

What Mr. Underwood Has Done

The Remarkable Record of 25 Years' Upbuilding of the Erie Railroad

By CHARLES DILLON
Managing Editor

SOME ONE said, a long time ago, that no man knew anything about his strength until he had been tried. Of course this is platitudinous but, after all, some of the best rules of conduct are platitudes, trite, worn, but nevertheless sound and safe guides because they have come out of the experiences of men's lives. An executive presiding over the destinies of a railroad favored, as some are, with traffic density, harmonious labor conditions, pleasant public relationships, often the result of the wisdom of previous administrations, might find himself wholly unable to cope with adversity when hard times come. Many wise saws have come out of the University of Hard Knocks. Unfortunately, not all men realize their value.

You have only to read the record of Frederick D. Underwood to understand why he has been so notably successful as president of the Erie Railroad. The only job he seems to have missed as he came along was that of telegrapher, and he did serve as a clerk—indeed he began his railroad career in that capacity for the C. M. & St. P. Ry., which isn't missing it very far. Clerk, brakeman, foreman of elevators, conductor, yardmaster, superintendent, general superintendent, general manager, the record runs, a fine course in the realities of railroading certain to prove the stuff of which a man is made, a course containing knocks enough, goodness knows, for any man on the way upward to the presidency of a railroad. Such experiences were needed, too, in Mr. Underwood's case, because running the Erie was a man's job, and a big one when he undertook it just 25 years ago this week. In all his enviable record, it is conceivable, nothing could have given him

more satisfaction than the report he made, last Tuesday, to his board and stockholders.

As a Doctor of Transportation Mr. Underwood, to borrow from the politicians' vocabulary, can point with pride to a good many pretty remarkable accomplishments in handling the Erie. He took a railroad heavily bonded, a situation for which he was not responsible. He lived and worked, worked hard through three money panics, two coal strikes, trade depressions, railroad labor troubles, wars, kept up his property, and although it still is not among the big dividend payers of the country, made out of it what everyone admits is a pretty good road with a remarkably fine showing for increased income.

"His associates say of him," says Vincent Guy Sanborn in the New York Sun, "that he has been everlastingly on the job during the past quarter of a century and that the Erie's journey from the 'joke' class to a place as key road in a billion dollar merger has been accomplished only under the lash of expert man-

agement. Mr. Underwood's estimate of his success in the upbuilding of the Erie errs on the side of the conservative. He says that it is 'a pretty good road.'

"Figures which show the Erie's growth for a 25 year period indicate a steady rate of progress. On the subject of revenues derived from the handling of coal it is shown that the average annual increase in anthracite was 4.55 per cent and in bituminous coal and coke, 12.88 per cent.

"Other facts taken from the record may be summarized as follows: Erie's operating revenue increased from \$40,700,000 to \$118,500,000. The total number of tons of freight carried one mile increased from 4,756,339,949 to 9,469,280,360, or



Frederick D. Underwood

99 per cent, with a decrease of 11 per cent in freight train miles. The net increase in 'investment in road and equipment' and in 'improvement on leased railway property' was \$174,200,000, an average of \$7,110,204 a year.

"The net corporate income for the period was \$121,461,728, of which \$11,097,942 was appropriated for dividends; \$17,368,849 was applied to sinking funds and practically all the remainder of \$92,994,937 was used for additions and improvements to the property. Deducting the amount of net income used for additions and betterments from the total increase in the property investment account of \$174,200,000, a sum of \$81,200,000 remains which was obtained from proceeds of securities and increase in other liabilities.

"The amount turned back into the property from earnings was more than half of the capital expenditures during twenty-four and one-half years. The total of \$174,200,000 went for additional tracks, grade reduction, increased weight of rail, stone ballast, new bridges, new equipment, automatic signals, terminal facilities and various other improvements. The total capital charge for equipment during the period was about \$94,000,000.

"These are some of the outstanding changes which have occurred in the Erie picture since Underwood took hold. Fluctuations in the selling prices of Erie stocks have been wide in the last 25 years. As compared with a present price of around 38 Erie first preferred has sold as high as $85\frac{1}{2}$ and as low as $11\frac{1}{8}$. The second preferred, now at $34\frac{1}{2}$, has been quoted as high as $78\frac{3}{8}$ and as low as $7\frac{1}{8}$, while the common, bringing 27 or thereabouts on the stock exchange at present once sold up to $52\frac{3}{4}$ and again as low as 7. No dividends ever have been paid on Erie common and none on either of the preferred issues since April 2, 1907.

"The only rumors of resumption of dividend payments on the preferred in recent years came as a result of rumors circulated after the Nickel Plate decision when other managements were fortifying their trading position by marking up the rates on their shares."

It may be true that only a railroad president can understand sympathetically the work Mr. Underwood has done, and then only the seniors can grasp it. Such men have lived the days and nights and years of worrying and figuring. They know about all there is to know of plans upset, of hopes deferred, of bone-headed legislation, regulation gone wild. They are honor graduates in the task of serving a public too often ungrateful. But it is extremely doubtful whether any of all the class knows any of these things more thoroughly or has kept his balance and his temper more evenly than Frederick D. Underwood.

The Railways and the Law

Reciprocal Switching Ordered.—The lines of four steam railroads enter Michigan City, Ind. Each of these lines had an arrangement with the other for reciprocal switching. An electric passenger railroad, also engaged in the general transportation of freight, also entered the city. It obtained an order of the Interstate Commerce Commission whereby one of the railroads, was required to establish through routes and joint rates with it, and an arrangement was made with it for reciprocal switching. The other railroads had no physical connection with the electric railroad. They had not been parties to the proceeding. The electric railroad sought arrangements with the other roads for reciprocal switching, and the

I. C. C. ordered the steam railroads to make such arrangements. It is this order that came before the court for consideration. Held: The order should be sustained. The order does not require the steam railroads to extend any service to the electric railroad. It leaves them free to remove the discrimination by any appropriate action. Direct physical connection with the railroad subjected to prejudice is not necessary. The commission found that the conditions under which interchange switching operations were to be performed were similar. The court cannot substitute its own judgment for that of the commission. Alleged lack of reciprocity does not constitute as matter of law differentiating circumstances which negative discrimination. *Chicago Indianapolis & Louisville Ry. v. United States*, U. S. Sup. Ct.

No Recovery for Special Spotting Service.—Abnormal conditions may relieve a railroad from liability for failure to perform the usual transportation services, but they do not justify an extra charge for performing them. Spotting service for cars was included in the line haul charge under both interstate and state tariffs. Owing, however, to a serious congestion of traffic at Newport News the railroad failed duly to perform spotting service for a company engaged in doing work at that place. To remedy this condition an engine and crew were assigned to the company for the exclusive use of its traffic. The railroad now sues for the agreed compensation on the ground that it was under no obligation to furnish special facilities and that the compensation was in effect rental for equipment. The company contends that the contract was in violation of the Interstate Commerce Act. Held: The railroad cannot recover. This spotting service was covered by the tariff; a contract to pay this additional amount is both without consideration and illegal. To assure performance to this shipper was an undue preference, and the contract was void for illegality on this ground also. *Chesapeake & Ohio Ry. v. Westinghouse, Church, Kerr & Co.*, U. S. Supreme Court

Liability for Injury to Passenger During Hold-Up.—A passenger on an interurban railway was robbed and injured by hold-up men. He sued the railway and alleged in his complaint that the employes willfully and unlawfully refused to interpose or to defend him; in fact, that the conductor climbed through a window and fled. The court in deciding that the complaint did not set forth a course of action against the railway stated the rules of liability in such cases. The basis of liability, the court held, was the negligent failure of the employes to afford the passenger that protection which in the exercise of such care as the law required of them, they should have used. The care which the railroad is required to exercise for the safety of passengers is reasonable and ordinary care such as a person of ordinary prudence would regard as reasonably necessary and proper under the circumstances. A railroad is not an insurer of the safety of passengers against felonious acts by persons not in its employ. But it may be held liable for the neglect and refusal of its employes to afford a passenger protection where they could have protected him and prevented the injury by the use of means at their command, in the exercise of reasonable care. The complaint in this case, the court held, failed to show that the railway and its employes could and should have prevented the injury by the exercise of reasonable care and negligently failed to do so. *Terre Haute Indianapolis & Louisville Ry. v. Scott*, Indiana Supreme Court.

Secretary Hoover launches a program against waste. Large national organizations take up the question of waste. It must be important. Don't waste anything.