasing power would be. I haven't any idea. I imagine when they build this, it will be great big dredges that won't take very many employees. It says 6,000. Maybe there are. It may take 8 years to build it. I don't know. I am not familiar with that, because I know machinery is supplanting men too fast today, without giving the men something in place of it so that they can make a living and have purchasing power and consume the goods we produce. We have got in some way to stop this increased unemployment if you are going to have this country get back to a safe and sound economic condition.

Mr. RANKIN. Isn't it a fact that machinery displaces men on railroads more than in waterways?

Mr. LUHRSEN. I can't argue that with you. I know this, so far as industry is concerned, I think they have advanced more rapidly, so far as increase in pay is concerned, in the last 10 or 15 years, although everybody thinks a railroad man is the highest paid in the United States.

Mr. CULKIN. This report suggests that there are vast sources of mineral resources in this section that are undeveloped, that low-cost transportation will bring into light. They have been sleeping since the beginning of the world.

Now, assuming that the engineers are correct on that, isn't it true that development in that section will make business for the railroads in the long run?

Mr. LUHRSEN. It may be, but I have been throughout the United States as a railroad man for 46 years of my life, spent on the railroads; I started in in that southern region. My first job was at Rolling Fork, Miss., and you have a big levee break-down there, and a bunch of us were sent down to help out, and I think we did a good job there. We had it at Spokane, where I went out in 1906. We had a tie-up there, with passengers stalled for weeks. We had to handle them. We did everything possible for them.

Nobody saved the railroads there but themselves, in those way-back years. They have committed many sins since that, but I don't want to discard all of these good things they have done. I say if this project or new business is there, railroads have built branch lines to different places. I know the Great Northern expanded every time they found ore. Every time they saw paying business they built into it. The Illinois Central built their railroad branches into lumber camps. They developed those things. If this is such a good field I don't think they would be asleep all this time and not go in there themselves and develop it and have railroad transportation from the start rather than get it from boats and haul it part of the way.

Mr. CULKIN. You doubt the existence of these natural resources?

Mr. LUHRSEN. No; I don't doubt it, but I believe if it was so valuable, they have been efficient, and they have never failed to try to get into business that is profitable; they try to get into that business themselves and get the revenue.

Mr. CULKIN. The report further states that the high cost of transportation in that section has retarded the section. Assuming that you found that to be true, would you favor waterway development?

Mr. LUHRSEN. If it required it. We want to go ahead and improve everything that would permit every part of the country to develop where the development is possible. I don't think, however, you could by giving it to the waterways to the disadvantage of the railroads. I believe in the report of the Committee of Six that we should have a national transportation system; put your finger on it where it is wrong. If it is wrong over here, adjust that; if it is wrong there, fix that up. The railroads are going to have things found about them that is wrong; the same water transportation; the same with highways and everything else. But let us get it equalized, regulated properly; give everybody a fair chance.

Mr. CULKIN. You don't want to railroadize it; you want to nationalize it.

Mr. LUHRSEN. I want a national transportation service which would give everybody a chance to live. If you want his service and he can make money on it, let him live and go on and prosper, but I don't want him to have it to the disadvantage of the railroads, or the railroads to have it to the disadvantage of the trucks or boats or anyone else.

Mr. CULKIN. The gentleman is very forceful. I would like to ask him one more question. Do you believe that each type of transportation—railroad, water, busses—has its own inherent merits?

Mr. LUHRSEN. Yes, sir; absolutely, I do.

Mr. CULKIN. And that each is entitled to its place.

Mr. LUHRSEN. That is right. I believe in that.

Mr. CULKIN. And it ought to be treated from that standpoint.

Mr. LUHRSEN. That is right. I think all of them need regulation, because it is unfair to regulate one and not the other.

Mr. CULKIN. We are pretty much in accord with that.

Mr. LUHRSEN. Maybe I am a poor witness. That is all I have to say, Mr. Chairman.

The CHAIRMAN. All right; it is getting late.

(Whereupon, at 5 p. m., the committee proceeded to a consideration of other business.)

WATERWAY CONNECTING THE TOMBIGBEE AND TENNESSEE RIVERS

TUESDAY, MAY 9, 1939

HOUSE OF REPRESENTATIVES,
RIVERS AND HARBORS COMMITTEE,
Washington, D. C.

The committee met at 10:30 a. m., the Honorable John Mansfield (chairman) presiding.

The CHAIRMAN. The committee will come to order.

Mr. Starnes of Alabama desired to make a few remarks this morning.

STATEMENT OF THE HONORABLE JOE STARNES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALABAMA

Mr. STARNES. Mr. Chairman and gentlemen of the committee, I want to say at the outset that I think this entire study, when it is before the committee, will present one of the most interesting problems that you have had in recent years with reference to the development of our inland waterway system.

I firmly believe a proper development of our inland waterway system will bring about a solution of our freight rate structure in this country and make it more equitable.

I further believe that a proper and economical development of our inland waterway system will tend to create more traffic, not only for the waterways themselves, but for the railroads.

Waterways have been the natural means or methods of transportation from the dawn of history, and neither the development of railways nor of motor transportation nor of skyways has or can supplant the proper and economical use of our waterways as a method of transportation for men and things.

Mr. DONDERO. I suppose the gentleman means our natural waterways.

Mr. STARNES. Our natural waterways, and certainly, these natural waterways have to be improved and developed.

Mr. KIRWAN. In that connection, I think it is quite significant that the older civilizations, at the beginning of industrial and economic development, appreciated this fact and developed their waterways as they were capable of being developed.

Mr. STARNES. That is correct, and I don't think we shall come into our own, as we should, economically, until we properly develop our inland waterways.

Mr. DONDERO. Let me say that the thought has been expressed here that some transportation systems have been penalized by unfair waterways. I am looking now, as I look at that map, to an inland empire which constitutes one-third of this country, which is also being penalized by not being permitted to go down to the sea in ships.

I am not excepting to Mr. Rankin's statement that his area has been penalized, but I say that this area is also being penalized in that it cannot go down to the sea, and our freight rates are higher than they should be. If you gave us the St. Lawrence seaway we could go down to the ocean.

Mr. STARNES. That is proper, but I think you can travel this 12 months in a year, where you could not in the St. Lawrence; and if we can develop this area, we will develop the entire country.

Mr. DONDERO. In spite of my interest in that great waterway, I am ready to say now, in view of the economic condition of our country, that I think that seaway and this thing ought to be laid on the shelf.

Mr. STARNES. That is a matter of policy for the Congress to decide.

Mr. KIRWAN. And in that connection, it is significant that the very centers of population and industrial and business development have occurred in the main where they have these waterway connections.

Mr. RANKIN. Let me say to the gentleman from Michigan, I am one of the first and most outspoken supporters of the St. Lawrence Waterway in the House, and I don't think it ought to be longer delayed, because I think development will be penalized.

Mr. STARNES. If I may be permitted, I want to pay tribute to my good friend and colleague from Mississippi, John Rankin, for his interest in the development of inland waterways, and in particular this route under discussion and consideration by the committee at the present time, because he has been its chief sponsor, and to him is due the credit for bringing this into national prominence.

I am not opposed to the construction of a waterway over the Tombigbee route, but I have this statement to make this morning in defense of my own position, and in view of the squeeze play that has developed, that puts me in a position of having to place myself on record with reference to the development of this proposed waterway.

Let me give you a little history, a little background.

While Mr. Rankin has been interested in this proposition for many years, for many years before I ever dreamed of running for Congress—I met him first at a meeting in Birmingham, Ala., in the summer of 1934, at which he was then advocating the so-called Tombigbee route, before a meeting of the chamber of commerce. Of course, Mr. Huddleston and myself were interested in this proposed Warrior connection, because one of the termini was at my home city and the other was at Mr. Huddleston's, and while we could not agree with Mr. Rankin as to the desirability of the Tombigbee route over the other route, we did think all possible routes connecting the Tennessee Valley with the Gulf of Mexico, via the canal connecting the Tennessee with the Tombigbee proper, or via canal with the Warrior, both routes getting eventually into the Gulf at Mobile, should be studied thoroughly and completely and a report made to the Congress, and then let the Congress make a decision as to which would be the most practical, feasible, and economical route for development.

Mr. RANKIN. Of course, each of these two projects stands on its own merits.

Mr. STARNES. That is true. It has been my attitude, publicly and otherwise, that all routes should be studied and the Congress in its wisdom should adopt whatever policy it sees fit with reference to this development.

Mr. PITTINGER. You don't mean to say we should have both?

Mr. STARNES. I am not making any statement with reference to that.

Mr. RANKIN. Why not? You are asking for the inland waterway, and already have the St. Lawrence Canal. If these are feasible and practical, why not?

Mr. PITTENGER. That is not a parallel case.

Mr. STARNES. Let me make this statement first, and then you can interrupt me with any questions and any argument you see fit.

In October 1934 we held a meeting; the district engineer at that time was Col. Robert Thomas. The final meeting was held at Gunthersville, Ala., in which representatives from the entire Tennessee Valley were present, and at which meeting much testimony was adduced as to the economic possibilities of this development.

As a result of the meeting held in the summer of 1934, along the Tombigbee, over in Mississippi at various points, and at Birmingham and Gunthersville, the district engineer recommended an economic study to determine the reasibility of this proposition and to ascertain whether or not it would be for the public interest to conduct a detailed engineering survey of all routes.

I took the position then and take the position now that each of these proposed routes should be thoroughly studied and explored, and then when the final and complete report is in that this committee and the Congress should determine the policy with reference to the development of this inland waterway system.

The study was carried out over a period of 12 to 18 months; a report was made by the district engineers, concurred in by the division engineers, representing a detailed engineering study based on the results of that economic study. The Board of Engineers of the War Department turned the proposition down.

Then Mr. Rankin and I joined forces in a united effort to have the War Department reverse itself, which it did, and they went ahead and spent approximately three quarters of a million dollars in an exhaustive study of the proposed routes.

The Tombigbee route, the one under consideration now, which would come in here in northeast Mississippi and flow down the eastern side of the State and back into the State of Alabama, just to the north and west of Demopolis, and then into Middle Bay and the Gulf was completed first. On the proposed Warrior connection the engineers first came down Locust Fork—the headwaters of Locust Fork are within some 15 or 20 miles of the city of Gunthersville.

Mr. DONDERO. Would that touch Birmingham?

Mr. STARNES. It would go just a little to the west of Birmingham.

After they had studied that route for some time—the stream has a very tortuous course there—they decided to come down across here, into another branch of the Warrior called the Murphy's Valley route. That route would come down through Valley Creek, right through the city of Birmingham, right in the heart of the greatest industrial area in the South, and outside of Pittsburgh, the greatest iron and steel center in America. It would go through Valley Creek, or Oppossum Creek, and Village Creek. It would go back into the Warrior at a point near Bessemer, Ala., which is below Birmingham.

Temporarily they have abandoned all studies on the Locust route, because they found this later route which I mentioned to you, from these three creeks, Village, Valley, and Oppossum Creek, would be

a shorter route and would go right through the heart of that industrial area. It would place that great industrial city directly on a navigable waterway.

That report will probably reach the Congress within the next 60 days. The Chief of Engineers has testified the report will be ready before the end of the fiscal year, which is June 30. The division engineer informed me yesterday a week ago, in Mobile, that within a very short time a special board will be called to meet and make a report and a study on these two routes.

The CHAIRMAN. Mr. Starnes, can you give us any assurance as to what that report will be?

Mr. STARNES. No, sir; I can not.

The CHAIRMAN. Suppose we do not take action and an unfavorable report should come in? We have to take all those chances as we go along, you know.

Mr. STARNES. That is entirely true, but that is one of the fortunes of war.

Mr. RANKIN. Mr. Starnes, the route you speak of would be worth nothing to the Tombigbee, if they abandon it, and that area would be left out. If they were to abandon this route, it would leave out that area on the Tombigbee.

Mr. STARNES. Going along further with this proposition—

Mr. ANGELL. Will the Board of Engineers attempt to determine whether one or the other should be put forward?

Mr. STARNES. That I can't say.

Mr. RANKIN. What is the question?

Mr. STARNES. The question is whether the Board of Engineers in their report will determine whether one or the other of these should be gone ahead with.

Mr. RANKIN. No; the Board of Engineers will consider each of these from their own standpoint.

Mr. ANGELL. They won't attempt to differentiate as to whether there should be one or the other?

Mr. STARNES. I don't think they will. However, I cannot speak for the engineers of the War Department. I have not tried to obtain any information that should come to you through regular channels and through proper and orderly procedure, and I am willing to await the outcome of that report, and then let these routes stand or fall on their own efforts, after they are all considered and after the committee can have a full and complete picture in order to determine which route or routes are most practicable and feasible.

Mr. DONDERO. Has any estimate of cost been made?

Mr. STARNES. I will say this to you. I have called for some information during the past 2 weeks with reference to these routes and in another hearing, before another Committee of the Congress, within the past 2 weeks, the Chief of Engineer's Office supplied us with information to the effect that from Mobile to Cairo, Ill., on the Mississippi River, the distance going from Mobile around to New Orleans by the main stem, is 1,020 miles. Using the route now under consideration, which I have called the Tombigbee route proper, the distance from Mobile to Cairo, Ill., is 752 miles, and the number of locks required would be 25, of which 7 are completed, at an estimated total cost of \$66,000,000.

The distance from Mobile to Cairo following the Tennessee to Guntersville, via Locust Fork, is 817 miles, and the number of locks required would be 39, of which 21 are completed, and preliminary estimates place the cost at about 85 million. Cost on either of the routes by way of Birmingham is going to be more than the so-called Tombigbee route, because of this fact, when you come out on the Tombigbee route you are going through an agricultural section with no developments. When you go through the Birmingham area, you go through the richest industrial area in the Southeast, and the cost of replacing and relocating highways and railways, and purchasing of rights-of-ways make the cost considerable in comparison with the other route.

The distance from Mobile to Cairo, following down the Tombigbee route via Gunthersville and Birmingham is only 800 miles. The number of locks required will be 47, of which 21 are completed, and the preliminary estimates of the cost is in the neighborhood of \$85,000,000.

Mr. RANKIN. To go around, taking part of the Tennessee River between those cities—rather, around to the Mississippi River, to go around by Cairo you have to go about 13 or 14 hundred miles, whereas going up the other way it would only be about 500 miles. Do you get what I am driving at?

Mr. STARNES. No, I don't.

Mr. RANKIN. Here is what I am driving at. Take Muscle Shoals, for instance—if you go around and come down the Mississippi River, it would be thirteen or fourteen hundred miles.

Mr. STARNES. Yes, indeed.

Mr. RANKIN. But to go straight down it is less than 500.

Mr. STARNES. What I am endeavoring to show the committee is that this route will bring all points north, east, and west of Cairo into the Gulf and into the markets of the earth by a more direct route than following the main stem on the Mississippi.

I mean from Mobile. I am taking Mobile because Mobile is on the Gulf. Therefore, you have made a considerable saving in mileage to reach the Tennessee Valley. Secondly, the Ohio, the upper Mississippi, and the Missouri Valley and the Great Lakes region, would connect with the Gulf by a more direct route that way than you would by following the main stem of the Mississippi, and there is a two-way traffic there.

Then on the up-bound traffic you will have slack water all the way through the middle Tombigbee, or middle Warrior-Tennessee route, into these various parts of the country. Coming back to Mr. Dondero's question in the beginning, this will open up a year-round route for the development of our great inland empire here, including his Great Lake area and the great automotive region; would furnish an all-year-round route to the sea over what I term a controlled waterway with slack water by the most direct route, and you certainly would not be icebound at any season of the year.

Mr. PITTENGER. Are you opposed to the St. Lawrence Waterway?

Mr. STARNES. Oh, no; I am not opposed to the development of any inland waterway system that is practical, economical, and feasible. I don't care what section it is in.

Mr. PITTENGER. But you want it to justify itself on the basis of savings to the public?

Mr. STARNES. Yes.

Mr. PITTENGER. I am not opposed to any waterway development that can justify itself and at the same time not upset all the transportation facilities and economical roads that have been built up. I will say right here to my colleague from Mississippi that I admire his nonsectional standpoint on these improvements. I am not going to say that I am going to vote for him on these projects. This hearing convinces me there has been a lack of coordination over the years in this transportation business. I think it is mighty unfortunate that this condition has come about.

Mr. DONDERO. May I say to my friend from Alabama that I am convinced of one thing; from the testimony offered that God made a mistake in placing the Mississippi where he did.

Mr. STARNES. Originally, according to the geologists, the Tennessee River once flowed into the Gulf of Mexico.

I want to call your attention to what I consider the advantages of this route, and, as I said, my whole position is that I do not want the committee to take any action that would preclude a fair and impartial hearing and action on their part in the future on this proposed connection via the Warrior River. I don't want you take any action now that will preclude you from taking the proper action, or what you consider fair and impartial action, on the other report when it comes in. In other words, I don't want you to have a closed mind. I want you to have the full picture and then you can make up your minds accordingly.

I call your attention to this fact, that on this so-called Warrior route to Gunthersville, Birmingham connection, that you find in this area and in Chattanooga and Knoxville and the territory beyond there, the major portion of the tonnage, the actual tonnage to justify either route. They are using the tonnage over at Birmingham to justify the report you now have on the Tombigbee, although it is nowhere near the Tombigbee. The same goes for Chattanooga and Knoxville. The actual tonnage, the vast portion of it, is along that route. The potential tonnage in that area is tremendous. The report that you have before you now calls your attention to that fact.

The Birmingham ordnance area ranks next to the Pittsburgh ordnance area in importance in the national emergency. Here we have all the constituent elements necessary for the national defense. This is no wild statement, nor a chamber of commerce statement, but this is based on studies and reports and plans of the Ordnance Section of the War Department. We have coal and iron ore and bauxite; we have low-grade manganese in this area and along this route, which can be developed with the development of this waterway system.

I call your attention to the fact that in the beginning the tonnage to justify either route must naturally come from along that line to the northeast rather than the northwest. There is very little tonnage yet on the Missouri that would justify the development there, coming down to Ohio, of course, either route can take advantage of the tremendous tonnage in that area.

Mr. RANKIN. We are agreed on one thing, that whatever tonnage there is in Alabama on either route will use the Tombigbee below Demopolis.

Mr. STARNES. Below Demopolis, that is right. The Tombigbee and the Warrior join at Demopolis, Ala. The Warrior is already

canalized 9 feet from Mobile Bay to a point within 60 miles of the city of Gunthersville. That is now being used. It is part of the inland waterways system and in my remarks I would like to insert certain tonnage figures and so forth. The Tombigbee has no channels, as I recall it, above Demopolis, Ala., although there is a project which this committee has approved recently which will carry a 6-foot channel probably as far as Columbus, Miss.

Mr. PITTINGER. What is the mileage from Demopolis down?

Mr. STARNES. About 226 miles.

Mr. Chairman, that concludes my statement, unless some of the gentlemen of the committee have some questions to ask. I want to make my position clear for the record that I think that either connection on the Tennessee Valley, and of course that means the Ohio Valley, the upper Mississippi and the Missouri Valley, with the Gulf via canal, either over the so-called Tombigbee route proper, or one of the other routes, is necessary, because I think potentially that it will prove the most important waterway system in the whole world.

It connects not only the Tennessee Valley proper with the Gulf, which is very desirable, because in the Tennessee Valley, according to the studies and the reports, we have a more infinite variety of natural resources than any other section of the country; but it connects and ties in with the Ohio River Valley. That area was developed when they developed the Ohio River. Then it came into its own. It ties the Great Lakes commerce in with us in a vast inland empire, also the commerce of the upper Mississippi and the Missouri Valley.

Mr. RANKIN. And the lower Mississippi.

Mr. STARNES. Of course, the lower Mississippi. I am stressing these other points, because, as I said a moment ago, if you follow this development, you have a more direct route to the sea.

That is all I have and I thank the committee for giving me the opportunity of placing myself on record with reference to this development. I would be glad to answer any questions and I would like to revise my remarks and insert the certain tonnage figures.

The CHAIRMAN. You have that privilege.

STATEMENT OF JOHN T. CORBETT, ASSISTANT GRAND CHIEF ENGINEER, NATIONAL LEGISLATIVE REPRESENTATIVE, BROTHERHOOD OF LOCOMOTIVE ENGINEERS

Mr. CORBETT. Mr. Chairman and gentlemen of the committee, my name is John T. Corbett. I am assistant grand chief engineer of, and the national legislative representative for, the Brotherhood of Locomotive Engineers.

The CHAIRMAN. Just a second. Yesterday I referred to water transportation and railroad transportation in the Pittsburgh district. I had the figures nearly correct, but not entirely so. I would like to put the correct figures in now.

The water-borne commerce of that district in 1900 was approximately 9,000,000 tons, the rail commerce handled in the same district was 57,000,000 tons.

In 1925 the water-borne commerce had increased to 40,000,000 tons and the rail commerce to 173,000,000 tons.

These were figures taken from a former hearing some years ago furnished by the Chamber of Commerce of Pittsburgh.

Mr. CORBETT. The organization that I represent has gone on record through convention action and through the action of its national legislative board, which handles legislative matters between meetings of the convention, in opposition to any further subsidization of any means of transportation. We naturally protest the continued expenditures of the millions upon millions of dollars for the benefit of our competitors, and I don't know that my organization would express any opposition to some of the remarks that have been made here this morning in which those who have spoken stated that they favored any route that could justify itself.

We believe, and some of the remarks that have been made during these hearings have caused us to have the belief, that this is only the beginning of what might be asked for in the line of Government subsidization and benefits after we have created this waterway, because there is no waterway that has been made by man so far in this country that has actually paid its way without continual and further expenditures from the Government in the line of maintenance and further improvement.

Mr. RANKIN. How many of you engineers were there employed in 1929?

Mr. CORBETT. What is that?

Mr. RANKIN. How many of you engineers were there employed in 1929. You represent the engineers?

Mr. CORBETT. Yes, sir.

Mr. RANKIN. How many railroad engineers were employed in this country in 1929?

Mr. CORBETT. I can't tell you exactly the number. I didn't come here direct from the Interstate Commerce Commission or anything of that kind, but my best memory is that we had a membership of approximately 90,000 members and that at the present time our membership has dropped one-third.

Mr. RANKIN. To 60,000?

Mr. CORBETT. Approximately 60,000.

Mr. RANKIN. Do you know how much the wages amounted to in round numbers?

Mr. CORBETT. The wages have dropped from 1920 to 1929. I would be very glad to furnish those figures for the committee if it would be of any interest to you.

Mr. RANKIN. You can send them up and they will be put in the record. We would like to have the number of railway engineers employed in 1929 and the amount of money they received, and the number employed in 1938, and the amount of money they all received during the year. I would like that to go into the record. The gentleman representing the Railway Brotherhood put those complete figures into the record.

(Mr. Corbett subsequently submitted the following:)

Locomotive engineers, average number in service (12-month period)

Year	Road passenger	Road through freight	Road local freight	Yard	Total
1929.....	12,558	20,201	9,210	21,859	63,828
1938.....	8,785	11,937	6,433	12,372	39,527
Decrease (38 percent).....					24,301

Mr. CORBETT. It seems proper at this time to express possible opposition at the hurry that there appears to be in connection with the handling of this particular piece of legislation. There has been a Committee of Six appointed by the President. That Committee of Six has made its report, and we believe that there might well be a study made of all the different forms of transportation, and that if these waterways are what the public as a whole should have, then the railroads in that territory should be abandoned; they should not be expected to continue to pay taxes and to maintain their rights-of-way, and the railroad employees should be given something in the line of assurance as to what they may expect as to their future.

Mr. PITTINGER. Did I understand you to say the recommendation of the Committee of Six should be followed?

Mr. CORBETT. That the recommendation of the Committee of Six, that a comprehensive study should be made of all the different forms of transportation, and those that are not in a position to stand on their own feet, without subsidies from the Government, should be eliminated, whether it is railroads, trucks, busses, or waterways.

Mr. PITTINGER. Is that the committee that wrote the bill that is pending before the Committee on Interstate and Foreign Commerce?

Mr. CORBETT. I couldn't say. I don't know who wrote the bill.

Mr. PITTINGER. I have reference to the Lee bill.

Mr. CORBETT. My understanding is that the Lee bill was—and I think the number is 2531—was not written by that committee, and it was introduced before that committee made its report. It is my understanding that the later bill, H. R. 4862, was at least partly proposed by that committee.

The CHAIRMAN. Mr. Corbett, you cannot give us the names, can you right now, of the members of that committee?

Mr. CORBETT. No, sir; I can't; but I will be glad to answer your questions.

(Mr. Corbett subsequently submitted the names of the committee as follows:)

M. W. Clement, Carl R. Gray, George M. Harrison, B. M. Jewel, Ernest E. Norris, and D. B. Robertson, committee appointed by President of the United States, September 20, 1938, to consider the transportation problem and recommend legislation. (Report made December 23, 1938.)

Mr. CULKIN. A distinguished authority has said that 90 percent of the improvements on rivers and harbors has been credited to the railroads in the history of our waterways development.

Mr. CORBETT. I can't tell you what the percentage might be, but I know that railroads have distributed largely to harbors in order to relieve their delivery of goods there.

Mr. CULKIN. They have been the chief supporters of waterways, haven't they? You take a great many of our Great Lakes cities and our coastal cities and Gulf cities and west coast cities—hasn't that been incident to the juncture of the water and the rails?

Mr. CORBETT. No; I wouldn't agree with you there. I would cite at least a few of those cities that would not carry out your idea.

Mr. CULKIN. Give me at least one of those great Gulf or coastal or Lake cities that is otherwise.

Mr. CORBETT. Milwaukee, Wis.

Mr. CULKIN. Wasn't that growth in a measure incident to its being a Great Lakes port?

Mr. CORBETT. It was a Great Lakes port.

Mr. CULKIN. I think its commerce is about 7,000,000 a year. Do you regard that as a small tonnage?

Mr. CORBETT. A large part of that tonnage is coal.

Mr. CULKIN. Isn't coal important to keep people of that area and the people in the hinterland beyond the Great Lakes, to the west warm—isn't that quite an important item in their lives?

Mr. CORBETT. Yes; I imagine it is, and for your information, I have lived in the city of Milwaukee, which is one of the ports that you mention now. I have lived in the city of Racine, 23 miles south of that city, and I then moved 100 miles west, and the same kind of coal delivered by train to my home that was delivered to my old home is bought at exactly the same price.

Mr. CULKIN. At what time of the year?

Mr. CORBETT. Any time of the year.

Mr. CULKIN. Of course, you know the carriage of coal from Buffalo to Milwaukee by water and the carriage of coal by rail are two big propositions, with regard to the cost?

Mr. CORBETT. It is based on the train costs, and while you are there, let me call your attention to this; recently, before the Interstate Commerce Committee of the Senate—and you will find it on page 55. Senator Wheeler stated as follows:

There has been a good deal said about waterways and with respect to transportation lines operating on some of these waterways. I agree entirely that they are getting special favors from the Government of the United States, and we are doing a lot of things for which they are not paying anything. If the consumers were getting the benefit of all that, I wouldn't have much fault to find, but it seems to me that the trend is unfortunately that the consumer does not get any benefit out of it. I mean to say that when these companies sell their products they sell them upon a basis where they figure in the railroad rates. For instance, if a steel company sells its products in Montana, the company charges not what it would cost to ship the steel by water, but what it would cost to ship by rail, so that the ultimate consumer pays just the same as if it had been shipped by rail, and the only people who get the benefit, the people who get the real benefit, is the steel corporation itself and not the consumers. But when you are considering this proposition, and when people are talking about the shipper and about the consumer, they ought to realize that with respect to neither oil nor lumber nor steel nor any of these products is the ultimate consumer getting the benefit of the improvement made by the Federal Government to our waterways.

He spoke of the Ohio River Canal that has been mentioned here:

It certainly was not an economic benefit to the rest of the country, because it did centralize that industry in Pennsylvania, and as a result all the steel people shipped their products down the Monongahela. According to the information before this committee, they certainly do not give the general public the benefit of it.

And Senator Reed on page 60, and I am speaking now of the stenographer's transcription—I believe he is an authority on conditions in the State that he was Governor of, and of which he was a member of the Railroad Commission, made the following statement:

Kansas City, Mo., is the largest winter wheat market in the world. Kansas wheat is almost invariably sold on the basis of the Kansas City price, with a freight deduction from the country to Kansas City. In 1937, 1,000,000 bushels of wheat out of a total of about 70,000,000 bushels, I think, handled on that market moved down the Missouri River. That wheat had already been sold in the country and bought by the buyer, some grain firm, on the Kansas City market price. The only kind of wheat that can move down the river from there is general export wheat, and where there is time enough to take advantage of the water transportation. So far as I know, and I am fairly well acquainted with Kansas, no farmer in Kansas ever got a cent increase in price on his bushel of wheat because of that low water rate. The particular grain shipper who happens to have a grain elevator where he could dump the grain on a barge, if he had time, only got the benefit of that lower rate, and not the farmer who produced the wheat.

Mr. CULKIN. Of course, those statements are interesting. I followed those hearings in the Senate. Senator Wheeler has gone over bag and baggage to the theory that water should be regulated by the Interstate Commerce Commission, shifting his front of last year. Both he and Senator Reed have been overanxious to give a fair hearing to the opponents of water. I will say for the information of the committee they have broached some arguments, and I disagree completely with both those statements. In other words, on that theory—I don't want to quarrel with you—higher rates will help the farmers. The thing doesn't make sense. I don't want to interrupt your statement, but I thoroughly disagree with the statements of both of those gentlemen.

Mr. RANKIN. I will be perfectly frank with you and say that anyone who claims that a lower rate does not help the shipper or the consumers, that it does not help the farmer when they give him cheap rates, does not know what he is talking about. We have all had practical experience and know to the contrary.

Mr. CORBETT. May I answer that? I can't draw on my memory for everything, but if you will refer to the hearings, on I believe, bill S. 175, back in 1932, when they were proposing to make a canal out of the upper part of the Mississippi River, you will find that there were quoted at that time—the water rates on coal were 15 to 25 cents a ton, but that that saving was not being passed on to the consumer.

Mr. RANKIN. I don't have to go to any spokesman for a specialized group, or any lobbyist for practical information. I live in a farming district, and I know when freight rates are reduced it means a proportionate rise in the things we have to ship. We ship all our cotton from my district and I know what I am talking about, and these other things in the same way, and to tell me that lower rates on coal won't affect the consumer, and also lower rates on a shipment of wheat and cotton won't affect the producer just doesn't register with this committee.

Mr. CORBETT. Do you claim it does, Congressman?

Mr. RANKIN. Of course, it does. You might pour in this stuff, and pour this record full of stereotyped propaganda from now until Christmas, and you won't convince a single member of the committee to the contrary.

Mr. DONDERO. You are covering a lot of territory. Let me be the exception.

Mr. KIRWAN. I am a railroad man. I want to ask you this. When you talk about the Ohio Canal, the Ohio River Canal, I live in that district. The Youngstown Sheet & Tube Co. has a quarry where they get limestone, and they pay 45 cents a ton for the shipment of that limestone from the quarry to their plant. Other steel plants down 45 miles from there pay 35 cents a ton. Do you think there is any justice about that?

Mr. CORBETT. Well, now, Congressman, I am going to express a statement that I heard made, and I may not make it exactly correct. It was made by the chief counsel of the Association of American Railroads, and it was to the effect that they would appreciate some proper rule for the making of rates and they would appreciate still more the privilege of making their own rates without any demands from the Interstate Commerce Commission. My understanding is, Congressman, that the Interstate Commerce Commission is a sort of congressional baby, or a branch of the Congress, in other words, and they are subject to your orders, and I don't believe that the representative of railroad employees should be criticized for something that a branch of the Congress does.

Mr. KIRWAN. I am not criticizing you. I am talking about Senator Wheeler. You read his statement.

Mr. CORBETT. Senator Wheeler has but one vote in this Congress, the same as you.

Mr. KIRWAN. But it is Senator Wheeler's statement that I was criticizing. He seemed to know so much about Ohio.

Mr. CORBETT. Well, he surely has heard hearings enough over there, and heard witnesses enough so that he is in a position to speak.

Mr. CULKIN. Did Senator Wheeler say anything about the differential on wheat on the railroads in his own State, and the carriage of wheat on the Canadian Pacific?

Mr. CORBETT. No; and there wouldn't be a proper comparison that could be made, because the railroads in Canada are subsidized by the Government.

Mr. CULKIN. Oh, no. The gentleman falls into complete error on that. The Canadian Pacific is not subsidized.

Mr. CORBETT. But it has to make its rate—

Mr. CULKIN. It is privately owned and is in the same category as our own railroads. Some of the other Canadian railroads are subsidized. Senator Wheeler made that statement before town hall some time ago, that the Canadian Pacific is subsidized, but it is not subsidized at all.

The carriage of wheat in Canada over the Canadian Pacific is not more than half what it is on our side of the line in Montana, and that is said to be the reason that we have lost—one of the principal reasons why we have lost our export of American grain. While Canadian grain goes abroad, our grain stays in the country.

Mr. BENDER. Do you think if the railroads themselves, without having the Interstate Commerce Commission to deal with, had to make rates that there would be adjustments in the rates as was pointed out by Congressman Kirwan a moment ago?

Mr. CORBETT. I couldn't say what the adjustment would be.

Mr. BENDER. Do you think the Interstate Commerce Commission helps the situation, or does it hurt it?

Mr. CORBETT. I think they have helped it.

The CHAIRMAN. But you have made the statement that the consumers do not get the benefit of cheaper rates.

Mr. CORBETT. Mr. Chairman, may I have the record correct on that? I have quoted two outstanding Senators' statements made before the Interstate Commerce Committee of the Senate; that is all.

The CHAIRMAN. I want to give you an illustration of one in my district. My district furnishes most of the sulfur used in the United States. That sulfur is all loaded f. o. b. on steamships, barges, or the railroad, and the consumer pays the freight on it at destination. The sulfur company does not pay a cent of transportation charges. In a case like that, don't you think the consumer gets the benefit of lower rates? There is over a million tons a year shipped.

Mr. CORBETT. You are asking a question based on your statement; and with all due respect to the correctness of the statement, I would want to know more about it, Mr. Chairman.

I have one more short quotation made by Senator Wheeler [reading]:

I think you will find it is true of common carriers as well as where they are privately owned by the companies whose products are being shipped, it doesn't make any difference where steel is shipped, whether by common carriers or by their own carriers, they charge the Pittsburgh price, plus the freight rate.

And again:

As a matter of fact, these steel companies ship via water and charge the rail rate.

Now, in the rooms of the Committee on Commerce of the Senate is a chart, and I believe this committee might well give it consideration when you are talking about water transportation. It is to this effect: The chart shows the lowering of the tonnage in American ships handling foreign trade as follows:

In 1830, 89.9 percent; in 1840, 82.9 percent; 1850, 72.5 percent; 1860, 66.5 percent; 1870, 34.6 percent; 1880, 17.4 percent; 1890, 12.9 percent; 1900, 9.3 percent; 1910, 8.7 percent.

Then subsidies were provided, and in 1920 it arose to 42.7 percent; 1924 it had dropped again to 36.3 percent; 1925, 34.1 percent; 1936, 32.2 percent.

In other words, the American shipping interests have not shown it possible to work with their own equipment and continue to make a profit that would merit them continuing in the business of foreign trade.

We are for a subsidization of foreign trade vessels, we are for the subsidization of rivers and harbors that are natural waterways; but, gentlemen, we believe that it is unfair to subsidize any kind of transportation that must result in putting railroad employees out on the street begging for W. P. A. help.

Now, then, commercial clubs have come in and they have boosted this, and I have heard here only this morning of commercial clubs at Mobile, at Birmingham, and other places, and let me submit to you what these commercial clubs consist of.

First, the storekeepers and businessmen and industrial men in the community that are protected by tariffs and other things for their own business, and your small-business man is protected by his peddler's license; you have your professional men, and your professional men,

while they do not refer to it as a union, have their association. You have your medical association, and you have your bar association, and I believe that they have merit; they deserve all kinds of approval and endorsement; but the fact is that they band themselves together into a commercial club to protect their own interests, and then they come out and ask the Government to subsidize peddlers of transportation, and it is that that we at present, and expect to continue to, express opposition to.

We believe it an injustice.

I thank the committee.

Mr. RANKIN. Mr. Miller is here. He is a member of the projects committee of the National Rivers and Harbors Congress, and he wants to make just a short statement.

**STATEMENT OF ROY MILLER, ACTING VICE PRESIDENT,
INTRACOASTAL CANAL ASSOCIATION OF LOUISIANA AND
TEXAS**

Mr. MILLER. Mr. Chairman, my name is Roy Miller. I am acting vice president of the Intracoastal Canal Association of Louisiana and Texas; I am also a member for the Gulf division of the projects committee of the National Rivers and Harbors Congress.

The projects committee of the Rivers and Harbors Congress is set up on the same basis as the engineering division of the War Department. I happen to be the member representing the Gulf division, which covers the Gulf coast from Key West to Brownsville.

The project before the committee at this time has been considered by the projects committee of the National Rivers and Harbors Congress, on, I think, three different occasions. Very interesting presentations have been made by the gentleman from Mississippi and various other proponents. As a result of his study and consideration of this project, the projects committee of the Rivers and Harbors Congress a few weeks ago unanimously endorsed it for construction. The action of the committee was taken because it was convinced from the presentation made by the gentleman from Mississippi and by others, and the exhaustive data submitted, that the project was economically sound and that its construction would be in the interest of the public welfare.

It may be of interest to the committee to know that at the time the projects committee took its action this year, the report which is now before you had not been submitted to Congress. It had, however, been passed upon by the Board of Engineers for Rivers and Harbors, and also by the Chief of Engineers, and at the time of our action, I think it was in the office of the Secretary of War.

I was authorized by the projects committee to confer informally with officials of the office of the Chief of Engineers and was advised by them, in conference, as to the contents of the report, and we were advised that in the judgment of the Department the project was sound, economically justified, and it was for that reason that the projects committee of the congress gave it its unanimous endorsement, which endorsement was approved by the Rivers and Harbors Congress on the following day.

Mr. RANKIN. Mr. Miller, you have on the Gulf coast there an inland waterway, as I understand it, that is protected from the waves of the Gulf all the way from Houston; Tex., around Beaumont to Mobile, haven't you?

Mr. MILLER. Yes; that project was a few months ago officially designated by the War Department as the Gulf Intracoastal Waterway. It is now completed and in use from Florida to the Houston and Galveston district, about 325 miles west and south of the Mississippi.

Mr. DONDERO. What other projects have the Rivers and Harbors Congress approved besides the one before this committee?

Mr. MILLER. I can only speak from memory. Of course, the report of the committee has been printed, and I will be glad to put the exact figures in the record, but—

Mr. DONDERO. What I am really seeking to ascertain is what other project has the Rivers and Harbors Congress interested itself in beside this one?

Mr. MILLER. Well, innumerable projects.

Mr. DONDERO. I don't mean back over the years. I mean this year.

Mr. MILLER. I would rather imagine practically all of the projects which have been considered by this committee this year were presented to our projects committee for consideration. They certainly represent every section of the country and every character of waterway improvement project, including navigation projects, flood-control projects, irrigation projects, and reclamation projects. Of course, the gentleman understands that the members of the projects committee do not pose as experts in any sense of the word, with the exception, however, of the member from the Gulf division; there are many of them who have had engineering experience. For example, the State engineer of Louisiana is the member representing the lower Mississippi Valley. Major Putnam, a retired officer of the Corps of Engineers, a very distinguished member of the Corps of Engineers, represents the Great Lakes section; a professor of engineering of the University of Washington, I think it is Dr. Tyler, is the member for the Pacific coast division, and these projects are very carefully considered.

Mr. CULKIN. Senator Miller is chairman of the congress, is he not?

Mr. MILLER. Senator John Miller, of Arkansas, is the chairman.

Mr. RANKIN. And former Congressman Driver—

Mr. MILLER. Past President Driver was elected president of the congress at its recent meeting.

Mr. CULKIN. You have now coming out of the Gulf ports approximately 140,000,000 tons a year. Isn't that true?

Mr. MILLER. Of course, I am not certain as to whether that is the correct figure or not, but approximately so. There are 96,000,000 a year that come out of the Texas ports.

Mr. CULKIN. That tonnage and the raw material that is brought to the eastern seaboard has been a large factor in the development of America, has it not?

Mr. MILLER. Unquestionably it has been a very large factor, of course, in the industrial progress of the Northeast.

Mr. CULKIN. It has been an essential factor in that development.

Mr. MILLER. I think a very essential factor; yes.

Mr. CULKIN. And the cost of that transportation has been extremely low.

Mr. MILLER. Very low; yes.

Mr. CULKIN. That is due to that low cost, almost infinitesimal per ton-mile cost, which has enabled these raw materials to be brought to the eastern seaboard where they have been manufactured and it has played an important part in the development of the United States.

Mr. MILLER. I think unquestionably that low-cost water transportation in the United States has been the most important factor in our industrial development.

Mr. CULKIN. And from that there flows a great volume of business to the railroads.

Mr. MILLER. Unquestionably.

Mr. CULKIN. And I assume you believe that that procedure is better than regulation—or if there is any attempt to equalize the cost of transportation, water and rail, is it not your judgment it will do grave damage to the economic future of the United States?

Mr. MILLER. I think the greatest injury that could come to railroad transportation in America would be the elimination of water transportation. I have made the statement a great many times, and I think the record will prove it, that there is not a waterway project in America which has not made its contribution to the prosperity of the railroads, and you will find in this country where you have deep-water transportation you have your largest industrial and commercial development, which pays its tribute naturally to the railroads.

The chairman of the committee a while ago placed in the record some very illuminating figures with reference to the situation in the Pittsburgh district. The most prosperous railroads in America are those which are in a territory served by water transportation. Along the Texas coast where we have this large port development, we find our most prosperous railroads. Those railroads which operate in sections that do not have the benefit of transportation are the railroads which are less prosperous, and the reason for that is perfectly apparent. Water transportation develops business; it develops industry and therefore makes more business for the railroads.

Mr. CULKIN. It is inherent in the national economic scene.

Mr. MILLER. Absolutely essential.

Mr. CULKIN. And to do violence to it would be to disrupt the growth and development of the country.

Mr. MILLER. No question about it at all. What we need in America is a coordinated system of transportation which would give the American people the particular kind of service they need in the movement of the particular commodity, in the interest of all. It is to me a very simple proposition. Transportation is a tax. It is an inescapable tax which is paid by the producer and consumer, and therefore the American people have a right to demand and the right to receive the most economic and convenient forms of transportation that can be provided for their use.

The CHAIRMAN. I don't know of anyone that is more familiar with the sulphur rate than you are. Can you tell us whether or not the consumer of sulphur gets the benefit of low-cost transportation?

Mr. MILLER. The entire benefit, Mr. Chairman. The price of sulphur is f. o. b. the mines. There is an exact parallel in the case—

The CHAIRMAN. They ship about a million tons a year, do they not?

Mr. MILLER. Approximately that, I believe, and the price to the consumer is based on the cost of delivery at that point. The basic price is the price f. o. b. the mines.

The CHAIRMAN. A very large proportion of that sulfur goes to the manufacturer of fertilizer, does it not?

Mr. MILLER. To a considerable extent. Just what it is, I don't know. But fertilizer constitutes one of the principal users of sulfur.

I wish I might quote from memory, which I cannot, some very interesting figures as to transportation charges on sulfur. I recall a few years ago that the cost of transportation on sulfur from the Texas mines to St. Louis was around \$6.50 a ton. To the Chicago area, if I remember correctly, it was about \$7 per ton, approximately; to the Pittsburgh district, around \$8 a ton.

With the completion of the Intracoastal Canal to Houston and Galveston, a distance of some 50 to 90 miles from the mines, the cost of transportation of sulfur to the St. Louis area has already been tremendously decreased, and it is now being transported by barge from Galveston to New Orleans at 75 cents a ton, there transshipped by the Federal Barge Line to St. Louis at a rate, I think, of \$2.50 a ton. In other words, the rate is now \$3.75 a ton from Galveston to St. Louis as compared with a rate of about \$6.50 some 3 or 4 years ago.

I am not familiar at the moment with the total present sulfur consumption in what we call the Ohio and Mississippi River Valleys but some 6 or 8 years ago, when I had occasion to compile some figures, it was estimated that the total sulfur consumption in what we call the Ohio River and Mississippi River territory, those industrial sections which can be reached by these waterways, amounted to 651,000 tons. I rather think that due to conditions which have existed for the past several years that the consumption is not probably at that point now, but when the intracoastal canal is completed south of Galveston to the mines, and it is now, Mr. Chairman, under contract, I visualize the movement of many hundreds of thousands of tons of sulfur direct from the mines through the canal to the Mississippi River, thence up the Ohio to the Pittsburgh district, up the Mississippi and through Chicago-Illinois waterway, and your Sag-Calumet Canal, which you have already heard before this committee, to the Chicago area, at an average saving of probably—well, I would say, anywhere from \$3 to \$5 a ton to the consumer, the purchaser of the sulfur.

There isn't any question at all, gentlemen, but what the benefits of water transportation inure exclusively to the American consumer and producer.

I have presented this illustration, I think, to this committee before. When the port of Corpus Christi was opened to commerce only about 12 years ago there was produced in that area five or six hundred thousand bales of cotton, all of which had to be moved to Houston or Galveston, at an average rail rate of \$4.75 per bale. That cotton now moves into Corpus Christi by truck or rail at an average of not to exceed \$1.50 a bale, on account of the closer proximity of the fields to shipside.

Mr. CULKIN. Who gets the benefit of that?

Mr. MILLER. I was just going to say that that has resulted, of course—that proportionate benefit in the proportion of the reduction of the freight rate goes to the grower of the cotton, because the price

of cotton as everyone knows is made in the world market. It has always been made at Liverpool. What the farmer gets is the price in the world market less the cost of getting it there.

Mr. CULKIN. Isn't it an absolute fact that the farmer always pays the cost of transportation?

Mr. MILLER. He always pays the freight.

Mr. CULKIN. That cannot be distorted into any generality or any false conclusion, can it?

Mr. MILLER. I don't think it can, because you cannot dispute the fact, a fact which is so perfectly obvious and known in practice.

Mr. DONDERO. I suppose it will be fair to say the railroads cannot compete with water transportation?

Mr. MILLER. With respect to certain commodities, raw materials and bulk commodities. The truth of the matter is that the development of the water transportation system in this country has developed America. By the provision of cheap water transportation the market is extended, so that certain products can be sold in certain areas where otherwise the market would be closed.

In the coastal section of Louisiana, for example, in these salt domes, there is probably enough salt to take care of the world maybe for hundreds and hundreds of years. Those mines, of course, you are familiar with. They sink a shaft down into the heart of the earth there, and find a solid block of salt of unknown quantity. Before the completion of the Intracoastal Canal the market for that salt was limited to a radius of probably not more than 150 or 200 miles. Now, the Intracoastal Canal has given that essential product a market, and the result is it is being shipped by water transportation to the very heart of America.

That is the story of water transportation. It does not hurt anybody. It helps everybody.

Mr. DONDERO. I am for water transportation as you know, but I suppose it is only fair to say that the Government provides the cost of waterways —

Mr. MILLER. That is so.

Mr. DONDERO. And the railroads have to provide their own.

Mr. MILLER. That is true, but as a matter of fact the people of America have built the railroads. Down in Texas I don't know of a single railroad that really was not paid for by the people. One-hundred-and-sixty-odd million of acres of public domain of America were given to encourage the building of transportation lines, and down in Texas virtually 25 percent of our area, around 160,000,000 acres—33,000,000 of them were given as bonuses to early railroad builders of Texas, and even today the railroads have vast holdings of public land down there, many of them in oil fields, and when the railroads were built in Texas, I will say this in addition, to the gentleman, and of course the chairman of this committee well knows, some small companies were organized, usually with local participation, and they would go out and what did they do? They got a right-of-way donated; they got land bonuses and cash sufficient to pay the cost of the railroad. That has been done in respect to every railroad I know anything about in Texas.

I went down to the home town where I lived and took charge of the advertising department of a new railroad, when I was just out of college. It is now part of the Missouri Pacific System. Its corporate

identity to start with was the St. Louis, Brownsville & Mexico. It built south from Corpus Christi to Brownsville, a distance of 157 miles and then was extended up to that virgin territory which is now the Magic Valley of the Rio Grande. The land bonuses and cash bonuses contributed by the landowners in order to build that railroad were sufficient to lay the rails, to buy the stations, and to buy the equipment. Then, of course, they went through the natural squeezing process, and the first thing we knew some big railroad gets hold of it. They go ahead and bond it and the American people buy the bonds and the American people have built the railroad.

Mr. BENDER. Would you agree to this, irrespective of whether it is a railroad or a waterway, whatever kind of a project it is, basically it is inspired by some interests that have a selfish interest in mind? Irrespective of what it is, be it a canal, a waterway, a railroad, or whatever it is, underneath there is some agency or some selfish interest involved; whether you have an organization of the Rivers and Harbors Congress, or the Railroad Administration Association, whatever it be, basically there are some interests that are concerned with that project that will help them either in creating a competitor or help them along some selfish line?

Mr. MILLER. Oh, I think that is true. I think unquestionably that general proposition is true, because that is based upon our idea of this country that we are trying to preserve, what we call the profit motive.

Mr. RANKIN. On the proposition you speak of in this area traversed by this Tombigbee route between Demopolis and the Tennessee River, there are literally hundreds of millions of tons of rock asphalt, the finest paving there is in the world, one of the finest; hundreds of millions of tons of sand and gravel needed for road purposes that simply cannot be moved because it cannot pay the freight that is now charged.

Mr. MILLER. I will say to the gentleman from Mississippi that I happen to know that to be true with respect to your asphalt deposits. I had occasion a number of years ago, at the instance of some associates of mine, to look into this asphalt situation out in Uvalde County, the home of a well-known gentleman who is at the other end of the Capitol. They have in Uvalde County the largest known deposits, at least in the Southwest, deposits of this wonderful rock asphalt. There are millions and millions of tons of it. And yet, there it is. It can be utilized only within a narrow radius down there in Texas because of the high cost of transportation.

In connection with our investigations, of course, we wanted to find out something about the competitive possibilities of asphalt elsewhere, and that led us into an investigation of these deposits which you mention, and with this waterway development that very fine road material will be made available for use. It cannot be without cheaper transportation.

The CHAIRMAN. Mr. Miller, on the question of upkeep, which has been referred to here, in the statement that the Government maintains waterways—of course, a very large proportion of that is the ocean and Gulf and lake ports, as well as inland waterways. \$41,000,000 has been estimated for maintenance of all waterways for the coming year by the Bureau of the Budget. That will be presented to the Appropriations Committee. You will see from the reports of

the Interstate Commerce Commission that as much as \$2,000,000,000 in some instances have been set aside for the maintenance of the railways, and in every instance I believe it runs over \$1,000,000,000 a year. That maintenance of railways is taken into consideration by the Interstate Commerce Commission in fixing the rates that the public pays. Do you see any difference between \$41,000,000 of outright appropriation by Congress and the one billion that is put out by railway maintenance which the shippers pay, and the consumers?

Mr. MILLER. It is like the traveling man's overcoat, that may be in his expense account, but you cannot see it. It is there just the same.

It has been the traditional policy of our country since its foundation that the Federal Government would take care of our water transportation, our navigation. Of course there is a great deal of talk about tolls and all that sort of thing, but there is this essential difference between a waterway and a railroad. A railroad is a private corporation, insofar as the use of its facilities are concerned. The waterways belong to all of the people, just like the highways belong to all of the people, and therefore should be kept open and free to the use of the public at all times and you cannot do that under any toll system.

Mr. RANKIN. The gentleman talking about the farmer not getting any more for his wheat when he has water transportation—he can load his wheat on his own boat, or a number of them can get in together and get all the benefit of this, can he not?

Mr. MILLER. Unquestionably. A former distinguished President of the United States, when he was Secretary of Commerce, made a speech out in Kansas City in which he pointed out the benefits which would accrue to the wheat farmers of the Northwest when the Mississippi and Missouri Rivers projects were completed, and I think in that address he estimated the benefits to amount to some three or four cents a bushel. There isn't any question but what the producer gets the benefit of cheap water transportation, and it applies almost without exception in my judgment to the producer of agricultural products.

Down in the Rio Grande Valley we are producing at the rate of twenty-five to thirty thousand carloads of citrus fruit, much of which never reaches the market. The finest grapefruit produced in the United States, and yet its enjoyment by the American people is forbidden by the high cost of transportation.

Mr. DONDERO. What the chairman brought up in these figures confirms in my mind, and in others no doubt, that railroads cannot compete with water transportation.

Mr. MILLER. Through the utilization of waterways we can develop this country industrially, and we will have our great industries along the waterways that we are developing down there in Texas. Then the railroads will come into their own in handling the finished product to the consumers in the interior, the kind of commodity which is high in value, and therefore can afford to pay a high rate.

Gentlemen, you just can't have industrial development in America unless you have got cheap water transportation for the raw materials. It is not possible.

Mr. CULKIN. How much do the citizens of Texas and the corporations of Texas pay in taxes to the Federal Government, do you know?

The CHAIRMAN. I know what I pay, that is all I know.

Mr. MILLER. Judge, I will be glad to get the figures.

Mr. CULKIN. I think that would be interesting. That is part of our life scheme eventually, and that payment has to come from these developments that have been incident to water transportation. Isn't that true?

Mr. MILLER. Development which could not be created without water transportation, which just wouldn't be there without the water.

Mr. CULKIN. Yes. The economics of this thing is rather involved. It is not as simple as it appears on the surface.

Mr. MILLER. Yes; it ramifies into every activity in America and really constitutes the foundation of our prosperity.

The CHAIRMAN. Gentlemen, the committee will adjourn now and meet tomorrow morning at 10:30 a. m. in executive session.

(Thereupon, at 12:20 p. m., the committee adjourned subject to the call of the Chair.)

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