

Chicago, Milwaukee & St. Paul Investigation

THE hearing in the investigation of the receivership of the Chicago, Milwaukee & St. Paul before the Interstate Commerce Commission, which was resumed in Chicago on February 8, was adjourned on February 16 and moved to St. Louis, Mo., for a one-day session on February 17. This was done to gather further information concerning the purchase of the Chicago, Milwaukee & Gary, which was arranged in St. Louis. The St. Paul is nearing the completion of its testimony and after the St. Louis hearing a recess will be taken. The outstanding revelation at Chicago was the statement of W. W. K. Sparrow, chief financial and accounting officer of the St. Paul, to the effect that the Binkley Coal Company was chosen to sign the bill of complaint asking for a friendly receivership as that company was the only creditor which had a large enough amount due, whose members possessed certain citizenship requirements necessary to ask for a receivership, and whose members were known by officers of the St. Paul.

The greater part of the testimony at Chicago was presented to show that the purchase of the Chicago, Milwaukee & Gary and the leasing of the Chicago, Terre Haute & Southeastern, had proven advantageous to the St. Paul as the latter had gained access to coal fields and had reduced the cost of coal through the elimination of freight charges. This testimony dealt with the analysis of the coal from the Indiana mines and the advantages gained through the use of specific grades.

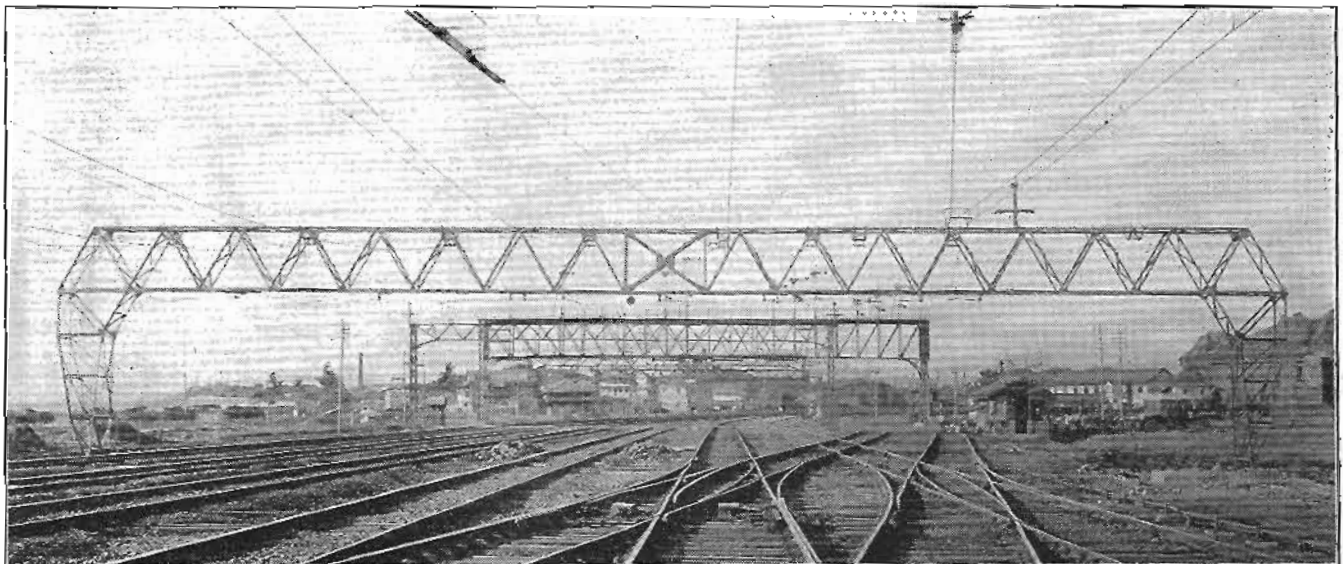
H. W. Ostrom, chief chemist of the St. Paul, presented an exhibit showing the analysis of coal from the several mines from which the railroad received its supply and described the method of procedure used in such analysis. Irving Gill and Thomas Moss, coal inspectors, explained the manner in which they inspected coal mines. L. K. Sillcox, general superintendent of motive power, compared the efficiency of locomotive operation when the different kinds and sizes of coal were used and favored uniform grades as a means of securing ideal firing conditions which would bring about efficient locomotive operation. His statement was supported by J. E. Bjork-

holm, assistant superintendent of motive power, who testified that coal from Indiana mines gave better results in locomotives than that from Illinois mines.

As a means of supplying the commission with information concerning the comparative advantages of Illinois and Indiana coal, C. E. Trotter, supervisor of fuel performance of the New York, Chicago & St. Louis, was called to the stand to present records of tests made by that road on Indiana and Illinois coal. These tests covered the actual operations in moving freight over the Nickel Plate under conditions similar to those on the St. Paul. His statistics tended to show that less coal was consumed per thousand gross ton-miles when lump coal was used than when mine run was used.

The appearance of Chicago bankers to testify relative to conditions surrounding the sale of the Chicago, Milwaukee & Gary and the leasing of the Chicago, Terre Haute & Southeastern, was postponed upon the request of F. O. Wetmore of the First National Bank of Chicago. In order to clarify previous testimony given at Washington and counteract current reports concerning the purchase of the Gary line, S. W. Fordyce denied reports that he had offered the Chicago, Milwaukee & Gary to Percy Rockefeller for \$1,000,000. He explained that he had no power to make such an offer and that he had known nothing about the sale until after it was consummated.

The bill of complaint was offered in evidence and Ralph M. Shaw, an attorney of Winston, Strawn & Shaw, who acted for the receivers, took the stand. Cross-examination was directed to prove that he served both companies and was paid by the St. Paul. The security holders' defense committee questioned him in regard to a meeting on March 15 in an effort to show the relationship of Kuhn, Loeb & Co., to the precipitation of the receivership. When Mr. Sparrow took the stand it developed that following the March 15 meeting, H. H. Field, general counsel, consulted Mr. Sparrow to determine whether there was a creditor that would meet certain requirements and who would be willing to sign a bill asking for a friendly receivership. Upon the consent of Mr. Binkley and Mr. Howard the name of the Binkley Coal Company was placed in the bill of complaint and the bill was signed.



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