

(editor's note: This paper was transcribed from a handwritten cursive copy with various difficulties. For a perfect rendition, the reader might wish to consult the original, itself a copy, in the volume entitled *Literary Club Papers* 2, 1886 – 1887 June 5, '86 to May 21, '87)

### The Cincinnati Southern Railway

A railroad is never finished. Provided to-day with every facility known, equipped with all the appliances attainable, and supplied with every convenience demanded, it will tomorrow need the addition of the new discovery or improved invention of the day. As the road develops the country through which it runs, it needs in turn to be an enlarged with that development, and must grow with the ensuing growth. True as is this necessity of growth in the case of all roads that prosper, it is especially true in respect to new roads built through virgin country. It needs the snort of the iron horse to startle such districts into life and activity. New railways are always built and equipped in a style in keeping with their surroundings, and in fresh countries far below the requirements of the older ways that have grown with the progress of settled communities to the demands of a highly-civilized people.

The construction of the Cincinnati Southern Railway is no exception to the rule. It runs for 250 miles through a region previously unknown to railway facilities. It connects a vast system of railways South with a still more extensive system North, and makes that connection in a state into which, by geographical reasons are compressed for passage East and West, nearly every trunk line of railway in the nation. It was built through a country difficult, uncultivated, undeveloped, and comparatively sparsely peopled. It needed few conveniences for the business the land at first afforded, and looked to the unfolding of the immense resources of the tributary country for the future support and enriching of the plant. When the road was offered for completion in 1881, and when, in October of that year it was leased to the present operating Company, the railway was without terminal facilities in Cincinnati, and was insufficiently equipped with depot, yard, and shop accommodations everywhere. Some of its many tunnels were supported by timber, or unsupported at all. Some bridges needed replacing with iron structures, a number of earth-fills were required, where the road was carried on wooden trestles, and the whole road needed heavier ballast, and heavier and better rail. The trustees estimated the cost of these requirements except terminal facilities, at about \$2,500,000; and to the extent of that sum then provision was thrown upon the lessee. The leasing company took the road with a cash capital of \$3,000,000, of which about \$1,800,000 was at once expended in buying from the former licensee of the road the rolling stock needed in operating the railway. Only \$1,200,000 was thus left to meet the charges for the improvements mentioned. Nothing passed to the company that could be mortgaged as security for a loan. The city's bonds were a lien on the road, and a tight mortgage to secure rent covered everything else the lessee company owned or could acquire. The life of the lease – now less than twenty years is too short to give a shadow of security for bonds, or a glimpse of attraction for increase of stock. Without betterments the road cannot be expected to do what it might in the way of earnings and for all work required to make the roads safe, about \$1,000,000 is available – half what is necessary; and for real betterments nothing. Nothing can be raised for essential improvements to develop the road and keep it equal to the demands of trade unless the means are forthcoming from earnings. Apart from the injustice and impolicy of using earnings to make the betterments

that properly belong to capital, it is impossible in the case of the C.S.R. a new and rude road – to earn enough to spare anything considerable from earnings above operating expenses, unless, first, a large outlay be made upon the railway. The trustees have \$300,000 to provide terminal facilities in Cincinnati. If the sum were multiplied by ten, a good use could be made of all of it. The present provision is absurdly inadequate. It is not surprising therefore, to find the lessee clamoring, at the end of five years experience that the lease is oppressive, and that it must be modified or abandoned. It will not do now to say that the lessee Company began with insufficient capital. The means employed are manifestly too weak; and the enterprise is doomed to failure unless methods be greatly and quickly changed. Two propositions are pending in the General Assembly, at Columbus. The first authorizes the Sinking-Fund Trustees to agree with the lessee upon the modification of the lease by which payment of \$200,000 a year of the present rent shall be postponed for six or seven years, and the delayed installments shall then be added to the rent of that time at the rate of \$100,000 a year. To this course three objections are urged: 1. That by it the city must increase taxation or debt by the same amount that rent is reduced. 2. That the lessee may not be better able to endure the increased burden of rent eight or ten years hence than it is now to bear the present obligation. 3. And lastly, that the precedent once set of modifying the lease, is encouragement sure to be followed by subsequent appeals for relief, until the result in the case of the C. S. R. reaches the end to which nearly all other cases of municipal aid to railways have traveled, – where the road has everything and the city nothing except the incidental benefits that accrue in a mercantile sense to a city from railroad connections. The relief sought, \$200,000 a year for a time is too slight in itself to assure protection to the lessee against future trouble. The whole amount asked is only enough to pay in the time mentioned the other half in the needed construction. Nothing is left for real betterments and development. No terminal facilities in Cincinnati can be expected from the abatement of rent. The relief measure is not radical enough. Further relief will be required in the future. Only what is immediately wanted is asked now, and only what will not shock the public is prudently sought at present.

Let us turn to the other plan of relief proposed. A bill has been introduced into the legislature at Columbus, and is pending in the Senate, to authorize the sinking-fund trustees to fix terms and conditions of sale of the road; and whenever they shall receive an offer in writing from a responsible party accepting such terms, the trustees shall advertise the terms and the offer of acceptance in Cincinnati, and shall submit to the voters of the city the question of confirming or rejecting the sale. The other sections of the bill are provisions for carrying into effect this object; and the main point is all that needs to be mentioned here. The bill is simple, and the transaction, although of great magnitude and importance, is also simple. The sale, if possible at all, is only upon conditions such as that the purchaser shall as price assume the principal and interest of the outstanding bonds of the city issued for construction, either as they are now, or as they may be agreed between the purchaser and the sinking-fund trustees the bonds shall be assumed to be: – in other words, as the trustees have the power of refunding the city's debt, the price agreed maybe either the present bonds or an amount of 30/50 year 4% bonds that is calculated as enough to refund the outstanding bonds. As security for performance a mortgage on the road together with enough cash to make a proper forfeit might be accepted. Who will buy, especially when there is no competitor provided or

possible. Only the present company directly or indirectly through a new organization, to which the lease, by agreement might be transferred, will be likely to consider the question. No obligation is therefore imposed by the bill upon the sinking-fund trustees except to fix terms and advertise them in Cincinnati to the citizens when an offer is received of the present lease with its attendant burdens and disadvantages does not force the lessee Company to avail itself of an opportunity to purchase, no sale is possible under existing conditions. The bill is intended not only to enable the city to sell the road, but is framed to meet existing conditions. Nobody but the lessee can buy. If the lessee will not buy, only disaster to the company, and distress to the city, one or the other or both are to be expected. Here is a way out. Take it or not, no other is open.

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