AN ECONOMIC ANALYSIS OF THE WABASH PITTSBURGH TERMINAL RAILWAY

1901 - 1917

AND

THE PITTSBURGH & WEST VIRGINIA RAILWAY

1917 - 1947

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AN ECONOMIC ANALYSIS OF THE WABASH-PITTSBURGH TERMINAL RAILWAY, 1901-1917 AND THE PITTSBURGH & WEST VIRGINIA RAILWAY 1917-1947

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Submitted to the Graduate School of the University of Pittsburgh in partial fulfillment of the requirements for the degree of Doctor of Philosophy

Pittsburgh, Pennsylvania

1948

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FOREWORD

This is a study of a railway project that was to be a link in a transcontinental system. This railway, the Wabash-Pittsburgh Terminal, was unsuccessful in its early operations and was under receivership within a few years. It was later reorganized as the Pittsburgh and West Virginia Railway Company and remained independent of control by any other railway interests for approximately a decade. During that time, this property received much attention from the major railway executives of the area. Others who were not operating within the area wished to obtain control of this property in order to reach the Pittsburgh district. Those who were operating within the area, wished to obtain control of the property so that no outside system might enter. In the past two decades, the railway has been operating with moderate success as a strategically located local road independent of the other major railways.

In the preparation of this study, the writer received valuable assistance from Mr. H. A. Ross, vice-president and secretary of the railway. Special appreciation is also due Mr. S. W. Fender, special agent of the road who accompanied the writer while traveling over the property and pointed out many things that otherwise would not have been noticed. The author wishes to express his gratitude to Dr. Sidney L. Miller of the University of Pittsburgh for his guidance and assistance during the progress of this work.

I. INTRODUCTION

A. Jay Gould in the Railway Field

For an understanding of the reason for the construction of the Wabash-Pittsburgh Terminal Railway, the earlier activities in the railway field of Jay and George Gould, father and son, must be examined, for the Wabash-Pittsburgh Terminal was but an eastern extension of the so-called Gould system, with an extensive mileage in the broad central area of the United States. Jay Gould, the father, is better known to students of history for his other activities in the financial world than for those in the railway field. None of his other financial activities were more dramatic or interesting, however, than certain of his railway ventures.

As early as 1863, Jay Gould acquired control of the Rutledge and Washington Railroad, a small, financially weak road with a seemingly doubtful future. Acquiring control of this property through purchase of a majority of the stock, Gould made himself president and manager. Under his management, the earning power of the road was greatly increased. In 1887, he made the statement to the Pacific Railway Commission that he had sold the stock of the road at a great profit.

Jay Gould's first major venture into the railway field was in connection with the Erie Railroad. In 1867, he became, with Commodore Cornelius Vanderbilt, James Fisk, and Daniel Drew, a director of this property. The Erie was then one of the railroads of the East not under the domination of

Commodore Vanderbilt; indeed, it was in direct competition with the New York Central, which was at that time a Vanderbilt-dominated road. Following his selection as a director of the Erie, the Commodore, wishing to obtain control, gave his brokers instructions to buy all Erie stock available.

It seemed that the major interests in the Erie had lined up with Vanderbilt against Gould, Fisk, and Drew. The Commodore's broker bought Erie stock heavily and it finally became apparent that more was being offered for sale than was actually in existence. By the end of the day, March 20, 1868, Vanderbilt had a new lot of one hundred thousand shares of Erie stock bought by the brokers. The cost of this additional purchase of stock had been seven million dollars, with four million paid in currency. The brokers noticed that a large part of this Erie stock was printed on new paper, with the ink hardly dry. These three Erie directors had been printing stock illegally and selling it to the brokers.

At the time this worthless stock was being printed and sold, Fisk is alleged to have said, "'if this damned printing press don't breakdown we'll give the old hog (Vanderbilt) all he wants of Erie'".[1] Similar statements were made by the other two men, but such bravado did not last long. While the three men were tying their ill-gotten gains into bundles, they were informed by a messenger that they were to be arrested and would very likely spend the night in jail. The speedy and, in some respects, workable solution was to cross the river into New Jersey. After some time in New Jersey, where all parties

1. Howard, E., Wall Street Fifty Years after Erie, p. 167

concerned were anxious to clear up the situation, Gould, Fisk, and Drew did not enjoy restrictions upon their actions and movements. Also, Vanderbilt, found his position an unenviable one, since he had paid several million dollars for fraudulently issued stock. Finally, by careful maneuvering, Vanderbilt got a message to Drew, who in earlier years, had been more closely associated with Vanderbilt than either of the other two, seeking to arrange a meeting. Drew attempted to go to New York without the others knowing about it but was unsuccessful. Eventually, the three went together on a Sunday, as no summonds could be served in New York on Sunday. Out of this meeting with the Commodore, a settlement was made by which the money paid for the illegal stock was to be returned. After the final settlement, Drew retired from the Erie organization but Gould and Fisk remained as directors.

In the following years, with Gould as president of the Erie and Vanderbilt controlling the New York Central, intense rivalry developed between the two railroads. The extreme character of this rivalry is well illustrated by a rate war involving shipments of cattle from Buffalo to New York City. The rate between the two cities had stood at $125 a carload over both the Erie and the New York Central. Vanderbilt cut the rate to $100, initiating a rate war. From this beginning, rates were cut successively by the two roads until the New York Central was moving cattle between the points named at the ridiculous rate of $1 per carload. This left little room for further cuts by the Erie, and Gould decided to restore the rate to the normal level. Naturally, in view of this disparity in rates, all cattle were shipped over the New York Central from Buffalo, none over the Erie. But Commodore Vanderbilt soon awakened from his dream of success to learn that Gould had bought every head of cattle to be found west of Buffalo and was shipping them over the Vanderbilt line to New York City, making a fortune at the $1 rate.[1]

Gould was not liked by Erie employees, stockholders, or shippers and, finally, a combination of these anti-Gould interests and English investors in the road joined forces to oust him as president. During the Gould regime, the financial position of the Erie was so severely impaired that it was soon forced into receivership. There is no indication, however, that Jay Gould lost any money through his control and management of the road.

Even with Gould completely out of the Erie picture, the ill feeling remained between him and Vanderbilt. Long after the death of Jay Gould, his son George met strong opposition from the Commodore in the Wabash-Pittsburgh Terminal project. There was never any indication of friendliness between the latter two men even though George had been too young to participate in the Erie incident.

In the early 1870's, Jay Gould's eyes turned toward the Union Pacific Railway, and he invested a total of ten million dollars in its stocks and bonds. While serving as a director of this road, he purchased a controlling interest in the Kansas Pacific, a weak competing line then in receivership. On his next trip to Europe, Gould obtained control of the Denver

1. Warshaw, R. I., Jay Gould - The Story of a Fortune, pp.38f

Pacific through sizable purchases of its stock owned by foreign investors. In 1879, he acquired a controlling interest in the Missouri Pacific and in the same year he invested a substantial sum of money in the Central Pacific. With a controlling interest in the Kansas Pacific, the Denver Pacific, the Missouri Pacific, and strong minority interests in the Union Pacific and Central Pacific, Jay Gould was definitely one of the major figures in the railway field.

As a member of the Board of Directors of the Union Pacific a strong road, he proposed a merger of the Kansas Pacific with the Union Pacific. The other members of the Board were unwilling to sanction such merger, and thereupon Gould ordered sharp rate cuts on shipments over the Kansas Pacific. He also asserted that the Kansas Pacific would be extended to Salt Lake City, connect with the Central Pacific, thus forming a transcontinental system. Forced by this threat, the Union Pacific directors agreed to the merger. Not long after the merger was completed, Gould disposed of his stock in the Union Pacific. Through an investigation by the Pacific Railway Commission in 1887, it was found that this operation netted ten million dollars for Jay Gould in less than two years.[1]

Another property of which Jay Gould acquired control in this period was the Wabash, with trackage largely east of the Mississippi River. The Wabash became the hub of Gould operations east of the Mississippi River, while the Missouri Pacific occupied the same position to the west. Still later, Gould acquired control of the Western Union Telegraph Company

1. Ibid., pp.137ff

and the Manhattan Elevated Railway of New York City.

On December 3, 1892, Jay Gould died, leaving the greatest fortune ever created by one man. No individual or family had ever exercised such complete and unified control over a great railroad system. "In his will Jay Gould resorted to all possible expedients to assure this unquestioned domination. He left his fortune, estimated at $75,000,000, as an intact whole in the hands of trustees. The trustees were his four eldest children; George, Edwin, Howard, and Ellen."[1] George was given "voting power upon the family estate, in case of disagreement among the trustees, thus virtually making him the dictator." In the will was the following statement: "'My beloved son George, having developed a remarkable business ability, and having for twelve years devoted himself entirely to my business, and during the past four years having taken entire charge of my affairs, I hereby fix the value of his services at $5,000,000'."[2]

1. Hendrick, B. J., "The Passing of a Great Railroad Dynasty", McClure's Magazine, vol. 38, No. 5, p.484 (March 1912)
2. Ibid., p.484

B. The Gould Railway System

The construction of the Wabash-Pittsburgh Terminal Railway during the years 1901-1904 was merely a climax to a series of efforts to create a transcontinental railway system. In building this property, known to many people as an extension of the Wabash Railroad, George Gould was merely executing a plan conceived by his father many years before. It had been prophesied that, had Jay Gould lived two years longer and enjoyed reasonable health, he would have extended his railway system into Pittsburgh.[1]

The Gould system, prior to the Pittsburgh extension, lay largely west of the Mississippi River. The Wabash did reach Chicago and also had lines to Detroit and Buffalo, but these lines composed only a minor part of the system.

The roads classified as the "Gould Group" in the Industrial Commission Report of 1902 are the following:[2]

Railroads	Mileage
Missouri Pacific	5,326
Texas & Pacific	1,599
St. Louis & Southwestern	1,265
International & Great Northern	825
Denver & Rio Grande	1,675
Missouri, Kansas & Texas	2,423
Rio Grande Western	603
Wabash	2,358
Total Mileage	16,074

This system reached as far west as Salt Lake City, and served the important southwestern cities of El Paso, Galves-

1. Pittsburgh Dispatch, Feb. 23, 1901, p.2
2. U.S. Industrial Commission Report, vol. 9, p.308

ton, and New Orleans. Farther north, such important centers as Omaha, Des Moines, Chicago, Detroit and Buffalo were reached. Within the network lay the cities of St. Louis, Kansas City, Memphis, and San Antonio.

With this system serving a broad and diverse territory, George Gould was, as his father before him, not satisfied fundamentally because it was too dependent upon other properties for interchange traffic to and from both the East and the West Coasts. This disadvantage was aggravated by the enmity between these properties and the Gould interests.

To eliminate this dependence, George Gould moved in both directions. To gain access to the West Coast, the Western Pacific was chartered in 1903 and construction begun in 1909. This road, built from Salt Lake City to San Francisco, enabled the Gould system to reach the West Coast, a westward extension for the Denver and Rio Grande. In his moves eastward, Gould first secured control of the Wheeling and Lake Erie, extending the lines to Pittsburgh Junction, Ohio. Later the Western Maryland was added to the system through the purchase of majority control from the city of Baltimore. This property, at that time, extended from Baltimore as far west as Cumberland, Maryland. A distance of less than two hundred miles lay between the Western Maryland and the Wheeling and Lake Erie which connected in turn with the Wabash, a major link in the Gould system. Less than two hundred miles of construction was essential to connect the Western Maryland and the Wheeling and Lake Erie, which construction would complete a truly transcontinental system. That is the nearest that the United States has yet come to a transcontinental system under single management.

The Wabash-Pittsburgh Terminal Railway was to fill a portion of this gap between the two roads. It was chartered and work was begun a short time before either the Western Pacific was chartered or the Western Maryland purchased.

C. The Importance of the Pittsburgh District as an Industrial Center

The desire for a transcontinental system was not the only reason George Gould had for building the Wabash-Pittsburgh Terminal Railway. He was anxious also to share in the enormous freight tonnage entering and leaving the highly industrialized and fast-growing Pittsburgh area. At that time, more freight tonnage originated in Pittsburgh than in any other city in the world; the volume of freight was greater indeed, than that of New York, Chicago, and Philadelphia combined. The traffic of the area, not including through traffic, aggregated 75,000,000 tons a year, and the Pennsylvania Railroad was handling 75,000 tons of freight a day for each mile of its road east of Pittsburgh.[1]

Pittsburgh stood first in the "world's production of iron, steel, tinplate, iron and steel pipes, steel cars, air brakes, electrical machinery, brass, coal and coke, fire-brick, plate glass, window-glass, tumblers, tableware, petroleum, pickles, white lead and cork." There were more than 5,000 business establishments turning out products valued at $450,000,000 annually. Pittsburgh's "production of coke, plate-glass, lamp-glass, structural shapes, tubing, tin plate, and crucible steel exceeded that of all the rest of the United States. It was the center of 100,000 square miles of bituminous coal lands, as compared, for example, with Great Britain's 11,000 square miles. It originated a tonnage of freight nearly five times as great as that of

1. Josephson, M., Robber Barons, p.96

either New York or London."[1]

Serving the Pittsburgh area were the Pennsylvania Railroad, running both east and west, and the Pittsburgh & Lake Erie Railroad to the north. The Bessemer Railroad and Lake Erie operated between the city and Lake Erie but was controlled by the United States Steel Corporation and was primarily engaged in the movement of iron ore from Lake Erie to the Homestead Steel Works. The Pittsburgh and Lake Erie was a part of the New York Central system, controlled by the Vanderbilts. As later became clear, however, the Erie incident, involving Jay Gould and Commodore Vanderbilt, had not been forgotten. The Pennsylvania and Vanderbilt roads were operating under a "community of interest" arrangement, affording a virtual monopoly for the Pennsylvania on east-west shipments. Projected construction by the Gould interests would divert a portion of the freight tonnage then moved by the Pennsylvania, indeed, it was the design of the Gould program to obtain freight then being handled by another firmly established system. The desire of the Pennsylvania to maintain its hold upon tonnage and the unfriendly feeling between the Gould interests and the Vanderbilt interests linked by a "community of interest" agreement with the Pennsylvania, compelled George Gould to face an opposition and antagonism never exceeded, if equalled, in the history of railway development. This opposition took every possible form, without regard for law or common decency. There was only one thought and one aim--to keep George Gould and his projected railway out of Pittsburgh.

1. Cowan, J. L., "Freeing a City from a Railroad's Control," World's Work, Jan. 1905, p.5712

II. CONSTRUCTION AND OPERATION OF THE RAILWAY

A. Period of Construction and Struggle to Enter the City, 1901 - 1905

If a railway were to enter Pittsburgh from the west, either the Allegheny or the Monongahela River had to be bridged. Permission to build a railway bridge had to be obtained from the Federal government. The Gould interests moved in 1900 to obtain permission to cross the Monongahela River. Joseph Ramsey, then president of the Wabash, succeeded in getting a senator and a congressman from Pennsylvania to introduce a Joint Resolution reviving an old law which authorized the construction of a bridge across the river. No attempt had been made by the original applicant to bridge the river, and the permission had lapsed by limitation.[1] The Resolution was approved by both houses of Congress without objection; seemingly, no one realized its significance. No Pittsburgh newspaper made even brief mention of the Resolution or its passage. The first step toward entry into Pittsburgh had been taken without the slightest opposition.

To direct the Wabash-Pittsburgh Terminal project George Gould chose Joseph Ramsey. Ramsey had been born in Pittsburgh and educated in that city's public schools and Western University, later the University of Pittsburgh. He had worked for a time in the engineering department of the Pennsylvania and later was connected with several lesser roads. In

1. Spearman, F. H., Strategy of Great Railroads, p.93

1895, he was chosen general manager of the Wabash, and he eventually became its president; in that capacity he served during the period when the system was rounded out by feeder lines and certain important extensions. Ramsey, without doubt, possessed a dynamic personality and great organizational and executive ability: he appeared to be the logical man to direct the new project.

In February, 1901, Andrew Carnegie signed a contract with George Gould, pledging to the projected line large portions of the freight tonnage originated by the Carnegie steel interests. There had been a certain degree of hostility existing between Carnegie and the railways then serving the Pittsburgh area since the Bessemer & Lake Erie had been built in the late 1890's. It was highly probable that the agreement with Gould was another phase in Carnegie's war against those carriers. On the other hand, the agreement was signed on the eve of the sale of the Carnegie steel properties to the Morgan interests, which was a prelude to the formation of the United States Steel Corporation on February 25, 1901. Apparently, neither Morgan nor President Cassatt of the Pennsylvania knew anything of the contract until after formation of the United States Steel Corporation. On March 1, 1901, Cassatt sent a telegram to Morgan asking: "'Have you learned how far the Carnegie Co. is committed to the project for extending the Wheeling and Lake Erie Railroad into Pittsburgh? ......If this road is ever built, it will be a serious blow to all our interests, and no effort should be spared to prevent its construction'".[1] This agreement was the subject of

1. U.S. Senate Report No. 1182, Pt. 1, p.30

much correspondence between the United States Steel Corporation and the Pennsylvania Railroad Company until Gould agreed at a meeting with Judge Gary and Mr. Frick in April 1905, not to enforce the contract.[1]

On March 25, 1901, an ordinance which would permit the Gould line to construct the bridge across the Monongahela and to operate within the city[2] was introduced into the Pittsburgh Councils.[3] At that time, George Gould and Joseph Ramsey were forming an "underwriting syndicate, with capital of $17,000,000, with themselves as syndicate managers". Everyone connected with pushing the ordinance through the City Councils denied any knowledge of the Gould plan.

The introduction of this ordinance set off a series of fights between the Gould interests and the City Councils on the one hand and the Pennsylvania and Vanderbilt interests on the other.[4] The fight took many forms. The ordinance was slowed up in every conceivable way by various members of the Councils. An injunction was obtained to prevent the bridge from being constructed across the river without permission from the Councils and, in due course, appeal was taken to the state Supreme Court where the decision was adverse to the Gould interests. The Pennsylvania tried all possible methods to prevent the Gould acquisition of rights of way: property was purchased wherever a main line or even a siding might be constructed, and workers employed by the Gould interests and by the Pittsburgh & Lake

1. Ibid., p.56
2. Pittsburgh Dispatch, Mar. 26, 1901, p.1
3. Pittsburgh Councils was composed of the Select and the Common Councils
3. The long, drawn-out fight has been described in greater detail in a master's thesis entitled "Wabash-Pittsburgh Terminal Railway, 1901-1908," by the author of this study

Erie actually came in direct conflict in the South Side, indicating how intense was the antagonism between the opposing interests. The issue also became important in the political campaigns of the period. It has long been alleged that various members of Councils received money from the Gould interests. Such an assertion is difficult to prove; however, the following quotation appears in a report by the Interstate Commerce Commission: "The political contributions made between October, 1902, and February, 1904, to politicians in Pittsburgh, two receiving $30,000 each and another $17,500. An additional $10,000 was contributed in February, 1905, to one who previously received $30,000."[1]

Late in 1902, an ordinance was passed by both the Select and Common Councils permitting the Wabash to enter the city but requiring it to "pay for the franchise and rights such amount as may be agreed upon by a general ordinance applying to all railroads,"[2] meaning any new roads entering the city. Such an ordinance was unacceptable to the Gould interests, and Ramsey stopped work on the new line immediately. The possibility of not actually entering the city, but establishing a freight station outside the city, was seriously considered for the first time.

In May, 1902, the Gould interests obtained control of the Western Maryland through purchase of the stock owned by the City of Baltimore. This was done after a long fight, instigated by the Pennsylvania interests, within the Baltimore

1. I.C.C. Reports, vol.48, p.119
2. Pittsburgh Dispatch, Nov. 25, 1902, p.1

Council. Both the Pennsylvania and the Reading Railroad tried to purchase the stock owned by the city. The Reading was acting in the interest of the Pennsylvania, however, as it was at that time controlled by that property. Before approving the sale to the Gould interests, the Council had received a letter from George Gould stating he planned to have the Western Maryland serve as the eastern terminus of the Wabash.[1] In February, 1903, Joseph Ramsey was elected president of the Western Maryland. He was already serving as president of both the Wabash and the Wheeling & Lake Erie, and directing the 60-mile extension of the Wabash into Pittsburgh.

The Gould family at this time also owned a controlling interest in the Western Union Telegraph Company which had been obtained by the father, Jay Gould. George Gould was president of Western Union, which had wires strung upon the Pennsylvania right of way and had offices located in all railway stations of any significance along the Pennsylvania lines. The expiration of a twenty-year contract between the Pennsylvania and Western Union was rapidly drawing near. This afforded the former an excellent chance to deliver a serious blow at George Gould.

Renewal of the contract was refused by the Pennsylvania and, upon its expiration, President Cassatt of the Pennsylvania ordered the Western Union to vacate all Pennsylvania properties covered by the expiring contract. The Postal Telegraph Cable Company took over the offices formerly occupied by Western Union.[2] There was no doubt that this action by the Penn-

1. Ibid., May 21, 1902, p.1
2. Ibid., Aug. 14, 1902, p.3

sylvania was inspired by the hope that Gould would abandon the railroad project. There was, however, no indication that he intended to do so. The next move by President Cassatt was to order the poles and wires removed within six months from all rights of way east of Pittsburgh and Erie. Gould sought relief through the courts, requesting an injunction prohibiting the removal of the poles and wires. A temporary injunction was granted, and the poles were still standing Dec. 1, 1902, the day following the expiration of the six-month period.[1] However, the court later refused a permanent injunction, indicating that George Gould must seek another solution of the problem.

The temporary injunction ended on May 21, 1903. Within a few hours following its expiration, orders were given by Cassatt "to cut down the poles and rip off the wires". More than 25,000 miles of wire were torn down.[2] This act by the Pennsylvania was looked upon with disfavor even by Gould's enemies. J. P. Morgan, who was closely associated with the Pennsylvania interests, said to Cassatt, "I do not like George Gould, but I do not like a man who destroys $5,000,000 of vested property."[3]

In February, 1903, an ordinance, acceptable to the Gould interests, passed both Select and Common Councils, permitting the Wabash to enter Pittsburgh. This was the end of a fight that had begun in 1901. During the period, construction of the new road had moved forward, despite several brief interruptions.

1. Ibid., Dec. 1, 1902, p.2
2. Ibid., May 22, 1902, p.1
3. Howard, E., loc. cit., p.21

On May 7, 1904, the Wabash-Pittsburgh Terminal Railway Company was incorporated.[1] It was the successor, through consolidation and merger, to the Pittsburgh, Carnegie & Western Railroad Company, a Pennsylvania corporation, the Cross Creek Railroad, a West Virginia corporation, and the Pittsburgh, Toledo & Western Company, an Ohio corporation. The Pittsburgh, Carnegie & Western was to build lines to meet the other roads within the industrial area; there is no record of any thought of the road becoming a major property. The main purpose of the Cross Creek Railroad was to operate a line along or near Cross Creek, from the Pennsylvania state line to the Ohio state line. The Gould interests hoped to have access to the West Virginia coal fields through ownership of this road. The Pittsburgh, Toledo & Western was to construct, maintain, and operate a line from a point on the Ohio River near Mingo to Toledo.

The main line of the Wabash-Pittsburgh Terminal Railway consisted of 60 miles of line connecting with the Wheeling and Lake Erie at Pittsburgh Junction, Ohio. The capital stock of the company was set at $4,000,000, consisting of 80,000 shares with a par value of $50 each, to be exchanged at par for capital stock of the merged companies. On May 11, 1904, the capital stock was increased to $10,000,000. The same day, authority was given to create a bonded indebtedness of $70,000,000. Of this amount, $50,000,000 was to consist of fifty-year gold first mortgage bonds bearing interest at four percent.; the remaining $20,000,000 was to consist of fifty-year gold second mortgage bonds also bearing interest at four percent.

1. Moody, J., Moody's Steam Railroads, vol.35, pt.1, p.1197 (1944)

All of these bonds were dated May 10, 1904, with interest payable from June 1, 1904, on the first mortgage bonds. The interest on the second mortgage bonds was "to be payable for the period of six years from date of such bonds only out of net earnings and revenue of the company, as defined in said mortgage and thereafter to be payable absolutely on interest dates."[1]

The first Wabash train crossed the Monongahela Bridge into the city of Pittsburgh on June 1, 1904. The bridge had been under construction during the time the franchise ordinance was being debated by the councilmen. The ordinance was passed only a few months prior to the completion of the bridge.[2]

On June 28, 1904, the officials of the Wabash-Pittsburgh Terminal Railway were elected. Joseph Ramsey was elected president. He was, at that time, president of the Wabash, the Wheeling & Lake Erie, and the Western Maryland.

July 2, 1904, marked the beginning of regular scheduled operations over the new road. The passengers of the first scheduled train were prominent "professional, business and political" leaders celebrating the opening of the new line.[3] The destination of the first train was St. Louis, where the Louisiana Purchase Exposition was being held.

Within a short time after the new line was put into operation, control of the Wheeling & Lake Erie was transferred

1. I.C.C. Reports, vol. 48, p.106
2. <u>Pittsburgh Dispatch</u>, June 2, 1904, p.2
3. <u>Ibid.</u>, July 3, 1904, p.1

to the Wabash-Pittsburgh Terminal Railway.[1] All of the stock of the Terminal Railway was, in turn, owned by the Wabash.

The Gould system, by the end of 1904, extended from Pittsburgh westward to the Rocky Mountains. Farther west the Western Pacific was then under construction, though facing difficulties. East of Pittsburgh the Western Maryland extended from Baltimore westward to Cumberland, Maryland. To provide a transcontinental system, the Western Pacific had yet to be completed and a connection constructed between the Western Maryland and the Terminal Railway.

The main line of the Terminal Railway, approximately sixty miles in length, ran from the Station at Liberty Avenue and Ferry Street in Pittsburgh to connect with the Wheeling and Lake Erie at Pittsburgh Junction, Ohio. Throughout its entire length it traversed a rugged, hilly country, not following any large streams; indeed, the small streams along the line were crooked and no railway track could follow them closely for any distance. The valleys were narrow, with high and steep slopes, while cuts and tunnels had to be made through disintegrating shale rock. In spite of all obstacles, construction was of a superior character.

Sections of the Pennsylvania running almost parallel to the Terminal Railway frequently had grades of one percent and curvatures up to eight degrees. With the exception of the first four miles, which lay largely within the city of Pitts-

1. The Wabash-Pittsburgh Terminal Railway will be referred to as the Terminal Railway for the purpose of brevity and to distinguish it from the Wabash Railroad.

burgh, the Terminal Railway had a maximum grade of only seven tenths percent and a maximum curvature of three degrees. Sixty-one percent of the line was straight, despite the rugged terrain. The heaviest grade was less than thirty-seven feet to the mile, while that of the Pennsylvania in similar territory was approximately sixty feet. There were only fifty-six curves in comparison with more than one hundred on the Pennsylvania lines in the same area.[1] The standards of the Pennsylvania were high in comparison with those of the other major railroads of the day, but were exceeded in nearly every respect by the new Gould road. In all recorded surveys made by the Wabash engineers, the point of major emphasis was to build the line over the shortest route; the high cost of superior construction through adverse terrain received only secondary consideration. In an investigation made by the Interstate Commerce Commission, it was estimated that construction costs could "probably have been reduced by at least one-half" had the engineers been satisfied merely to equal the gradients and curvature of the Pennsylvania.[2]

Along the sixty-mile road were eighty-eight bridges, eighteen tunnels and fifty heavy fills. A number of the bridges crossed small streams and were short; the two longest were those crossing the Ohio River at Mingo and the Monongahela at Pittsburgh. The tunnels ranged in length from 270 feet to 4,716 feet, the length of the Greentree Tunnel. Leading up to a number of the tunnels were heavy cuts. The tunnels themselves were cut so they would not interfere with public roads and other property

1. Spearman, F.H., "The Seige and Defense of the Gibraltar of the Railroad World", Saturday Evening Post, Jan. 16, 1904
2. I.C.C. Reports, vol, 48, p.112

on the surface. One of the tunnels was built with a curve in it. Some of the fills were as long as 3,500 feet and required approximately one million cubic yards of earth.[1]

Plans for the Wabash Station in Pittsburgh were announced in 1902. Estimates of the cost of the proposed station ranged from approximately $1,000,000 to $1,250,000. The location of the station at Liberty Ave. and Ferry Street was admittedly not as favorable for railway operations as either the stations of the Pennsylvania or the Pittsburgh & Lake Erie. The unfavorable location was to be offset however, by the unusual beauty and attractiveness of the station. The actual cost of the terminal and freight station in Pittsburgh was estimated at $2,200,000, a figure considerably above the planned estimates. The cost of the property in Pittsburgh east of the Mt. Washington Tunnel was fixed by the Interstate Commerce Commission at $3,445,066.[2]

In the construction of the entire line including bridges, tunnels, and buildings, actual costs proved to be several times the most liberal early estimates. The estimated average cost per mile of the sixty-mile road was about $380,000. The entire cost, including the buildings and other items, was set at $25,000,000. Other costs not chargeable to the Terminal Railway but met by the Gould interests, such as political contributions and the destruction of the Western Union lines along the Pennsylvania tracks, cannot be estimated with any degree of accuracy. Without considering costs not chargeable directly to

1. _Ibid._, p.113
2. _Ibid._, p.165

the property, the burden assumed was exceptionally high for so short a road. Fixed charges were, in consequence, heavy, threatening to become an impossible burden except as hopes for the property were fully realized.

B. Early Operations and Receivership, 1905-1908

Writers of the period who treated of the Terminal Railway were almost universally optimistic as to its possibilities. None of these writers seemed to weigh the tremendous fixed costs to be met or the fact that the new line was operating in a territory where it was forced to meet bitter opposition from both the Pennsylvania and Vanderbilt interests. They failed to recognize, also, that business activity in the area might not continue to increase at the rapid pace of recent years. Their attitude was an early exemplification of the belief that so many entertain during periods of prosperity, that "prosperity is here to stay".

The first passenger train out of the new Wabash Station, as previously noted, had as its destination the Louisiana Purchase Exposition in St. Louis but, to attract patronage, rates were cut. These lowered rates were instantly met by the other roads serving the city, and these also lowered freight rates on a number of commodities. Decreased freight rates were, no doubt, welcomed by the manufacturers of the district, but they could hardly be regarded with favor by a new railway with heavy fixed charges.

The years 1905 and 1906 were years of active business throughout the country, yet this activity was in no way reflected in the tonnage moved by the Terminal Railway. Any increase in the Pittsburgh area must have gone to competitors, as the tonnage moved by the new road was inconsequential. Total tonnage moved in 1905 was 346,735 and in 1906 it was 2,084,432 which did not approach earlier estimates.[1] These totals may be compared with years after the reorganization of the property. The tonnage moved in 1926 was 7,326,919 tons and in 1946 it was 6,160,475 which was several times greater than the tonnage for 1906. The figure for 1905 may be explained in part by the fact that full operations did not date from the beginning of the year, but the same explanation cannot be given for 1906.

In 1905, dissension developed among the officials of the railway. As a result, Ramsey was given a six months' leave of absence as president of the road, and was relieved of all duties as president by official vote of the directors before the leave expired.[2] Whatever the objections to Ramsey's administration of the road, his contribution to the development of the railway had been important. He had served as president of the Wabash Railroad during the years of its expansion in the late 1890's. While serving as president of the Wabash and of the Terminal Railway, he was also president of both the Wheeling and Lake Erie and the Western Maryland. An engineer, he had closely supervised the construction of the Terminal lines. He had been a dynamic force in the Gould system, but had always acted with the backing of the vast Gould fortune. His removal from office did not correct the factors which threatened the future of the railway.

During the third year of operations, general business activity throughout the nation dropped sharply and the Panic of

1. A complete record of tonnage movements may be found in Appendix A
2. Pittsburgh Press, July 26, 1931

1907 was experienced. It is difficult to evaluate the effect of the panic on the road. There was an increase in 1907 of tonnage moved above the figures for the years of 1905 and 1906, however, this increase was followed in 1908 by a decrease to the approximate volume moved in 1906 (see Appendix A). The figures in the appendix are for fiscal years ending on June 30, with the exception of the figure for 1908, which represents slightly less than eleven months. If one were to assume that the increase of 1907 over 1906 constituted a trend, it might be thought that the decrease in 1908 was due in part to the panic. The weakness of such an assumption is, however, that freight movements were extremely disappointing in each of the four years--should have been, indeed, at least double and possibly three or four times the volume handled. Many writers have assigned the failure of the project in a large degree to the panic. A careful analysis of the entire situation indicates quite clearly that the railway could not have succeeded, had there been no Panic of 1907.

The lack of equipment upon the new road was incredible. The Terminal Railway did not own a single passenger car or coal car at any time throughout the first four years of operations. On June 30, 1907, the rolling stock owned by the road included four locomotives and eighty-one service cars.[1] Motive power was furnished largely by the Wheeling & Lake Erie, the Wabash, and the West Side Belt. No equipment was owned by the West Side Belt, but 998 coal cars were leased by it from the Wabash. The passenger equipment and motive power for freight trains were

1. I.C.C. Reports, vol. 48, p.135

provided by the Wheeling & Lake Erie. One of the officials made the following statement during the Interstate Commerce Commission investigation of the project: "We had a family rental. We charged simply the interest and depreciation on the cost of the equipment, and for repairs to both cars and engines. We charged them for locomotives on a locomotive mileage basis, and for cars on a car mileage basis."[1]

On May 29, 1908, the Wabash-Pittsburgh Terminal Railwas was declared insolvent. Receivership proceedings were brought against the property by the Wabash because of default in payment of the principal and interest of a $300,000 seven percent note dated November 30, 1906, and in payment of interest, due on January 1, 1908, on the $30,236,000 of the first mortgage bonds. No one contested the appointment of the receivers.[2]

The inability of the property to meet the interest on the note or the bonds was evident. The property had operated at a loss during each year of operations, with a cumulative deficit prior to receivership of $3,012,722.95.[3] In the period of approximately four years, the total operating revenue never equalled the deductions from the gross income.[4] In only one year of this period did the sum of the operating revenue and the nonoperating income exceed the nonoperating income deductions. Total revenues were not enough to pay the interest on the fixed obligations. No business could operate under such

1. *Ibid.*, p.135
2. *Ibid.*, p.136
3. *Ibid.*, p.158
4. See Appendix C.

conditions. Complete abandonment of the property or reorganization under a vastly different capital structure were the only possible solutions.

The capitalization of the road was extremely high. Fifty millions in bonds had been issued against a railroad sixty miles in length. The entire cash expenditure for property to the beginning of receivership was slightly in excess of $25,000,000 and the par value of the first mortgage bonds alone exceeded that amount by nearly $5,000,000. With an actual cash investment in road, equipment, and securities of affiliated companies of approximately $38,000,000 when receivers were appointed, more than $61,000,000 in securities were outstanding. Such an excessive overcapitalization could not be borne by a property that was not moving enough tonnage to yield a sum needed to meet the interest on the first mortgage bonds.[1]

1. Ibid., p.144

C. Period of Receivership, 1908-1916

Following the institution of receivership proceedings by the Wabash Railroad on May 29, 1908, F. H. Skelking and H. W. McMaster, both of Pittsburgh, were appointed receivers for the property. When interest could not be paid on the first mortgage bonds, due June 1, 1908, protective committees were appointed representing the first and second mortgage bondholders. The first of these, the Wallace Committee, was formed June 3, 1908, to safeguard the interests of the first mortgage bondholders. J. N. Wallace, then president of the Central Trust Company of New York City, was chairman of the committee which bore his name.

The receivers found the physical facilities of the property in poor condition. Tunnels and bridges were sorely in need of repairs, and on October 29, 1908, the receivers were authorized to issue receiver's certificates in the amount of $973,000, the proceeds to be used in lining tunnels, in painting bridges, and to purchase equipment. An additional issue of certificates amounting to $500,000, was authorized March 11, 1909, the proceeds to be used in this case to purchase 500 steel hopper cars. The following year, on December 13, the receivers were authorized to issue an additional $2,000,000 in certificates to raise funds for the purchase of additional freight equipment. Of the last issue authorized, only $989,108.75 were before the receivership was ended.

The receivers, beginning their period of service were faced with the task of operating a railway which possessed neither adequate equipment nor had its physical property been maintained. Even with the sale of the authorized receivers' certificates, the property could not be put on a paying basis: tonnage handled by it during the period of receivership showed no marked increase over that of the previous period.[1]

A second protective committee, the so-called Chaplin Committee, was organized July 25, 1910. The members of this committee charged the Wallace Committee with failure to promulgate a plan of reorganization or to do anything calculated to conserve the property. Some members of the Wallace Committee were accused of actions "antagonistic to the interests of the bondholders".[2]

On June 25, 1915, the Wallace and Chaplin committees were superseded by the Reorganization Committee. Under J. N. Wallace's chairmanship it adjusted the grievances of the two previous committees. There was also a Second Mortgage Bondholders' Committee, with A. J. Hemphill as chairman, acting in the interest of the second mortgage bondholders. The Ely Committee was later organized to further the joint reorganization of the Terminal Railway and the Wheeling and Lake Erie, which was also in the hands of receivers, but their plan received little consideration. Before the property was reorganized, the Fearon Committee was formed to protest the provisions of the final reorganization.[3]

1. See Appendix A
2. Ibid., p.139
3. *Poor's Manual of Railroads*, 1917, p.1393

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1. See Appendix A
2. *Ibid.*, p.139
3. *Poor's Manual of Railroads*, 1917, p.1393

In March, 1912, F. H. Skelking resigned as co-receiver of the property. H. W. McMaster remained in charge of the road. On December 8, 1912, after the resignation of McMaster, H. F. Baker was appointed receiver. Baker continued to serve as receiver until the final reorganization.

The Mercantile Trust Company of New York City, trustee, under the first mortgage bonds, brought suit in the Federal Court on September 2, 1908, to foreclose the mortgage.[1] Sale of the property was not ordered by the court until January 3, 1913, however, an upset price of $6,000,000 was fixed. No bidders appeared for the property at this figure, despite the fact that cash expenditures for plant and equipment had been in excess of $25,000,000.

Through the efforts of the Fearon Committee, a resolution was introduced in the House of Representatives, in January, 1916, to have the Interstate Commerce Commission investigate the affairs of the railway. The following allegations were made:

> (1) After distribution of the bonds to the public had been completed, a plot was formed to wreck the company.
> (2) The late E. H. Harriman sent for Joseph P. Ramsey, who was President of the Gould railroads, and asked him if it would have a depressing effect on the bonds if the traffic and trackage contracts were cancelled, and if in a few days the road was put into the hands of receivers.
> (3) The property is now wanted at junk prices to form a new system.
> (4) The whole transaction amounted to a disgrace and a scandal.[2]

1. Ibid., p.1393
2. New York Times, Jan. 15, 1916, p.3

In February, 1916, the Interstate Commerce Commission announced that an investigation of the project would be made. The inquiry was to go into the "'character and extent of the service, and the financial history, transactions, and practices, its leased properties, and its predecessor corporations.'"[1] The Commission announced that hearings would be held, witnesses summoned, and books and papers examined.[2]

Though the investigation revealed many important facts, its conclusions as to the actual causes of the failure of the project are not particularly helpful. The Commission characterized the project as "a poor business venture", and charged that the road was "greatly overcapitalized." The lack of equipment was clearly demonstrated in the investigation. The Panic of 1907 was named as a contributing factor. But the reckless issuance of securities without corresponding increases in physical assets seem to have been given more emphasis in the conclusion of the report than any other one factor.

> This case illustrates again the great need for control of security issues and emphasizes the wisdom of the Commission's requirements, which has been in effect since 1907, that the charges to accounts reflecting the carriers' investment in road and equipment shall be based upon the cash cost of the property.[3]

In determining the fundamental causes of the failure of the project, however, Gould properties other than the Terminal Railway, its subsidiaries, and its predecessor companies, must

1. New York Times, Feb. 20, 1916, pt.8, p.9
2. This is the ICC investigation referred to numerous times in this study and is found in vol. 48 of the I.C.C. Reports, pp. 98-167
3. I.C.C. Report, Vol. 48, p.144

be considered. The Railway Age, in an editorial concerning the findings of the investigation, recorded the following impression:

> There is no new light thrown on the history of the Wabash-Pittsburgh Terminal by the report of the Interstate Commerce Commission . . The report is signed "by the Commission" meaning presumably that it was prepared by a more or less "expert" hired by the commission and approved "by the commission". The report characterizes the building of the Wabash-Pittsburgh Terminal as a poor business venture and it was! The Goulds have made rather more than their share of poor business adventures in the railroad field but their entrance into Pittsburgh was about as unfortunate as the worst of them. And yet the Wabash-Pittsburgh was built in order to give Pittsburgh more adequate railroad facilities. Today even the Pennsylvania Railroad directors would acknowledge that Pittsburgh needs more railroad facilities. The Pittsburgh district shippers gained only a fraction of what they would have, had the project been carried out successfully, but they still gained something and stand to gain more as time goes on. The investors in this bad business venture lost very heavily. The commission finds in this proof that it ought to have jurisdiction over railroad security issues. Maybe if the commission had had the power of veto over security issues the independent entrance into Pittsburgh would never have been built. But that is the most that can be said. Is it conceivable that the commission as constituted in 1904 would have done anything constructive? The commissioners would not have done anything constructive. That is not their conception of what they are there for, nor has it been the conception of Congress. The real lesson to be learned by the Wabash-Pittsburgh failure is that an investor must look out for himself. What he can do is to insist on publicity before the investment is made, not ten years after the enterprise has proved a failure.[1]

We might disagree with the latter part of the editorial, but it does by inference question the thoroughness and competency of the investigation. Were the editorial to be written today, the judgment regarding Commission policy concerning the authorization of railway security issues would of necessity, in the

1. Railway Age, Feb. 15, 1918, p.341

light of Commission control of securities for almost 30 years, be quite different. In 1900 there was great need for the protection of investors in the railway field, as the railway network of the United States was still growing and the corporate organization of many railways was too complex for the average investor to determine the actual risk involved.

In their efforts to develop a transcontinental system, the Gould interests were moving westward at the same time that they moved eastward. The Missouri Pacific, the cornerstone of the Gould system west of the Mississippi River, reached Salt Lake City by acquisition of control of the Denver and Rio Grande Railway in 1901. The object of this expansion program was to reach closer to the Pacific Coast, preferably at San Francisco. This expansion was taking place at the same time that the Wabash, center of the Gould system east of the Mississippi River, was moving toward the East Coast through its acquisition of control of the Wheeling and Lake Erie and the Western Maryland. The Wabash-Pittsburgh Terminal Railway was to link these two disconnected properties. The difficulties encountered in acquiring control of the operating lines was relatively slight; those encountered in the building of the connecting road contributed heavily to disaster.[1]

The obstacles confronted in the West were in many respects similar to those in the East. The Missouri Pacific experienced little difficulty in purchasing controlling interest

1. The study referred to, entitled "The Wabash-Pittsburgh Terminal Railway Project 1901-1908", covers the early years in much more detail than this study.

in the Denver and Rio Grande; but to reach the West Coast from Salt Lake City most difficult. E. H. Harriman, who controlled both the Union Pacific and Southern Pacific extending westward from Ogden, Utah, to San Francisco, had been for years antagonistic to George Gould. The Harriman interests were as well established in the West as were the Pennsylvania and Vanderbilt interests in the Pittsburgh area, and competition was no more welcome in the West than it was in the East.

To reach the West Coast, Gould decided to build a new line from Salt Lake City to San Francisco. In 1903, a charter was granted by California to build the new line by way of the Feather River Valley across the Sierra Nevadas to the Pacific Coast.[1] The new road was incorporated as the Western Pacific.

Construction was begun on the Western Pacific in 1905, the first year of operation of the Terminal Railway. During the period of construction, the project encountered many natural obstacles. The San Francisco earthquake of 1906 and the Panic of 1907, both of which came within the period of construction rather than the period of early operation as with the Terminal Railway, delayed progress on the project. Railroad warfare was inevitable. At a hearing held by the Interstate Commerce Commission in Portland, Oregon, in January, 1907, witnesses testified that the Harriman lines were preventing the Western Pacific from getting ties by charging unreasonable rates for carriage of ties to San Francisco Bay points. In cases where the Western Pacific line was being laid proximate to the Central Pacific, armed

1. Howard, E., Wall Street Fifty Years after Erie, p.23

guards had to be maintained to protect Western Pacific workmen from marauders employed by the Harriman interests. Shots were exchanged upon several occasions by the hostile groups. Less belligerent methods of slowing the construction of the new line were also in evidence. Workmen who might find employment upon the new property were hired with promises of high pay, transferred to distant points on the Southern Pacific lines, and finally set adrift.[1] The tactics used by the Pennsylvania interest in the East hardly surpassed those employed by Harriman. The Western Pacific was to begin operations in 1908, but the year ended with work far behind schedule, and it appears that the delay in the completion of the project was due in no small part to interference by the Harriman forces.

The construction of the Western Pacific was of a superior quality, unequalled by any line in the West, as that of the Terminal Railway had been unequalled in the East. The rails passed through the high mountains of the Sierra Nevadas and the valleys between were bridged by steel and concrete structures of high quality, affording grades lower than those of any railroad of the far West. The roadbed was well laid and was "as solid as though used for years". In comparing the maximum gradients of the Gould line with other lines crossing the mountains to the West, the following percentages are found:

	Maximum Gradient (%)	
	Eastward	Westward
Great Northern	2.2	2.2
Northern Pacific	2.2	2.2
Santa Fe	3.3	3.5
Western Pacific	1.0	1.0

1. Ibid., p.27

In a pamphlet entitled "The Story of the Western Pacific", published in 1909 by Blair and Co., bankers for the Western Pacific, the property was described as "the most remarkable in point of construction and (estimated) earning power which the west had ever seen". The pamphlet further stated that the maximum grade in no case exceeded one percent, a rise of 52 feet to the miles. West-bound for 80 percent of its length, the Western Pacific's heaviest grade was only four tenths of 1 percent, about 20 feet to the mile.[1]

But such construction was costly. The heavy financial burden of construction of the Western Pacific proved onerous during its early years of operation. Further, actual earnings were disappointing, also, as in the case of the Terminal Railway, though not to the extent of the latter.

In February, 1908, suit was brought in Federal Court to force the Union Pacific and Southern Pacific to dissolve "as a combination in restraint of trade under the Federal Anti-Trust Law". It was not until 1914, however, that the United States Supreme Court ordered the separation of the two properties, but prior to this time the Western Pacific had suffered seriously because of the Union Pacific - Central Pacific alliance.

Business was at floodtide throughout the United States in 1905 and 1906. The Gould lines in both the East and the West survived the heavy expenses of the construction of the Terminal and of the Western Pacific. The Western Maryland was extended to Cumberland, Maryland, and, in 1907, extension of the line northward was begun to traverse the Connellsville coke

1. Ibid., p.30

region and to connect with the Terminal Railway in Pittsburgh. A further extension of the Western Maryland, to connect with Wheeling & Lake Erie on the Ohio River at Wheeling by a short route between Connellsville and Wheeling, was planned. Completion of either of these extensions and completion of the Western Pacific would have made a reality the dream of a transcontinental system from Baltimore to San Francisco.

But disaster lay just ahead. The Gould industrial empire began to collapse at a rapid rate. In the first six months of 1908 the Wheeling & Lake Erie, the Terminal and the Western Maryland all went into receivership. The Wabash struggled along until 1911 when it, also, was placed in the hands of receivers.[1] These four lines constituted the Gould system east of the Mississippi River.

By 1912, the Gould family had given up control of both the Manhattan Elevated Lines of New York City, and the Western Union Telegraph Company.[2] The same year, the International & Great Northern, a Gould line in Texas, was forced into receivership. The Denver & Rio Grande, formed by consolidation of the Denver Rio Grande and the Rio Grande Western, was so crippled as a consequence of the financial burden assumed by it in building the Western Pacific that it followed the other roads into receivership. By this time, George Gould had agreed to release control of the Missouri Pacific, the heart of the Gould system in the West, to Kuhn, Loeb & Co., John D. Rockefeller, and the Deutsche Bank. The outstanding position of

1. Report No. 1182 of Senate Committee on Interstate Commerce, pt.1, pp.57f
2. Hendrick, B. J., "The Passing of a Great Railroad Dynasty", <u>McClure's Magazine</u>, vol. 38, No. 5, p.483

the Missouri Pacific in the Gould system was pointed out by B. J. Hendrick in March, 1912:

> The surrender meant the giving up not only of the Missouri Pacific, but of practically every remaining vestige of the Gould system. For the Missouri Pacific, besides operating its own lines, was the Gould holding company, through which the family controlled the Iron Mountain, the Texas and Pacific, the Denver and Rio Grande, the Western Pacific, and the Wabash. (The Wabash controlled the Wheeling & Lake Erie, the Terminal, and the Western Maryland.)[1]

Although George Gould had been president of the Missouri Pacific since 1893, an agreement was reached whereby the road was to be managed by a "railroad man" and not by the Goulds. However, even though actual control of the property no longer rested with George Gould, he was not completely out of the organization. It was not until 1915, when the Missouri Pacific went into the hands of receivers, to be reorganized later under control of Kuhn, Loeb, & Company, that the Gould family was completely eliminated from the organization.

Earlier in 1915, receivers had been appointed for the Western Pacific and, in 1917, Gould lost control of the Denver & Rio Grande. There was very little left.

Of all the Gould properties, only the Western Maryland remained under Gould control after reorganization. It was reorganized in 1909 and continued under Gould management for several years. Work on the extension to Connellsville, was resumed, and the line, connecting with the Pittsburgh and Lake Erie was completed in 1912. The final link to Pittsburgh was

1. *Ibid.*, p.501

not built, and there is no indication that the extension to Wheeling to meet the Wheeling & Lake Erie was further considered. During the period of the receiverships of the western roads between 1912 and 1917, control of the Western Maryland was acquired by the Rockefeller interests. Exactly how and when this took place is not clear.[1] It is probable that control was transferred through sale of stock after it became certain that the Gould family would no longer enjoy a prominent position in the railway field. Had the system held together until the Western Maryland reached Connellsville, only a distance of less than forty miles between Connellsville and Pittsburgh would have stood in the way of a continuous transcontinental system.

With George Gould passing completely from the railway scene, talk of a coast-to-coast line under unified management ceased until the entry of the Van Sweringens in the railway scene in the 1920's.

Some attempt should be made to explain why a railway system of 15,000 miles was lost so completely and so quickly by a family that had had unquestioned control over a financially strong and vigorous system barely more than a decade earlier. This system had survived the Panic of 1893, and succeeded in lean years without a receivership. After the Panic of 1907, the entire system toppled. The explanation hardly lay in the collapse of business during the latter period alone.

1. Report No. 1182, _loc. cit._, pt.1, p.58

In explaining the collapse of the system, B. J. Hendricks had this to say: "they (the Goulds) have attempted to do two incompatible things - live lives of idleness and luxury, and at the same time personally control great enterprises."[1] He stated that, after 1900, the Gould family began to look toward society. Several millions of dollars were spent by George Gould on a country estate at Lakewood, New Jersey. Elaborate entertainments, accounts of which appeared in the newspapers of the day, caused unfavorable publicity for a family which had enjoyed an enviable status. The Goulds spent an increasing portion of their time on yachts, and railroads were unlikely to be the subject of serious thought aboard yachts. The family leased hunting preserves in England. They displayed great interest in horses, dogs and polo. George Gould became a much traveled man, spent much time in Europe, and took part in many activities of a recreational nature in America. These interests, in themselves, are not to be condemned. George and the other members of the Gould family could well afford the best the world had to offer. The family had extensive and complex financial interests, however, which needed constant attention and direction. It seems highly probable that, in the later years, social and recreational activities received attention greatly needed by the railway and telegraph interests. There are further indications that the Goulds ignored the financial needs of railways under their control because of their concern with less serious activities. The following statement was published in a weekly magazine in 1912:

1. Hendricks, B. J., loc. cit. p.484
This reference is very interesting and no doubt presents a great deal of truth; however, it resembles the gossip sections of a society page of a daily newspaper and much of it has no place in a study of this kind.

> The personal expenses of the Gould family necessitated the extraction of regular dividends from their railway and telegraph companies, and while taking out the dividends, the Goulds failed to keep up a high standard of public service. The management of the New York elevated lines was scandalous and the service of the Western Union grew to be so poor and the company so impoverished that the Goulds had to surrender control to the American Telephone Company. And the railroads were neglected in the same way; the tracks and trains were allowed to lapse into a state of disrepair and competing lines got most of the traffic.[1]

This statement, and many similar ones, was made during the time the Gould lines were crumbling and before their complete collapse. There seems to have been a prevalent belief that the family expenses and social activities were given first place to the detriment of railway and telegraph interests.

There is the possibility, too, that the Gould interests had become too diverse for one man to direct all intelligently. George Gould could not closely supervise the activities of the far flung Gould empire, and it is doubtful that he received much aid from the other members of the family; indeed, it is doubtful that he would have accepted aid if any of the family had been willing and capable of giving it. George was in charge of almost the entire fortune by reason of the will of Jay Gould. Men associated with George Gould might well have been highly inefficient and even dishonest without his knowing about it. Great sums of money were disbursed in projects such as the Terminal and the Western Pacific, and in acquiring control of many operating properties. These transactions could not have been carefully directed by any one man, and the degree of direction and super-

1. Literary Digest, Mar. 16, 1912, p.533

vision was even less than might have been possible had social and recreational activities not gained so important a place. Some of the decisions of George Gould leads one to question his ability to direct and to expand a large industrial empire. Instead of going through a long and costly fight to get into downtown Pittsburgh and to construct an expensive passenger station, he might have concentrated his efforts upon passing through Pittsburgh south of the Monongahela River and constructing a junction with the Western Maryland. At the same time, the Denver and Rio Grande was in a poor financial status; but its condition was further impaired by the Western Pacific venture. He forged head-on against A. J. Cassatt, of the Pennsylvania and Commodore Vanderbilt of the New York Central in the East and against E. H. Harriman in the West. It seems that a man of sound business judgment would have been hesitant to encourage opposition of so many strong financial interests. George Gould seemed more eager than hesitant in encouraging opposition.

The Gould interests were eager to finance further expansion and at the same time reluctant to allow any sizable expenditures for the maintenance and betterment of the operating properties controlled. This policy was known by railroad men as "starving" and was thus explained by B. J. Hendricks:

> This simply means that the controlling owners have appropriated their earnings in dividends and let the railroad go largely to decay. The whole so-called Gould railroad system, from Toledo to Salt Lake City, from Omaha to New Orleans and El Paso, is a great neglected estate. Thin, used-up rails, rotten ties, inadequate ballast, wheezy locomotives, dirty stations, passenger and freight cars in disrepair - these things are found so commonly on nearly all of the Gould lines as to be fairly characteristic. The years from 1900 - 1907 were the great boom years of the

> Western and Southwestern States; the Goulds utilized this prosperous era chiefly for the purpose of what Commodore Vanderbilt used to call "skinning the roads".
>
> The railroad expert of the Wall Street Journal, analyzing the finances of the Missouri Pacific Railroad, declared that for eight years it has been paying five percent dividends merely by a process of "pauperizing its subsidiaries", and that, as a result, it would require $100,000,000 to put the system in physical condition to handle the traffic.[1]

Another writer spoke of George Gould as "a wrecker in the long run".[2]

These allegations were no less true of the Terminal Railway than of the lines west of Toledo. The first action taken by the receivers was to secure authority to issue receivers' certificates to obtain funds for tunnel and bridge repairs. If the rolling stock was not found in poor condition, the reason was there was scarcely any rolling stock to be found. The second authorization to issue receivers' certificates was necessary to purchase rolling stock.

One of the causes of the failure of the Terminal Railway project was, without doubt, the poor condition of the other elements of the Gould system. The Terminal was a subsidiary of the Wabash which was, in a sense, a subsidiary of the Missouri Pacific. The success or failure of one line greatly affected the others and the Terminal, being a relatively small property, could not withstand the adversities resulting from the weakened condition of the major properties of the system.

1. Hendricks, B. J., loc. cit., p.491
2. The Nation, Feb. 23, 1911, p.202

The full explanation of the failure, however, did not lie in the causes already mentioned. A significant cause was the unfavorable position of the Terminal property itself. Many of these unfavorable factors have already been noted. The location of the Pittsburgh freight station was unfavorable. Handling traffic within the city over elevated tracks was both difficult and expensive. It was estimated by the Railway Age that 25 percent of the traffic was handled through the elevated terminal in Pittsburgh, which could accommodate approximately forty cars, spotted.[1] Had vacilities been available to handle a greater volume of traffic with less difficulty and at lesser cost, the earning power of the property might have been greater. Many persons associated with the Terminal Railway boasted of the fact that it was the only line operating in the section of the city known as the "Triangle". The advantages of operating within that area have proved to be "paper" advantages rather than real. A large portion of the freight originating in downtown Pittsburgh was less than carload shipments. Most of the carload shipments originated where the heavy industries are located, and the downtown terminal did not help in reaching these industries.

The Terminal Railway was sold to the Wallace Committee, representing the first mortgage bondholders, on August 15, 1916.[2] The property had been advertised for sale a number of times, but each of the announced sales was postponed because of the lack of bidders. The original upset price fixed by the court was $6,000,000; but Judge Charles P. Orr, of the United States Circuit

1. Railway Age, Feb. 15, 1918, p.377
2. New York Times, Aug. 16, 1916, p.10

Court, reduced the figure to $3,000,000. There was only one bidder at the latter figure, and reorganization was immediately effected.

During the eight-year period of receivership, a deficit of approximately $350,000 was accumulated; this was in sharp contrast with the deficit of $3,000,000 suffered during the four-year period of operation prior to receivership. However, the net railway operating income was greater in both 1907 and 1908 than in any other years prior to reorganization of the property. The only year in which a surplus was earned during the eight years of receivership was 1916.[1] The deficits of the years of receivership were not as great as during the first four years, but there was no attempt to pay interest upon the huge bonded indebtedness, this alone cutting annual deductions from net railway operating income from approximately $1,500,000 to an amount slightly in excess of $200,000.

The number of units of rolling stock owned by the line was considerably greater in 1916 than in 1908, even though the increase was not sufficient to meet the needs of the road. The number of locomotives owned in 1916 was seventeen, compared with four in 1908. In 1908, the Terminal had owned no freight or passenger cars; in 1916 it owned 1,500 coal cars, two refrigerator cards and ten passenger-train cars.[2]

On June 30, 1961, ? 1916 the total mileage of the road was 63.31, consisting of 59.82 miles from Pittsburgh to Pittsburgh Junction, Ohio, and 3.49 miles from Longview to Mifflin. Only 4.1 miles of the second track had been laid, though all bridges

1. See Appendix C
2. See Appendix B

and tunnels were of sufficient width to permit double tracking. There were 89 bridges with an aggregate length of 14,184 feet. The total length of the three trestles was 246 feet. The 17 tunnels were 20,544 feet in length.[1] The newly organized company management was faced with an inadequate supply of rolling stock, and a great number of bridges and tunnels in disrepair. Fixed charges had been sharply reduced however, through a material alteration of the capital structure.

1. Poor's Manual of Railroads, 1917, p.1392

D. Reorganization of the Property as the Pittsburgh and West Virginia Railway Company

After the sale of the property to representatives of the Wallace Committee on August 15, 1916, the Terminal Railway was reorganized, eliminating the Gould interests. The new company was incorporated under the laws of the state of Pennsylvania in November, 1916, and in West Virginia in December of the same year. On January 29, 1917, the Pennsylvania and West Virginia corporations consolidated under the name of the Pittsburgh and West Virginia Railway Company. In January, 1917, the new corporation was authorized to transact business in Ohio, and operations were commenced by the new company April, 1917.[1]

The reorganization plan provided that the first mortgage bondholders make cash payments of $300 for each $1,000 bond and for which such holder was to receive $300 in preferred stock and $1,000 in common stock of the new company, in addition to Wheeling and Lake Erie stock on the following basis: $28 (par) of first preferred stock, $210 (par) of second preferred stock, and $390 (par) of common stock. The second mortgage bondholders could participate to the extent that the first mortgage bondholders failed to meet the cash requirements. The payment of the required amounts of cash was made a condition of participating in any of the benefits of the reorganization plan.

The original plan provided for total payments of $9,000,000 in cash by the bondholders. The bondholders failed

1. Poor's Manual of Railways, 1920, p.1100

to make the cash contributions as planned, and requirements were modified to allow an underwriting syndicate to provide the funds not paid in by the bondholders. The sum to be contributed by the syndicate was not to exceed $5,000,000 less $500,000 "cash commission" to be paid the syndicate. The cash to be provided by the bondholders and the syndicate was $9,070,800. Of this sum $2,395,880 was to be used to retire receiver's certificates. The sum of $714,286 was paid on certificates issued by the receiver of the West Side Belt, and $3,818,152 was to be paid for notes given to acquire stocks and bonds of the Pittsburgh Terminal Railway and Coal Company. The remainder of the amount paid in by the bondholders and the syndicate was to be used to discharge mortgages; pay taxes, judgments, and claims; meet organization and incorporation costs; and provide working capital.

There were only $5,100,868 of bonds of the Terminal Railway and its subsidiaries left outstanding in the hands of the public and not disturbed by the reorganization. Of this amount, $3,922,000 were first mortgage bonds of the coal company, $383,000 were first mortgage bonds of the West Side Belt, and $795,868 were mortgages secured by Terminal real estate. The annual interest charges for the newly reorganized company and its subsidiaries thus was $261,103.

The new company issued stock amounting to $39,600,000. Of this, $9,100,000 was preferred and $30,500,000 common. The $39,600,000 in stocks adn $5,100,868 in bonds and mortgages made a total capitalization of $44,700,868. Prior to reorganization, the total obligations of the property, including interest accruals amounted to $91,260,345. Capitalization was reduced by more than 50 percent, therefore, with an even greater reduction in the fixed charges to be met by the property. However, a capitalization of $44,700,868 seems excessive on property purchased for a price of $3,000,000.

The stock of the Wheeling and Lake Erie owned by the Terminal Railway was acquired by the reorganization committee when it purchased the Terminal property at the foreclosure sale on August 15, 1916. The bondholders who participated in the reorganization benefitted from a distribution of Wheeling and Lake Erie stock, as previously indicated. This meant that the newly organized company did not, itself, possess any Wheeling and Lake Erie stock, but stockholders of the Pittsburgh and West Virginia were also stockholders of the Wheeling and Lake Erie.[1]

Control of the Pittsburgh Terminal Railroad and Coal Company, which controlled the West Side Belt Railroad Company, remained with the Pittsburgh and West Virginia. The Terminal Railway had acquired control of the Coal Company[2] in September, 1904, through the purchase of 70,100 of the 140,000 shares of stock outstanding. In later years, the remaining 69,900 shares were purchased, and the Terminal Railway thus became the sole owner of the capital stock.

The Coal Company was incorporated under the laws of Pennsylvania in April, 1902, for the purpose of "mining coal,

1. I.C.C. Reports, vol. 48, pp.142f
2. The Pittsburgh Terminal Railway & Coal Company will throughout the remainder of this treatise be referred to as the Coal Company, for the purpose of brevity.

clay, and sand, and the quarrying of stone, and the manufacture of coke, brick, tile, pottery, and other products of the articles mined or quarried, and the selling and transporting to market of any or all of said minerals in crude form, or manufactured products thereof".[1]

The Coal Company controlled through stock owndership the West Side Belt, the Pittsburgh Terminal Clay Manufacturing Company, the Pittsburgh Terminal Land Company, The Mutual Supply Company, the Pittsburgh and State Line Railway Company, and the State Line Connecting Railway Company. The first four of these companies were operating subsidiaries, while the latter two were merely "paper companies".[2] The charter of the Pittsburgh and State Line Railway called for a sixty-mile line to run from Pittsburgh to Wellsburg, West Virginia. The State Line Connecting Railway was to operate a 10-mile line from Wellsburg to Wheeling.[3]

The Coal Company owned about 15,000 acres of coal land and 700 acres of surface rights. Approximately 11,000 acres of the coal property lay along the line of the West Side Belt and 4,000 acres bordered the newly organized Pittsburgh and West Virginia.

The West Side Belt Railroad Company was organized in May, 1902, as the successor, through merger and consolidation, of the Bruce and Clairton Railroad Company and the West Side Belt Railroad Company. The former was incorporated in 1901.

1. I.C.C. Reports, vol. 48, p.148
2. Ibid., pp.125ff
3. Poor's Manual on Railroads, 1909, p.468

The latter was the successor through consolidation and merger in July, 1897, of the West Side Belt Railroad Company incorporated in July, 1895, and the Little Saw Mill Run Railroad Company, incorporated by special act of the legislature of Pennsylvania in Apri, 1850.

The main line of the West Side Belt extended from the West End section of Pittsburgh on the Ohio River through South Hills, connecting with the Pittsburgh and West Virginia west of the western portal of the Mt. Washington Tunnel and continuing on to Clairton, a distance of 21 miles. The Thompson Run branch was constructed under the charter of the Terminal Railway, and extended three and a half miles from Longview to a connection with the Union Railroad at Mifflin Junction. The property also connected with the Pittsburgh & Lake Erie at West End, with the Montour Railroad at Longview, with the Baltimore and Ohio at Bruceton, with the St. Clair Terminal Railroad, a so-called plant facility road affiliated with the Clairton works of the Carnegie Steel Company at Clairton, and with the Pennsylvania at Clairton.

The greater part of the freight handled by the West Side Belt consisted of coal and ore. The line owned only three passenger cars, seven locomotives and 13 freight cars, and operated one passenger train daily in each direction. Prior to September, 1914, the road had leased 998 cars from the Wabash.

The West Side Belt was placed in the hands of receivers June 22, 1908, less than one month after the beginning of the receivership of the Terminal Railway. The complaint, a "general creditors' complaint," was brought by the Wabash. This action was taken, despite the fact that the Belt had not defaulted interest on its first mortgage bonds. In March, 1917, the receivership was terminated on application of the company, which assumed its debts and the debts of the receivers.[1]

The Interstate Commerce Commission in August, 1920, authorized the Pittsburgh and West Virginia to acquire the capital stock of the West Side Belt, then owned by the Coal Company. This gave the Pittsburgh and West Virginia all of the stock of the West Side Belt.[2] Later, the Pittsburgh and West Virginia made application to the Commission for authority to acquire the property of the West Side Belt and to increase its capital stock to provide the necessary funds to retire the capital stock of the West Side Belt. The authority was denied in February, 1923.[3]

In 1920, the outstanding capital stock of the Pittsburgh and West Virginia included $9,100,000 of six percent preferred, cumulative after January 1, 1921, and $30,500,000 common stock. This preferred stock was cumulative as to dividends and had prior claim to all assets up to its par value in case of dissolution or liquidation, but was not entitled to share further in profits or assets. The preferred stock was after January 1, 1921, subject to redemption and retirement at any time upon not less than 90 days published notice at 105 and all accumulated and unpaid dividends. Both the preferred and the common stock were listed on the New York Stock Exchange.[4]

On September 9, 1924, the directors of the Pittsburgh

1. I.C.C. Reports, vol. 48, p.149
2. Poor's Manual on Railroads, 1920, p.1100
3. Moody's Manual on Railroads, 1928, pt. 1, p.1505
4. Poor's Manual on Railroads, 1920, p.1103

and West Virginia approved a plan providing for the segregation of the Pittsburgh Terminal Coal Company from the railway property. The plan permitted the common stockholders of the railroad to purchase the capital stock of the coal company held by the railroad, amounting to 40,000 preferred shares and 80,000 common shares, for a sum of $4,000,000. Each holder of 100 common shares of the Pittsburgh and West Virginia was entitled to purchase 13 shares of preferred and 26 shares of common stock of the coal company for $1,300. December 15, 1924, was the date set as the last day that the coal stock might be purchased.[1]

In anticipation of the action taken by the railway directors, the prices of the Pittsburgh and West Virginia stocks rose considerably. In January, 1924, the common stock sold as low as 38 and the preferred at 85¼. The closing prices on the New York Stock Exchange the day prior to the action taken by the board were 62-7/8 for the common and 103 for the preferred stock.[2]

The funds received from the sale of the coal company's stock were used to retire the railway's preferred stock at 105 on December 31, 1924.

In December, 1928, the Interstate Commerce Commission approved the merger of the West Side Belt with the Pittsburgh and West Virginia. The Commission had refused its approval in 1923 on the ground that the merger would not be in the public interest and would result in overcapitalization. Three of the

1. <u>Poor's Manual on Railroads</u>, 1928, p.1505
2. <u>New York Times</u>, Sept. 9, 1924, p.25

commissioners dissented from the 1923 decision, saying that "the merging of corporate entities or interests cannot reasonably be claimed to effect any change in this condition (overcapitalization)".[1] The Commission's decision of December, 1928, was on a new application, only slightly different from the application of 1923. In the interval between 1923 and 1928, the Pittsburgh and West Virginia had owned all of the stock of the West Side Belt and operated it under contract. F. E. Taplin of Cleveland was president of both roads during the latter part of that period.

On January 1, 1929, the merger of the two properties became effective, the Pittsburgh and West Virginia acquiring "all of the franchises, corporate property, rights and credits of the West Side Belt".[2] Under the merger agreement, the outstanding capital stock and indebtedness of the West Side Belt (notes and open accounts), aggregating $5,340,000, were largely cancelled and the Pittsburgh and West Virginia assumed the obligation to pay principal and the interest on $7,000 outstanding bonds due September 1, 1937.

The main line of the West Side Belt bridged the 20.7 miles between Pittsburgh and Clairton. A short branch line, 1.93 miles in length, between Banksville and Banksville Junction, made the total length of the road, 22.63 miles. The property also had 24.37 miles of yard tracks and sidings, all trackage built to standard gauge.

1. Railway Age, Feb. 24, 1923, p.479
2. Poor's Manual on Railroads, 1930, p.1571

Prior to the merger of the two railways, the Pittsburgh and West Virginia applied to the Commission for authority to issue $15,117,550 common and $15,117,550 preferred stocks to be exchanged for the $30,225,100 outstanding common stocks. Approval was granted in March, 1926, with the provision that the preferred stockholders be given the same voting power as the common stockholders. The company did not carry out the plan because of the voting power provision in the Commission's decision. The requested change in capital structure represented, no doubt, an attempt by the Taplin interests to strengthen their control of the property. The Commission was reluctant to permit any action that might increase the capitalization of the Pittsburgh and West Virginia or might seriously alter the existing set-up. The following comment on the capitalization factors is found in Moody's Manual of Investments for 1928:

> Per mile capitalization is unquestionably heavy, yet must be considered in connection with the terminal aspects of the properties represented. Of importance is the absence of funded debt, with the exception of two Equipment Trust issues. The stock is closely held and subject to violent price fluctuations, determined largely by sentiment regarding merger developments.[1]

The earning power of the Pittsburgh and West Virginia was much greater than that of its predecessor. Instead of showing a consistent loss, there was a seven-year average net income of $21,753 per mile operated for the years of 1921 through 1927.[2] The property was earning and paying dividends to its stockholders. Dividends on the preferred stock were paid at the rate of six percent per annum from September 1, 1917, to Decem-

1. Moody, loc. cit., 1928, pt. 1, p.1507
2. Ibid., p.1506

ber 31, 1925, the date the preferred stock was retired at 105 and accrued dividends. Initial dividends of one and one-half percent were paid on the common stock April 20, 1926. Quarterly payments at the same rate were maintained for the next several years.[1] The earnings per share of common stock for several years were as follows:[2]

1924	$ 5.22
1925	6.28
1926	10.52
1927	8.35
1928	6.74
1929	6.89

Because of the reduction in coal shipments, operating revenue in 1927 showed a considerable decline from that of the previous year. The freight tonnage moved in 1927 was approximately 40 percent less than that moved in 1926,[3] although the earnings were still satisfactory because of substantially reduced operating expenses.

Successful operations were so greatly dependent upon coal shipments that any change in the production of or demand for coal was immediately reflected in the volume of freight handled. In 1918, products of mines made up 87.73 percent of the road's total freight tonnage, and contributed more than 75 percent for each of the first nine years of operation under the new management. In 1927, with a reduction in coal tonnage, mine products constituted but 64.68 percent of the total shipments. The only other commodity grouping that consistently contributed more than one percent of the total tonnage shipped was manufact-

1. _Poor's Manual on Railroads_, 1930, p.1572
2. _Ibid._, p.1575
3. See Appendix E

ured products, percentages ranging from 10.61 in 1918 to 38.49 in 1927.[1] The manufactured articles were chiefly iron and steel and their products. This group, with products of mines, provided more than 96 percent of the freight revenue and in several years more than 98 percent. Because of the durable nature of iron and steel items and the close conformance of coal production to business activity, traffic volume on the Pittsburgh and West Virginia was highly sensitive to changes in the business cycle, and the earnings of the property declined rapidly in 1930.

The most important physical development of the railway in the 1920's was the construction of the Connellsville Extension during the latter part of the decade. This project was closely tied in with the consolidation plans of the various eastern railway interests, and provided a connection with the Western Maryland, making the Pittsburgh and West Virginia less dependent upon the Pittsburgh area for its freight tonnage. Whatever the original or primary motives of the company officials, the extension has allowed the road to participate in through traffic from the East Coast to various Midwestern cities.

1. See Appendix F

E. Position of the Property Under the Various Consolidation Plans

The Transportation Act of 1920 directed the Interstate Commerce Commission to formulate a plan for the consolidation of the railways in the United States into a "limited number of systems". In complying with the instructions of the Congress, the Commission, in 1920, asked Professor William Z. Ripley of Harvard University to prepare a "plan of consolidation". Professor Ripley, familiar with the extensive railway network in the United States, prepared a detailed plan and presented it to the Commission within a brief time. This plan was modified slightly and published by the Commission in 1921 and has been known as the Tentative Plan of 1921. After publicationof the plan, the Commission proceeded to hold hearings which were completed in December, 1923, these hearing filling fifty-four volumes of testimony, exclusive of exhibits.

These elaborate hearings did not enable the Commission to come to any final decision. They did, however, awaken outstanding railway executives to the necessity of seeing that the final plan was formulated in line with the particular interests of each. Various railway men became interested in controlling different systems of the East. Some of these men were at that time presidents of major lines; others were newcomers in the railway field.[1]

The Pittsburgh and West Virginia, though a relatively small road, had a specific place in all of the plans presented

1. Daggett, S., Principles of Inland Transportation, pp.557f

to and considered by the Commission. Several major railways that were certain to be the cornerstones of the systems in the East desired to obtain control of the Pittsburgh and West Virginia. This desire was prompted in part by the belief that control of this property would prevent development of any new system in the area. The Baltimore and Ohio, the New York Central, and the Pennsylvania were anxious to see that no outside interest secure a series of properties as the Goulds had. The Pittsburgh and West Virginia, because of its strategic location, was probably the most sought-after railway in the United States during this period of "grabbing".

In December, 1920, the Van Sweringen brothers conferred with Professor Ripley. The brothers suggested a system which included the Pere Marquette, the Lehigh Valley, and the Lackawanna, which would give access to New York City. The proposal did not include the Chesapeake and Ohio or the Nickel Plate which were later the major properties of the Van Sweringen system, but did include the Wheeling and Lake Erie, the Pittsburgh and West Virginia, and the Western Maryland, supplying an outlet for coal traffic and an entrance into Pittsburgh. The latter three roads were formerly in the Gould system.[1] Although Professor Ripley did not recommend to the Commission that the system as proposed, be adopted, there are clear indications that he was thinking of a system reaching the Atlantic coast over the three former Gould properties.

Professor Ripley thought it desirable that the city of Pittsburgh be served by five different systems. The Pennsylvania

1. Senate Report, No. 1182, pt. 2, p.548

and Baltimore and Ohio had long served the city, and the New York Central had access to the city through the Pittsburgh and Lake Erie, which it controlled. The Erie did not reach Pittsburgh, but Professor Ripley thought it desirable to have the Bessemer and Lake Erie allocated to the Erie, thus affording another Trunk Line railway an entrance to the city. The fifth system recommended in 1921 was to be built about the Nickel Plate, to be given access to Pittsburgh over the Wheeling and Lake Erie and the Pittsburgh and West Virginia. At that time, the Western Maryland was to be assigned to the system.[1] In the plan published by the Commission in 1921, the Nickel Plate system was to reach the East coast over the Lehigh Valley.

President Smith of the New York Central proposed an entirely different arrangement for the small roads in the Trunk Line Territory west of the Hudson River. This proposal provided for six systems in the territory, and the last system, designated as the eighth in the general proposal, was to be a terminal property constituted thus:

> A terminal company of the terminal properties in the Pittsburgh District of the P.R.R., the B. & O., the Monongahela connecting, the Montour, the Pittsburgh and West Virginia, the West Side Belt and the Union Railroad. A terminal company of the various Eastern and Southern Terminal Properties in Chicago having passenger facilities and so much as necessary to form adequate freight terminals. The short lines not mentioned herein to be assigned by agreement.[2]

There were various other consolidation plans presented in the early 1920's, such as the Oldham and others, though many

1. Ibid., p.567
2. Ibid., p.685

of these did not specifically place the Pittsburgh and West Virginia in any system because of its minor size in relation to the major lines. The management of the Pittsburgh and West Virginia showed during these years no active interest in consolidation; the complete collapse of the ambitious Gould plan prior to World War I was too prominent in the minds of the management of the Pittsburgh and West Virginia for them to be greatly intrigued by major consolidations. The property was being operated as a strategically located local road, and the major goal was profitable operation, if such were possible and, to avoid all conflicts with other major railway interests.

The intrusion of Mr. Frank E. Taplin of Cleveland into the organization of the Pittsburgh and West Virginia changed this situation, however. A syndicate headed by Mr. Taplin acquired control of the property in 1923 and 1924. In the latter year, Mr. Taplin became president of the road and chairman of its board of directors. His interest, prior to this time, had been in bituminous coal. Coal properties in the Pittsburgh area had been acquired by the Taplin interests, and Mr. Taplin made the statement that his purpose in acquiring control of the railway was to facilitate marketing the coal which was produced in large measure from mines along the lines of the Pittsburgh and West Virginia. Mr. Taplin had been in the coal-mining business since about 1900, and in 1926 was president of the Pittsburgh Terminal Coal Company, formerly controlled by the Pittsburgh and West Virginia. Later, he organized and became President of the North American Coal Corporation, owned largely by himself.

The approximately 30 members of the syndicate which acquired control of the railway were engaged in various types of business, most of them situated in Cleveland. They were not, however, experienced in railway matters. The interests of this syndicate, headed by Frank Taplin and his brother, a Cleveland attorney, were probably varied; indeed, it is probable that no definite plans or goals had been set the syndicate. Cheap and efficient transportation of coal produced by the Taplin mines was undoubtedly a major concern to the Taplins, however, as much of their coal lands lay along the Pittsburgh and West Virginia lines, control of the railway might well prove of material benefit. In particular, control of the road would provide a means of obtaining favorable treatment from other railways bordering the coal lands and with which tonnage was interchanged. But judging from later developments, a major motive of the syndicate was speculation. Though small in length and not wealthy, the Pittsburgh and West Virginia occupied a highly strategic position. It possessed the only entrance into Pittsburgh by an independent railway; the others serving the city were three trunk lines and the industry-owned carriers.[1] In the light of the provisions of the Transportation Act of 1920, the tentative consolidation plan published by the Commission in 1921, and of the delay by the Commission in issuing a final plan, the Taplins, no doubt, believed that the railway property would be an excellent speculative investment. This it later proved to be.

In 1926, the common stock of the Pittsburgh and West Virginia was put on a dividend basis. By this time, it had become evident that Mr. Taplin was interested in selling the railway. Both the Pennsylvania and the New York Central had shown

1. *Ibid.*, pt.4, p.1981

interest in it, and in March, 1926, Mr. Taplin communicated with Vice President Ingalls of the New York Central, saying that certain parties had approached him about obtaining the Pittsburgh and West Virginia and wanted to know if the Central was interested in making an offer.

A meeting was arranged for March 30, 1926, between Mr. Taplin and President P. E. Crowley of the New York Central. The following account of the meeting was given in the course of an investigation later made by the Seante Committee on Interstate and Foreign Commerce:[1]

> After a good deal of desultory conversation and with some reluctance on his part to name a price at which he would sell, Mr. Taplin said that the price he had in mind and which he expected to get was $200 a share. He said that he owned (and by that I suppose he meant to include his associates) about two-thirds of the total issue, which would be about $20,000,000 out of $30,000,000 outstanding.
>
> Mr. Crowley told Mr. Taplin that he would think the matter over and suggested that the next time he was in New York he might let us know and come in and discuss the subject further.

The par value of the stock was $100. It was thought by most informed persons other than Mr. Taplin that $70 a share would be a fair price but that one of the Trunk Lines might pay $80, as all were interested in acquiring the property. The more President Crowley thought the matter over, the less inclined he seemed to be to pay the $200 suggested by Mr. Taplin.

The interest of the New York Central was hardly dictated by the thought that Mr. Taplin might have been trying to

1. *Ibid.*, pt.4, pp.1982f

form a "fifth system". This meeting between the two railway presidents took place before anyone realized that serious thought was being given to the formation of a new trunk line system around the Pittsburgh and West Virginia. Major interest was likely in the coal tonnage originated along the line, about half of which was then being delivered to the Pittsburgh and Lake Erie. Control of the property by either the Pennsylvania or the Baltimore and Ohio might have led to the diversion of much of this tonnage from the Pittsburgh and Lake Erie.

There is no record during the next several years of further meetings between officials of the New York Central and Mr. Taplin to discuss the sale of the Pittsburgh and West Virginia. Neither did any other possible purchaser indicate an interest on the basis of the excessive price demanded, and it is doubtful whether even Mr. Taplin expected an offer approaching his $200 figure. Yet, within a few months he was busy in other circles trying to rouse an active interest in the road. He first contacted Mr. W. W. Atterbury, president of the Pennsylvania, whose suggestion was that the Pennsylvania be allowed to buy one-third of the stock at the figure discussed (presumably $200 a share), with the balance, "at least up to what would be a majority, held in escrow with an option thereon at a price to be agreed upon".[1] The offer by Mr. Atterbury was not accepted, although the Pennsylvania management maintained contact with Mr. Taplin concerning his plans. In February, 1927, Mr. Eysamans, Vice President of the Pennsylvania, expressed the opinion that the Pennsylvania should acquire control of the Pittsburgh

1. Ibid., pt.4, p.1983

and West Virginia, provided it could be purchased at a reasonable price. This should be done, he urged, without further consideration of joint ownership of the property with the Baltimore and Ohio and the New York Central. Joint ownership of the road by the three trunk lines had been widely discussed; indeed, had joint ownership been possible at a reasonable price, it might have furthered consolidation materially in the Trunk Line Territory. The three major lines could, in all probability, have better afforded to pay the price demanded by Mr. Taplin than to have continued to wonder who might purchase the property, but to pay more than twice the market value of the stock would have seemed an act of surrender to the Taplin interests, which were of negligible consequence when compared with any of the major Trunk Line systems. Moreover, no railway official wanted to appear to the public to be a party to purchase of control of the property at such an astounding price.

During these Taplin negotiations, consolidation was a major interest of all railway officials. The Plan of 1921 had been published by the Interstate Commerce Commission, but failure of the final plan to appear left the door open. Railway interests were sparing no effort during this interim to "round out" systems, in the hope that control acquired might influence such final plans. The Pittsburgh and West Virginia, with its entrance to the city of Pittsburgh, could be of no great direct value to any one of the three trunk lines serving the city. In the hands of a rival system, however, further competition might cause considerable loss of traffic for one or all of these trunk lines, and because of this mutual interest, joint control seemed to be a logical and workable solution. In

October, 1924, President Willard of the Baltimore and Ohio submitted a plan to the Commission, providing for joint control of the Wheeling and Lake Erie, the Pittsburgh and West Virginia, the Chicago and Eastern Illinois, and several other small roads. This plan had the approval of the New York Central, the Pennsylvania, and the Van Sweringens, who at that time controlled the Nickel Plate and held a substantial interest in the Wheeling and Lake Erie.[1] However, the plan failed to receive serious consideration by the Commission.

President L. F. Loree of the Delaware and Hudson and the officials of several lesser railways evidenced an active interest in a "fifth system". The Delaware and Hudson, at that time buying Lehigh Valley stock, wanted to develop a through route to the Middle West over the Western Maryland, the Pittsburgh and West Virginia, the Wheeling and Lake Erie, and the Wabash, all former Gould lines. The Western Maryland operated as far west as Connellsville, Pennsylvania, within 40 miles of the Pittsburgh and West Virginia.[2] Joint control of the properties named under Mr. Willard's plan would have ended the plans of Mr. Loree. Mr. Taplin fully realized the position of his line and made every possible use of his strategic location. It was apparent by this time that the Pittsburgh and West Virginia had a far greater nuisance value than actual value. Mr. Taplin quite possibly realized this fact when he obtained control of the road in 1923. With the entry of Loree into the field, Mr. Taplin lost no time in contacting one major line after another, until sale of the property was effected several years later.

1. Ibid., pt. 3, pp.1199f
2. Ibid., pt. 3, p.1260

At the time that the Taplin brothers were active in the Pittsburgh and West Virginia, the Van Sweringen brothers were aggressively seeking to develop a major system. Both the Taplins and the Van Sweringens were residents of Cleveland. Rumors were numerous that the Van Sweringens wanted to get into Pittsburgh and that they were working with the Taplins. Just when the rumors began is not known, and it is difficult today to find any concrete basis for them. The New York Times in reporting the separation of the Terminal Company and the Coal Company said in September, 1924, that this represented for the Pittsburgh and West Virginia "the first step in consolidation with the new Nickel Plate system".[1] It is not clear, however, that any relationship existed between the separation of the railroad and coal interests and the interest the Van Sweringens had in reaching Pittsburgh over the Pittsburgh and West Virginia.

Meetings between representatives of the Taplin and Van Sweringen interests were reported from many sources. The Van Sweringens whose system was at that time built around the Nickel Plate, were interested in getting control of additional railway properties. They then owned a portion of the Wheeling and Lake Erie stock, but control of the road was in the hands of the Taplin interests who had been buying in Wheeling stock for several years. The Van Sweringens had formerly been in the real estate business and the Taplins in the coal business. Neither had operated in the railway field prior to 1920. Separation of the railway and coal interests in the case of the Pittsburgh and West Virginia might indicate that the Taplins stood ready to withdraw from the railway field--and the Van Sweringens could,

1. New York Times, Sept. 9, 1924, p.25.

of course, assume control of the railway properties controlled by the Taplins. This would assume that friendly relations existed between the two Cleveland interests, but there is ample evidence that relations between the groups were strained and seldom, if ever, friendly. The Van Sweringens worked in much closer harmony with the three trunk lines service Pittsburgh than with the Taplins.

The Pittsburgh and West Virginia had acquired a sizeable block of the Wheeling and Lake Erie stock. In 1927, market interest in Wheeling stock suddenly increased. After a short time it was discovered that the Van Sweringens had bought enough of the stock on the open market to give them a bare majority. This majority interest was immediately divided equally among the New York Central, the Baltimore and Ohio, and the Van Sweringens, each of the two first-named paying $10,000,000 to the Van Sweringens for the stock received.

The Taplins were angered by the action taken by the Van Sweringens. At the next annual meeting of the Board of Directors, a battle developed between the rival interests. The Taplins lost and withdrew from the meeting but immediately proceeded to set up a rival Board. For a time, the Wheeling and Lake Erie had two Boards of Directors, but the second Board soon became inactive, and the Taplins took their case to the Interstate Commerce Commission. The Commission ordered the Van Sweringens, the Baltimore and Ohio, and the New York Central "to divest themselves of the Wheeling stock. They did--but they sold it to a holding company dominated by the Van Sweringens."[1]

1. Worlds Work, Mar. 1931, p.38

After the Wheeling incident, it is doubtful that the Taplins and Van Sweringens ever could have gotten together. Yet rumors continued to persist. In a hearing before the Senate Committee on Interstate and Foreign Commerce, Seantor Wheeler, chairman of the committee, asked Mr. Frank Taplin about past relations between him and the "Vans". Mr. Taplin's answer was that there had never been any serious thought of turning over control of the Pittsburgh and West Virginia to the Van Sweringens. In the report prepared from the hearings, the Committee concluded that Mr. Taplin's statement was true. At a hearing conducted by the Senate Committee on Banking and Currency, Mr. Taplin was asked if he had had discussions with the Van Sweringen interests. His answer was, "The Van Sweringen people had discussions with me at times". When asked if the discussions were encouraging, he replied, "I would not say that they were overly encouraging".[1]

There were reports that discussions took place during so-called "big-four conferences" concerning the Pittsburgh and West Virginia and the Wheeling and Lake Erie, controlled by the Van Sweringen system. In the investigations by the Senate Committee, no concrete evidence was ever discovered of any serious desire on the part of the Van Sweringens to get into Pittsburgh. It seems logical that they should desire entry but there is no evidence that they did.[2]

The Pennsylvania was always reluctant to agree to any plan for the acquisition of the Pittsburgh and West Virginia

1. Hearing before U.S. Senate Committee on Banking and Currency, 73rd Congress, 1st session, "Stock Exchange Practices", pt. 3, p.1436
2. Sen. Report No. 1182, pt.4, p.1989

by any other line, or joint acquisition by other lines. The Pennsylvania officials were not certain, after the struggle for control of the Wheeling Board, but that the Taplins and "Vans" were secretly working together. Of the three trunk lines, the Pennsylvania probably would have suffered a greater loss of freight than either the Baltimore and Ohio or the New York Central as a consequence of dominance of the Pittsburgh and West Virginia by another major system.

By 1929, it had become evident that Mr. Taplin was considering the organization of a major railway system himself. As early as August, 1927, the Pittsburgh and West Virginia made application ot the Interstate Commerce Commission for permission to acquire control of the Wheeling and Lake Erie by purchasing the stock held by the Allegheny Corporation, the holding company controlled by the Van Sweringens. At the time the application was filed, the Pittsburgh and West Virginia held 45 shares of prior lien, 14,600 shares of preferred and 59,400 shares of common stock of the Wheeling and Lake Erie, acquired at a cost of $4,326,000.[1] The holdings in the Wheeling had been acquired several years prior to the application ot the Commission, in order to strengthen the position of the Pittsburgh and West Virginia in merger plans. Mr. Taplin had been disappointed when Mr. John D. Rockefeller, for whom Taplin had worked as an office boy, sold his holdings in the Wheeling to Mr. O. P. Van Sweringen.[2]

The application of August, 1927, was not pressed

1. Poor's Manual on Railroads, 1930, p.1571
2. Business Week, July 2, 1930, p.5

strongly by the Taplin interests, but it had become evident that there was a definite desire to expand further the Taplin holdings. In February, 1929, application was made to the Commission for authority to purchase controlling interests in both the Wheeling and Lake Erie and the Western Maryland to "make a new direct through route from the Great Lakes to tide-water".[1] The Commission was also asked to fix a price and sanction the transfer of the stock of the Western Maryland held by the Baltimore and Ohio, which had owned a majority of the stock of the Western Maryland since 1928. The Taplin interests offered to pay $18,673,000 plus carrying costs or any other figure which the Commission might name for the holdings of the Baltimore and Ohio in the Western Maryland.[2]

The City of Baltimore had hoped that Taplin might acquire control of the Western Maryland and make it a part of a Baltimore to Lake Erie system. Such a system would have included two other former Gould lines, the Pittsburgh and West Virginia, then under Taplin control, and the Wheeling and Lake Erie, extending as far west as Toledo. The city officials would doubtless have exerted pressure on the Commission for a favorable decision on the applications for Taplin control of the two railways, "but Baltimore has never been able to size him up completely. Cleveland thought he was a Pennsylvania railroad man and Pittsburgh thought he was a Van Sweringen man. The simple answer was that he was a Taplin man."[3] All indications are that, whenever Mr. Taplin came to an agreement or

1. Poor's Manual, 1930, p.1571
2. Barons, Jan. 13, 1930, p.7
3. Business Week, July 23, 1930, p.18

had any business transactions with any of the other railway interests, he was acting solely in his own interest and any gains resulting to anyone else were merely coincidental.

Hearings upon the Taplin application were begun in June, 1930, several months after publication of the "Final Plan" by the Commission. By the plan, both the Pittsburgh and West Virginia and the Wheeling and Lake Erie had been assigned to System No. 7, the Wabash - Seaboard System, which included also the Lehigh Valley, the Western Maryland, the Ann Arbor, the Norfolk and Western, the Chesapeake and Ohio of Indiana, and half interest in the Detroit, Toledo, and Ironton. Approval of the application by the Commission would not have complicated further consolidation efforts as all three lines included in the Application were included in the same system, System 7, of the Final Plan.

The Nickel Plate intervened in opposition to the application, claiming that the public interest would be better served by a merger of the Wheeling and Lake Erie with the Nickel Plate. The intervention of the Wheeling, supporting this view, is to be explained by the fact that both properties were under Van Sweringen control. The Wabash and the Pittsburgh Investment Company also opposed the plan, but neither filed briefs.[1]

Under the "Tentative Plan" published in 1921, the Pittsburgh and West Virginia and the Wheeling and Lake Erie were assigned to the Nickel Plate - Lehigh Valley System to

1. Commercial and Financial Chronicle, Sept. 20, 1930, p.1890

afford that system an entrance to the Pittsburgh district. The Commission, in its discussion of plans, suggested the possible desirability of gaining an eastern terminus in Baltimore for the system. This would, of course, have required the construction of a link between Connellsville and Pittsburgh to join the Pittsburgh and West Virginia and the Western Maryland.

The plan of 1929 did not provide entrance into Pittsburgh for any of the Van Sweringen lines, these included System No. 6, known as the Chesapeake and Ohio - Nickel Plate System. The intervention of the Nickel Plate in the application by the Taplin interests for permission to acquire control of the Wheeling and Lake Erie was prompted by the hope that the Van Sweringens might thus obtain entrance to the Pittsburgh district over the Wheeling, which they then controlled, and the Pittsburgh and West Virginia. Control of the latter property could have been obtained only by paying an extremely high price for the stock held by Taplin or through action by the Commission strongly favoring the Van Sweringens. There was also the probability that, with the open hostility existing, either the Taplin or the Van Sweringen interests might so act as to hinder the further expansion of the other.

President Taplin testified before the Commission that the application was the first step in a general plan, at that time not fully formulated, for the development of a railroad system which would include the Wheeling and Lake Erie, the Western Maryland, the Wabash, and the Lehigh Valley, which would provide entry into New York City. Mr. Taplin further testified that he expected to head the new system. This was, to say the least, an ambitious plan, since the Wheeling was controlled by Van Sweringen, the Wabash by the Pennsylvania, and the Lehigh Valley held jointly by the Wabash and the Pennsylvania.

In his testimony, Mr. Taplin attempted to show that his railway and the Wheeling were supplementary to each other and that they were formerly under common ownership and operated as one. This had been the case for a time under the Gould regime. His contention was that both lines should be assigned to the same system, since approximately 85 percent of the Pittsburgh and West Virginia tonnage consisted of bituminous coal, coke, iron, and steel, moving west and delivered to the Wheeling. The total interchange of the Wheeling with the lines constituting System No. 7 was greater than with the lines included in System No. 6, composed largely of Van Sweringen properties. Interchange with the New York Central, Baltimore and Ohio, and Pennsylvania groups was much less than with either of the two former systems.

The Commission made the following statement in its denial of the application:

> What has been said is sufficient evidence to show that the present application should not be granted. This conclusion is necessary even though we confine the issue to the unification of the Pittsburgh and West Virginia and the Wheeling, without taking a broader view of the case. The present actual or potential control of the applicant by the Pennsylvania; the undeveloped status of the applicant's plan; and the community of interest between the applicant and important industries which furnish traffic for the proposed system, constitute compelling reasons for denying the

> application. However, all of these considerations are susceptible of removal; and the denial should be without prejudice to the submission of an application that will be free from the obligation herein indicated. Any application looking to permanent control of the Wheeling should be sufficiently comprehensive to place in issue the disposition of all of the important roads making up the system of which it would be a part.[1]

In September, 1933, the application for authority to control the Western Maryland was dismissed by the Commission with the consent of the company.[2] This application had been filed in February 1929.

The connection between the Pittsburgh and West Virginia and the Western Maryland had not been built in 1927. On April 6, 1927, the Pittsburgh and West Virginia applied to the Interstate Commerce Commission for authority to construct this connection. This action of Mr. Taplin puzzled railway circles; many thought it but a gesture intended to aid in the sale of the stock of the Pittsburgh and West Virginia held by him at the price which he had been demanding. The day after the application was filed, a Pittsburgh and Lake Erie official wrote: "'while this application may only be a gesture on the part of the Pittsburgh and West Virginia friends, to my mind it at least supports the theory which a number of people hold and to which I subscribe, namely, that entirely aside from its value as a railroad from an earning power standpoint, the Pittsburgh and West Virginia Railway has a substantial "nuisance value"'".[3]

1. Ibid., pp.1890ff
2. Poor's Manual on Railroads, 1940, p.1571
3. Senate Report No. 1182, pt.4, p.1988

Several months later, the chairman of the Board of Directors of the Pittsburgh and Lake Erie wrote President Crowley of the New York Central that "'it is generally regarded that this move on Mr. Taplin's part is an endeavor to create a sentiment that would induce the New York Central, Baltimore and Ohio or the Nickel Plate to purchase the Pittsburgh and West Virginia Railway at an exorbitant price'".

The statements by the Pittsburgh and Lake Erie officials seemed to be well-grounded, as Mr. Taplin continued to offer to abandon the trouble-making project if the trunk lines would buy his stock holdings at his price.[1]

The New York Central did not intervene in the hearings in spite of what some of the officials had said. The Baltimore and Ohio opposed the construction of the new line, known as the "Connellsville Extension", on the ground that it would be too costly. Its estimate of the cost was $22,846,000, in contrast to that of the applicant as stated in the application, which was $12,801,619. This latter figure provoked strong attack from other railways also. Counsel for the Baltimore and Ohio admitted during the argument that his objection to granting the application would be the same if the cost were only half as much. This fact eliminated the necessity for considering the objection based on estimated costs. The opinion of the Commission was that the estimates of applicants may have been low but were more nearly in line than those of the opposing road.

1. Ibid., p.1928

The Wheeling and Lake Erie opposed the extension on the gound that it preferred to deliver its eastern traffic to the Baltimore and Ohio at Terminal Junction which gave the Wheeling a longer haul by 28 miles than did interchange with Pittsburgh and West Virginia at Pittsburgh Junction. The true explanation of the Wheeling opposition lay in the fact that the Wheeling was then controlled by the Baltimore and Ohio, the Nickel Plate, and the New York Central, as this case was heard by the Commission shortly after the battle between the Taplins and Van Sweringens over control of the Wheeling. The Western Maryland, like the New York Central, took no formal part in the application for permission to extend the line to Connellsville.

A few days after the application was filed, Mr. Atterbury, president of the Pennsylvania, notified the Commission of his opposition to the plan. Mr. Taplin wrote the following note, labeled personal and dated May 5, 1927, to Mr. J. L. Eysamans, Vice President of the Pennsylvania:

> Dear Jule: I went in to see the General yesterday, and I asked him if he would not be willing to withdraw the Pennsylvania's objection to our Connellsville extension. He said he would not. He asked me what I wanted it for and I told him in order to get an easier outlet for our mines. He asked me why I did not get you to give me such an outlet. I told him I had tried so long that I had given it up. I think he said "you better try again". Now I am going to try once more. I will operate on you in New York next Wednesday, May 11th. Please be there. Have your dinner clothes with you. We want to have this operation stylish.
>
> Please advise me on receipt of this letter if you will be present at the operation.[1]

1. Ibid., p.2268, Exhibit C-2509

Whatever the nature of the operation, the Pennsylvania did not withdraw its formal opposition to the Connellsville Extension.

In June, 1928, the Commission decided in a 5 to 4 decision to authorize the extension. The majority opinion stated that the Pittsburgh and West Virginia feared that its future expansion might be prevented and its present business and investment jeopardized by the plans of the trunk lines. It referred to the report by Professor Ripley in which he had discussed the advisability of joining the lines of the Western Maryland and the Pittsburgh and West Virginia, thus creating a new through route to Baltimore as a part of a system in which the Lackawanna and Nickel Plate would be the principal lines.

The Commission in its majority report raised the question as to whether theport of Baltimore should be served by only two competing systems, the Pennsylvania and the Baltimore and Ohio, or by a third system competing with the other two.

The majority opinion listed as its strongest arguments in favor of the new system the two following points:

> (1) that it (the extension) will open up a new route through the Pittsburgh district which will avoid the yards and junction points where congestion is now liable to occur, and
>
> (2) that it will provide a permanent connection between the Pittsburgh and West Virginia and the Western Maryland so that they may, in combination with the Wheeling and Lake Erie and possibly the Wabash, furnish a new and independent through route from the steel-producing territory, Lake Erie, and points beyond to the port of Baltimore.

In further justifying its decision the Commission stated:

> . . . . it should be borne in mind that this application is for an extension of a line of railway, and should be and is here considered by us separate and distinct from the question of any future grouping of the railroads into a limited number of systems, and, in our judgment, covers a construction that the present and future public convenience and necessity does require.
>
> As against the strong evidence as to the present or future public convenience and necessity for the construction of this connecting link, the intervening railroads objecting to the granting of this petition have not seriously attempted to contradict any of the testimony here referred to, but have rested their objection, at least mainly, if not entirely, upon the estimated cost of this work, which seems to be excessive, and for which they incur no direct liability.[1]

Commissioner Eastman wrote the dissenting opinion which contended that no affirmative decision should be made at that time in the light of other proceedings involving the general question of the proper grouping of railways in eastern territory. In respect to the desirability of another through route from the Great Lakes to the port of Baltimore, the minority report stated that it was curious that no Baltimore shipping interests were represented if they were to be greatly benefitted. Mr. Eastman pointed out that both connecting lines, the Wheeling and the Western Maryland, were in the hands of rival interests and that no through route would greatly aid the public interest under such an arrangement. He further stated: "'I am inclined also to believe that the question raised as to this new and independent through route is more far-reaching than appears on the surface, and that it has an important bearing upon the much

1. Railway Age, June 30, 1928, p.1529

broader question of the proper grouping of the lines in eastern territory under any consolidation plan that may be formulated'".[1]

The minority opinion seems more logical than the majority in the light of consolidation efforts of the Commission under the Act of 1920. A postponement of the final decision would have allowed more time to work out an acceptable final plan without complicating the problem by changes in the eastern railway net. No such approval as this could fail to have a bearing upon future consolidation proceedings, as the majority report emphasized. The minority position seems, therefore, the sounder--from the standpoint of consolidation in the light of developments since that time. It appears fortunate that the Commission decided as it did, for the objections urged by the other carriers to the extension were not sound and the extension has been of value. The matter of cost was of little general concern to any one of them: opposition actually stemmed from the unwillingness of existing systems to have developed another through route serving Pittsburgh territory, and they did not want Frank Taplin to be given encouragement in his attempt to head up a new system. The extension proved to be a great asset to the Pittsburgh and West Virginia and helped in no small measure in expediting shipments during World War II.

Construction of the Connellsville Extension was authorized by the Commission in June, 1928, and begun in August.[2] The seriousness of Mr. Taplin's interest in building

1. Ibid., p.1530
2. Moody's Manual on Railroads, 1928, p.1505

the line when he applied for a certificate can only be surmised. He did continue his efforts to sell his holdings in the railway while the Commission was considering the request. Yet the short lapse of time between the decision and actual work on constructing the line suggests that Mr. Taplin concluded the project must be completed to strengthen his position in merger developments in eastern territory.

The extension was constructed between Pierce, the southernmost point of the West Side Belt division of the Pittsburgh and West Virginia, and Connellsville, a distance of 38 miles. The terrain covered is very mountainous and resembles in many ways the rugged country along the main line from Pittsburgh to Pittsburgh Junction, Ohio. Because of the lack of any major water courses in the general direction of the extension, a high-level line was built rather than a water-level route. Therefore the line was essentially "a series of cuts through the tops of hills and fills across sags, with steel viaducts spanning the deeper and wider valleys".[1] In spite of this adverse terrain, a ruling grade of one percent and a curvature of less than four degrees (with the exception of several curves of six degrees) was achieved. To secure such favorable grades, numerous heavy cuts and fills, two tunnels, and several steel viaducts had to be constructed. The Mingo Creek and Pigeon Creek viaducts are 1,701 feet and 1,607 feet long, respectively, and the base of the rails on each is about 195 feet above the level of the streams.

Approximately 7,100,000 cubic yards of material,

1. Railway Age, Aug. 16, 1930, p.322

largely rock had to be moved and some 77,000 cubic yards of concrete were required in piers, abutments, arches, and other masonry structures. Two tunnels of 735 and 1,200 feet were constructed, and forty-one major bridges and viaducts were required, the two longest a 2,610 foot bridge over the Monongahela River and a 2,600 foot bridge over the Youghioheny River.[1]

By February, 1931, the Connellsville Extension had been completed at a cost slightly in excess of $15,000,000. The work was financed by the sale of first mortgage bonds by the railway, which at that time had no funded debt. This cost was somewhat in excess of the estimate presented to the Commission by the company but was materially less than the estimates of the objecting carriers. By the time the extension was ready for traffic, however, interest in consolidation had waned with the deepening of the depression. Even more, the chances of a "fifth system", headed up by the Taplin interests or anyone else, were almost nil.

While the Pittsburgh and West Virginia was building the Connellsville Extension, the Trunk Lines were engaging in a new form of activity. In January, 1929, the Van Sweringens organized the holding company known as the Allegheny Corporation. Three months later, the Pennroad Corporation, a "god-child" of the Pennsylvania Railroad Company, was incorporated in Delaware.[2] The Van Sweringens, in forming the new holding company, received financial assistance from J. P. Morgan & Co. and from the Guaranty Trust Co. of New York. From the first

1. Ibid., pp.320ff
2. Senate Report, No. 25, pt.4, p.6

day of trading, the common stock of the Allegheny Corporation sold at a considerable premium, and the market remained strong through February and March, 1929. It was in March that the battle between the Taplin and Van Sweringen interests occurred at a meeting of the Board of Directors of the Wheeling and Lake Erie. As previously indicated, the Van Sweringengs were victorious through their purchase of a majority of the outstanding stock of the Wheeling in the open market. As previously indicated, the Nickel Plate purchased the stock on the behalf of the Van Sweringens then transferred to the Baltimore and Ohio and the New York Central two thirds of its Wheeling holdings. When the Interstate Commerce Commission ordered these three railways to sell their Wheeling stock, they sold it to the newly formed Allegheny Corporation, allowing the Wheeling to remain under Van Sweringen control.

The favorable market reaction to the Allgheny common stock indicated within a very short time that the public was not only willing but anxious to buy holding company stock.

When Vice President County of the Pennsylvania was asked several years later by a Senate committee whether he was aware of the favorable public reaction to the formation of the Allegheny Corporation, his reply was: "'Yes Sir; and I was wide awake at that moment.'"[1] The Pennroad Corporation was formed and raised about $136,000,000 through the sale of its securities to the public, particularly the stockholders of the Pennsylvania. A representative of Kuhn, Loeb & Co. made the following statement to the Senate Committee on Interstate and Foreign Commerce:

1. *Ibid.*, p.6

> I cannot too strongly emphasize . . . that at that time there was hardly a sane person in America. We were all swept away by the belief that a tremendous era, spoken of as a New Era, had come upon us, and that everything was going to be good.
>
> You see, there happened from 1926 to 1929, and particularly in 1929, a perfect mania of everybody trying to buy everybody else's property, and the railroads were not excluded from that. New organizations sprung up. Money was easy to get.[1]

Mr. M. W. Clement, currently president of the Pennsylvania said, "' Everybody was grabbing'".

The one man who took full advantage of the "grabbing" was Mr. Frank Taplin. On September 5, 1929, Mr. Atterbury approved purchase by the Pennroad Corporation of 222,930 shares of the Pittsburgh and West Virginia stock at $170 per share. This was less than the $200 per share demanded by Mr. Taplin, but at no time in 1929 had the stock of the railway sold as high as $150 on the New York Stock Exchange. In 1927, the price reached $174 and was as high as $163 in 1928.[2]

According to Mr. Taplin, "the stock that the syndicate bought worked out about $52.50 a share." When asked if that was an average, he stated, "That is the average".[3] The range of the prices paid for the stock owned by the Taplin syndicate was from $25 to $60 a share. It was further stated by some writers that, with the segregation of the coal property owned by the railway

1. *Ibid.*, p.2
2. Senate Report, No. 1182, pt.4, p.2122
3. Hearing before Senate Committee on Banking and Currency, 73rd Congress, "Stock Exchange Practices", pt.3, p.1457

in the hands of the Pittsburgh Terminal Coal Co., the cost of the railroad holdings to the syndicate was reduced to about $17 to $20 per share.[1] It would be extremely difficult to determine the actual cost of the railway stock to the Taplin interests because it was bought at varying prices. To determine a proper deduction to represent the gain resulting from the separation of coal and railway properties would be even more difficult.

Mr. Taplin told the Senate Banking and Currency Committee in July, 1933, however, that he had sold the stock for about $38,000,000, thereby netting a profit of $11,509,477.50. "Senators sat up when the witness added that the deal was by word of mouth between himself and General Atterbury." Mr. Taplin said to the Committee, "'There was no writing. I had absolute confidence in the integrity of the man I made the deal with, General Atterbury. He took my word that I would give him the stock, I took his word that he would give me the money.'"[2] General Atterbury was acting as a Director of Pennroad.

Acquisition of control of the Pittsburgh and West Virginia by the Pennroad Corporation was prompted largely, it seems, by the belief on the part of Pennsylvania interests that their position would be adversely effected, should the proposed lake-to-tidewater route fall into unfriendly hands. The progress of the work on the Connellsville Extension made the danger even more imminent. The Baltimore and Ohio controlled the Western Maryland, the Van Sweringens the Wheeling and

1. Business Week, July 23, 1930
2. News-Week, July 15, 1933, p.23

Lake Erie. Should either of these systems be willing to sell its line to the other and the buyer make a deal with Taplin, a rival line would then exist between Baltimore on the one hand and Cleveland and Toledo on the other.

Also, the Pennsylvania believed that with the Pittsburgh and West Virginia in unfriendly hands, it would be the loser in any consolidation plan assigning roads in the east. The Pittsburgh and West Virginia, though a relatively small road, was in a peculiarly strategic position and could well form the nucleus of a rival system. The purchase of the road, though at an excessive price, greatly lessened the danger of such a threat.

The Pennroad Corporation was not a subsidiary of the Pennsylvania but was closely associated with it. Mr. Atterbury was not an officer of Pennroad, but he made the deal with Taplin, and his wishes were carefully followed at all times. The three trustees of Pennroad were formerly directors of the Pennsylvania. Stock of the holding company was offered to the railway stockholders in preference to the general public. Other purchases of railway stocks had previously been made by Pennroad because of the apparent strategic importance of the particular properties to the Pennsylvania. Among these properties were the Detroit, Toledo, and Ironton; the Canton Co. of Baltimore; and minority interests in both the New Haven and the Boston and Maine. Following the acquisition of control of the Detroit, Toledo, and Ironton, some of the Pennsylvania's facilities were made available for use by that road. The Canton Company was important to the plans of the Pennsylvania to build up its interest in the port of Baltimore. Purchase of stock in the New England lines was to strengthen the Pennsylvania's influence in that area. With the purchase of the Taplin holdings in the Pittsburgh and West Virginia, representing 74 percent of the outstanding stock, the Pennroad Corporation had materially improved the position of the Pennsylvania in blocking any adverse consolidation plans. It was generally assumed that it was more in the Pennsylvania's interest, since it occupied the favored position, to prevent rather than to cooperate in consolidation efforts, however favorable any new plan might seem.[1]

It is not easy to surmise just what caused Mr. Taplin to sell the stock at $170 a share when he had been demanding $200 for several years. The statement made by Taplin to the Senate Committee hardly constituted a satisfactory explanation, but it is interesting: "'If you had fellows, certain bankers and other people, gunning for you for about five years and you saw dark clouds coming up, you would get your sails down and get under cover. That is what I did.'"[2]

The following is a further statement by Mr. Taplin, explaining the sale:

> In the fall of 1929, I saw a financial storm coming, and knowing that certain interests were out gunning for me and my associates, and that some of the latter were, maybe, not in as strong financial condition as they should be, I decided that we should not take any chances of losing control of the Pittsburgh and West Virginia Railway, and, therefore, I went to the Pennroad Corp., with which company I had had previous financial dealings and upon whom I felt I could depend to protect me and the whole situation. As a result of this call upon the Pennroad Corp., I sold 222,930 shares of Pittsburgh and West Virginia Railway stock to it. This sale of

1. Barons, July 28, 1930, p.7
2. Senate Report, No. 1182, pt.4, p.2122

> the stock was, I hoped, only a temporary one until such time as the financial skies cleared. At the time of the sale of the Pittsburgh and West Virginia stock it was absolutely agreed upon that the management and control were to remain with us, as at present, without interference of any kind in the absence of action on our part that would be detrimental to their investment in the company's stock.[1]

These seems to be little reason to believe that Mr. Taplin made any false statements, though just who was involved in the "financial storm" is not known. In the Senate hearings, Mr. Taplin consistently denied, under oath, that he ever had any intention of selling his railway holdings to the Van Sweringens. The fight between the two rival groups for control of the Wheeling and Lake Erie and the ultimate victory of the Van Sweringens probably was an event of the "dark clouds". Too, the "Vans" were probably trying to get control of the Pittsburgh and West Virginia and such efforts could not have been regarded as friendly by Mr. Taplin. After the Wheeling incident, the Taplins would doubtless have spared no effort to prevent the acquisition of the property by the Van Sweringens. From Taplin's point of view, the sale to Pennroad might not have been desirable, but it was better than loss of control to the Van Sweringens.

There were other groups that might have exerted pressure on the Taplin interests to a lesser degree. Presidents Loree of the Delaware and Hudson and Williams of the Wabash had entertained hopes of heading "fifth systems" in Trunk Line territory. Reference might have been to them in Mr. Taplin's

1. Commercial and Financial Chronicle, Sept. 20, 1930, p.1890

statement that "certain interests" that were "not in a strong financial condition as they should be".

The indication is that the sale was believed to be a "temporary one". It was agreed that the "management and control" of the property was to remain with the Taplins unless there was interference "detrimental to their (the Pennroad's) investment". Even though the agreement between Mr. Atterbury and Mr. Taplin was an oral one, all concerned felt that active control of the Pittsburgh and West Virginia would remain with the Taplins. Mr. Taplin probably entered into the agreement hoping to repurchase, at a time advantageous to the Taplin interests, the stock sold to Pennroad.

The following statement concerning the sale, without the transfer of control of the railway appeared in Barons:

> Nature of the contract between the Taplins and Pennroad never has been announced fully. According to testimony of F. E. Taplin, chairman of the Pittsburgh and West Virginia, before the Interstate Commerce Commission, the shares sold to Pennroad remain in the name of the Taplin interests, and Pennroad has agreed not to interfere in the management as long as its interests are not jeopardized. Furthermore, there is a provision by which the Taplins may repurchase shares sold to Pennroad.[1]

In July, 1930, Taplin announced in Washington that negotiations were in progress whereby a "Taplin company" would buy the Pennsylvania's controlling interests in the Wabash and the Lehigh Valley. With these and other roads, Taplin would

1. Barons, July 28, 1930, p.7

set up the "fifth system" recommended by the Interstate Commerce Commission.[1]

Either the report was false or Mr. Taplin thought he might make some stock purchases on extremely favorable terms after the stock market crash of the Fall of 1929. Taplin was likely quite pleased that the crash caught Pennroad holding the Pittsburgh and West Virginia stock and caught him with an $11,000,000 gain from the sale. Sometime later, in a hearing before a Senate committee, Mr. Taplin testified: "I expected the railroad would be worth a lot more money and could be made to show lots bigger earnings than it had been showing. That stock was selling very cheap when we started to buy it. They hand't been making money." When asked by the committee counsel if it had been his hope to "hold the stock for an appreciation and then sell", he answered, "It was".[2] If this was true, Mr. Taplin accomplished what he had originally planned--to obtain control of the property, put the stock on a dividend basis, and then sell that stock at the highest possible price. The only possible disappointment for Mr. Taplin lay in the fact that his $11,000,000 gain fell somewhat short of the gain he would have realized had he been able to sell his stock at $200 per share rather than $170.

In any evaluation of the Taplin activity in the railway field, it must first be recognized he entered that field in the hope of realizing a profit from the later sale of stock purchases. He does not seem to have been seriously interested in the rail-

1. Business Week, July 2, 1930, p.15
2. Hearing before Senate Committee on Banking and Currency, 73rd Congress, pt.3, p.1433

way business. Coal was his chief concern. He tried in every way possible in the latter half of the '20's to sell his stock at a market profit by playing one group against another. He made the most of the "nuisance value" of the property. Toward the very end of the decade, however, it appears that Mr. Taplin considered seriously the idea of heading a "fifth system", even though it might have sounded fantastic to others of that time and in later years. Money was comparatively easy to get for those who were bold enough to go after it. Mr. Frank Taplin was that bold. At the time of the sale to Pennroad, it was becoming clear even to Mr. Taplin that his chances in the field of railway consolidation were slight. Other interests were too strong, and he was too weak. At the time of the sale, he might have had some slight hope of returning to the railway picture, but the crash of 1929 which was soon to follow must have made him feel that he was lucky to have bowed out.

The Pittsburgh and West Virginia received more attention in connection with consolidation plans than any other railway of comparable size. It was given special attention in nearly every plan considered by the Commission, some of them as fantastic as those of Mr. Taplin in building a "fifth system" around his line.

By the middle of 1930, the trend toward four systems rather than five was evident. Many of the lines included in the various "fifth system" suggestions were controlled by the Trunk Lines. Some of the roads frequently assigned to the "fifth system", and at the same time under control one or another of the Trunk Lines were the Lehigh Valley, the Norfolk and Western, the Wheeling and Lake Erie, the Pittsburgh and West Virginia, the Western Maryland, and the Wabash. The stock holdings of the Trunk Lines in these roads had been acquired at high prices. And, as these Trunk Lines would have been unwilling to dispose of their stock holdings at the then current market prices, it would have been most difficult to effect the necessary changes in stock ownership to round out a new system.

President Loree of the Delaware and Hudson never received encouragement from the Commission relative to his "fifth system" plan. Mr. Williams of the Wabash and Mr. Taplin never could get together to devise an additional system: they seemed to be always at cross purposes. At one time, indeed, Mr. Williams was accused by Mr. Taplin of working with the Van Sweringens. At that time, and coming from Mr. Taplin, the accusation was serious, for relations between the Taplins and the Van Sweringens were strained.

The Pennroad Corporation gave Taplin wide discretion in the management of the Pittsburgh and West Virginia, but thought that he was exceeding his authority in some of his consolidation efforts after he had sold his holdings in the property. Pennroad did not think that the agreement at the time of the sale of the stock gave Taplin the right to form a new system in conflict with the interests of the Pennsylvania, especially the grouping which was to include the Wabash or the Seaboard. Judge C. B. Heiserman of the Pennsylvania legal department sent a letter to Mr. Taplin dated March 1, 1930, containing the following paragraph:

> We were agreeable to the combination of the Pittsburgh and West Virginia, the Wheeling, and the Western Maryland under common ownership or control, as contemplated in your pending application, but further than that no commitment was or could be made, and The Pennroad Corporation could not, as a condition precedent to the acquirement of the stock of the Wheeling and the Western Maryland by the Pittsburgh and West Virginia, promise to agree to have, as far as it is concerned, those properties turned over either to the so-called Wabash, or any other system.[1]

This statement indicates quite clearly that the Pennsylvania did not intend to allow any system under separate ownership to include the Pittsburgh and West Virginia. A system including the Western Maryland, Pittsburgh and West Virginia, and the Wheeling and Lake Erie was acceptable, provided it was under Pennsylvania control. There possibly would have been no objection to such a system under the joint control of the Pennsylvania and one or more of the other Trunk Lines; but such a plan would have required the sanction of the Commission, which never gave serious consideration to a "fifth system" under such joint control.

The Pennsylvania held to its holdings in the Wabash, even though the latter was not strong financially. The Pennsylvania probably wished to prevent other major interests from developing any one of the numerous proposed systems that might be built about the Wabash. Vice President W. M. Clement, of the Pennsylvania, wrote to President Atterbury: "'A careful analysis of the Wabash leads one to doubt its place in any transportation system and raises the question as to just why it was built.'"[2]

1. Senate Report, No. 1182, pt.5, p.2946
2. *Ibid.*, p.2852

During the 1920's, the "fifth-system" interests made little headway. Efforts were hampered either by financial weakness or by the absence of control of sufficient mileage. The Delaware and Hudson and the Pittsburgh and West Virginia were financially sound enough, but both lacked the resources to give support to the ambitious plans of a Loree or Taplin. The Wabash was larger but lacked main lines across the eastern region, and it was financially weak. The Lehigh Valley was not large, and its line was not located as to make it of major value to a "fifth system".

When the "Final Plan" was published by the Commission in December, 1929, the Pittsburgh and West Virginia was assigned to the Wabash-Seaboard System. Commissioners Eastman, McManamy, and Porter disagreed with the plan as it dealt with certain carriers in the state of Pennsylvania. Commissioner Eastman recommended, among other changes, that the Pittsburgh and West Virginia be assigned to a Wabash system with no mention of the Seaboard. Commissioner Porter wanted the Pittsburgh and West Virginia to be a part of a Chesapeake and Ohio system which would include the Delaware, Lackawanna, and Western; the Erie; and the Western Maryland.

The Public Service Commission of Pennsylvania did not think that it would be in the interest of the state to have the Pittsburgh and West Virginia a part of any of the various systems recommended to or adopted by the Interstate Commerce Commission. The State Commission suggested the creation of a system comprising the Wheeling and Lake Erie, the Pittsburgh and West Virginia, and the Western Maryland. This proposed system would be approximately 1400 miles in length and extend from the Great Lakes to tidewater, from Toledo to Baltimore. It was strongly emphasized in the proposal that the creation of this system would be in the public interest only if it were kept independent of Trunk Line control. The Pennsylvania Public Service Commission made the following statement in support of its plan: "Without discussing the merits of this system as a whole, we believe that from the standpoint of Pennsylvania the grouping of the Wheeling and Lake Erie, the Pittsburgh and West Virginia, and the Western Maryland would be in the public interest."[1]

In support of its proposed system, the Pennsylvania Commission made a comparison of the distances from Toledo to Baltimore, Philadelphia, and New York over the proposed system and the Trunk Lines serving the named cities.[2]

Routes	Mileages from Toledo to Baltimore	Philadelphia	New York
Proposed new system	554.9	667.9	732.2
Pennsylvania	603.1	622.1	698.1
Baltimore and Ohio	610.8	707.2	802.7
New York Central	560.4	666.1	712.8

Shipments over the proposed new system to Philadelphia would enter the city over the Reading, and those to New York over the Central of New Jersey. The distances from the Great Lakes region to the three outstanding eastern ports did compare favorably in each case with the distances of the Trunk Lines. In addition, delivery times on freight would be cut because the proposed route would avoid major intermediate traffic centers.

1. Kidd, H. C., Railroad Consolidation and the State of Pennsylvania, p.125
2. Ibid., p.125

Through trains from the Great Lakes region would not have to enter the city of Pittsburgh, and would avoid station delay. The fear of traffic congestion in Pittsburgh continued in the minds of many who could remember the freight tie-up in the early 1900's. Even though there seemed to be little likelihood of a recurrence of such congestion, the argument continued to weigh heavily in consolidation discussions.

By the end of 1930, the chances of a fifth trunk line in eastern territory were doomed. Early in 1931 the railroad leaders of the area met with President Hoover in Washington for the purpose of settling certain problems of consolidation left undetermined by the Interstate Commerce Commission. At the conclusion of this conference, an agreement was signed concerning the "grouping of the Eastern roads into four trunk lines".[1] Mr. William N. Williams, Chairman of the Board of the Wabash, and the two Taplin brothers strongly resisted the four system agreement. Mr. Williams fought vigorously for the fifth system to be built about the Wabash as provided under the plan of 1929. The Taplins "proposed to assemble the system, independently if possible, but along with Mr. Williams if necessary".[2]

In the course of the conference held with President Hoover, agreement was reached relative to the assignment to one or another of the other four of most of the properties which were to constitute the fifth system in the east under the Final Plan, namely, the Wabash, the Lehigh Valley, the Wheeling and

1. World's Work, Mar., 1931, p.35
2. Ibid., p.35

Lake Erie, the Pittsburgh and West Virginia, the Western Maryland, the Detroit, Toledo and Ironton, the Ann Arbor, and numerous small roads in the area, together with the Norfolk and Western and the Seaboard Air Line. The Pennsylvania held directly a controlling interest in the Wabash and the Lehigh Valley, and controlled the Pittsburgh and West Virginia through Pennroad. The Van Sweringens controlled the Wheeling and Lake Erie, and the Baltimore and Ohio controlled the Western Maryland. With three of the trunk line systems controlling many of the major roads, neither Mr. Williams nor the Taplins, working either separately or in conjunction, had much chance of forming the fifth system. The executives of the Trunk Lines were careful not to allow any one of the fifth system advocates to get control of additional roads in the area.

Mr. Frank E. Taplin made the following statement concerning the four system agreement: "'Well, if everybody including the Commission wants it this way, I don't see how I can hold out against it. But the Commission has not said what it will do yet. I will leave it to them. I do not even propose to argue the matter there.'"[1]

A short time before the conference with President Hoover, the four trunk lines had agreed among themselves that there should be no fifth system. They were well prepared, when their representatives met with President Hoover, plans having been approved to cover the disposition of all of the former fifth-system carriers, except the Seaboard Air Line. The Pitts-

1. Ibid., p.39

burgh and West Virginia, because of its strategic location, was one of the most difficult problems. The final decision was that the Pittsburgh and West Virginia would be assigned to the four major systems jointly. Such a plan would have called for the transfer of ownership of the Pittsburgh and West Virginia stock to four systems. The stock had been acquired by Pennroad at a price of $170 a share, and the market price at the time of the agreement was about $80. Any transfer of control of this kind required Commission approval. Such approval would not likely have been forthcoming at a price of $170, nor would the Trunk Lines be eager to pay that price. Sale of the stock at a much lower price would have meant a considerable loss to Pennroad. Therefore, even though agreement was reached at the White House, it could not be easily accomplished.[1]

A joint application, embodying the four system agreement, was filed with the Commission in October, 1931. The application called for the elimination of the fifth system proposed in the Commission's 1929 plan and the distribution of its component parts among the four systems. It was proposed that the Pennsylvania should receive the Norfolk and Western, the Wabash, and the Detroit, Toledo, and Ironton. The Van Sweringen system, centered around the Chesapeake and Ohio and the Nickel Plate, was to be allotted the Wheeling and Lake Erie, the Chicago and Illinois Midland, and the western portion of the Pittsburgh and West Virginia. The Western Maryland and the Ann Arbor were to go to the Baltimore and Ohio system. The four systems, according to the application, were to control jointly the eastern por-

1. <u>Baron's</u>, Jan. 26, 1931, p.6

tion of the Pittsburgh and West Virginia and the Akron, Canton, and Youngstown. Other than its participation in the joint control of the two minor properties, the New York Central was not to share in the properties assigned to the so-called fifth system. The most important parts of the "fifth system" were to go to the Pennsylvania and the Van Sweringens, in part because these interests were already in control, in part because of the locations of the two systems in relation to the lines of the "fifth system". The strength and aggressiveness of the two systems no doubt played an important role in the assignments.[1]

The Commission announced its decision on the four-party application July 13, 1932. The application was approved, subject to several important modifications. The fate of the Pittsburgh and West Virginia under the plan as approved by the Commission could not have been considered favorable to the property. The road was to be divided at Gould's Tunnel, with the portion west of that point going to the Chesapeake and Ohio - Nickel Plate System. East of Gould's Tunnel, each of the four systems was to have a one-fourth interest in the line. Had the plan ever been made effective, it would have meant virtual collapse of the railway. There obviously was no attempt on the part of the Commission to maintain intact the small carriers if it appeared to be in the interest of the major carriers to dispose of them otherwise.[2]

The Senate Committee on Interstate and Foreign Commerce summarized the consolidation activities of the railways

1. Senate Report, No. 1182, pt.5, p.2965
2. *Ibid.*, pp.2986, 2987

of eastern territory as follows:

> Looking back on the Commission's 1932 plan, it is apparent that the Commission's action was not so much the declaration of a plan of its own as a ratification, with some changes, of a private agreement among the four most powerful eastern systems. Nor was the private agreement in any sense a "plan"; it was merely the outcome of the trading and bargaining which has been described in this report. At no point did the executives approach the problem as a piece of public planning, or endeavor to measure the needs of communities or shippers for particular routes or combination. The thought processes were those of the Vanderbilts, Cassatt, Gould and Morgan 30 years earlier. An empire was to be divided; negotiating skill and financial resources were instruments of survey.
>
> Furthermore, the Commission's plan was in large part a ratification of acquisitions which had already been carried out either in open disregard of the Commission or by devices intended to shelter the transactions from the Commission's jurisdiction. The Pennsylvania Railroad had increased its Norfolk and Western holdings despite the Commission's suggestion in its 1921 plan that the Norfolk and Western should be a separate system. The Van Sweringens had assembled their roads from the outset without regard for the 1921 plan . . . The Van Sweringens sought the Chicago and Eastern Illinois less than a month after the Commission's "final" plan of 1929 was announced; both the Pennsylvania and the brothers ignored the Commission's mandate that various systems should be independent of each other, and invaded New England and the Southwest respectively.
>
> The whole process was characterized by financial shortsightedness and sharp practices. The Wabash and Delaware and Hudson scrapped basic principles of accounting and resorted to concealment in their buying activities. The Van Sweringens, disguised as one corporation or another, developed a multiple business personality to avoid the effect of Commission decisions which did not please them and to obtain money from the public. Through the Pennsylvania Company and the Pennroad Corporation, the Pennsylvania Railroad management played fast and loose with the Commission, and enticed investors into

> an absurd position. But all of this was officially forgiven. The penalty was not to be any punitive action by the Commission, but the natural result of such financial inebriety. The speculative era ran its course, and the railroads were left with staggering losses, the investors with defaulted bonds and worthless stock. The net result of the "scramble" was the discrediting of the railroad managements, complaints against the Commission, exacerbation of hard times, and the nullification of the consolidation program which had furnished the excuse.[1]

This statement may have been too drastic in some respects; yet fundamentally, the statements are true. There were personality clashes and clashes of the various financial and railway interests, strongly suggestive of conflicts of the early years of the twentieth century. The major lines regarded the "tentative plan" of 1921 as a program to be defeated or, at least, greatly modified. The provisions of the Transportation Act of 1920 afforded a chance for the rise of the Taplins. It was not easy for the Commission to force consolidation if the systems were to be limited in number. The cross ownership of the roads assigned to the various systems presented an extremely complicated situation. The four Trunk Lines, especially the Pennsylvania and Van Sweringen groups, tried in every way possible to acquire a dominant interest, in roads of other possible systems and their efforts met with considerable success.

In 1933, Congress modified significantly that section of the Transportation Act of 1920 dealing with consolidation. The amendment "authorized the Commission to approve any consolidations, mergers, purchases, leases, operating contracts, or acquisitions of control which it found (1) to be in harmony with

1. Ibid., pp.3002, 3003

and in furtherance of its general plan for consolidation of railway properties and (2) to be promotive of the public interest."[1]

The Transportation Act of 1940 further amended the Commission's responsibility toward consolidation. Authority over consolidation, mergers, and the like remained with the Commission; but the procedure was greatly simplified by "permitting the Commission to act when it believed that the consolidation would be in the public interest without reference to any predetermined plan".[2]

Following the amendments of 1933 and 1940, consolidation has not been nearly as significant a problem for the Commission as it was prior to 1933. The plan approved in 1932 was never carried out and the Pittsburgh and West Virginia threatened under the "four-system" plan with dismemberment as well as subordination to the control of four major properties, still remains intact as an effective operating unti.

1. Daggett, S., loc. cit., p.565
2. Ibid., p.565

F. Operations Under Pennroad Control

With the coming of the sharp depression which began in 1929 and continued throughout almost the whole of the '30's, few railways were able to escape deficit operation for at least one or more years. The Pittsburgh and West Virginia showed a small net income in 1931 but sustained losses in the three succeeding years. These losses were caused in part by construction of the Connellsville Extension, which was completed in 1931 at a cost in excess of $15,000,000. This project was financed through the sale of bonds, resulting in a substantial increase in fixed charges. Interest on the funded debt increased from $132,185 in 1930 to $978,801 in 1933. Had interest charges been no greater in later years than in 1930, no deficits would have been experienced.

At the same time that the fixed charges were sharply increased, freight traffic decreased from 4,958,897 tons in 1930 to 3,532,078 tons in 1933. It might reasonably have been expected that opening the Connellsville Extension would increase the volume of freight received from connecting carriers. The percentage of tons originated to total freight tonnage handled did not show any significant change until 1935, however. In 1931, the year the extension was opened, 68 per cent of the freight handled originated on the line. In 1932, 73 per cent was originated, but the percentage declined to 68 in 1933 and to 65 in 1934. The percentage of tonnage originated dropped noticeably in 1935 when total tonnage moved increased substantially. This increase was due primarily to additional tonnage received from the connecting carriers. From 1935 to 1943 there was a steady increase in the proportion of tonnage received from connecting lines; indeed, in 1943 the railway originated but 36 per cent of the tonnage and received 64 per cent from the connecting roads. More freight was moved by the road in 1943 than in any other year in its history. In nearly every year since the opening of the Connellsville Extension, when there has been an increase in freight handled, the percentage received from the connections has increased.[1]

An examination of operating results indicate clearly that the Connellsville Extension was constructed at an unfortunate time. It takes a period of years for any railway to develope a new route, and this is especially true of a small local carrier. The Extension opened a new through route from the Atlantic Coast to the Great Lakes. This new route was opened, however, at a time when the volume of freight had begun to drop on all established lines. Had the Extension been opened during a period of increasing freight volume, the net income of the railway, no doubt, would have been far more satisfactory than it was for the five years following completion of the Extension. By 1940, when business conditions were improving and the road had had time to develop the new route, the percentage of freight received from the connecting lines had increased to 53 per cent and has been above 50 per cent every year since that time.

Passenger traffic never was an important source of revenue for the Pittsburgh and West Virginia. Indicative of this lack of passenger traffic was the ownership by the line of

1. See Appendix E

but three passenger cars in 1931, the year passenger service was abandoned. The greatest number of passenger cars owned and operated at any time in the roads history was 14 in 1923 and 1924.[1] The elaborate passenger terminal located in the Golden Triangle of Pittsburgh was, from the first, of little value to the property.

The Pennsylvania Public Service Commission, in October, 1931, authorized the railway to discontinue passenger operations as of November 1, 1931. The authorization followed a decision by the Commissioners of Allegheny County in February, 1931, to purchase the bridge and tunnel by which the railway reached the Pittsburgh terminal for $3,000,000. The County Commissioners planned to convert the bridge and tunnel into a highway. The railroad was to retain ownership of the Wabash Building in which the passenger station was located. The Interstate Commerce Commission approved the sale on October 6, 1931. On October 14, 1931, a grand jury ruled that the sale would be final if no exception was filed within 10 days. Sale of the property was delayed, however, by suits filed by tax payers, pointing out the fact that the plans of the County Commissioners had not been submitted to the County Planning Commission for approval. As a result, the grand jury refused to approve the sale. Even though the sale was not completed, the railway did not restore passenger service, though freight service was continued over the bridge and into the city.[2] That portion of the property that was offered for sale to Allegheny County was, interestingly, the

1. See Appendix B
2. Poor's Manual of Railroads, 1938, p.1555

part that was the basic cause of the bitter controversy between the Gould interests and the city officials, maneuvered by Pennsylvania Railroad interests, during the period from 1901 to 1905.

In 1934, the Pittsburgh and West Virginia was, because of a decline in traffic and increased fixed charges, in financial difficulty. To meet this emergency a loan was obtained from the Reconstruction Finance Corporation. An Equipment Trust issue matured and funds were needed to pay the principal of the certificates. In 1938, funds were again advanced by the Reconstruction Finance Corporation and by the Pennroad Corporation to meet the costs incurred in strengthening bridges and rebuilding freight cars. This was a time when traffic was declining, the property operating at a loss for the first time since 1934. These loans and additional bank loans made in 1938 totalled more than $7,000,000.[1] To meet these obligations the company issued $7,400,000 Five Year 4 per cent Notes in 1940, which were sold to the Reconstruction Finance Corporation.[2]

The volume of freight handled in 1938 was lower than in any year after 1933. Even though the fixed charges were much greater than before the construction of the Connellsville Extension, the property was able to report earnings sufficient to support its increased debt from 1934 to 1938.

In the first half of 1939 the railway made a very slow start, earning only 62 per cent of its fixed charges. In the second half of the year fixed charges were earned in full

1. Moody's Manual on Railroads, 1938, p.757
2. Annual Report of the Pittsburgh and West Virginia for 1944, p.12

each month with a surplus at the end of the year. This change in the financial status of property was due in part to increased industrial activity in the Pittsburgh steel district, following the outbreak of the war in Europe in September, 1939.[1] Freight shipments increased substantially in 1940, but a net income for the year was slightly less than in 1939 because of increased operating expenses. In 1941, the railway moved the largest volume of freight in any year since 1927. Net income exceeded $1,000,000 for the first time since 1930, even though the interest on the funded debt was several times greater in 1941 than in that year.

In 1942, the Pittsburgh and West Virginia moved more freight than in any former year of its history. Sixty-two per cent of the tonnage was received from the connecting carriers in contrast to 18 per cent in 1922 and 32 per cent in 1932. The net income for the year exceeded that of 1941, the greatest since 1930.

Freight movements showed another increase in 1943 breaking all previous records. The net income exceeded that of 1930 and was greater than in any year since the peak of 1929.

Merchandise revenue decreased nine per cent in 1944 from that of the previous year. However, net income exceeded that of 1943 by $130,000. There was another decrease in freight tonnage in 1945, caused by the ending of the War in Europe in the spring of that year and in the Pacific in September. Net income for the year was substantially less than for 1944 because

1. Barons, July 29, 1940, p.19

of both a greater decrease in operating revenues than operating expenses and an increase in income taxes of $326,072 over the previous year because of profit from the sale of the company's holdings of Wheeling and Lake Erie stocks. A profit of approximately $1,540,000 was realized on the sale, but the Interstate Commerce Commission accounting rules required the profit to be credited to profit and loss and the tax on the profit realized to be deducted from the net income.[1] The Pittsburgh and West Virginia had applied to the Interstate Commerce Commission in 1927 for permission to acquire control of the Wheeling and Lake Erie, but the petition was denied in 1932. The Wheeling and Lake Erie stock, prior to the sale, was carried on the books at a value of $4,318,727.50, and was sold to Pennroad.

With strikes in several important industries in 1946 and embargoes on freight shipment, the volume of freight handled decreased from 8,103,118 tons in 1945 to 6,160,475 tons in 1946. In consequence of this decline in tonnage, operating revenue decreased 25.81 per cent while operating expenses decreased only 17.96 per cent. There was a decrease of 31.41 per cent in merchandise revenue and of 20.41 per cent in coal revenue. The operating ratio increased from 74.3 per cent in 1945, to 91.6 per cent in 1946.[2] Because losses of tonnage originated and tonnage received were proportionately the same, there was no substantial change in the relationship between the two types of shipment from 1945 to 1946. In March 1946, the terminal properties in the Golden Triangle section of downtown Pittsburgh were severely damaged by fire causing a termination of rail

1. Annual Report for 1945, pp.5f
2. Annual Report for 1946, p.3

service to that area. The financial statements of the company for 1946 do not reflect the loss from the fire because final claims with the insurers had not been completed. In his letter to the stockholders included in the 1946 annual report, President Graham said:

> As indicated in my 1946 report regarding 1946 earning possibilities, this year has been a great disappointment. Due to the series of major strikes - particularly in this area - very high cost of materials and supplies, heavy increases in labor rates, serious shortages of all types of cars, and very little relief in the matter of increased rates, we had a very unsatisfactory year.[1]

Operating conditions in 1947 showed a decided improvement over both 1945 and 1946. Operating revenue increased 41.45 per cent, with operating expenses increasing only 19.32 per cent. The operating ratio decreased from 91.6 per cent in 1946 to 76.1 per cent in 1947. Net income for the year compared favorably with the war years of 1941, 1942, 1943, and 1944; and the volume of freight tonnage was greater than in 1941, though somewhat less than in the succeeding three years.[2]

In 1947, a settlement was concluded with the insurers of the terminal properties in covering losses resulting from the fire of March, 1946. Following the settlement, the Board of Directors of the railway decided that reconstruction of the property was not warranted and applied to the Interstate Commerce Commission for permission to abandon that portion of the line by which the railway entered downtown Pittsburgh, including

1. Ibid., p.11
2. The figures cited concerning the tonnage and earnings may be verified in Appendices C and E

the bridge across the Monongahela River and the Mount Washington Tunnel. The requested permission was granted August 7, 1947, to become effective 15 days thereafter. At the termination of the 15 days, service into the Golden Triangle area was abandoned.

That portion of the line giving access to downtown Pittsburgh which was abandoned was about 1.2 miles in length. The fire and the abandonment of the line was the subject of much discussion. It was feared by a number of people that the results of the fire would be eventual bankruptcy for the Pittsburgh and West Virginia. The Board of Directors decided to request authority to abandon service over that part of the road only after considering carefully the cost of restoration of the damaged property and the amount of freight that was moved over that portion of the property. Only a small percentage of the tonnage handled by the railway moved into or out of the Golden Triangle. A great part of that moved into the area was stored in the warehouse which was severly damaged by the fire. A large part of the expenditures of the Gould interests in the downtown area was for the construction of the passenger terminal, yet the Pittsburgh and West Virginia had not offered passenger service since 1931. This portion of the road would be greatly needed if there were any passenger service, but there seemed to be no real need for continued freight service in the area.

While it is extremely difficult to determine which portions of a road are operating at a profit and which portions at a loss, the Board of Directors concluded that, if the section of the line leading into downtown Pittsburgh had been profitable to operate before the fire in March 1946, it would not be profitable to operate after restoration of damaged property. The costs of rebuilding today would be far greater than the entire cost of the terminal properties. Then, too, the freight station and freight house could not have been restored in the same conditions in which they were prior to the fire because city building codes had been materially changed since the property was built. There seemed to be small chance of developing additional freight shipments to cover the additional construction costs. So it was that, after final settlement with the insurers, the Board of Directors decided to abandon operations in the downtown area.

The abandonment of service did not affect at all the major industries in the Pittsburgh area, for those lines tapping important industrial areas were not affected. If operating results in 1947 are an indicator of whether the downtown line should have been abandoned, it seems that a wise decision was made, as the earnings were much more favorable than in 1945 or 1946. The first two months of 1948 showed an increase in earnings over the same period in 1947 from 29 cents to 62 cents a share.[1]

Abandonment of the portion of the line leading into the downtown area made possible a substantial write-down of capital assets because of the high book value of the Mount Washington Tunnel and the bridge over the Monongahela River. The writedown created tax credits and resulted in a net income for

1. Pittsburgh Sun-Telegraph, April 3, 1948, p.18

the year greater than would have otherwise been possible. The property retirement for 1947 amounted to $6,038,881 with additions amounting to $1,434,529, leaving a net retirement of $4,614,352.[1]

One of the most interesting developments in the case of the Pittsburgh and West Virginia has been the change in the character of its freight tonnage. Commodities are classified by the Interstate Commerce Commission into products of agriculture, animals and products, products of mines, products of forests, manufactures and miscellaneous. Products of mines and manufactures and miscellaneous products have accounted for more than 90 per cent of the freight movements of the road in every year since its reorganization in 1918; indeed, with the exception of but a few years, those two groups have accounted for 95 per cent of the total tonnage. In 1918, approximately 80 per cent of the freight tonnage was bituminous coal and all products of mines contributed 87.7 per cent of the freight, declining to 64.7 per cent in 1927. The offsetting gain was almost entirely in manufactures and miscellaneous. A major portion of the coal shipments moved was originated by the Pittsburgh and West Virginia. Its lines lay in an area of productive coal mines, but good coal mines can become exhausted. That is what has happened to some extent along this line and was an important factor in the decision to construct the Connellsville Extension. Yet, since the construction of the Extension, there has been a decrease in relative importance of products of mines to 45.7 per cent in 1943 and to 52.5 per cent in 1947.

1. Annual Report for 1947, p.9

This revenue from coal traffic has diminished from approximately 80 per cent of total freight revenue in 1918 to approximately 17 per cent in 1943 and 20 per cent in 1947. Contrariwise, the revenue from manufactures and miscellaneous has increased from 10.6 per cent in 1918 to 38.9 per cent in 1947.[1] Products of agriculture have steadily gained in the percentage of the total revenue from 0.6 per cent in 1918 to 6.2% in 1947. This gain has been due almost entirely to an increase in the volume of tonnage of agricultural products received from connecting carriers. Less than 0.5 per cent of the tonnage originated in 1947 was classified as products of forests. Products of mines have continually accounted for a major part of tonnage originated. This group constituted 69 per cent of the tonnage originated in 1943 and 73 per cent in 1944, when only 20 per cent of total freight revenue was contributed by coal. Only 39 per cent of the tonnage handled in 1947 was originated by the road in comparison with 70 per cent in 1927.

There is no breakdown of the commodities classified under manufactures and miscellaneous, but a large percentage of the tonnage under this classification is iron and steel items from Pittsburgh mills. Such tonnage, as well as coal movements, are seriously affected by strikes and other disruptions of business in the area.[2] The decrease in freight tonnage from 8,103,118 tons in 1945 to 6,160,475 tons in 1946 is a clear illustration of this.

Even though the Pittsburgh and West Virginia has op-

1. Annual Report for 1947, p.9
2. The percentages and figures cited may be found in Appendix F and in the annual reports of the company

erated at a profit in all but five years since 1931, it has not paid a dividend since that year. The company has followed a policy of utilizing earnings to retire its funded debt as rapidly as possible, rather than that of paying dividends. Through this policy, interest on funded debt has been reduced from $978,801 in 1933 to $459,301 in 1947. Mr. H. A. Ross, vice-president and secretary of the road, said that the management has concentrated on reducing the endebtness to make the property "depression proof." There is a definite determination not to enter another depression with a greater funded debt than existed in periods of high industrial activity.

During the six years, 1940 to 1945, inclusive, the long-term debt of the property was reduced from $23,485,000 to $10,254,000, a reduction of 56.3 per cent.[1] The total long-term debt in 1947 was increased to $10,469,700 because of conditional sale agreements for the purchase of box cars, hopper cars, and diesel locomotives amounting to $666,700, but $156,000 in mortgage bonds were retired during the same year. On December 31, 1947, long-term debt consisted of first mortgage bonds totalling $9,883,000, of which $2,581,000 mature in 1958, $2,294,000 in 1959, and $4,928,000 in 1960, and conditional sales agreements totaling $666,700.[2] Rapid reduction of the indebtedness of the property during the war years, clearly indicates that the management is primarily interested in putting the property upon a sound financial footing rather than in using it to serve personal ambitions or to serve the immediate interests of the stockholders.

1. Annual Report for 1945, pp.5f
2. *Ibid.*, p.15

G. The Physical Factors of the Property

The Pittsburgh and West Virginia is not a part of a railway system, but it is a link in an important route between Chicago, St. Louis, Detroit, Cleveland and intermediate points to the Atlantic Coast. It is a part of the shortest and fastest route between the Great Lakes and the Atlantic seaboard at Baltimore and Philadelphia, though not to New York and other cities farther north. Shipments either east or west can be delivered in at least 10 hours less time over this route than over any other.[1] During periods of severe winter weather and in times of floods, the difference is even greater.

One of the chief reasons for the rapid freight service is that there is little passenger traffic over the route to interfere with the movement of freight. The Wheeling and Lake Erie, which serves the lake ports of Toledo and Cleveland, has no passenger service, and there is none on the Pittsburgh and West Virginia. Too, the Western Maryland has so little passenger service that it does not slow freight movements to any noticable extent.

Furthermore, this route does not run through any congested areas where time might be lost because of traffic congestion. The only large city along the line where congestion might conceivably develop is Pittsburgh, and Pittsburgh and West Virginia trains do not enter the city, thereby avoiding any loss of time. The main shops and freight yard of the Pitts-

1. This statement is a claim of the Pittsburgh and West Virginia management that is used as a selling point and is generally accepted as true

burgh and West Virginia are located at Rook, several miles southwest of Pittsburgh. The trains leave Rook and move, without any possible traffic congestion, to Connellsville where eastbound freight is turned over to the Western Maryland.

The Wheeling and Lake Erie and the Pittsburgh and West Virginia have an operating agreement allowing Wheeling trains to run as far east as Rook, and Pittsburgh and West Virginia trains go over the Wheeling tracks into Brewster, Ohio. This agreement serves to speed freight shipments, as the distance from Brewster to Rook, approximately 104 miles is not too far to run without changing locomotives. With the new Diesel locomotives, trains have recently been operated from Brewster into Connellsville, a distance of 160 miles without changing the locomotives. At Pittsburgh Junction, where the Wheeling and Lake Erie connects with the Pittsburgh and West Virginia, there is only a switch and no siding or freight yard. Through trains, moving over the tracks of the two railways between Rook and Brewster, do not even stop at Pittsburgh Junction, as is usually necessary when an interchange of traffic is made.

The tracks of the Pittsburgh and West Virginia are rarely, if ever, damaged by floods. The road is a high level rather than a water level route. This is true of the line from Pittsburgh Junction, Ohio, to the city of Pittsburgh, also of the Connellsville Extension. Instead of following water routes, the road cuts through the small mountains, tunnels the large mountains, and bridges the streams and valleys. When freight movements over the other railways are interrupted by floods, traffic can continue to move without break over the

Pittsburgh and West Virginia.

It is amazing how straight the tracks of this railroad are through an extremely rugged terrain. While riding over the line, one glimpses ahead long stretches of straight track. The curves are well engineered, so that the trains can move at good speed most of the distance. In one place along the line, it is possible to be riding on a train and to look through two tunnels at one. The Connellsville Extension does not have as many long straight stretches as are found on the original line built by the Goulds, but it has two tunnels, many deep cuts, and several high bridges.

Since the abandonment of the line leading into downtown Pittsburgh, there are no elaborate terminal facilities. The executive offices continue in the Wabash Building, and the operating offices and main shops are at Rook. There are no other major terminal facilities. There might be some future need of expansion of the terminal facilities at Rook, but there seems to be very little need of building or expanding at other points along the line. At Connellsville, the locomotives can be serviced, if necessary, by the Western Maryland which has a shop and extensive sidings located at Bowest, only 3 miles southeast of Connellsville.

The Gould interests intended to construct a double track road and bridges and tunnels were built wide enough for two tracks. The second track has not been laid, but the single track is in good condition, with numerous sidings where trains can pass without long delays.

After the depression in the 1930's, the right-of-way was in poor condition because of deferred maintenance. The President of the road reported that, by April 1, 1945, at least 90 per cent of the deferred maintenance had been made up.[1] The Connellsville Extension had been constructed of second-hand rail, untreated ties, and cinder ballast. The line now has new 112-pound rails, treated ties equipped with tie plates, and a heavy crushed slag ballast. The line west of Pittsburgh has enough new rail, ties, and ballast to put the entire main line from Pittsburgh Junction, Ohio to Connellsville in first-class operating condition. Between 1938 and 1944, 10,705 gross tons of new rail were laid. In that period, 62.54 miles of track were laid with new rail and 36.02 miles with relay rail. Crushed slag has been used as ballast since 1938 rather than rock, gravel or cinder ballast. By the end of 1944, nearly 75 per cent of the road had been reballasted, making the entire line solid and capable of handling speedily heavy freight shipments.[2] Work is still in progress on painting and redecking the bridges. Repairs upon tunnels and bridges are expected to be completed within the next two years. There are 191 bridges and 22 tunnels on the entire railroad. Thirty-nine of the bridges have concrete superstructures and 152 have steel. Tunnels and bridges compose 9.9 per cent of the main line.[3]

Since 1938, motive power and rolling stock have been overhauled, and many modern appliances have been added. Every effort is being made to keep operating equipment in condition to

1. Annual Report for 1944, p.6
2. _Ibid._, pp.7f
3. Ibid., p.9

meet fully Interstate Commerce Commission requirements. From 1939 through 1944, approximately 2,700 freight cars were rebuilt. In 1945, a program of equipping the cars with "AB" brakes was begun. These brakes are an improved type of airbrake, and the Interstate Commerce Commission has ordered that all cars used in interchange service must be so equipped with the brakes by January 1, 1949. The cost of this work is estimated to be approximately $1,000,000.[1]

In 1947, one hundred new 50-ton box cars and the same number of 60-ton hopper cars were placed in service. Twenty-five additional covered hopper cars are on order for delivery in 1948. Two 2,000 horsepower heavy-duty Diesel-electric locomotives were received in 1947, and two more of the same type have been ordered for delivery in the fourth quarter of 1948. The two Diesel-electric locomotives are being used in road service as a single 4,000 horsepower unit.[2] On December 31, 1947, the company owned 29 locomotives and 2,882 cars, of which 2,838 were freight cars and 44 were service cars. The amount of rolling stock in service has decreased since the War's end because of the necessity of retiring old cars more rapidly than new cars have been received.

A contract has been let for the installation of a modified centralized traffic control signal system on the main line and on the Clairton and Mifflin Branches. The estimated cost of this installation is $1,000,000, to be completed in 1949. The entralized traffic control board will be installed at Rook.

1. Annual Report for 1945, p.7
2. Annual Report for 1947, p.5

Operations over the entire line will be directed from the Rook office and the efficiency of service should be materially increased through this direct control of the movement of each train.[1]

In the decade of the '20's there was much discussion of consolidation of the roads comprising the route from the Great Lakes to the Atlantic seaboard. There has been little, if any, discussion of consolidation since 1932. However, the Wheeling and Lake Erie, the Pittsburgh and West Virginia, and the Western Maryland make up a natural route and might be expected at some indefinite future date to be grouped into a single system. The latest consolidation proposal in this area was embodied in the application of the Nickel Plate to absorb the Wheeling and Lake Erie. The Interstate Commerce Commission refused to grant the permission. There is a probability that the Nickel Plate may seek to lease the Wheeling lines as it controls the Wheeling through ownership of a majority of the stock.

The Western Maryland is controlled by the Baltimore and Ohio and Pittsburgh and West Virginia by the Pennroad Corporation. With the divergent interests controlling the roads, unification of these properties seems unlikely in the near future. When looking from the Pittsburgh and West Virginia to the east and to the west, consolidation seems to be much more important to the most economical service than it does from the point of view of either of the other carriers. The Western Maryland

1. <u>Ibid.</u>, p.4

comes into Connellsville and connects with the Pittsburgh and West Virginia, but its line into Connellsville is only one branch. At Cumberland, Maryland, the Western Maryland divides, one branch coming into Connellsville and the other tapping the coal fields of West Virginia.

The Wheeling and Lake Erie runs from several of the lake ports and connects with the Pittsburgh and West Virginia at Pittsburgh Junction, Ohio, but the Wheeling and Lake Erie continues to Wheeling, West Virginia. The Pittsburgh and West Virginia, on the other hand, connects with the Wheeling at one terminus and the Western Maryland at the other. The operating agreement between the Wheeling and the Pittsburgh and West Virginia has some of the advantages that would come with consolidation, however, None the less, consolidation of the three properties, with perhaps the Nickel Plate or the Wabash would create an efficient fast freight route between St. Louis, Chicago and other lake ports to the Atlantic seaboard. Such a system should not interfere with efficient operations of either of the properties in local originating shipments.

To arrive at any definite conclusion as to the advisability of consolidating the several railways along the Great Lakes to Atlantic seaboard route would require additional study of all of the carriers affected by such a plan. The advantages of consolidation might prove to be more theoretical than real. In any case, such an undertaking must be handled in a sound manner: the mistakes of the Goulds should not be repeated merely in an effort to realize the dreams of a few. However, if faster and more efficient service can be rendered the public, while investors and employees of the several properties can be protected adequately, the carriers should be merged into a single system.

The Pennroad Corporation has controlled the Pittsburgh and West Virginia through ownership of more than 70 per cent of the stock since the purchase of more than 200,000 shares from the Taplin interests at $170 a share. There are 305,000 shares of stock with a par value of $100. On December 31, 1946, Pennroad owned 225,874 shares, 74 per cent of the outstanding stock. On April 5, 1946, there were 561 stockholders. Pittsburgh and West Virginia stock is not activily traded, and the price has tended to fluctuate widely within recent years. The high on the New York Stock Exchange for 1947 was 17½, and the low for the year was 10½. In 1946, the high was 34-3/4 and the low 12-5/8; and in 1945, 43-3/4 was the highest price and 21 the lowest.[1] On July 16, 1948, the price listed on the New York Stock Exchange was 22½, with 400 shares sold.[2]

The Pittsburgh, Akron and Western Railroad Company and the State Line Connecting Railway Company are wholly owned subsidiaries of the Pittsburgh and West Virginia. Both are "paper roads", however, neither having road or track: they have been carried on the books at one dollar. There is a possibility of the franchises being of some value.

The most recent event of importance in the history of the railway is the removal of the Wabash Bridge and the freight station in downtown Pittsburgh. Both have now been completely

1. Moody's Manual on Railroads, 1947, p.425
2. Pittsburgh Sun-Telegraph, July 16, 1948, p.21

removed. The passenger station, with the executive offices, has not been torn down. The station is now used by the Red Cross, and the offices by officers of the road and for general business offices. This building, the Wabash Building, is an excellent office building, and there are no specific plans to change its present use.

The Wabash Bridge was dismantled during the spring and summer of 1948 by the American Bridge Company, the company which constructed the bridge from 1901 to 1904. The estimated amount of scrap steel that came from the bridge was 8085 tons. The Carnegie-Illinois Steel Corporation bought the scrap.[1] The Mount Washington Tunnel leading to the bridge has been sealed at both ends and is not in use.

1. Pittsburgh Sun-Telegraph, April 5, 1948, p.24

The history of the Pittsburgh and West Virginia Railway Company may be divided into three separate periods, the era of Gould control from the construction of the Wabash-Pittsburgh Terminal Railway to 1917 when it was reorganized, the period of Taplin control, and the period of control by the Pennroad Corporation. The motivating factors of the controlling interests were different in each of the three periods. Knowledge of railway construction and operation and business efficiency in general was not the same in either of the periods. Political and business ethics have undergone changes throughout the periods. The intervals of domination by the three major controlling interests have been so widely different that each should be discussed separately.

The dominating motives of George Gould were to get a transcontinental railway system under his control and to expand his railway holdings to match and possibly to exceed those of the Pennsylvania interests, Vanderbilt, Harriman and Hill. None of these railway interests made any serious attempt to construct or to acquire control of a transcontinental system. Had George Gould been successful, he would have been the first to control such a system. That accomplishment would have appealed to almost any ambitious person in control of a vast fortune. The other major railway owners had concentrated on improving their separate systems in the particular areas served. These areas were not small but had clearly defined boundaries. The Pennsylvania rounded out its system between New York and Philadelphia on the Atlantic seaboard and Chicago and St. Louis as the western termini. The Vanderbilts formed the New York Central System from New York City and Boston through the northern part of the state of New York to Chicago and St. Louis. The Harriman roads were concentrated in the Southwest; major properties controlled were the Southern Pacific, Central Pacific and Union Pacific. The Hill empire lay in the Northwest and comprised the Northern Pacific and the Great Northern, these reaching Chicago over "Burlington" lines. These systems were developed with the purpose of eliminating as much competition as possible within their respective areas. The Pennsylvania and Vanderbilt interests remained on friendly terms but respected the areas of each other. George Gould, on the other hand, seemed to have thought that the two oceans and the Mexican and Canadian borders should be his only boundaries and he may have desired to cross them. He did not attempt to round out a system in any one geographic area. Indeed, had he attempted to organize a major system centered around the Missouri Pacific and the Texas and Pacific staying within the territory served by these lines, the financial history of the Gould family might well have been widely different. But for George Gould the Missouri Pacific was not enough; to satisfy his ambition, to break shackles that hindered him, he sought to create a true transcontinental line. And this brought him into competition at once with the Pennsylvania and the New York Central in the east, the Union Pacific and Central Pacific in the west.

At one time during the fight to enter the city of Pittsburgh Joseph Ramsey, president of the Wabash, said that plans were being considered for a freight terminal outside the cith of Pittsburgh. Most of the industrial area could be reached without entry into downtown Pittsburgh. Later events seem to indicate that such a decision would have been wise. Entrance into the downtown area was most costly, both in money and in time, and the reward slight. Passenger business was small in volume, though the passenger station was elaborate and extremely costly. The determination of the Gould interests was to have the most beautiful passenger terminal in Pittsburgh. They got the beautiful terminal at excessive cost but got few customers. Had the road been constructed as it runs today, without the Mount Washington Tunnel, Wabash Bridge, and the downtown terminal, construction costs would have been much less, and there is a possibility that the Goulds could have retained their railway properties much longer. Construction of the Western Pacific was expensive, but one bad business venture might not have been enough to force most of the Gould railroads into receivership and the Gould family from the railroad field.

The period of Taplin control is the most confusing of the three major eras. Part of this confusion stemmed from the consolidation provisions of the Transportation Act of 1920 and the efforts of the Interstate Commerce Commission to carry out the provisions of that act. It is extremely difficult to determine Frank Taplin's reasons for acquiring control of the Pittsburgh and West Virginia. He had been primarily interested in coal prior to purchase of the railway stock. He owned coal property along the railway and may have wanted control in the hope of securing favorable rates for transportation of his coal. Taplin's desire to head a railway system seems to have developed several years after acquiring control of the Pittsburgh and West Virginia.

When Taplin sold his controlling stock to the Pennroad Corporation, it is doubtful that he considered the sale to be final or to be the accomplishment of his major objective. There are many reasons to believe that he finally aspired to become a major railway executive. At the same time, he was a shrewd business man and was determined not to suffer any major financial loss to attain that goal. Even though he could not form a system, his railway venture was a profitable one with the sale of the stock to Pennroad at a price much higher than that paid by him in 1923.

The decision to construct the Connellsville Extension was the result of two factors. To most railway men, it was regarded as an effort by Taplin to further his consolidation efforts. This was indicated in the statements of several of the opposing railways during hearings before the Interstate Commerce Commission on the application. A more certain reason for the extension was that the Pittsburgh and West Virginia needed the benefit of this connection, for without it the property had no satisfactory outlet to the east and must continue to rely too largely upon coal tonnage originated. Seventy percent of the tonnage moved in 1927 originated on the road as compared with but 39 per cent in 1947. Having been connected with coal mining for a number of years, it seems that Taplin saw the danger in the road continually depending on coal for the major portion of its revenue.

In talking with employees who worked for the company when it was controlled by Gould, by Taplin and now by Pennroad, their opinions seemedto be that Taplin was the most disliked of any of the executives. He demanded almost military respect whenever he was inspecting the property. Work ceased and everyone gave full attention to Mr. Taplin. Some of the employees said that Taplin was in the railway business to serve his own interest and had no interest in the future of the property or the employees. That impression may not be entirely correct, but there are many reasons to believe that it is more nearly true than false.

The Pennroad Corporation has not concerned itself with any sensational activities. It has controlled the railway through ownership of more than 70 per cent of the outstanding stock since the purchase of the Taplin-owned stock in 1931. There has been no attempt to form a system or to make the road pay dividends when no dividends were earned; indeed, no dividend has been paid since acquisition by Pennroad. Rather, as previously stated, earnings have been used to retire the funded debt and to improve the property. There seems to be every effort made to operate the property as efficiently as possible and to safeguard efficient operations in the future. With the rapid retirement of the funded debt, the road should be in better condition to withstand a major business recession than it was during the 30's. The present management is doing everything possible to improve the physical condition of the property and to keep the company sound financially.

The three elective officers of the railway as of July, 1948, are Chas. J. Graham, President; H. A. Ross, Vice-President and Secretary; and L. G. Walker, Vice-President in charge of operations and maintenance. President Graham has been the President since 1938. Before that time he had been associated with the Graham

Bolt and Nut Company, which manufactured and sold railroad equipment. Mr. Ross has been with the road since 1938 also, and became Vice-President and Secretary in 1945. He had been associated with Mr. Graham several years prior to 1938. Mr. Walker accepted his present position in 1946. Prior to that time, he had been with the Pennsylvania for 17 years in roadway and track maintenance and in operations. The fact that two of the officers were not "railroad men" before accepting their present positions and but one was a "railroad man" deserves comment. An organization made up entirely of men who have always been directly connected with railroads is probably not as desirable as an organization which includes men who have been successful as executives in other areas. The present organization of the road seems to be thoroughly progressive and highly efficient.

The Gould interests met ruthless opposition that was peculiar to that period of American history. Many of the actions taken by the Pennsylvania and Vanderbilt interests against Gould would not be considered by competing business interests today, or permitted by public opinion. There are laws, in fact, which would prevent some of the acts, and business ethics in general have undergone radical changes. The actions of Mr. Taplin and of the major railway executives were peculiar to that particular period in the history of railway development, also. It does not seem that one is being too optimistic in saying that there will never be another comparable period in the future. It is hoped that the record of that period will never be repeated.

The future of the Pittsburgh and West Virginia seems to be in providing a faster and better freight service. Such improved service will come largely through advances in technology and full utilization of such advances. Installation of centralized traffic control will represent a long forward step. In many other ways, too, the company is seeking to increase its operating efficiency. The fundamental argument in behalf of through routing over the Wheeling and Lake Erie, the Pittsburgh and West Virginia, and the Western Maryland is that freight can move faster over this route than over any other route, and this argument is a potent one. Several competing routes are under a single management, while this route comprises three separate properties. To maintain the present advantage in speed, therefore, the three railways must be well coordinated to permit the efficient transfer of freight from one road to the other. All three must follow an adequate maintenance policy as to both track and power, that there may be no needless loss of time at any point over the route.

Passenger service is not likely to reappear upon the Pittsburgh and West Virginia. The movement of freight is of basic importance, the demand for passenger service slight, and passenger trains would necessarily slow freight movements, except as the property were double tracked throughout.

Tonnage moved by the Pittsburgh and West Virginia consists largely of coal and manufactured products. For that reason, the road is greatly affected by changes in industrial activity in the area. The Pittsburgh district, because of the nature of its basic production, has been highly responsive to fluctuations in general business activity. This makes the policy of debt retirement being followed by the present management particularly praiseworthy, for it is desirable that railways dependent upon the Pittsburgh area be as nearly depression-proof as possible.

The property has been involved in consolidation attempts in the past and it is probable that it may again be considered as an element in some new system. At the present time, there seems to be little interest in welding lines together that serve between the Great Lakes and the Atlantic seaboard. Yet the Pittsburgh and West Virginia forms a vital link between the two properties which, with it, form a natural and superior route. The door should be left open, therefore, to consolidation at some future time if it should prove to be in the public interest. It is doubtful that it would be in the public interest to force consolidation at the present time.

The future of the Pittsburgh and West Virginia is greatly dependent upon the general business conditions of the nation and developments in the field of railroad transportation. Transportation in the United States is a subject of prime importance and requires action rather than continued inaction. The Pittsburgh and West Virginia probably can survive the lack of needed legislation and other changes in transportation longer than many of the larger roads because of its simple financial structure and because of its strategic location. The road might at some future date again become major concern to other railways in a consolidation plan; in the meanwhile, there is every reason to believe that it will continue to render effectively that service for which it is suited.

APPENDIX A

Tonnage, 1905-1916

Years	Tons
1905	346,735
1906	2,084,432
1907	3,004,791
1908	2,247,964
1909	1.849,098
1910	2,690,685
1911	2,537,285
1912	2,708,301
1913	3,034,218
1914	3,632,004
1915	2,907,434
1916	4,411,251

APPENDIX B

Rolling Stock

Years	Locomotives	Passenger Cars	Freight and Company cars
1905	0	0	81
1906	6	0	87
1907	4	0	81
1908	4	0	81
1909	18	0	577
1910	18	0	574
1911	18	0	1,574
1912	17	0	1,572
1913	17	2	1,572
1914	16	8	1,581
1915	16	10	1,537
1916	17	10	1,535
1917	22	15	1,520
1918	25	13	1,542
1919	26	13	1,540
1920	26	13	1,534
1921	40	13	3,263
1922	39	13	3,255
1923	35	14	4,265
1924	33	14	4,237
1925	30	9	4,636
1926	30	5	5,630
1927	30	5	5,641
1928	30	5	5,639
1929	30	5	5,622
1930	30	3	5,621
1931	30	3	5,621
1932	30	3	5,619
1933	30	0	5,093
1934	33	0	5,025
1935	33	0	4,275
1936	33	0	3,852
1937	28	0	4,248
1938	28	0	3,878
1939	28	0	3,937
1940	28	0	3,140
1941	27	0	3,104
1942	32	0	3,091
1943	33	0	3,075
1944	33	0	3,009
1945	36	0	2,814
1946	36	0	2,762
1947	29	0	2,882

APPENDIX C

Condensed Income Statement

	Dec. 1, 1904 to June 30, 1905	June 30, 1906
Railway Operating Revenue	$ 235407.77	$ 917038.87
Railway Operating Expenses	197191.35	616129.54
Net Revenue from Railway Operations	38216.42	300909.33
Railway Tax Accruals	41134.49	24964.80
Railway Operating Income	D 2918.07	275944.53
Net Rents	11422.79	15515.66
Net Railway Operating Income	8504.72	291460.19
Non Operating Income	2805.06	224109.57
Gross Income	11309.78	515569.76
Miscellaneous Deductions	41277.71	263146.10
Income Available for Fixed Charges	D 29967.93	252423.66
Interest on Funded Debt	602302.77	1165693.58
Net Income	D 632270.70	D 913269.92

	June 30, 1907	July 1, 1907 to May 28, 1908
Railway Operating Revenue	$1462997.35	$1106887.22
Railway Operating Expenses	771644.77	535923.47
Net Revenue from Railway Operations	691352.58	570963.75
Railway Tax Accruals	67755.23	96379.76
Railway Operating Income	D 623597.35	474583.99
Net Rents	11973.26	20002.43
Net Railway Operating Income	635570.61	494586.42
Non Operating Income	276090.07	226852.18
Gross Income	911660.68	721438.60
Miscellaneous Deductions	349925.17	425691.68
Income Available for Fixed Charges	D 561735.51	295746.92
Interest on Funded Debt	1219954.82	1081666.67
Net Income	D 658219.31	D 805919.75

APPENDIX C

	May 29, 1908 to June 30, 1908	June 30, 1909
Railway Operating Revenue	$ 66934.83	$ 726181.42
Railway Operating Expenses	48738.05	501544.72
Net Revenue from Railway Operations	18196.78	224636.70
Railway Tax Accruals	6037.04	71946.40
Railway Operating Income	12159.74	152690.30
Net Rents	3502.15	61627.19
Net Railway Operating Income	15751.89	214317.49
Non Operating Income		
Gross Income	15751.89	214317.49
Miscellaneous Deductions	9788.32	223651.73
Income Available for Fixed Charges	5963.57	D 9334.24
Interest on Funded Debt		
Net Income	$ 5963.57	D$ 9334.24

	June 30, 1910	June 30, 1911
Railway Operating Revenue	$ 746287.56	$ 678246.59
Railway Operating Expenses	524231.24	549162.66
Net Revenue from Railway Operations	222056.32	129083.93
Railway Tax Accruals	70800.00	72000.00
Railway Operating Income	151256.32	57093.93
Net Rents	65871.99	86489.20
Net Railway Operating Income	217128.31	143573.13
Non Operating Income		
Gross Income	217128.31	143573.13
Miscellaneous Deductions	225420.94	256760.17
Income Available for Fixed Charges	8292.63	113187.04
Interest on Funded Debt		
Net Income	D$ 8292.63	D$ 113187.04

APPENDIX C

	June 30, 1912	June 30, 1913
Railway Operating Revenue	$ 663307.42	$ 814863.92
Railway Operating Expenses	570372.65	734111.19
Net Revenue from Railway Operations	92934.77	80752.73
Railway Tax Accruals	72000.00	90000.00
Railway Operating Income	20934.77	D 9247.27
Net Rents	103538.25	88863.81
Net Railway Operating Income	124473.02	79616.54
Non Operating Income		
Gross Income	124473.02	79616.54
Miscellaneous Deductions	200843.23	238761.27
Income Available for Fixed Charges	D 76370.21	D 159144.73
Interēst on Funded Debt		
Net Income	D$ 76370.21	D$ 159144.73

	June 30, 1914	June 30, 1915
Railway Operating Revenue	$ 870293.08	$ 793002.15
Railway Operating Expenses	701306.32	635395.09
Net Revenue from Railway Operations	168986.76	157607.06
Railway Tax Accruals	90000.00	90003.10
Railway Operating Income	78986.76	67603.96
Net Rents	86483.28	78705.08
Net Railway Operating Income	165470.04	146319.04
Non Operating Income		
Gross Income	165470.04	146319.04
Miscellaneous Deductions	226246.64	204184.29
Income Available for Fixed Charges	D 60776.60	D 57875.25
Interest on Funded Debt		
Net Income	D$ 60776.60	D$ 57875.25

APPENDIX C

	June 30, 1916	Calender Yr. 1916
Railway Operating Revenue	$ 10870.57	$ 12561.84
Railway Operating Expenses	7614.08	8633.21
Net Revenue from Railway Operations	3256.49	3928.63
Railway Tax Accruals	901.91	962.10
Railway Operating Income	2354.58	2966.53
Net Rents	1971.06	1734.42
Net Railway Operating Income	4325.64	4700.95
Non Operating Income	1720.64	17.71
Gross Income	6046.28	4718.66
Miscellaneous Deductions	2180.56	1911.99
Income Available for Fixed Charges	3865.72	2806.67
Interest On Funded Debt	95.02	101.89
Net Income	$ 3770.70	$ 2704.78

	Mar. 31, 1917	April 1, to Dec. 31, 1917
Railway Operating Revenue	$ 2989.03	$ 12898.83
Railway Operating Expenses	2578.59	7852.76
Net Revenue from Railway Operations	410.44	5046.07
Railway Tax Accruals	249.73	888.45
Railway Operating Income	160.71	4157.62
Net Rents	415.60	735.94
Net Railway Operating Income	576.31	4893.56
Non Operating Income	22.15	5883.23
Gross Income	598.46	10776.79
Miscellaneous Deductions	196.79	467.23
Income Available for Fixed Charges	401.67	10309.56
Interest on Funded Debt	26.19	
Net Income	$ 375.48	$ 10309.56

APPENDIX C

		1918 Fed.		1919 Fed. Oper.
Railway Operating Revenue	$	18001.46	$	14526.09
Railway Operating Expenses		19253.81		19952.18
Net Revenue from Railway Operations	D	1252.35	D	5426.09
Railway Tax Accruals		1709.24		1492.09
Railway Operating Income	D	2961.59	D	6918.18
Net Rents		441.06		707.65
Net Railway Operating Income	D	2520.53	D	6210.53
Non Operating Income		481.73		213.46
Gross Income	D	2038.80	D	5997.07
Miscellaneous Deductions		793.84		344.83
Income Available for Fixed Charges	D	2832.64	D	6341.90
Interest on Funded Debt				
Net Income	D$	2832.64	D$	6341.90

		1920		1921
Railway Operating Revenue	$	26196.05	$	28089.39
Railway Operating Expenses		27510.27		36601.91
Net Revenue from Railway Operations	D	1314.22	D	8512.52
Railway Tax Accruals		1904.95		3219.77
Railway Operating Income	D	3219.17	D	11732.29
Net Rents		2525.50		3666.56
Net Railway Operating Income	D	1903.67	D	8065.73
Non Operating Income		6611.22		16065.70
Gross Income		4707.55		7999.97
Miscellaneous Deductions		370.76	Cr	1500.02
Income Available for Fixed Charges		4336.79		9499.99
Interest on Funded Debt				
Net Income	$	4336.79	$	9499.99

APPENDIX C

	1922	1923
Railway Operating Revenue	$ 28356.01	$ 38445.87
Railway Operating Expenses	22368.24	30203.28
Net Revenue from Railway Operations	5987.77	8242.59
Railway Tax Accruals	3653.03	4811.58
Railway Operating Income	2334.74	3431.01
Net Rents	5642.28	9794.83
Net Railway Operating Income	7977.02	13225.84
Non Operating Income	6408.84	8068.35
Gross Income	14385.86	21294.19
Miscellaneous Deductions	1613.39	2535.45
Income Available for Fixed Charges	12772.47	15758.74
Interest on Funded Debt		
Net Income	$ 23772.47	$ 15758.74

	1924	1925
Railway Operating Revenue	$ 41647.32	$ 48513.85
Railway Operating Expenses	29013.27	29672.68
Net Revenue from Railway Operations	12634.05	18891.17
Railway Tax Accruals	4985.28	6256.47
Railway Operating Income	7648.77	12634.70
Net Rents	8120.73	7822.91
Net Railway Operating Income	15769.50	20457.61
Non Operating Income	8728.17	3396.33
Gross Income	24497.67	23853.94
Miscellaneous Deductions	3072.45	4178.38
Income Available for Fixed Charges	21425.22	19675.56
Interest on Funded Debt	225.00	1327.50
Net Income	21200.22	18348.06

APPENDIX C

	1926	1927
Railway Operating Revenue	$ 51564.84	$ 40116.16
Railway Operating Expenses	29028.50	24135.47
Net Revenue from Railway Operations	22536.34	
Railway Tax Accruals	7060.71	5927.90
Railway Operating Income	15475.63	10052.79
Net Rents	11654.78	9009.42
Net Railway Operating Income	27130.41	19062.21
Non Operating Income	12072.06	12019.83
Gross Income	39022.47	31082.04
Miscellaneous Deductions	5133.04	3925.36
Income Available for Fixed Charges	33889.43	27156.68
Interest on Funded Debt	1777.50	1907.25
Net Income	$ 32111.93	$ 25249.43

	1928	1929
Railway Operating Revenue	$ 44730.23	$ 47296.05
Railway Operating Expenses	25543.54	29299.24
Net Revenue from Railway Operations	19186.69	17996.81
Railway Tax Accruals	6057.97	4680.96
Railway Operating Income	13128.72	13315.85
Net Rents	9058.46	9453.77
Net Railway Operating Income	22187.18	22769.62
Non Operating Income	5863.81	841.57
Gross Income	28050.99	23611.19
Miscellaneous Deductions	3934.59	1259.54
Income Available for Fixed Charges	24116.40	22351.65
Interest on Funded Debt	1711.95	1518.17
Net Income	$ 22404.45	$ 20833.48

APPENDIX C

	1930	1931
Railway Operating Revenue	$ 37878.79	$ 29051.41
Railway Operating Expenses	25476.63	22484.06
Net Revenue from Railway Operations	12402.16	6567.35
Railway Tax Accruals	2881.70	3261.62
Railway Operating Income	9520.46	3305.73
Net Rents	6032.63	2944.42
Net Railway Operating Income	15553.09	6250.15
Non Operating Income	1335.01	392.96
Gross Income	16888.10	6643.11
Miscellaneous Deductions	1155.61	2323.23
Income Available for Fixed Charges	15732.49	4319.88
Interest on Funded Debt	1321.85	4376.55
Net Income	$ 14410.64	$ 43.33

	1932	1933
Railway Operating Revenue	$ 22398.22	$ 25302.58
Railway Operating Expenses	17399.47	17132.73
Net Revenue from Railway Operations	4998.75	8169.85
Railway Tax Accruals	1310.69	2425.13
Railway Operating Income	3681.89	5744.72
Net Rents	2508.34	3303.68
Net Railway Operating Income	6190.23	9048.40
Non Operating Income	190.19	146.19
Gross Income	6380.42	9194.59
Miscellaneous Deductions	2074.87	467.64
Income Available for Fixed Charges	4295.55	8726.95
Interest on Funded Debt	8620.85	9788.01
Net Income	D$ 4335.30	D$ 1061.06

APPENDIX C

	1934	1935
Railway Operating Revenue	$ 27201.46	$ 30112.45
Railway Operating Expenses	20030.46	20402.79
Net Revenue from Railway Operations	7171.00	9609.66
Railway Tax Accruals	2429.03	2312.85
Railway Operating Income	4741.97	7293.91
Net Rents	3617.74	3037.97
Net Railway Operating Income	8359.71	10331.88
Non Operating Income	148.91	120.10
Gross Income	8508.62	10451.98
Miscellaneous Deductions	419.71	812.03
Income Available for Fixed Charges	8088.91	9639.95
Interest on Funded Debt	9011.61	8684.95
Net Income	D$ 922.70	$ 955.00

	1936	1937
Railway Operating Revenue	$ 38569.01	$ 40922.61
Railway Operating Expenses	26922.39	31647.02
Net Revenue from Railway Operations	11646.62	9275.59
Railway Tax Accruals	2974.80	2492.73
Railway Operating Income	8668.22	6782.86
Net Rents	3984.89	4327.10
Net Railway Operating Income	12653.11	11109.96
Non Operating Income	374.98	4360.12
Gross Income	13028.09	15470.08
Miscellaneous Deductions	375.48	569.06
Income Available for Fixed Charges	12652.61	14901.02
Interest on Funded Debt	8883.05	8515.62
Net Income	$ 3765.96	$ 6385.40

APPENDIX C

	1938	1939
Railway Operating Revenue	$ 29844.39	$ 36706.92
Railway Operating Expenses	23233.74	24180.70
Net Revenue from Railway Operations	6610.65	12526.22
Railway Tax Accruals	2342.76	3823.26
Railway Operating Income	4267.89	9702.96
Net Rents	2010.73	1065.57
Net Railway Operating Income	6278.62	10768.53
Non Operating Income	976.59	3357.61
Gross Income	7255.21	14126.14
Miscellaneous Deductions	1447.30	1599.44
Income Available for Fixed Charges	5807.91	12526.70
Interest on Funded Debt	7810.06	7724.58
Net Income	D$ 2002.15	$ 4802.12

	1940	1941
Railway Operating Revenue	$ 41578.53	$ 52831.14
Railway Operating Expenses	31596.65	34226.13
Net Revenue from Railway Operations	19981.58	18605.01
Railway Tax Accruals	3023.11	2729.24
Railway Operating Income	6958.47	15875.77
Net Rents	1043.64	668.24
Net Railway Operating Income	8002.11	16544.01
Non Operating Income	4373.95	4277.52
Gross Income	12376.06	20821.53
Miscellaneous Deductions	1184.98	300.48
Income Available for Fixed Charges	11191.08	20521.05
Interest on Funded Debt	7922.57	8773.11
Net Income	$ 3268.51	$ 11747.94

APPENDIX C

	1942	1943
Railway Operating Revenue	$ 64601.99	$ 77222.12
Railway Operating Expenses	41761.88	52375.95
Net Revenue from Railway Operations	22840.11	24846.17
Railway Tax Accruals	5656.09	6995.15
Railway Operating Income	17184.02	17851.02
Net Rents	691.85	981.93
Net Railway Operating Income	17875.87	18832.95
Non Operating Income	3633.89	3640.40
Gross Income	21509.76	22473.35
Miscellaneous Deductions	269.12	317.10
Income Available for Fixed Charges	21240.64	22156.25
Interest on Funded Debt	8450.97	7949.13
Net Income	$ 12789.67	$ 14207.12

	1944	1945
Railway Operating Revenue	$ 72730.57	$ 65962.40
Railway Operating Expenses	50075.01	49013.13
Net Revenue from Railway Operations	22655.56	16949.27
Railway Tax Accruals	4729.27	7822.24
Railway Operating Income	17926.29	9127.03
Net Rents	2634.51	2679.09
Net Railway Operating Income	20560.80	11806.12
Non Operating Income	2799.50	722.33
Gross Income	23360.30	12528.45
Miscellaneous Deductions	244.58	397.24
Income Available for Fixed Charges	23115.72	12131.21
Interest on Funded Debt	7607.06	6285.08
Net Income	$ 15508.66	$ 5846.13

APPENDIX C

	1946	1947
Railway Operating Revenue	$ 47694.90	$ 68357.07
Railway Operating Expenses	43693.58	52027.72
Net Revenue from Railway Operations	4001.32	16329.35
Railway Tax Accruals	2955.20	3711.45
Railway Operating Income	1046.12	12617.90
Net Rents	3240.81	3778.58
Net Railway Operating Income	4286.93	16396.48
Non Operating Income	166.25	224.52
Gross Income	4453.18	16621.00
Miscellaneous Deductions	228.68	838.87
Income Available for Fixed Charges	4224.50	15782.13
Interest on Funded Debt	4679.73	4593.01
Net Income	D$ 455.23	$ 11189.12

APPENDIX D

Cost of Road and Equipment

May 10, 1904	$15,761,530.86
June 30, 1904	17,251,274.10
Oct. 31, 1904	19,149,694.37
June 30, 1905	20,882,293.61
June 30, 1906	25,038,401.74
June 30, 1907	25,241,686.61
May 28, 1908	25,248,394.79
Mar. 31, 1916	25,161,683.87
Receivers spent	2,448,668.81
Making total for Mar.31,1916	$27,610,352.68

Includes Wabash Building and Freight Station estimated at $2,200,000

APPENDIX E

Revenue Freight Tonnage

Year	Per cent Originating on road	Per cent received from Connection	Total freight tonnage handled
1918	51	49	5,309,709
1919	47	53	3,431,059
1920	49	51	4,664,085
1921	81	19	3,575,390
1922	82	18	3,411,035
1923	86	14	5,921,974
1924	83	17	5,863,018
1925	82	18	6,962,346
1926	79	21	7,326,919
1927	70	30	4,778,113
1928	68	32	5,470,381
1929	67	33	5,969,174
1930	68	32	4,958,897
1931	68	32	4,087,392
1932	73	27	3,281,700
1933	68	32	3,532,078
1934	65	35	3,956,996
1935	56	44	4,310,855
1936	54	46	5,417,365
1937	51	49	5,825,252
1938	53	47	3,870,773
1939	51	49	4,670,091
1940	47	53	5,580,873
1941	43	57	7,061,702
1942	38	62	8,382,788
1943	36	64	9,808,282
1944	44	56	8,714,257
1945	39	61	8,103,118
1946	41	59	6,160,475
1947	39	61	7,584,009

APPENDIX F

Revenue Freight Tonnage Classified

Year	Products of Agriculture % of total	Animals & Products	Products of Mines
1918	0.6%	0.6%	87.73%
1919	1.3	1.0	79.4
1920	1.0	0.6	83.8
1921	1.2	0.5	84.2
1922	0.9	0.5	79.6
1923	0.6	0.3	84.1
1924	0.7	0.3	79.9
1925	0.6	0.3	78.6
1926	0.6	0.3	75.9
1927	1.1	0.4	64.7
1928	1.1	0.3	65.5
1929	1.0	0.3	66.3
1930	1.2	0.3	68.6
1931	1.5	0.6	70.6
1932	1.4	1.1	71.5
1933	1.3	1.5	67.6
1934	1.1	2.4	73.3
1935	1.3	2.1	69.6
1936	1.2	2.0	67.0
1937	1.5	1.9	61.9
1938	3.1	2.9	63.2
1939	2.6	2.4	61.8
1940	2.7	2.1	58.4
1941	2.6	2.1	55.8
1942	2.0	2.0	52.2
1943	2.3	1.8	45.7
1944	2.4	1.7	49.5
1945	3.3	1.4	49.4
1946	5.8	1.5	53.4
1947	6.2	1.1	52.5

APPENDIX F, continued

Year	Products of Forests	Manufacturers & Miscellaneous	Total all Freight Tonnage Tons
1918	0.4%	10.61%	5,309,709
1919	0.7	17.5	3,431,059
1920	0.6	14.0	4,664,085
1921	1.4	12.7	3,575,390
1922	1.2	17.8	3,411,635
1923	1.0	14.1	5,921,974
1924	1.0	18.1	5,863,018
1925	0.8	19.6	6,962,346
1926	1.1	22.1	7,326,919
1927	1.3	33.5	4,778,113
1928	1.1	31.9	5,470,381
1929	1.2	31.3	5,969,174
1930	1.0	28.7	4,958,897
1931	0.8	26.2	4,087,392
1932	0.7	25.1	3,281,700
1933	1.2	28.2	3,532,078
1934	0.9	22.1	3,956,006
1935	0.7	26.1	4,310,855
1936	1.0	28.7	5,417,365
1937	0.9	33.6	5,815,252
1938	1.2	29.4	3,870,773
1939	1.3	31.8	4,670,091
1940	1.4	35.3	5,580,873
1941	1.4	38.0	7,061,702
1942	1.1	40.0	8,382,788
1943	1.0	43.1	9,808,282
1944	0.8	38.4	8,714,257
1945	0.8	45.0	8,103,118
1946	1.5	37.7	6,160,475
1947	1.2	38.9	7,584,009

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