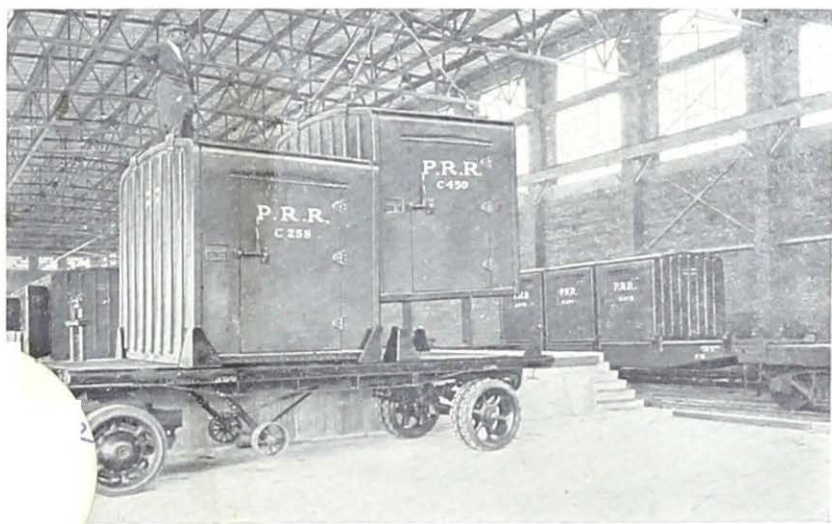


# The Co-ordination of Rail and High Transportation



By J. F. Deasy  
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Condensed from Testimony Presented on Behalf of  
The Pennsylvania Railroad Before the Interstate  
Commerce Commission in its Investigation of the  
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# The Co-ordination of Rail and Highway Transportation

By J. F. Deasy, Vice-President, Pennsylvania Railroad

**T**HE PENNSYLVANIA RAILROAD recognized very early the probable growth of motor transportation in the field of commerce. Recognizing its obligations as a common carrier and transportation agency to keep in step with this growth, it determined upon a policy of active participation in that field of transportation.

We began in January, 1923, the co-ordination of truck and rail transportation through the substitution of motor trucks for local peddler trains in station-to-station service wherever it developed that economies could be effected and the movement of traffic expedited. These trucks are operated by trucking companies under practically uniform contracts.

## Inaugurate New Container Service

The use of the truck in this service has been gradually extended on our System until we now have a total of 49 routes, covering 1,770 route miles daily, with an approximate annual saving of \$1,335,000.

These figures were obtained by taking the going rates for wages, locomotive repairs, locomotive supplies, engine-house expenses, train supplies and expenses, plus interest and depreciation on the class of engine discontinued, less the contract cost of the truck.

Aside from the direct economy of money and time in the movement of the freight traffic actually transported in these trucking operations, considerable intangible value has developed through the elimination of interference

to steam trains in areas where the traffic is dense.

The next step in our study developed the transportation of freight from the shipper's door to the consignee's door by the use of containers. This plan contemplated that the shipper could load a container at a store-door to be trucked to the freight station of the carrier who would transfer it from the truck to the car for transportation to destination by rail, where it would again be transferred from car to a truck and transported to the store-door of the consignee. The container is lifted on and off the truck at the railroad station by the railroad company by means of a crane.

This service, by co-ordination of rail and truck, results in economy of time and of expense to the shipper through a material reduction in packing and wrapping requirements, and the elimination of individual handling of packages by the railroad at the originating and destination freight stations.

## Status of Container Operation

This service is still in the experimental stage, the consequence being that the majority of the freight transported in the containers has been collected from different shippers in small lots and consolidated and tendered to us by forwarding companies. We believe that as the service expands it will become more generally used by other shippers.

The question of the rate basis on this form of transportation is now before the Interstate Commerce Commission for determination.

This service was inaugurated between Baltimore, Buffalo, Cleveland, Philadelphia, Pittsburgh, New York, Rochester, N. Y., and South Kearney, N. J., on June 20, 1928, and up to January 3, 1931, a total of 63,084 containers were transported; 58,451 of which were loaded, and 4,633 of which were empty. This represented a 93 per cent. loaded movement—a very high ratio compared with any other class of equipment in service.

One of the outstanding achievements in this operation lies in the fact that freight claims have almost entirely been eliminated.

#### Containers Used to Replace Box Cars

As a part of the general study of more economical and expeditious handling of freight traffic, it was found that approximately 30 per cent. of the box cars were carrying loads of less than carload freight averaging about six tons. This meant that box car equipment was being utilized only to 12 per cent. of capacity.

To secure heavier loads and to expedite the movement of less carload freight and avoid the physical handling of it at transfers, the container has been placed in service for the transportation of less carload freight at regular rates from station to station, particularly where the tonnage is light and insufficient to justify the direct station-to-station movement of a box car.

In some cases the containers are loaded at stations on a truck chassis and trucked to a consolidating point within a city where they are loaded on rail cars. In other instances, the freight is loaded directly into the containers while on the cars. Inasmuch as this class of freight moves at regular class rates, the cost of

the trucking from the originating station to the concentrating station is assumed by the rail carrier. The use of the containers in this service in lieu of box cars is for our own convenience for purposes of economy and expedition of freight movement. We hope to accomplish a substantial reduction in operating expenses through the elimination of the necessity of physically handling freight at transfer points and at the same time to materially expedite the movement of the freight involved. Every time less carload freight is transferred it requires approximately a minimum of 24 hours to accomplish that operation.

We are now actively engaged in the extension of this service. It is already in operation between a number of important points like New York, Trenton, Camden, Philadelphia, Wilmington, Baltimore, Washington, Lancaster, Harrisburg, York, Williamsport, Pittsburgh, Cincinnati, Columbus, Indianapolis and Chicago.

The measures adopted to co-ordinate rail and truck transportation have been successful and quite satisfactory. They have also resulted in substantial economies.

#### Investments in Trucking Companies Profitable

Through its subsidiary, the American Contract & Trust Co., The Pennsylvania Railroad has acquired an interest in trucking companies in various cities.

This action was taken, not for the purpose of restricting the activities of the trucking companies, but for the purpose of co-operating with them to make sure that the public would be supplied with the required trucking equipment for the transportation of containers between

store-door and rail head. This trucking service is carried on independently of railroad operations. The truckers with whom these arrangements have been effected have been selected because they are able to provide equipment to handle containers.

The Pennsylvania Railroad has received a satisfactory return from its investment in these trucking companies from both a service and a financial standpoint. Here is a recapitulation of the revenues and expenses of all trucking companies in which we have an interest for the year 1930:

Gross Revenues.....	\$3,711,135
Gross Expenses.....	3,464,157
Net.....	\$246,978

This represents the net available for dividends to all owners. Our share is apportioned on the basis of our ownership.

**Over-the-Highway Trucking  
Not Contemplated**

The Pennsylvania Railroad is not engaged directly or indirectly in the operation of motor trucks over the highway in line-haul service, except as heretofore described where the truck is used in substitution in certain areas in lieu of local peddler freight trains. For the present we do not anticipate that The Pennsylvania Railroad will engage in highway trucking, for the reason that our studies indicate motor truck transportation has the advantage of cheaper terminal costs, while rail transportation has the advantage of the cheaper cost for the line haul. It is financially and physically impossible for our railroad to materially expand its lines in the larger city areas because of the complex and congested traffic conditions, and to give the same economy in terminal operations

as we have been able in the past to give to the smaller communities.

It is impossible for the motor agencies with their individual units to give the economy in distance transportation which the railroads can provide in mass movements in train lots. On the basis of sound economy and co-ordination of highway and rail service it is, therefore, obvious that the motors should perform the terminal deliveries and the rails the line haul. Acting together, the motors and rails should be able to give the public cheaper transportation with improved methods without lessening the return to either.

**Use of Portable Truck  
Bodies Studied**

Our studies show that the preponderance of truck competition with our railroad is within a 250-mile zone from any given large city, reaching its peak in the first 100 miles.

Our studies also show that the rail class rates for the first 250 miles are considerably higher than for longer distance hauls, the peak being reached within the first 100-mile zone. The highway truck competition paralleling our railroad is confined almost entirely within the 250-mile zone where the rail class rates are the highest. The solution of this problem, in our judgment, would be the creation of a co-ordinated transportation arrangement whereby the rail carrier may transport within the 250-mile area the truck bodies for the trucker. This should be accomplished at a charge below the trucker's costs.

The plan should contemplate that the rail carrier would be relieved of a portion of its terminal work and the trucker would be relieved of the line haul, thus permitting each of these

agencies to co-ordinate and give to the public a lower total transportation cost through a combination of the economical advantages respectively offered by these forms of transportation agencies.

#### **Experimental Truck Body Service Planned**

To accomplish this the rail carriers can and should transport the truck body in rail service from point of origin to destination, where the trucker will take the truck body and perform the terminal service; that is, the collection of the freight at the store-door and the delivery of the freight at the store-door. The plan should contemplate that the trucker deliver his truck body to the railroad, where it would be lifted by crane and placed on a freight car and transported to destination, where it would be placed on a truck chassis for terminal delivery by the trucker. We are practically ready now to apply to the Interstate Commerce Commission for permission to establish an experimental service of this character between New York and Philadelphia.

#### **Analysis Made of Costs and Profits**

In what I next have to say, it is to be understood that any figures I use are only those used for presenting the result of a study of the question and not for the purpose of suggesting rates or a rate basis at this time. These are matters that will be brought before the Commission for its consideration later and in another proceeding.

As a basis for present consideration, we have used a rate of 15 cents per mile for a truck body of substantially 20 feet in length and with a capacity of ten tons for a 100-mile rail movement, and five cents additional for each

succeeding 50 miles. It is assumed that class rates are higher in short mileage zones because of terminal costs in relation to length of haul. In the suggested truck body operation the terminal work of the railroad is materially reduced.

A special investigation recently made covering the movement of freight by motor truck and also by rail between Philadelphia and New York revealed the following:

1. The average rail charge on less carload freight, including pick-up and delivery service, was 56.9 cents per 100 pounds.

2. The approximate average trucking charge, including pick-up and delivery service, was 42 cents per 100 pounds.

It will be observed that the truck rate is lower than the rail rate. The railroads and the truck operators can through co-ordination, produce a cheaper service for the public than they can by operating alone as at the present time.

#### **Application to New York and Philadelphia Haul**

Based on a 100-mile movement and a 75 per cent. load, or 15,000 pounds, the trucker's rate plus the pick-up and delivery costs of eight cents in Philadelphia and 12 cents in New York, would produce a cost to the trucker of approximately 29 cents per 100 pounds, and adding to this an average of 4 cents profit per 100 pounds for the trucker, which is approximately what he is receiving today, we have the following comparison of charges:

1. The average of the rail class rates, including pick-up and delivery service—56.9 cents.

2. The present approximate trucker's rate, including about 4 cents profit—42 cents.

3. The truck body charge, plus four cents profit for the trucker—33 cents.

The present average cost to the trucker with a maximum load is approximately 38 cents per 100 pounds.

The average gross revenue per car on less carload freight traveling between New York and Philadelphia, developed in a recent check, was \$26.00. After deducting all costs, except terminal switching and line haul, there would be left \$2.17 per car, or 2.17 cents per car mile.

A rate of 15 cents per truck body mile would yield between New York and Philadelphia a gross of approximately \$45.00 per car, and deducting the same items of cost as in the case of the present handling of less carload freight there would be left approximately \$41.67 a car, or 41 cents per car mile.

The trucker's highway cost is approximately 30 cents per truck mile. The 15-cent rate used would equal approximately one-half of the trucker's costs.

The rail terminal costs between Philadelphia and New York are unusually high because of the water operation in the Manhattan district and because of the complicated switching arrangements in the city of Philadelphia. Consequently, the same result as here portrayed could not be obtained in identical movements between other points, and we may as a result of experimentation be obliged to revise our figures to meet varying conditions.

**Advantages of Co-ordinated Truck Body Transport**

The co-ordinated plan for the transportation of truck bodies has, briefly, the following advantages:

(a) Lower transportation costs for the public.

(b) Reduction in loss and damage to freight through the elimination of its physical handling.

(c) The more expeditious handling of freight traffic.

(d) The provision for a voluntary pick-up and delivery service to be performed by the trucker at the terminals.

(e) A reduction in cost as compared with highway trucking.

(f) A more economical rail operation through the elimination of physical handling of freight at stations, and the necessity for providing stations to handle the freight.

**Reductions in Passenger Revenues**

In common with other railroads The Pennsylvania Railroad has sustained a substantial reduction in passenger revenues. There was some evidence of this in 1921. In 1922, conditions appeared a little better, and in 1923 there was a continued upward trend, but from the close of that year to the present time there has been a constant decrease in our passenger revenues.

For illustration as to The Pennsylvania Railroad, the following figures will serve:

Year	TOTAL PASSENGERS		
	Commutation	Other	Total
1923	72,367,502	79,586,064	151,953,566
1929	57,739,600	55,974,197	113,713,797
1930	52,834,650	46,184,709	99,019,359
	1929—% Decrease.....		25%
	1930—% Decrease.....		34%

Year	PASSENGER REVENUE		
	Commutation	Other	Total
1923	\$12,784,863	\$151,219,655	\$164,004,518
1929	10,200,813	124,183,921	134,384,734
1930	9,322,456	106,116,903	115,439,359
	1929—% Decrease.....		18%
	1930—% Decrease.....		29%

Our studies show that the decline in passenger revenues has been brought

about primarily by the use of the private automobile. The motor bus has not deprived our railroad of substantially any more business than the interurban electric lines would have done if they had survived and expanded.

#### Place of Bus Recognized in Transportation Field

In my judgment the bus certainly has a place in modern transportation and The Pennsylvania Railroad entered into this field of activity.

As in the case of the trucks, so with the buses it was not until after the conclusion of the World War that the bus came to be recognized as an important factor in the movement of passengers. In the beginning, the bus was adapted only to purely local transportation, and, therefore, its adoption by the street railroads quickly followed. As the vehicle itself was improved as to mechanics, comfort and dependability, operation for longer distances became more practicable, and its adaptability to certain problems of the railroad more apparent.

Our railroad was experiencing serious losses in traffic to the private automobile, and at many places was experimenting with the rail motor-car in substitution for passenger train service. The bus afforded a still more economical substitute for unremunerative passenger trains, and we endeavored, therefore, to enlist the co-operation of the bus operators in the withdrawal of train service, and, initially, with some apparent success.

#### Bus Co-ordination Inaugurated in 1924

We started in 1924 to substitute bus service for unprofitable passenger train service. The bus substitution has been

steadily continued and expanded, and up to January 1 of this year we had eliminated practically 798,561 unprofitable steam train miles per annum with an estimated annual economy of \$478,240. In arriving at the economy, the same factors as to steam train costs were used as in the case of the local peddler freight trains for which trucks were substituted. The cost of the bus operation is deducted from the cost of the steam service which it supplants to arrive at the saving to our railroad.

A further growth of our bus operations was aided by the purchase outright of bus lines paralleling our railroad and with the securing of certificates of public convenience for intra-state operation wherever practicable looking to the working out of a system-wide bus operation in order to satisfy a growing public demand for bus transportation.

#### Affiliation Effected with Transcontinental Lines

The advantages of co-operating with one or more established transcontinental bus lines, of which there were many, instead of the inauguration of an additional competing line paralleling our railroad was obvious, and we, therefore, acquired 10.7 per cent. of the preferred stock and 8.5 per cent. of the common stock of the Greyhound Corporation, which was then rapidly expanding in our territory and which from our studies was the most substantial and best operated of the long distance bus lines. This represented an investment of \$871,391. in preferred stock, and \$461,802 in common, or a total of \$1,333,193.

The acquisition of an interest in the Greyhound Corporation enabled us to participate to a greater degree in the development of bus transportation. Up

to this time we had been steadily working toward the co-ordination of our various local rail and bus operations. This ultimately led to the formation as originally planned of the Pennsylvania Greyhound Lines, Inc., on a 50-50 basis; the American Contract & Trust Company, a subsidiary of The Pennsylvania Railroad, holding 50 per cent. and the Greyhound Corporation the other 50 per cent.

The development of this plan involved many legal and practical difficulties, and while a substantial part of it has been accomplished, a number of details remain to be completed.

**Advantages of Railroad and Bus Co-ordination**

The co-ordination of the bus with the railroad offers, in our judgment, four different types of operation:

1. The replacement of train service in whole or in part.
2. The speeding up of trains by the elimination of local stops.
3. Feeder lines.
4. Supplemental to rail service.

Other forms of co-ordination of bus and rail service or advantages of bus service operated in co-ordination with rail service are:

(a) Use of railroad facilities on behalf of bus passengers, such as station facilities, ticketing agencies, railroad responsibility, general advertising facilities, good-will, etc. This is all distinctly in the promotion of the bus business for the benefit of the public regardless of its effect upon rail transportation.

(b) Availability of rail facilities and responsible local agents, such as are in existence throughout the whole route mileage of our rail-bus operation for use either customarily or in emergency as in the case of breakdowns, blocked

highways, storms, and the like. In these phases of co-ordination we have accomplished a great deal, but there is still much yet to be achieved.

The measures that we have adopted to co-ordinate rail and bus transportation have been quite successful. They have shown a substantial profit aside from any economies to the railroad, as is indicated by the revenue and expenses of the Pennsylvania Greyhound Lines for the year 1930:

Gross Revenue.....	\$6,831,617.93
Gross Expenses.....	6,014,997.48

Net for Dividends.. \$816,620.45

On our West Jersey & Seashore Railroad, serving the seashore resorts along the beach from Atlantic City to Cape May, inclusive, as well as the interior territory and a considerable territory suburban to Philadelphia, we continued to lose passenger business in substantial volume commencing with 1925. The decrease in passenger revenue was accentuated after the completion of the Philadelphia-Camden Bridge over the Delaware River in July, 1926. This bridge resulted in a heavy diversion of traffic from the rail carriers to motor cars and buses between points in Pennsylvania and New Jersey.

**Experimental Fare Reductions**

In an attempt to stem the decrease in revenue we tried several experiments. From July to September, 1927, the year following the opening of the bridge, we placed a two-day excursion ticket on sale in both directions at \$2.50 between Philadelphia (Market Street Wharf) and Atlantic City, which at that time was the same rate as the bus fare. This represented a cut of \$1.10, or 30 per



cent., in the rail fare. Slightly higher fares were charged to the more distant resorts, Ocean City to Cape May, inclusive. The experiment did not sufficiently stimulate the traffic to meet the reductions in fares. On the contrary, we suffered a further decrease on the seashore travel alone of 15.4 per cent. in passengers and 27.4 per cent. in revenue.

#### Experience Proves Unsuccessful

In order to give a more extended test to both seashore resorts and suburban points we further experimented in 1928, when the two-day ticket was again put on from January to December at a further reduction of 25¢, or a fare of \$2.25 between Philadelphia and Atlantic City. The number of passengers carried on all forms of tickets increased 19.6 per cent., but there was a further decrease in revenue of 5.9 per cent. over the heavy decrease of the preceding year.

In the same year, February to October, 1928, in order to stem the loss due to motor competition on suburban travel between Philadelphia and points in New Jersey, we placed on sale at all stations within the Philadelphia-Camden suburban zone within a 40-mile radius, a one-day excursion ticket on the basis of one fare plus 10 per cent. for the round-trip, which yielded 1.98 cents per mile, equivalent to a reduction of 45 per cent. on double the one-way fares previously in effect for single journeys. The result was a decrease over the previous year in suburban territory of 634,435 passengers, or 21.3 per cent., and a decrease in revenue of \$234,571, or 27.3 per cent., in the West Jersey & Seashore suburban zones. Both experiments were unsuc-

cessful and the arrangements were withdrawn after our 1928 experience.

#### Problems and Conditions Involved

The economic *problem* involved in the relation of rail and highway transportation is one of co-ordination. In its development, it will probably need revision from time to time to meet changing conditions. It is up to the railroads to bring forth the means of co-ordination and I should respectfully say that it is up to the regulatory bodies to prevent discrimination as between communities and the public in general and to constantly guard the public interest. The economic *conditions* involved arise from the fact that there is at the present time very limited co-ordination developed.

I know of no obstacles, legislative or otherwise, that stand in the way of accomplishing further and more effective highway co-ordination. The question of co-ordinated transportation in my opinion is an economic one and not a regulatory or legislative one, so that my remarks on regulation do not in any way apply to regulation for the benefit of the rail carrier. With that understanding, I think moderate, reasonable, and non-restrictive regulation would foster highway transportation as it has public utilities generally.

#### Moderate Regulation in Public Interest

Moderate regulation for highway transportation ought to be an advantage in the interest of the public and of motor transportation. So long as the railroads are permitted directly or indirectly to have the same opportunities as any other individual or firm to engage in highway transportation and be subject to the same

form of regulation, that is all in my opinion that the railroads could possibly ask for.

If highway transportation is more economical than rail transportation, then rail transportation should give way to highway transportation. If the two can be co-ordinated and produce a cheaper transportation to the public—and I believe it can be done—then, obviously, that is the thing to do. Under no circumstances do I advocate regulation for the purpose of restricting highway competition for the benefit of rail carriers.

The bus and the truck should be separately considered by reason of the diverse character of service performed by these two instrumentalities of transportation, and also the difference in the character of the traffic handled.

#### Elements of Bus Regulation

In the interest of motor bus transportation and the public, and without regard to the railroads, Federal regulation should require that all interstate common carriers by motor bus:

1. Publish, file, and adhere to tariffs.

2. Maintain just, reasonable, and non-discriminatory rates without undue preference or undue prejudice.

3. Keep prescribed accounts.

4. Make prescribed reports.

5. Comply with the rules and regulations issued by the proper tribunal with regard to conditions, character and sufficiency of service, and safety of operation.

6. Should not be permitted to commence or abandon operation to extend or restrict the sphere of operation without a certificate of public convenience and necessity.

7. Should not be permitted to commence operation or extend its sphere of operation without proof or guarantee of adequate financial responsibilities and resources.

8. All common carriers should have equal opportunity under the law to engage in bus transportation.

There should be power vested in the regulatory authority:

9. To suspend or revoke certificates, for cause.

10. To require adequate service.

11. To permit the transfer of certificate from one bus line to another.

12. To permit the consolidation, merger, or acquisition of control of one bus line by another without discrimination as between different kinds of carriers.

The operation of motor trucks is fraught with great complexities on account of the service performed by the different kinds of truckers, such as common carrier truckers, contract truckers, private carriers for hire and privately owned and operated trucks. Difficult and important legal questions are involved. For example: As to what constitutes a common carrier, and how far a private carrier may be regulated.

Notwithstanding, however, the complexities of truck regulation, I understand that 37 states regulate motor-truck transportation. The extent and effectiveness of such regulation in all these states I am not in a position to describe. I am impressed by the divergent views advanced by different interests and bodies considering this topic. Apparently the form and extent of truck regulation in some of its aspects is still a debatable question.

### Shall Trucks Be Regulated?

There should be no confusion about my position in the matter. I am neither advocating or suggesting regulation for the benefit of the railroad. I am of the opinion that the privately owned and privately operated truck should not be subject to regulation.

In the event of regulation, the following elements of regulation are suggested:

1. That common carrier truckers:

(a) Secure a Certificate of Public Convenience and Necessity before commencing or ceasing operation.

(b) Furnish proof of financial resources and of financial responsibility.

(c) Keep prescribed accounts.

(d) Make prescribed reports.

(e) Comply with the rules and regulations issued by the proper tribunal with regard to conditions, character and sufficiency of service, and safety of operation.

2. Regulatory power be given:

(a) To suspend or revoke certificates, for cause.

(b) To permit the transfer of certificates from one carrier to another.

(c) To permit the consolidation, merger or acquisition of control of one carrier by another without discrimination as between different kinds of carriers.

3. All carriers should have equal opportunity to engage in truck transportation.

### Considerations Involved in Regulation

In the event of regulation of the character I have mentioned, then as to interstate commercial haulers other than common carriers or privately owned or operated trucks, it may be desirable for

the Interstate Commerce Commission to secure jurisdiction for the purpose of proper study and investigation of the character of the operations of such carriers by requiring them:

1. To secure a permit in the nature of a Federal license to be issued as a matter of right.

2. To keep such records of the operations performed and make such reports thereon as the Commission may prescribe.

It will be noted that several important elements of regulation have not been mentioned; such as, publication of and adherence to rates, matters of discrimination and the like. *Theoretically*, rate regulation is in the public interest and also in the interest of the trucker, but *practically* it has in a number of instances proved to be a hardship to the common carrier trucker as relates to his competition with the non-common carrier trucker.

Regulation of the rates of a non-common carrier trucker has been attempted in but few states. To require a common carrier trucker to operate under a frozen rate structure so handicaps him in competing with other truckers for hire that one of two things is likely to happen: (1) Either he himself abandons his common carrier status and becomes a contract or private carrier, or (2) he evades his tariffs by some form of subterfuge.

It is, therefore, our judgment that if truck regulation is undertaken, it should be moderate in extent and confined to non-restrictive elements, with the giving of jurisdiction to the Interstate Commerce Commission through the certificate and permit system of all truckers for hire, to the end that the Commission may have the necessary authority to further

study truck operation with a view to effecting a fair and economic solution of truck regulation.

#### Co-ordination Aims at Lower Costs

Our suggestions with respect to regulation and co-ordination contemplate a *reduction* in the total cost of transportation to the public. Highway transportation regulated in the interest of motor transportation and the public, co-ordinated with rail transportation will, we believe, result in a reduction in the total transportation costs to the public.

The regulation which we propose is not designed for the purpose of transferring to the rails traffic which can more efficiently and cheaply be moved by highways. On the contrary, the thought underlying our proposal is that the public is entitled to the best and cheapest transportation service of which economic conditions permit. In order to secure to the public full advantages of rail and highway transportation, regulation should foster the full and free co-ordination of both these forms of transportation.

To the extent that the highway alone furnishes a cheaper and more satisfactory service than the rail alone, traffic under our proposal would not be restricted to the rail carriers but might further be diverted from them. Conversely, if the railroads in conjunction with highway transportation should as to certain traffic provide more efficient, cheap, and satisfactory service than the highway alone, the regulation and the scheme of co-ordination which we propose might, and we think will, result in a regain to the rail carriers of certain traffic which now moves by highway.

Regulation is the supervision by a

constituted authority of a service performed by an individual or a company for the public. If applied to these particular forms of transportation, either bus or truck, it should be by authority constituted for that particular purpose, without consideration of its relation to any other form of transportation. From our point of view, regulation of motor transportation does not mean restriction as far as competition with the railroads is concerned, but regulation of motor transportation within itself for the benefit and protection of such transportation and the public.

The question of taxation of motor transportation activities is one we believe should be considered independently. Highway construction and maintenance and the protection of users of the highways are matters primarily of state concern. We are of the opinion that the question of taxation is primarily for the states rather than for Federal legislation.

#### Essentials of Transportation Progress

In my opinion there must be a more advanced and receptive attitude by the railroads and the public toward new practices, new customs, and new forms of transportation.

The future progress of American railroads depends upon their ability to provide the most economical and convenient transportation obtainable. To do this it is essential that the railroads make available a system of co-ordinated transportation which will enable the public to utilize the kind of transportation it wants—rail, highway, waterway and airway—in the field in which each can best perform. All forms of transportation should be maintained with a proper return to the operation.

In general, railroad development in this country can be divided into three periods:

1. The period of railroad building and expansion of the physical plant.

2. The period of intensive internal development of the efficiency of that plant.

3. The period of expansion into new forms of transportation required by the growth and progress of business, and the necessity for the most economical distribution.

We are entering now upon the third stage. Our success as railroads will depend, in this period, as in each of the other periods, on our ability to produce economically the transportation required in whatever form that service is provided.

Certain fundamental principles underlie sound co-ordination of transportation:

1. Any essential form of transportation should not be restricted in its economic sphere of activity.

2. Co-ordination of railroads with highways, waterways, and airways should be brought about in such a way as to permit each of these agencies to give the public maximum service at minimum cost.

3. Co-ordination should be such as to enable each agency to perform in the field to which it is best adapted.

4. The process is essentially an eco-

nomie one and not a regulatory or legislative one.

5. Railroads cannot hold to the railroads a monopoly of transportation. However, they should have the privilege of engaging in any form of transportation.

The initiative and enterprise in developing a system of co-ordinated transportation on a sound basis rests primarily with the railroads in co-operation with all other forms of transportation. A function of regulation in the process should be to prevent discrimination. It is possible to develop along these lines without materially disturbing standard railroad practices and customs, but in any event, where the old conflicts with the new and the new is the sounder method, the old must give way.

The future of the railroads, if permitted to function as they should, ought not to be disturbing. New forms of transportation and the possibilities of co-ordinating them with the railroads offer a field of transportation expansion which should not only meet the modern needs of business in cutting distribution costs, but should also be reflected in more stable and satisfactory returns upon the capital invested in all forms of transportation.



