

RAIL COLLAPSE IN EUROPE ANALYZED BY BANKER—BUSINESS NOTES

EUROPEAN RAILWAYS' FAILURE CAUSED THOUSANDS TO STARVE LAST YEAR, SAYS VANDERLIP

Remedy of Transportation Breakdown Is the Great Problem of Reconstruction Facing Industry of Old World Today

Equipment Is Deficient and Ancient, He Says—System Is Ineffective in Handling Traffic—Will Become Worse

Double-Track Lines in Belgium Torn Up—Situation Worse in East—Authority Quoted Says the French Lack Progressive

LIFE ITSELF DEPENDS UPON R. R. SOLUTION, SAYS VANDERLIP

FRANK A. VANDERLIP, noted financier and former president of the National City Bank, in his second article upon the industrial situation in Europe, reveals some startling facts concerning the deplorable condition of the transportation system in the Old World.



Among the statements Mr. Vanderlip makes are:
A speedy solution to the railroad tangle of Europe is not only essential to the resumption of industry but to maintaining life itself in some of the large centers.
Hundreds of thousands of deaths of starvation in Europe last year were traceable to the congestion in the transportation system.
The railroad system in Spain is in better condition than he expected.
In France the system stood up well under the enormous strain of war, but the equipment is antiquated and the system of handling freight inefficient. He was told of one engine in the French system built in 1857, which is still being used.
Mr. Vanderlip quotes a European railroad authority upon the situation in England, which, while not congested, is in a complicated labor situation as the result of pre-election promises.

By FRANK A. VANDERLIP

IF THERE were nothing else the matter with Europe except the breakdown of railway transportation most of the European nations would still be facing a problem of gigantic proportions, the early settlement of which is not only essential to the resumption of industrial life, but is actually essential to maintaining life itself in some of the large centers.
Hundreds of thousands of people have starved to death in the last twelve months in Europe. I am not using figures, as it is said Lloyd George does, merely as adjectives. There is competent authority for such a statement. This terrible catastrophe has only in part been caused by lack of food. In an important measure the disaster was directly traceable to the breakdown in transportation, to the physical inability to move stores of existing food into localities where people were dying of starvation.
At one time there were 100 unloaded cargoes of food in the harbor of Marseilles, held there because preceding cargoes were blocking the lines of transportation.
The railroads of Spain were, on the whole, in much better condition than I expected to find them. In France the system, has wonderfully stood the test of the enormous movement which has

been imposed upon it. But equipment is deficient, and much of it unbelievably ancient. Added to that is the inefficient system of handling the traffic.

One of our high military officers described the despatching of a freight car, say from Hrest to Paris, in a mail box. Sometimes, presumably, the car would arrive at its destination, but in the meantime there was no record of its whereabouts.
No matter how important it was to have it reach its destination, no way existed to trace it, and it might get lost on a side track for a month. The situation in France or even in Belgium is by no means illustrative of the situation further east.
It is true that in Belgium the Germans took up virtually all double track, even on the principal main through lines and have left but a single track from all traffic. Literally hundreds of masonry bridges have been destroyed in Belgium and northern France. It is easy to say that all this damage can be readily repaired, and so it can in time.

My point is that it has not been repaired and at the present moment the tremendous handicap resulting from an inability promptly to move freight would alone be an enormously disorganizing factor to the industrial life of those countries.
As one goes further east, however,

the transportation system is found to be far more seriously disorganized. It is true that there has now been established some through services that might be taken to indicate a return to normal railroading conditions.
One can travel from Paris to Warsaw, or to Belgrade, Bucharest or Constantinople. When it comes to transporting freight through the whole district east and south of Germany and of old Austria-Hungary, the situation assumes serious aspects. Serbia was swept almost clean of all railway equipment. I was told that at the date of the armistice there were but nine locomotives left in Serbia.
The situation is bad in Greece as well as in Rumania, Czechoslovakia, Poland and Lithuania. In Russia the locomotives seem to have been run until they ceased to function and then were derided, little if any effort being made at repairs, and it is here that there are the most notable examples of starvation and simple food supplies not distantly separated.

I have the highest possible authority for the prediction that the food situation will be more serious in the spring and summer of 1920 than it has been this year, and indeed that it will be so serious that, taking into account the breakdown of transportation, it will be impossible to prevent another horror of starvation even if the ports of Europe are amply supplied with food.

I am not arguing that this whole situation cannot be readily put to rights, but I do say that no substantial start has yet been made to do so, that even no systematic plan has yet been developed, and that under the very best of conditions the task is one that will consume a great deal of time.
In the interval the transportation situation presents a most serious obstacle to the distribution of food and necessities and makes doubly difficult the restarting of industry. Among all of Europe's needs none is more poignant than the rehabilitation of her railroads.
Locomotive Sixty-one Years Old
Occasionally I had an interview that was so rich in material and that was given under such circumstances that I could make very brief running notes. I find in my notebook, which indeed is a notebook of an interview I have had with a man who has made a great success on two continents and who knows thoroughly from personal experience the railroad conditions in America, England and in Europe, and who has rendered distinguished service throughout the war.
My talk with him ranged over many subjects. Portions of the interview would logically fall in various chapters of this book, but perhaps it will be as

interesting and readable to try to give an outline of what he had to say without any attempt at logical arrangement.
"In France the railroad tariff is fixed by law, too low. It is now admittedly too low, but there has been an indisposition materially to increase it, just as there has been an indisposition materially to increase taxes. The result is a sad deficiency in income and a serious decline in the physical condition of the railroads.
"The French railroads seem never to scrap rolling stock. I have seen a locomotive regularly running on a French railroad that bore the date 1857 on its nameplate. That locomotive would be in a museum in America. Its boiler tubes were all of copper. It is today in regular operation. The way in which France has conserved its old rolling stock makes me wonder if Americans have not gone mad on rebuilding railroads.
"Economical as is the management of the French lines, their income is not sufficient to keep up properly their physical condition. The Allies have paid the Nord Railway \$3,000,000 on account and that is all that has kept the road going. The finances of all the French roads are bad.
"In France a tremendous amount will have to be spent to retrace the railroads to a good physical condition. The problem is by no means insurmountable, but France will have to put up rates. Everything that a railroad bus has gone up and there must be an advance in the price of what it has to sell.
"If the French railroad managers would only introduce some kind of efficiency, if they would learn to do some things in the way they have seen them done under American and English direction, their position would be much easier. I think after the Americans and English have gone home the French will introduce a better system, but they dislike to do that under the eyes of the foreigners.
"England Finds Remedy
"In England an extraordinarily happy arrangement was made at the very outbreak of the war. The British government took over 95 per cent of the railroad lines, guaranteeing them the same net return as they made in 1913.
"The government allows the same amount to be spent on upkeep and charged to operating expenses as was spent in 1913, plus 20 per cent, the 20 per cent being allowed to cover the increased cost of material and labor. There was so much difficulty in getting labor that \$1,000,000 of this upkeep fund is unexpended.
"The passenger rates in England were increased 50 per cent, not so much to get additional revenue as to prevent travel. Freight rates were not materially raised. Much traffic that had formerly moved by water had to be removed by rail, and this made new tariffs necessary and increased the business of the railroads.
"There was formed a railroad executive committee, made up of eleven or twelve managers. The president of the Board of Trade was the nominal head, but he was not active. No conclusion was put into effect without the unanimous consent of this executive committee. They were broad-minded in their attitude and did not hamper the government, and the result is that there has been built up no controversy between the government and the managers.
"In an unguarded moment the government promised the unions that it would syncretistically consider an eight-hour day. With the armistice the unions immediately came forward and demanded an eight-hour day at once. Lloyd George, Sir Albert Auckland, Stanley Geddes and Sir Herbert Walker all made promises before election that are now difficult to carry out. During the war hours ranged from ten to twelve a day, and sometimes there were cases of men working sixteen hours a day. An eight-hour day would add \$25,000,000 annually to the operating expenses. The present increase of wages over the pre-war total is \$55,000,000, so that an eight-hour day is granted on top of the present wages, the operating costs for labor will be \$80,000,000 more than prior to the war.
"English Public Divided
"Standardization, co-operation and the operation of all the roads as one system will save about \$15,000,000 per annum, leaving \$55,000,000 to be met by increased rates. Railway economists agree that this cannot be done. It means doubling the expense. Winston Churchill before election promised nationalization. His unauthorized promise was not denied until after the election. Now England is in the hands of a new ministry of ways and transportation, but as yet no definite government policy has been announced.
"The English public is divided upon the subject of nationalization. The subject, however, is not so complicated as it is in America. The difference between the railroads in the United States and in England lies in the fact that there is no vindictiveness in England between the government, the railways and labor. There have been no such acts in England as the taking away of private cars, or the reducing of salaries of managers. The English public always stands ready to play. 'Is it cricket?' is a question ever in the minds of Englishmen.
"In America the policy of legislators and of the Interstate Commerce Commission has often been vindictive. England will probably be slow in making its final decision in regard to the railroads. It is the habit there to consider public questions carefully; but in the end it will be fairly considered and the owners of railroad securities will be treated fairly.
"Against Political Influence
"Personally, I think the government ought to get out of the railroad business. Political influences will always hamper its policy of management. I doubt if railroads can ever be publicly run successfully in a democracy, although perhaps they can in an autocracy.
"I have been spending some time in Belgium. You can discount somewhat the Belgian hard-luck stories. The Belgian is inclined to exploit his misery. It is true that certain towns were wiped out, but all were not. Belgium agriculture is better than it was before the war. The Belgian children have been well fed. Keep an eye on Belgium. Her industries may revive first in Europe, and she has great ability in the industrial field.
"Here in France industry is handicapped in many ways. The Frenchman is jealous and suspicious of his neighbors. He is an individualist and does not like to co-operate. The genius of the French is for small business. They do not want Americans or English to

come in to do business in France. That policy is undoubtedly a mistake. They ought to welcome the energy and brains of outsiders who would help them to get going. There has been enough altruism and amateur charity in regard to France.
"What France ought to do is to let capital and brains flow in and give vitality to her whole industrial life. She should do away with her restrictions. But, in fact, she has become more Chauvinistic than ever. Do not be deceived, however, by the possibility of recovery in France. France has been very sick, but there is nothing wrong with her constitution. Foreigners can do business in France if they will only learn how to go about it. Americans particularly do not know how to deal with Frenchmen. Americans are too direct and too blunt.
"No Frenchman wants to talk business in the first interview, and much of the business of France is done by indirection. One must take time to find out where the lines lie and in direct contact never take a Frenchman too seriously. The field of industry in France would be difficult for an outsider, but in the field of finance there is unlimited opportunity.
"You ask what America should be doing in Europe. Europe is fairly crying for brains and capital. There are possibilities everywhere, and there are particular possibilities in some of the byways of Europe that capital does not think of. Portugal is one. Clear-sighted engineers with a business sense could find many opportunities in Portugal and in Spain. There are great mineral resources there and an excellent climate.
"One of the old regions of the world, Mesopotamia, will be made to flourish like a green bay tree if a little capital and some brains would get hold of the situation and revive the irrigation system of ages ago. In the Balkans and in the east there are coal and oil to be developed. In Rumania there are mines and agricultural possibilities. The Germans made no mistake in solving the Near East as a place for investment. They organized banks there, and the banker did not take chances. He knew what he was about. There is a banking vacuum from the Adriatic east.
"If America will study these opportunities and will link imagination with a realistic knowledge of existing conditions, she can, with her ways of dealing with things, make a new world out of these backward countries. The greatest export America could send to these countries would be men with a knowledge of construction, of finance and of management. These countries are in a desperate situation so long that there is no impetus left in the native people, and they have made no progress, in spite of having natural resources that would have supported great development.
"The course for America to follow is, first, to investigate, to prospect, then to construct, retaining an interest in the junior securities and keeping the operation in their own hands. There is an enormous field for profit to Americans and for service to these people."
There seems to me much sound suggestion in this interview, as well as in a preceding discussion of the European railroad situation.
Copyright, 1919, by Macmillan Company.

Mr. Vanderlip tomorrow will discuss 'Coal and Credit Italy's Need.'

SEES GRAVE CRISIS FOR TROLLEY LINES

Can't Perform Expected Functions Under Present Handicaps, J. H. Pardee Declares

FLEXIBLE RATES SOUGHT

By the Associated Press

Washington, July 15.—Under existing conditions and with revenue they are now receiving, the electric railways cannot continue to perform the functions expected of them, John H. Pardee, president of the American Electric Railway Association, today told the federal railways commission. The commission was appointed by President Wilson to investigate the situation confronting local transportation interests throughout the country.
"It is no longer a question of what return shall be allowed to the owners of the railways," Mr. Pardee said, "it is a question as to what service, if any, shall be rendered to the public."
"Not Seeking to 'Make Case'"
Asserting it was not the purpose of the railways representatives to "make a case" before the commission, Mr. Pardee said they appeared to give the facts in the situation in the hope a solution might be found satisfactory to the public, employees and owners alike, interested as they all were in maintaining good service at reasonable cost.
"Owing to the complete system of control and regulation over us by the public authorities, which both prescribe our service and control our rates, we are unable to adjust ourselves to changing conditions, as every other industry not so hampered is readjusting itself," he said.
New Burdens Through War
Outstanding phases of the situation demanding attention, he continued, are the "absolutely uneconomic and unsatisfactory" basis upon which the relations between the public and the electric railways have rested since the inauguration of the enterprise, and the placing of many additional burdens upon companies by the government as war exigencies without any sort of relief. Included in the war program, to which Mr. Pardee said the electric railways readily subscribed, were the raising of employees' wages as much as 100 per cent, the control of the price and delivery of coal, the fixing of prices of other commodities and, in many cases, the prescribing of service to be given.
Public Co-operation Necessary
"Co-operation of the public is necessary to the stabilizing of electric railway conditions," Mr. Pardee said.
"There must be impressed upon the public a new conception of the relations between the communities and the public utilities which serve them; they must be shown that the antagonism which has heretofore prevailed is disastrous to both interests and that only when the public and the companies work together to secure efficiency and economy in operation can the desired service be furnished at a reasonable price."
"A second fundamental idea is that in order to provide through the employment of private capital proper transportation facilities for cities and for rural districts, the basis of compensation must be so determined as to provide an assured return and a rate of fare so flexible as to readily and automatically adjust itself to the cost of providing the service."

Continued restrictions against the importation of dyes from Germany, although the trade blockade against that country has been lifted, has caused a decided increase of business in the local market for coloring material.
Little activity is displayed in the chemical market. Prices are said to be adhering to the advancing tendencies of last week. Among manufacturers and brokers it is believed that the price situation is now close to normal.
South America, Russia, India and Egypt are placing large orders with British mills for mohairs and other tropical cloths, according to a cable received by the agent of an English textile concern.
As the bids received for the government's surplus offering of 17,000,000 yards of silk cartridge cloth were deemed too low, the eighteen proposals from willing buyers have been rejected by the War Department.
Jobbers expect watch manufacturers within the next few days to announce a new schedule which will show increased quotations.
South American merchants who are purchasing infants' wear, sweaters, underwear and other similar articles of wearing apparel have ceased to ask for credit terms, it is said by manufacturers who are selling the South American trade.
Some sellers are asking and getting 22 cents a pound for copper, September delivery. A feature of the market is increased demand for copper over the last half quarter of this year but there is little disposition on the part of sellers to name a price covering this delivery.
The American consul general at London has cabled that export licenses for shipment of wool to the United States will be issued freely upon application to the government of the Union of South Africa.
Liverpool Cotton
Liverpool, July 15.—There was an improved request for spot cotton today with prices firm on the basis of an advance of 23 points for middling at 21.45d. The sales were 3000 bales. The receipts were 26,000 bales, of which 21,700 bales were American. Futures were steady in the early dealings. Spot prices were: American middling, fair, 23.94d.; good middling, 22.51d.; fully middling, 22.01d.; middling, 21.41d.; low middling, 19.96d.; good ordinary, 18.01d.; old and ordinary, 17.48d.

The Successful Business Man
realizes the value of a connection with a responsible investment house.
The demands of his own business often preclude the exhaustive study of securities necessary to intelligent investment, yet his abilities in his own field result in surplus funds for investment, and his good judgment dictates the advisability of placing at least a part of these funds in the bonds of companies not associated with his own.
Moreover, the successful results of his own specialized efforts suggest a connection with an institution which has made investments its particular study.
We count among our clientele many successful business men to whose success we have contributed in no small part through the safe and conservative investment of their surplus funds.
We could, no doubt, render a like service to you. As a preliminary may we send you our booklet—'Choosing Your Investment Banker,' together with our current list of offerings? Ask for List P.A.-15—you will incur no obligation.
HALSEY, STUART & CO.
INCORPORATED—SUCCESSORS TO N. W. HALSEY & CO., CHICAGO
LAND TITLE BLDG., PHILADELPHIA
TELEPHONE: LOCUST 4820
CHICAGO NEW YORK BOSTON ST. LOUIS
DETROIT MILWAUKEE

The Bond Department of
HENRY L. DOHERTY & CO.
60 Wall Street, New York
announces the opening of an office in
PHILADELPHIA
604 Morris Building, 1421 Chestnut Street
Keystone Telephone—Race 374 Bell Telephone Connection
July 15, 1919.

British American Chemical
Circular on Request
COHEN & HESS
Members New York Stock Exchange
67 Exchange Place, New York

Efficiency in Building.
Andrew Carnegie says he succeeded in business because he knew enough to choose helpers who knew more than he did.
That's 90 per cent. of building efficiency—choosing your helpers well. There's no operation in which "team-work" is more essential. When the floor-men come to do their work they must find the flooring on the spot. If the girders are missing, your whole operation may be held up for weeks.
Our traffic department has saved many a builder from delay and loss. It is one of the forces that has given this company its reputation for SERVICE.
Building is too serious a matter to run the risk of failure to "deliver the goods."
Some day you'll build. If you want the job finished on time, see that the lumber comes from LLOYD.
William M. Lloyd Company
ESTABLISHED 1868
29th Street and Ridge Avenue, Philadelphia

Cassatt & Co.
Philadelphia
announce that they have this day opened an office at
56 Wall Street
New York, N.Y.
Private telephone wire between New York and Philadelphia
July 15, 1919

Guaranty Trust Company of New York
Condensed Statement, June 30, 1919

RESOURCES	
Real Estate	\$6,000,000.00
Bonds and Mortgages	1,920,100.00
U. S. Government Bonds and Certificates	38,827,146.05
Public Securities, including British and French	
Treasury Bills	43,761,573.03
Other Securities	49,667,334.38
Loans and Bills Purchased	405,867,874.64
Cash—on Hand and in Banks	117,651,027.20
Exchanges for Clearing House	79,331,998.08
Foreign Exchange	16,597,617.42
Credit Granted on Domestic and Foreign Acceptances	52,239,103.20
Accrued Interest and Accounts Receivable	9,220,625.78
	\$821,084,399.78
LIABILITIES	
Capital	\$25,000,000.00
Surplus Fund—required by law	5,000,000.00
Additional Surplus— not required by law	20,000,000.00
Undivided Profits	4,479,876.83
Notes and Bills Rediscounted with Federal Reserve Bank	7,250,000.00
Due Federal Reserve Bank against U. S. Government Obligations	5,000,000.00
Outstanding Dividend Checks	1,020,831.50
Outstanding Treasurer's Checks	22,498,310.35
Foreign Accounts	10,664,683.96
Domestic and Foreign Acceptances	52,239,103.20
Accrued Interest Payable and Reserve for Taxes and Expenses	6,016,700.42
Deposits	661,914,893.52
	\$821,084,399.78

BUSINESS NOTES
The American sulphur industry is expected to benefit materially from the resumption of trade relations with the Central powers.
Dealers in machine tools are looking for a revival of trade in their line this fall. When this expected buying movement once gets well under way the prediction is made that it will extend over a period of several years.
Continued restrictions against the importation of dyes from Germany, although the trade blockade against that country has been lifted, has caused a decided increase of business in the local market for coloring material.
Little activity is displayed in the chemical market. Prices are said to be adhering to the advancing tendencies of last week. Among manufacturers and brokers it is believed that the price situation is now close to normal.
South America, Russia, India and Egypt are placing large orders with British mills for mohairs and other tropical cloths, according to a cable received by the agent of an English textile concern.
As the bids received for the government's surplus offering of 17,000,000 yards of silk cartridge cloth were deemed too low, the eighteen proposals from willing buyers have been rejected by the War Department.
Jobbers expect watch manufacturers within the next few days to announce a new schedule which will show increased quotations.
South American merchants who are purchasing infants' wear, sweaters, underwear and other similar articles of wearing apparel have ceased to ask for credit terms, it is said by manufacturers who are selling the South American trade.
Some sellers are asking and getting 22 cents a pound for copper, September delivery. A feature of the market is increased demand for copper over the last half quarter of this year but there is little disposition on the part of sellers to name a price covering this delivery.
The American consul general at London has cabled that export licenses for shipment of wool to the United States will be issued freely upon application to the government of the Union of South Africa.
Liverpool Cotton
Liverpool, July 15.—There was an improved request for spot cotton today with prices firm on the basis of an advance of 23 points for middling at 21.45d. The sales were 3000 bales. The receipts were 26,000 bales, of which 21,700 bales were American. Futures were steady in the early dealings. Spot prices were: American middling, fair, 23.94d.; good middling, 22.51d.; fully middling, 22.01d.; middling, 21.41d.; low middling, 19.96d.; good ordinary, 18.01d.; old and ordinary, 17.48d.