Industrial Expansion and the Railroads

Looking Ten Years Ahead—Have Transportation Facilities Kept Pace With the Growth of the Country?

SO much interest is consumed nowadays in studying current railroad earnings, estimating the effect of new wage and rate schedules and wondering how long it will be before the roads have a sufficient volume of business to bring all their equipment into use and utilize their terminals to their fullest capacity, that there is really very little time and probably little disposition to study that phase of the situation which deals with the problem of how well equipped the roads are to handle a volume of traffic as great as that in 1920 and greater. One does not have to look very far ahead to visualize the railroads confronted with this problem. The industrial recovery in this country during the past six months has been very pronounced and much more rapid than the average merchant, who is still confronted with rather slack business, seems to realize. The basic industries are the true indicators of returning prosperity.

The steel industry as recently as the fall months of 1921, was operating on an average of about 25% of capacity. The industry, as a whole, is now operating at well over 60% of capacity. Production of pig iron for the first half of this year amounted to about 9,800,000 tons, an increase of 3% over the corresponding period of 1921, and an increase of 38% over the second half of 1921. The present rate of production is at the annual rate of about 30,000,000 tons, the best record in over eighteen months and almost equal to the record production of 1912 and 1913, the best two pre-war years. In addition to this the unfilled orders in steel companies' books is steadily mounting.

The automobile industry is breaking all previous records. Production in the first half of this year totaled 1,122,740 cars, including trucks, or at the annual rate of about 2,000,000 cars. This is over 60% ahead of last year's production and about 300,000 cars ahead of the best previous year in the history of the industry.

Oil production is breaking all previous records and all indications point to an almost unprecedented demand in the coming year.

Lumber trade, iron ore and copper production and building trades have all shown steady improvement. The activity in the last named industry is particularly pronounced.

All these factors point unmistakably to returning prosperity and era of greater industrial activity than this country has ever witnessed before. Will the roads be able to handle it?

Going back to 1920, we find that the carriers hauled over 400 billion tons one mile. They were utterly unprepared to handle this volume of traffic, and the result was endless congestion, delays and waste. There existed in this year the largest shortage of all kinds of equipment in the history of railroad operation. This same situation is very likely to exist this fall. The present volume of traffic is not so very far behind 1920, and were it not for the coal strike, traffic would undoubtedly be just as great, if not greater, than in 1920. The problem of adequate transportation facilities was very neatly thrust into the background by the sudden turn of economic conditions in 1921. The shortage of equipment in 1920 was quickly converted into a large surplus as traffic fell off rapidly. The real problem was thus temporarily deferred, but it may not be very long before it is with us again in full force.

Normal Growth in Next Few Years

It is a well-known fact that the railroads have been unable to expend the necessary sums to bring their property and equipment up to the growing needs of the country. The carriers have had their hands full making both ends meet in the past two years, and many roads were compelled to cut down on maintenance in order to do so. There was no money available for expansion and construction work or for equipment buying. To have attempted to raise it by bond flotations during the period of high money rates would have been suicidal. We have a very graphic example of the results of a large expansion and improvement program during the past five years in the case of St. Paul. The decline in the cost of material and supplies during the past twelve months and the downward revision of wages, together with the increasing volume of traffic, is rapidly placing the carriers on their feet again. Conditions in the money maket are such as to make new financing much easier.

We are rapidly approaching the point where the railroads will have to begin providing for the increasing requirements of business. The accompanying graph shows the trend of freight tonnage since 1900. It will be noted that up to the time of the World War there was a steady increase in ton-miles. Disregarding the abnormal jump in earnings during the war, and carrying on the normal pre-war increase, we find that by 1923 the normal volume of traffic should be as great as in

(*Continued on page 469*)