

TRAFFIC GROWTH AND TERMINAL NEEDS

Paper by

JAMES J. HILL

Read at

The Convention of
THE MILLERS' NATIONAL FEDERATION
MINNEAPOLIS, MINNESOTA
June 22, 23 and 24, 1910.

TRAFFIC GROWTH AND TERMINAL NEEDS

Paper by
JAMES J. HILL

Read at
The Convention of
THE MILLERS' NATIONAL FEDERATION
Minneapolis, Minnesota.
June 22, 23 and 24, 1910.

The worthy purpose of most associations of business men interested in the same occupation is to unite all in common effort for the general good. None have justified it better than the millers of this country. They have transformed a petty local industry into one both national and international in importance. They have introduced new methods and new processes for the improvement of their product. They represent intelligence and industrial progress. You are now met to counsel together for the future as to what good or evil fortune may be in store for you as business men.

One fact, it seems to me, should give you more concern than almost any other, because you have already felt its effect and because it looms large and dangerous. This is the pressure upon existing means of transportation, and especially upon existing terminal facilities. It is a future menace and a

present handicap. You have felt, and you will continue to feel, the partial embargo that traffic conditions have placed upon all the business of the country; upon yours perhaps as seriously as any other.

Last winter the mills of Minneapolis had difficulty in getting their flour shipped promptly to market. The milling interest of the entire country, except where it serves a purely local demand, is feeling the pinch of the transportation situation and will in the future feel it more severely. The flour output of the United States is well over the 100,000,000 barrel mark, and growing at the rate of nearly a million barrels a year. In the last thirty years the mills of Minneapolis have raised their annual product from a little over a million and a half barrels to almost fifteen millions. The mills of the three Northwestern states, Minnesota and the two Dakotas, ground 122,600,000 bushels of wheat in the last crop year. This branch of manufacturing providing the first and most necessary item of a food supply, will continue to grow. Whether it find its principal market abroad or, as present signs indicate, is to be occupied mainly in future with supplying the home market, it will make the same draft upon transportation. Its products must be carried from one part of the country to another; must pass through commercial centers where congestion will be most serious; must share pre-eminently in the difficulties and losses that attend any want of shipping facilities.

Three years ago I showed that the growth of the business of the country had made traffic facilities inadequate. According to the official statistics of the Interstate Commerce Commission, while the railroad mileage of the United States increased by but 25.5 per cent in the ten years between 1897 and 1907, the passenger business increased 126 per cent and the freight traffic 148 per cent. I pointed out the fact that, although the paralysis of traffic

which these figures point to had been temporarily relieved by wonderful increases in efficiency of operation by the railroads, so that each mile of track and each item of their equipment was made to do much more work than formerly, yet this way of escape would no longer be available. A limit had been reached. It would be necessary, if business were to be cared for properly, to add largely to the railroad capacity of the country, and to raise the enormous amounts of capital that such an undertaking would require.

Practical conditions confirmed the conclusion of statistical fact. In the fall of 1907 the traffic east of the Mississippi River was greater than the railroads could handle. Everywhere shipments were delayed for weeks, and, in some cases, for months. Contracts for delivery at a definite date could not be made. Buffalo was so tied up that western grain could not be received, and in every large traffic center of the country congestion began to prevent that prompt transfer of goods between producer and consumer which is as necessary to business health as the water circulation of the globe is to organic life.

These conditions were changed from this distress by a period of business depression. Had it not been for the panic induced by unjust, prolonged and intolerable assaults upon capital, resulting in a much smaller volume of business, the break-down of the transportation machine would have been more pronounced. It was equal to its task only because that task was lessened by a business decline destroying the maintenance of millions of railway and industrial employees. We cannot depend upon a remedy so disastrous and so much more costly in actual cash than any practicable additions to our railroad facilities would be. But already the conditions that threatened to bring business to a standstill in 1907 are repeated. The growth of the country in population, in production, in trans-

portation business, has been marked. There has not been a corresponding growth in the facilities for transportation.

For months past it has been impossible to get freight shipments delivered promptly if these have to be transferred at any of the central markets or principal terminal points. Every large shipper knows the fact. The millers, as I have said, have realized it to their loss. The buyer of merchandise has had to wait weeks for it to come from the eastern market. There is a suit now in progress for damages by delay in the shipping of a consignment of goods that is said to have been twenty-six days in making a journey from Chicago to St. Paul. On the sixth of last March the Iowa Board of State Railroad Commissioners issued a statement in reply to criticisms of the railroad companies for failure to meet the demands of freight traffic. The Iowa Railroad Commission will not be accused of excessive tenderness toward the railroads, or a willingness to make excuses for any delinquency that it lay in their power to prevent. It uses the following language:

“The commissioners have made another trip to Chicago to endeavor to compel more prompt movement of grain and live stock, but find the conditions east of Chicago are still so bad that, despite the efforts of traffic officials, it is impossible to move grain and live stock with the promptness they should. There has been some disposition to blame the railroad commissioners for conditions as they exist; but could the critics see the car reports from all over the United States they would find that Iowa is not suffering so much as many other localities.”

Here is an official recognition of the conditions that exist today in most of the large centers and on most of the trunk lines of the country. The flood of business that rose to such dangerous height in

1907 is piling up again, with the additions made by national growth since then. The future will add an increasing ratio to these difficulties as well as to the losses they involve. The only probable relief from the pressure upon our transportation agencies, and especially upon terminals, where the greatest difficulty exists, is the decline of our export trade. The demand of the home consumer is lessening the volume of our export of foodstuffs and will affect similarly some other items on the list.

I have shown elsewhere that the average annual export of domestic wheat and flour for the five years 1880-84 was 149,572,716 bushels, and 113,146,896 bushels for the five years 1905-09. The falling off in twenty-five years is nearly 25 per cent. Our flour exports were over 15,000,000 barrels in 1907 and less than 10,000,000 barrels in 1909. Liverpool received 1,104,000 sacks of American flour, including Canadian in 1903; and notwithstanding the growth of Canada since then, the receipts from the same sources in 1909 were only 359,475 sacks. As the country grows, both the consumption per capita and the number of mouths to be fed increase so much more rapidly than the yield that the surplus is drawn down. The amount of wheat held for domestic consumption increased by 80 per cent in the same quarter century. For the first eight months of the fiscal year 1910 our exports of foodstuffs and food animals amounted to \$268,000,000 as against \$319,000,000 for the same period in 1909 and \$382,000,000 in 1908. This decline must be accepted as a sign of permanent change in trade conditions.

But this change will bring relief to the carrier only in so far as export terminals are concerned. It will not be notable even there, because the place of our declining foodstuff exports must be filled if we are to pay the bills contracted abroad for our imports and for interest on the large amounts of

American securities now being placed in Europe. In other terminals the effect will be scarcely noticeable. For the foodstuffs will still be raised and must be carried to the ultimate consumer here. They must be transferred and handled through these other terminals. The country is expanding, its business is growing; and when we consider its traffic movement as a whole it matters little, so far as the general problem of transportation and terminal facilities is concerned, whether it is toward the foreign or the home consumer.

The traffic movement of a country is toward its older and more densely populated areas; the wider spaces furnishing the food supply by which the more concentrated population is sustained. The railroad must also carry back manufactured products in exchange. The prosperity of every industry demands that this interchange of domestic products be prompt and free. An enormous volume of new traffic is being developed by the industrial advance of the country between the Mississippi River and the Pacific Coast. All of this must seek its market; and much of it will be added to the total that already overburdens our terminals. A glance at the relative increase of this business is instructive.

The reports of the Interstate Commerce Commission give the data of railroad progress by groups of states; so that in these tables we may study the comparative traffic growth of different parts of the country. Comparing these records for 1897 and 1907, one finds that while the increase of mileage in the New England States in these ten years was 8%, of passenger business 48%, and of freight business 82%, the increases in the states of Ohio, Indiana and lower Michigan were 11% in mileage, 106% in passenger and 173% in freight traffic; and in the Northwest, including parts of the Dakotas, Nebraska, Montana, Wyoming and a fraction of

Colorado, mileage increased 14%, with an increase of 356% in passenger and 253% in freight traffic. The states between the Rocky Mountains and the Pacific Ocean gained 38% in mileage, 225% in passenger and 259% in freight business.

If one does not even compare the relative increase of mileage and business in these groups, and studies only the figures of their absolute growth in a decade, what may we expect in the next ten years from commonwealths that in the last ten, before their industrial growth became so sturdy and assured as it is to be, added to their traffic contribution from 175 to 350 per cent? This expresses mathematically the burden on the trunk lines that must carry all this new business; and on the terminals through which, no matter whither consigned, it must pass enroute to its final destination. And if the conditions, as shown by your own experience and by the experience of others all over the country, as embodied in the report of the Iowa Railroad Commissioners already quoted, are unfavorable to business now, what are they likely to be a few years hence if no relief shall be furnished?

The most serious factor in this problem is the matter of terminals. More main tracks can be laid down, if time and money are given. But a railroad without terminals is like a man without hands or feet. Although the raising of funds sufficient to construct the necessary trackage is a task as great as the financing of a war, it does not compare in difficulty with the extension of terminal facilities. For in this the most serious physical and financial difficulties are combined.

In most of our cities business has grown up in a constricted center, often a narrow strip between a lake or a river bank and some natural barrier like a bluff, impassable for transportation. The first settlers could not have a vision of the needs of

coming generations; nor could they have done business for perhaps fifty years under the discomforts of distance and scattering of effort which conformity to future needs would require. Everywhere practically no room has been left for expansion. As a rule, the land near railroad tracks is necessarily used for commercial purposes and covered with costly improvements. Both the land and the buildings are the most expensive in the community. But it is just there and nowhere else that enlarged terminals can be built.

For eastern trunk lines the cost is practically prohibitive, even if the cash were forthcoming. Credit has been used almost to its limit; and this undertaking runs into tremendous figures. Where the necessary capital can be obtained, it must guarantee a fair return. Rates must be made to include this new expense. It may cost as much, by reason of expensive terminals, to move business two or three miles through a city as to move it one or two hundred miles outside. This cost, with a constant pressure for lower rates, is an item as serious as the physical limitations of space.

In the great markets of the eastern half of the country, in New York, Cleveland, Buffalo, Chicago, the crisis has already arrived. Traffic growth and terminal congestion are applying the brakes to business progress. This means trouble for the whole country. It is no more disastrous to have the banks close their doors than to have the railroads choked. The interest which you represent must suffer with the others; and therefore it should be taking thought with others for the future. For the same causes will work out the same effects in the west. It will afford poor consolation to any city to know that its own business can still be moved in its own freight yards if that business can neither get in nor get out of some other city a few hundred or even a thousand miles away, which is in the course

that it must take. You can neither fill nor empty your bottle any more quickly, no matter how much bigger you make it, if you leave the size of the neck unchanged.

What is the remedy? Of course there is none cut and dried, complete and effective, for an evil that has been growing for so long a time, and which public action thus far has tended to intensify rather than to diminish. The best that can be done is to offer suggestions for tentative and partial relief; and then to engage the best thought and effort of the whole country, especially of business men and associations such as yours, in an effort to lessen the tension that now strangles trade. Where terminals can be enlarged without incurring prohibitive indebtedness, that, of course, is a natural remedy. Existing facilities also may be made more effective.

Decentralization of traffic terminals offers a partial cure; partial only, however, because it is applicable to only a portion of the business to be done. Some of the through business of the country can be diverted to other points than those where it now collects, but the great central markets cannot be destroyed nor the bulk of their business affected. The business of Chicago is not to a great extent for export, but rather for home consumption. Its business cannot be largely diverted to other centers, because so much of it is literally Chicago business. The stuff to be carried is bought and sold and owned there. It cannot be routed out until it has first been routed in and perhaps has changed hands. Chicago, too, is now a great manufacturing center. Its raw materials must be brought in and its finished products sent out no matter what pressure they put upon terminals. The same holds true to a greater or lesser extent, in proportion to their size and their relation to surrounding territory, of most

of the more important market centers. A large portion of the trade of each cannot be sent to or from any other point.

There is, however, a considerable element in our traffic aggregate, probably one much greater than we are accustomed to think, which is capable of decentralization. Take your own industry for example. Because both your raw material and your product are bulky and heavy articles, you are, perhaps, more interested than others since you are most likely to suffer from terminal congestion. It is worth while to consider whether a considerable share of your distributing business could not be re-adjusted. If orders went direct to the mills from the smaller cities and towns, and shipments were made direct to them, instead of being consigned to central agencies and thence transferred to buyers, it would make less business for terminals. By such a process of decentralization, adopted by business generally, much relief might be obtained. A considerable share of the whole traffic of the Central West, if this method were used by every interest like yours, having extensive ramifications throughout the country, might be transacted without having to pass through Chicago or St. Louis. Orders could be filled more promptly, and at the same time sensible relief would be given to the business of these central cities, to the railroads and to all who are struggling in the grip of the greatest practical trade difficulty of our time.

This problem of terminals is the great problem of the country; the problem of transportation agencies, of financiers, of the communities directly affected and of all the industries that depend directly or indirectly upon cheap and speedy carriage for the commodities which they buy and sell. It is a problem for everybody; since probably not one business man in the whole country would fail to feel the disastrous effects if it were to be neglected for the next

five years as it has for the last ten, and to blight every form of activity by paralyzing the whole of trade. It is a problem that statesmen should be considering, where politicians are now busied with studying out new methods of harassing the operation of the railroad or throwing its finances into disorder. It is one that must appeal to you, who are eminent among the business men of this country by reason of enterprise, integrity, forethought and public spirit. In self-interest as well as in a large spirit of patriotic duty you should give to it the same measure of thought and action that you devote to the more immediate and technical questions connected with your occupation. If you shall do this with your accustomed ability and success, you will secure for yourselves and for others far greater than the accustomed reward.