

HOUSE No. 1538.

Commonwealth of Massachusetts.

EXECUTIVE DEPARTMENT, BOSTON, June 5, 1907.

To the Honorable Senate and House of Representatives.

It does not seem to me wise that this session of the General Court should dissolve without a clear understanding of just what is proposed by those directly interested in the reorganization of a great transportation system in Massachusetts. I have therefore the honor of laying before you for your consideration the following correspondence:—

EXECUTIVE DEPARTMENT, BOSTON, June 4, 1907.

CHARLES S. MELLEEN, Esq., *Pres., N. Y., N. H. & H. Railroad, South Station, Boston.*

DEAR SIR:—Undisputed but unofficial statements in regard to a proposed combination between the New York, New Haven and Hartford Railroad system and the Boston and Maine Railroad have become so general that it seems to me highly desirable in the public interest that an official statement concerning the methods that have been or are to be pursued in effecting such consolidation should be made to the responsible representatives of the Commonwealth.

I feel sure that you will have no objection to sending me such information at your earliest convenience, together with any statement you may care to make in regard to the future development of transportation, commerce and industry in Massachusetts.

Very sincerely yours,

(Signed) CURTIS GUILD, JR.

THE NEW YORK, NEW HAVEN & HARTFORD RAILROAD CO.,
PRESIDENT'S OFFICE, BOSTON, MASS, June 4, 1907.

DEAR SIR:— In answer to your favor of even date, let me say:

Interests identified with my company *have acquired* a large stock interest in the Boston & Maine Railroad and have entered into agreement to acquire such additional stock as may desire to avail of the terms within a reasonable time in the future.

The basis of such acquisition made and proposed has been the exchange of shares of the two companies share for share with a commission to be paid by Boston & Maine shareholders of seventy-five (75) cents per share, a similar commission being paid by the purchasers.

While no shares of Boston & Maine stock are held by my company and it has not been proposed any shall be, still it is unquestionably true the purchases are made and held for its account in the hope and belief an ultimate union of the two properties will be permitted, and when the results of a common control are made manifest it is believed the benefits will so appeal to the interests of the Commonwealth as to warrant a consolidation of the two properties into one under such restrictions and regulations, of course, as may seem necessary and desirable to safeguard all interests.

Until the authority of the Commonwealth is obtained, no change can be made in the status of the Boston & Maine Railroad; none is proposed, — nor is there desire any shall be. The Company will be handled by its own Board of Directors, who will elect its own officers, who will administer the property in its own interest, performing its duties and fulfilling all its obligations to the public and its stockholders in the future as in the past.

The purchase of the shares of Boston & Maine stock referred to was made not as a result of the desire for aggrandisement on the part of the interests dominant in our company, but that they should not have been sold elsewhere, as would have otherwise been the result, and, which might have been most detrimental, we believe, not only to the interests of our company, but, as *we conceive*, of those of the Commonwealth as well.

No stock has been or will be issued in connection with this purchase against which a charge of stock watering or inflation can lie, for every share of New Haven stock issued will represent

a share of Boston & Maine retired, and no capital will be outstanding on which dividends must be paid more than at the present time.

No reduction of facilities is permissible in the view of an intelligent management of a public corporation,—one that has favors to ask of the Commonwealth to successfully carry out its plans, but rather that increased facilities shall be given, that an increased business may result and a better net return be available, for increased development has invariably followed an increase of facilities and reduction in rates in our experience in a highly developed and congested territory like that served by the Boston & Maine lines.

It is our confident belief an increased service, without transfer through the Connecticut Valley, through the union of these properties under a common control and ultimately by consolidation, will result in the development of a largely increased revenue through the greater convenience available.

Similarly a through service by way of Worcester and Nashua through the Merrimac Valley cannot fail to benefit materially the public, with resulting advantage to the revenue of the railroad.

A through service to and from the State of Maine offers possibilities for revenue not to be lightly considered,—possibilities so large with such a field for exploitation so near at hand, it seems little doubt should be expressed of the result.

It is possible through this common control to bring the roads in Boston all into a Union Station, with resulting convenience to the travelling public and economy to the railroads.

It is also possible with the great amount of contributive business under a common control to compel such consideration of Boston's position that the differentials under which its merchants have so long suffered shall no longer discriminate against its importance in the commercial world.

Having no possibility of becoming a trunk line to and from New York and the West, the whole influence of our company must be exerted upon the attraction of the largest amount of business to and from Boston as against any other port, and the economy in concentration of the terminals must of necessity interest the company in the development of the property of the Commonwealth in South Boston for this purpose, thus making possible for the first time a realization of the plans of those who projected that improvement.

Nothing our company could do to place it under greater bonds to do all that was in its power to develop to its utmost anything and everything that will tend to promote the business of Boston and New England. If they cease to grow and prosper, we shall wither and die—we cannot prosper in a community alone,— we must share your burdens as well as your prosperity.

It is unworthy of discussion, the fear of the misuse of power, if this combination be permitted. Why should this old Commonwealth fear any artificial creation of its own or of a neighboring State transacting business within its borders by its permission? What matters it who owns the shares of your corporations? The corporations still exist and are subject to your laws and your control. They cannot move away or avoid service or evade their obligations if your officials do their duty.

The power to control, to regulate is unquestionable—the creature cannot become greater than or independent of its creator.

The company I represent recognizes fully its obligations to the public, desires to be a law abiding citizen of your Commonwealth, is trying to perform all its duties efficiently and to your satisfaction, and believes it is in position to do more for the commercial interests of your Commonwealth at the present time than was ever possible before and seeks to do it in such a way as to merit your approbation and be recognized as your most efficient public servant.

Sincerely yours,

(Signed) C. S. MELLEEN,
President.

His Excellency CURTIS GUILD, Jr.,
State House, Boston, Massachusetts.

The consolidation of corporations becomes dangerous not only in itself but in its consequences whenever the managers of private capital entrusted with a public service so abuse that trust as to excite agitation for the seizure and operation of private properties by Commonwealth or Nation.

Mere vituperation against railroads on the other hand and the removal of all inducement to investors by the suppression of all possibility of reasonable profit simply spells

destruction not only to swift and convenient transportation but to commerce, manufactures and even to agriculture.

Every approach to monopoly demands a greater measure of public regulation and control, for if the State does not control the railroad, the railroad is reasonably sure to control the State.

I believe that this session should not close in silence on this question. It should leave behind it some safeguards of the public interest to which, I feel sure, no reasonable objection can or will be made by such as honestly seek their own profit through economy of administration and not by increased burdens on the public.

A promise has been made in the letter submitted to you that "no stock has or will be issued in connection with this purchase against which a charge of stock-watering or inflation can lie, for every share of New Haven stock issued will represent a share of Boston and Maine retired and no capital will be outstanding on which dividends must be paid more than the present time."

This promise is contingent on the life and health of a single man or at best of an existing board of directors. It should be crystallized into law that the public may be protected from any stock-watering device or extra distribution of dividends to be taken ultimately from shippers and passengers in the shape of excessive charges.

The present law provides that where a change in rates or fares is reasonable and expedient the Railroad Commissioners shall in writing inform the corporation of its recommendations. I suggest the extension of the statute.

If in the future any railroad proposes to increase freight rates or passenger rates, if in the future any railroad proposes to withdraw or curtail existing privileges of any kind it should face a new, clear and explicit statutory provision that any increase in charges by common carriers, any curtailment of privileges enjoyed by passengers or shippers can only be made after a public hearing and the written approval of the Railroad Commissioners.

Control of the organization of great corporations never

can be entirely effective, in the absence of a National law governing incorporation.

Whatever may be possible, however, in the way of the organization of combinations under the conflicting corporation laws of the various States, the time has come when Massachusetts should by statute publicly affirm, even if it be to some extent reaffirmation, her determination to control the operation of railroads within her own borders.

I do not believe that we shall have done our full duty to the people of the Commonwealth if we separate without securing in clear and explicit language some such safeguards of the rights of the public. The success or failure of the consolidation in question will largely if not entirely depend on such legislation as may or may not be granted, but neither railroad manager, investor nor citizen should be obliged to wait six months to learn where Massachusetts stands in regard to any proposition which presents any immediate or ultimate possibilities of increased charges on the public, or curtailment of transportation facilities.

A square stand on such foundation principles of legislation should be taken now.

CURTIS GUILD, JR.