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AN ADDRESS

BY

MR. DANIEL WILLARD

AT THE DINNER GIVEN BY

COLONEL JOHN T. McGRAW

ON THE OCCASION OF THE
OPENING OF THE

WILLARD HOTEL
GRAFTON, W. VA.

Wednesday Evening, April 17, 1912.

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ON THE OCCASION OF THE OPENING OF THE WILLARD
HOTEL, GRAFTON, W. VA., WEDNESDAY EVENING,
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It is perhaps proper that on such an occasion as this, I should say something concerning the development of the Baltimore and Ohio Railroad, and the relation which in my opinion should exist between the railroads and the public, and perhaps more specifically between the Baltimore and Ohio and the people of West Virginia.

The Baltimore and Ohio Railroad was conceived by some of the leading citizens of Baltimore, and the project first took shape at a conference called by Mr. Evan Thomas, a merchant of that city, at his residence on the evening of February 12, 1827. Immediately following the conference a charter was applied for and it was granted on the 24th of the same month, and the actual beginning of the road was celebrated by the laying of a stone in Baltimore by the Honorable Charles Carroll of Carrollton, on the Fourth of July, 1828. The Erie canal which was finished in 1825, threatened seriously to divert from Baltimore, much of the trade which that city for years carried on with the country west of the Alleghenies, and it was for the purpose primarily of protecting that trade that the main line of the Baltimore and Ohio Railroad was built, connecting Baltimore on the east with Wheeling on the Ohio River in the west. Construction was pushed as rapidly as the financial circumstances of the company would permit, and the rails finally reached Grafton early in the summer of 1852, and the main line was completed through to the objective point on the Ohio River, Christmas Eve of the same year, and the first train was run in to Wheeling on January 1, 1853. During the twenty-five years which elapsed between the time when construction was commenced, and the date when the road was finally completed to the city of Wheeling, a sum somewhat in excess of thirty million dollars was expended for property, construction and equipment, and in that connection it is interesting to note that since 1900 over \$222,000,000 have

been spent by the Baltimore and Ohio Company for equipment, property and improvements, of which \$60,000,000—an amount exactly double the original cost of the road—has been spent exactly the last two years. I can think of no better comparison to illustrate the enormous expenditures which the railways are constantly making in their efforts to meet the demands of the growing commercial necessities of the country.

In June, 1857, or a little more than four years after the Baltimore and Ohio rails reached Wheeling, the Northwestern Virginia Company, as it was then called, or the Parkersburg Branch as we now know it, was completed into Parkersburg, and other lines west of there which had been under construction for some years were also brought to completion at that time, so that by means of several ferries notably across the Ohio River at Parkersburg and the Mississippi at St. Louis, it became possible to travel by all rail (and some ferry) from the Atlantic Coast to St. Louis. The line so formed was known as the Great Central Route, and its completion was looked upon as one of the most remarkable incidents of that time, and it was marked by a manmoth celebration in honor of the event. A special train left Baltimore on June 1, 1857, having on board several hundred invited guests, and it ran through by easy stages, to St. Louis, where a great banquet was held in honor of the occasion. The first day's run was from Baltimore to Grafton, and with your permission I will read a brief, account of the stay in Grafton, which was written by one of the officers in charge of the train:

“We reached Grafton at nine o'clock on the evening of June 1st, 1857 where it was arranged that we should lie over for the night. Our approach was hailed with salvos of artillery, and bonfires were lighted on the surrounding hills, spreading a lurid glare over the crowd of villagers who had turned out en masse to receive us. Wearied with a day of pleasurable excitement the company gladly left the cars and entered the railroad hotel, conveniently located here just across the station platform. These hotel buildings, recently erected by the Railroad Company for the convenience of their patrons, though not of extremely large size, are replete with conveniences, and kept in highly creditable manner.

“After supper the ladies and elderly gentlemen of the party were allotted the sleeping apartments of the house, and the youngsters put up for the night in comfortable sleeping cars upon the side tracks of the road. In this way, all were accommodated for the night. While these arrangements were making the Blues Band favored us with a serenade, soothing the

travelers into slumber, and delighting the villagers who still thronged the premises in large numbers, manifesting their gratification in enthusiastic rounds of applause.

"Long before the sun, peeping over the hills, had dispelled the mists of the following morning, our party was astir, refreshed by the night's rest and invigorated by the bracing air. Now the party had an opportunity to take a look at Grafton, which was found pleasantly and picturesquely located near the three forks of Tygart's Valley River, one of the main branches of the Monongahela. Though young yet, it bears upon its face the evidences of progress and prosperity, promising to become at some day a much more important place than it is at present.

"At six o'clock A. M., having breakfasted, we resumed our seats in the cars, placed in two trains, the conductors shouted 'all aboard,' the whistle sounded, and away we sped on our journey towards the Ohio at Parkersburg, via the Northwestern Virginia Railroad."

Since this interesting visit to your city some fifty-five years ago, much has been done in the way of railway construction, and much more than could possibly have been conceived by the most active imagination of that period.

At the present time the railroad mileage in the United States is in excess of 245,000 miles, or about forty per cent. of the entire mileage of the world. The net capitalization of the American railways as they are today is something over \$15,000,000,000. The annual earnings amount to more than \$2,500,000,000 and over 1,600,000 men are employed.

The Baltimore and Ohio Railroad at the present time, is, in round numbers, 4500 miles in length; it earns \$90,000,000 per year, and it has over 60,000 men in its employ. The Baltimore and Ohio Company has 1072 miles in the State of West Virginia, or more than 32 per cent. of the entire railroad mileage in the State. It has over 14,000 men in its employ in the State of West Virginia, and its annual pay roll on that account exceeds \$8,500,000. In Grafton alone, are located over 2000 of its employes, including train and enginemen, and its annual pay roll in this city exceeds \$1,500,000. In addition to the large sum above mentioned, which is paid out directly for wages, the Company purchases in this State, materials of various kinds, such as coal, lumber, etc., amounting to more than \$2,000,000 per annum. During the last two years, over \$7,000,000 have been spent for improvements upon its lines located in this State, and there are now under way improve-

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ments which will cost \$2,000,000 more to complete. I mention these figures for the purpose of showing the magnitude of the Baltimore and Ohio Company's operations in your state, and the intimate relations which must on that account exist between the Company, the State and its industries. Unfortunately, during the last ten or fifteen years the intimate relation above suggested, has not existed at all times between the railroads, as a whole, and the people.

Something like ten years ago, a growing feeling of bitterness against the railroads seemed to culminate in a period of great legislative activity. More than sixteen hundred laws have been enacted during the last five years in the various states, and by the Federal Government, all intended in some way to regulate or control the railroads, and the effect has been reflected in greatly reduced expenditures by the railroads during that period for equipment, and improvements, and it is the belief of many that railroad development has fallen short of industrial development during the same period, or since 1907, and it is feared that when the next period of business activity comes upon us, the carriers will be found quite unable to meet the demands for transportation. The bitterness of feeling which resulted in such drastic legislation was due, in no small degree, to faults committed by the carriers themselves. It may be stated as a fact, however, that most, if not all, of the things originally complained of have now been corrected; but the reform movement, which was started for the purpose of correcting recognized evils, has been carried so far as to seriously retard the necessary development of the railroads, and thereby jeopardise industrial development as well. There is reason now to believe that the attitude of hostility above referred to, has been very greatly modified, if not completely changed within the last year or eighteen months. The Public, I believe, is coming to understand that under existing arrangements the railroads have become, in a sense, the wards of the nation. Commissions appointed by the people have been given absolute control of the rates which the carriers may charge. Legislative bodies have passed laws regulating the character of equipment, the hours of service and the number of men that shall be employed in various capacities, so that not only is the income of the railroads under the complete control of the public, but their expenses are also largely influenced by legislative action.

The American railway system, such as it is, is the result of private enterprise and capital, and if it is to grow and keep pace with the industrial requirements of the country, large amounts of new capital will be required. If for any reason the credit of the carriers should be seriously impaired, new capital would be withheld, and railroad development would be checked, if it did not altogether cease, and for some reason it seems to have been seriously checked during the last five years.

The Railway Securities Commission, appointed by President Taft, of which President Hadley of Yale University—Mr. Fisher, a cabinet officer and Mr. Meyer of the Interstate Commerce Commission were members, said, among other things, in its report as follows:

“The necessary development of railroad facilities is now endangered by the reluctance of investors to purchase new issues of railroad securities in the amounts required. This reluctance is likely to continue until the American public understands the essential community of interest between shipper and investor, and the folly of attempting to protect the one by taking away the rewards of good management from the other.”

“The ratio of interest and dividends to outstanding bonds and stocks of American railroads is not quite $4\frac{1}{2}$ per cent. in each case. The average ratio of dividends to the capital of national banks is between 10 and 11 per cent.”

Ample transportation facilities are vitally necessary in a country of such great distances as ours, and I fully believe that the people are willing that the carriers should be allowed to make such rates and charges as will fairly compensate them for the service performed, and enable them to so establish their credit as to justify and make possible the necessary expenditures of the future. The people demand, and properly so, that charges shall be the same to all. They demand that there shall be no partiality shown as between shippers or communities and they will expect fair and reasonable service at reasonable prices. They are entitled to all this, and ample machinery has been provided to insure their getting it. Having accomplished this, it is equally important that they should see that no real injury is done to the carriers; otherwise, in the end, the people will be the ones who will suffer most from such a condition. It should be clearly understood that in the end the people must pay the bill. The law of compensation is inexorable in its workings. If the people demand more from

the railroads than they properly and fairly should, through the reduction of rates, etc., they will surely suffer from a lack of necessary facilities in the future. If the people through unwise legislation impose unnecessary burdens upon the carriers, the expense so incurred will sooner or later be reflected in the rates which the people must pay. The railroads have come to a full recognition of the changed order of things, and they have accepted the situation. In all fairness, the people should now see that one of their greatest, and I might almost say their most necessary institution should also be treated fairly, and in the end, I believe it will be, because no matter how doubtful the outlook may seem at times, I am at heart an optimist and I cannot help believing that in the end this very important question will be settled right.

We have frequently heard it said that the American railroads as a whole are greatly over-capitalized, due to improper financial methods in the past, or to mismanagement, or some other equally indefensible cause. The capitalization per mile of railroad in Germany, as last reported, was \$109,000, in France \$139,000 per mile, in Belgium \$169,000 per mile, in England \$274,000 per mile, and in the United States \$60,000 per mile, so that in spite of alleged stock watering complained of, it appears that the capitalization of American railroads is less than one-fourth what it is in England, and less, on the average, than one-half what it is in the other European countries which I have mentioned.

In the matter of charges we find in the last published report of the Interstate Commerce Commission that the average rate per ton mile charged by American railroads is 7.53 mills. It is impossible to find out precisely what the charges are for similar service on European roads, but I believe I am conservative in saying that the rate per ton mile in England is from two to three times as great as it is in America, and that in none of the countries which I have mentioned, is it much, if any, less than double what it is in this country. It is frequently stated that passenger fares are cheaper in Europe than they are in America, and that is undoubtedly true as to certain classes, but when the character of the service is considered, together with the fact that on American railroads 150 pounds of baggage per passenger is carried free, while in Europe there is no such free service, it will be found that the cost of traveling in this country is at least no greater than it is under similar conditions abroad.

In connection with this same matter, it is also interesting to note that the wages paid railroad employes in this country are from one to three times as great as they are in the European countries above mentioned. The last published reports show, for instance, that the average wage received by locomotive engineers in the United States is \$4.55 per day, compared with \$1.62 paid engineers in England, and \$1.01 for the same service in Belgium. With all this in mind, it seems to me that if there is any institution, distinctly American, of which all Americans ought to be proud, it is their railway system, because, in spite of all that has been said and urged against it, it is still a fact that its capitalization is the lowest in the world; that the wages paid railway employes in this country are from two to three times as high as they are in European countries, while the rates paid by shippers are lower in America than anywhere else in the world, and I submit that this is a record that cannot be paralleled by any other American institution. If the facts concerning the American railroads were only better understood, in my opinion, much of the criticism that has been made in the past would not have found utterance.

In conclusion, the Baltimore & Ohio Railroad Company has been subjected, with the railroads generally, to all the influences which I have above referred to. We have gone along with our improvements, however, during the last two years, firm in the belief that in time a better understanding would come about, and that we would be permitted to reach such reasonable return upon the money so expended as would not only justify the expenditure itself, but at the same time would encourage future developments.

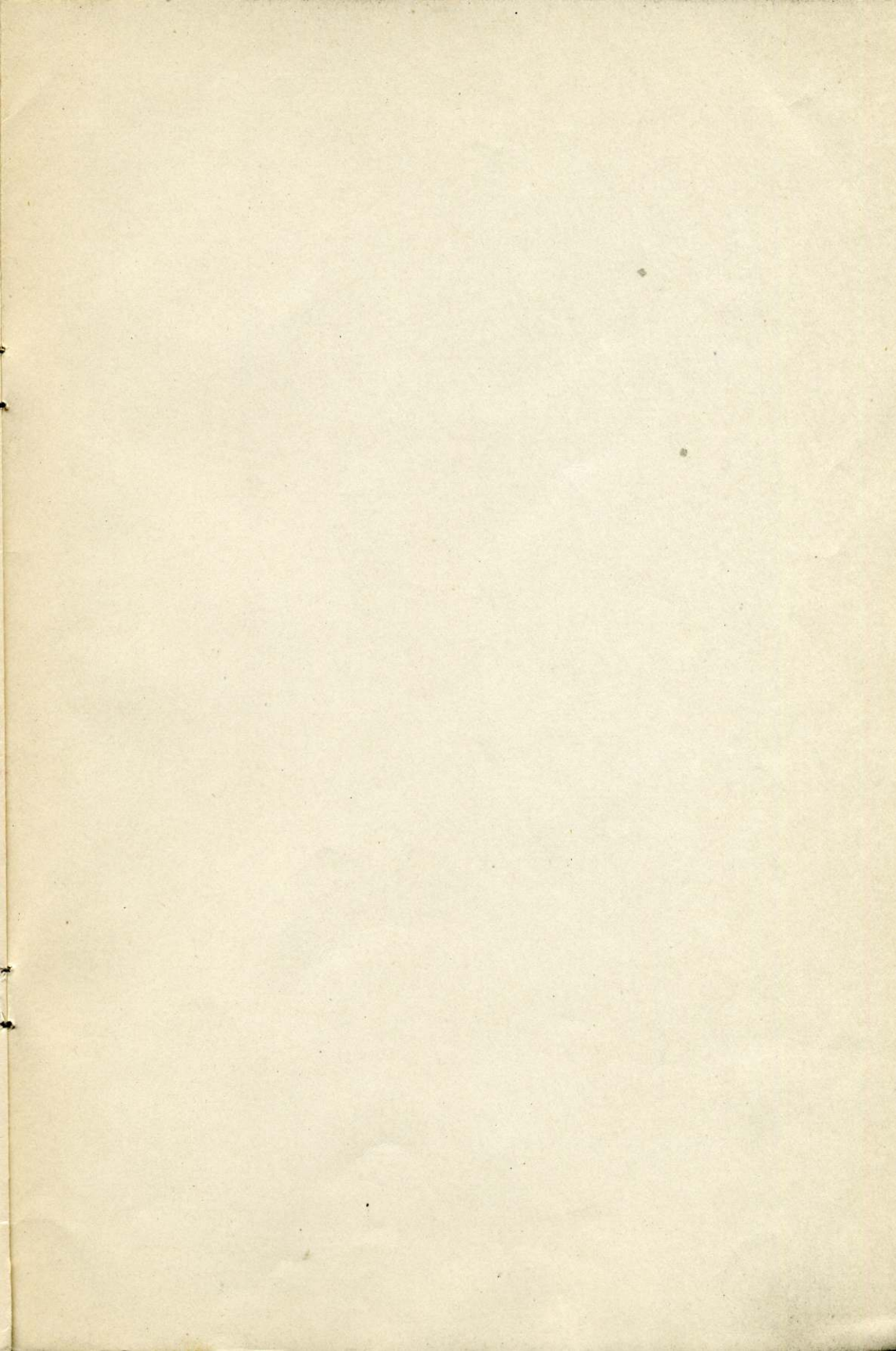
I have already referred to the large amount spent for improvements and equipment by the Baltimore & Ohio Company during the last two years, and we will not need less than \$100,000,000 and preferably \$150,000,000 for similar purposes, and for necessary extensions, during the next ten years, and the raising of that large sum constitutes a very serious problem. You will understand, of course, that it can come from only two sources, that is to say, either from the surplus earnings of the company or through the sale of securities, and if the latter plan is followed, its success will depend upon the credit of the company, and I am anxious that all should understand how much it means to the State of West Virginia that the credit of the Baltimore & Ohio Railroad Company should

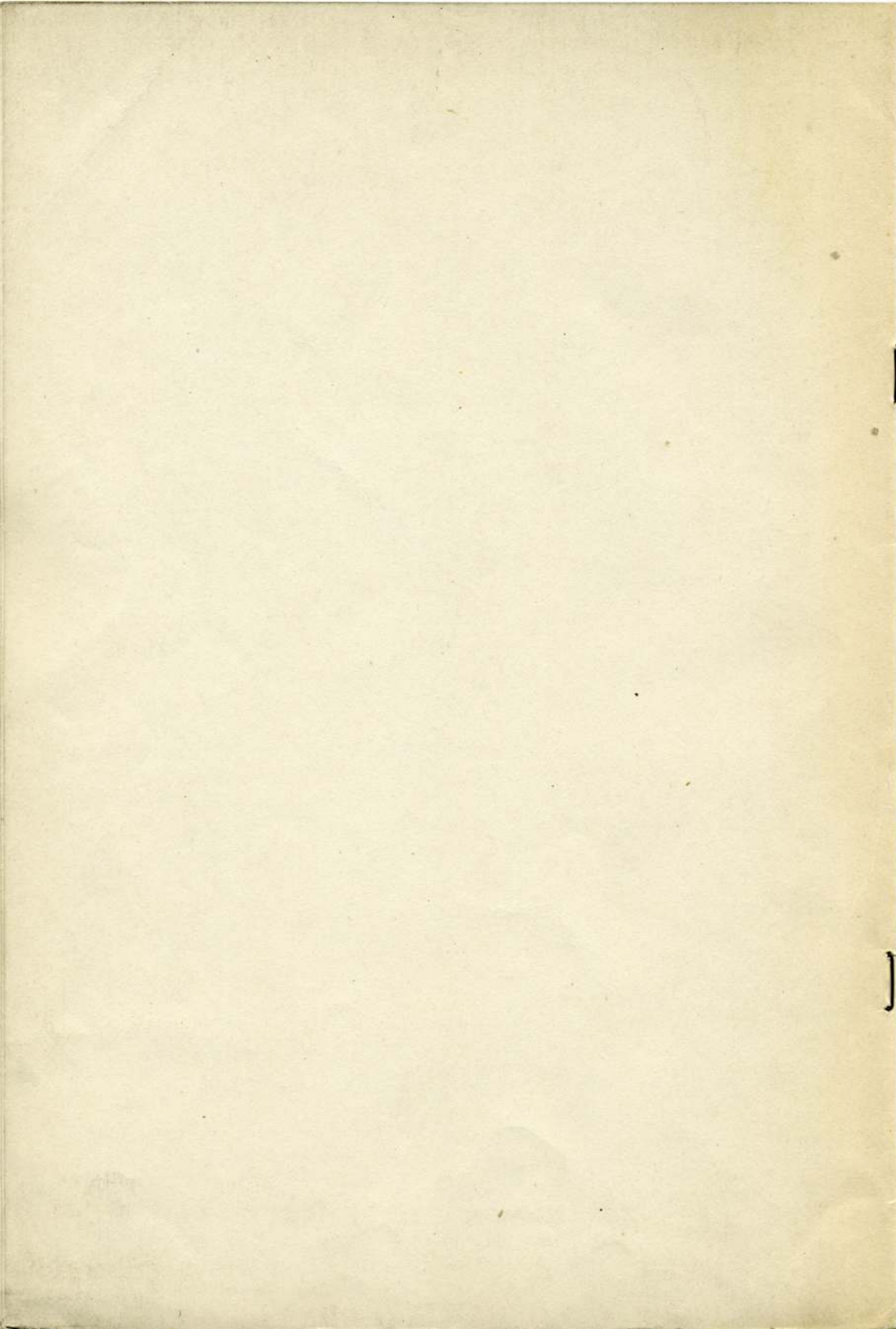
be maintained upon a high basis. It is infinitely more important that there should be fair rates and ample facilities all the time, than unfair rates, with insufficient facilities some of the time.

West Virginia with its 60,000,000 tons of coal still in the ground, its petroleum and cheap natural gas; with its 1,500,000 acres of virgin forest, its limestone, clay, farm and grazing lands and its delightful climate, is a veritable storehouse of traffic. The Baltimore & Ohio Company appreciates that the interests of the railroad and of your state should be and are identical. The production of Coal in West Virginia has already reached the enormous sum of 65,000,000 tons per annum, second only to the production of the State of Pennsylvania, and soon I believe to be in excess of that. The vastness of the industrial possibilities of West Virginia is difficult to comprehend, and the Baltimore & Ohio Company is not only willing but anxious to help develop them. Very shortly after I came to the Baltimore & Ohio Railroad as its President, I might almost say before I had actually reached my office, I was waited upon by a committee of distinguished gentlemen from West Virginia, urging the necessity for additional facilities to meet the industrial requirements of your State. After a very full discussion of the question, I promised, subject to the approval of the Board, that efforts would be made to start at once improvements of such a character as would increase the carrying capacity of the Company into and out of West Virginia fifty per cent. above what it was at that time, and I am happy to be able to say this evening, that the result promised has now, in effect, been accomplished, and I hope it may be necessary before long to make further increases of a similar kind. The success of the Baltimore & Ohio Company is most intimately related to the business welfare of your State. If you prosper, the railroad prospers. If you do not prosper, the railroad suffers proportionately, and, per contra, if the railroad suffers and on that account fails to keep pace with your industrial growth, your undertakings will inevitably be made to suffer also.

I am anxious that the relations between the Baltimore & Ohio Railroad and its shippers should continue on the most friendly basis, and it will be my constant effort to co-operate so far as possible to bring about that end. We want those who depend upon the Baltimore & Ohio Railroad Company for transportation to feel that they are fortunate in being so situated, and

that the Baltimore & Ohio is their friend, their associate and their partner in business. We want them to feel free to call upon us for anything which we can properly do to assist in the development of this State. We want to make the Baltimore & Ohio the most useful, the safest and the best of railroad, and we realize fully that to do that we must have your support.





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