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### MR. FINLEY ON CONGESTION

#### CAUSED BY GROWTH OF SOUTH

President of Southern Railway Company Issues Statement to the Public—Admits That Railroad Service is Far From Satisfactory—Railroad Has Been Overwhelmed With Traffic Resulting From Unparalleled Industrial Development Which It Has Largely Brought About—Has Made Large Increases in Capacity and is Doing All It Can.

Special to The Observer. Washington, Jan. 15.—President W. W. Finley to-day made public the following statement, relative to the congestion of freight traffic on this railroad in the South:

#### MR. FINLEY'S STATEMENT.

To the Public served by the Southern Railway Company: Realizing, from our own point of view and from public expression, the importance of the work of this company, especially in the South, and the fiduciary relationship which it bears to its patrons and to the public, I desire to make a brief statement of some of the conditions which confront it, and of the purposes and policy of its management.

The management would not ignore the fact that at present railroad service generally, including that of the Southern, is far from satisfactory. If there was no adequate and justifying cause for this, these conditions would be unpardonable, but the fact is, they spring largely from causes which cannot for the moment be controlled.

One exceedingly potential cause is the extraordinary industrial development of the South. In his last public address, the late president of this company, Mr. Samuel Spencer, referred to this development as follows:

QUOTES MR. SPENCER. "The South has entered upon a period of increased production in agriculture and in manufactures, and of general industrial and commercial activity, such as her best friends and most enthusiastic prophets had scarcely dreamed of fifteen years ago. Within that period the cash value of her cotton crop has doubled, the amount of pig iron produced at her furnaces has increased enormously, and the product of her coal mines has increased more than three fold. Cotton factories have sprung up within her borders to the extent that more of her cotton crop is now manufactured on her own soil than in all the mills of New England. The total value of her annual manufactures now aggregates nearly \$1,800,000,000 in value. The total value of her agricultural products is now over \$1,700,000,000 per annum."

This increase is likewise indicated in the volume of traffic handled by this company. In 1895 the number of tons of freight carried one mile was 1,995,925,444, while in 1906, the number of tons carried one mile was 4,458,915,839, showing an increase of over 300 per cent., or, allowing for the increased mileage, an increase of over 135 per cent. While in 1905, the number of passengers hauled one mile was 178,015,925 as against 545,515,545 in 1906, showing an increase of over 200 per cent., or, allowing for the increased mileage, an increase of 123 per cent.

Nowhere in the United States, except in the two States in the extreme Northwest, Washington and Oregon, has there been such industrial development as in the South.

#### CHIEF FACTOR IN DEVELOPMENT.

It is perhaps not too much to claim that, outside of the energies and efforts of the people themselves, this company has been one of the chief factors in this development. Manifestly, the vast increase of traffic incident to this commercial awakening, requires enormous increases in transportation facilities. The management of the Southern Railway Company has not been unmindful of this fact, and did not wait for the coming of the development itself, before attempting to increase to the utmost possible extent its transportation capacity. It must be remembered that this company has not been in existence more than about twelve years. It found those railroads of the South, now constituting a part of its system, of light and faulty construction, poorly equipped and utterly unprepared to handle any considerable traffic. They had been recently bankrupt and were without credit.

As soon as the new company came into existence, the management adopted a policy of betterment and improvement and something of what it has done to prepare for the traffic of the South will appear from the following statement:

#### IT HAS SPENT:

In new, approved and heavier rail	\$10,850,000
In double tracking, reducing grades and changing alignment	6,942,631
In new steel bridges for heavier power	2,578,540
In branches and spurs to industries	2,363,283
In side, passing and commercial tracks	3,148,806
In shops, tools and machinery	2,041,148
In additions and improvements to yards, real estate, roadway and structures and other improvements and additions	8,229,605
Or a total of	\$36,184,015

#### IT HAS SPENT OR CONTRACTED TO SPEND:

For new equipment	\$49,322,569
For joint terminals completed (its proportion)	3,408,188
For terminals	\$23,491
For double tracking	6,744,762

Making a total of work done and contracted for \$1,608,000,000.

This does not indicate fully the increase made to its equipment by the company, because the increased power of the locomotives, and the increased tonnage capacity of the cars, have added much more to the equipment capacity of the company than the number of added units would represent. For example, the average capacity of the freight cars has been increased 23.23 per cent.

A fair consideration of these figures

will demonstrate the fact that the management of this company has not been unmindful of its obligation to increase its facilities in anticipation of the increase in traffic.

#### HARD TO GET LABOR AND CAPITAL.

It has been, and still is, hampered, however, by two conditions: One is the large amount of fresh capital required; and, the other, the difficulty of securing adequate and efficient labor, or promptly getting its construction work done, and of obtaining the rolling stock, rail and other material essential to improved facilities.

Delay incident to obtaining rolling stock will be illustrated by the following:

On November 1, 1905, contract was made for ninety-eight locomotives and one thousand eight hundred and six freight cars to be delivered in February and March, 1906. There are still undelivered one hundred and seventy-seven freight cars.

On February 1, 1906, contract was made for one hundred locomotives and ten thousand freight cars to be delivered on or before October, 1906. Still undelivered seventeen locomotives and two thousand two hundred and eighteen freight cars.

The disappointing delay in construction work will be illustrated by the following:

The double track work on the main line between Pomona and Spencer, N. C., was all let during the year 1905, and the last of it should have been completed by November 30, 1906. Part of this work is ten months late and the rest of it will be approximately five months late. This delay is due to the difficulty of the contractors in getting labor and material.

The contracts of the double track work between Knoxville and Morristown, Tenn., were let in September, 1905, and April, 1906. That part of the work which should have been completed to date is approximately ten months late. This delay is due to the inability of the contractors to get labor promptly.

The double-track work between Peyton and Abstell, Ga., the contract for which was let in April, 1905, and which should have been completed in February, 1906, will be more than 14 months late in completion. This delay is due to scarcity of labor and material.

The prosecution of this double-track work has necessarily caused some of the delay to the traffic of which the public complains and necessarily results to the company in increased cost of operation.

The fact that the company, in its effort to improve its facilities to handle the public business, has not been deterred from undertaking this work at a time when the cost of materials and labor is on such an unusually high plane, should, I think, be accepted by the public as an earnest of the company's desire and purpose to put itself in a position to perform acceptably its public duties.

#### SOUTH NEEDS TRACK CAPACITY.

One of the greatest needs of the South is that its railroads should have additional track capacity. No matter how many locomotives and cars may be available, it is manifest that the number which can be moved is limited by the track capacity. The work of providing the necessary additional track will require a vast input of capital. How it is to be provided is everywhere a matter of grave concern

to railroad managers. It cannot be obtained from the current operations of the properties. It must be borrowed.

Looking forward to the need for largely increased facilities, the management last spring authorized the creation of the company's Development and General Mortgage bonds to the amount of \$200,000,000. Of these bonds, \$20,000,000 were at once sold and the proceeds are being spent as rapidly as the work can be done in adding to the existing facilities of the company. It is the intention of the management to pursue this policy and provide such of these additional facilities as may be required to meet the growing demands of business.

As bearing upon the capacity of the railroad companies to obtain the means to make necessary additions to their facilities and to provide the most approved safety appliances in operation, the public should give fair business consideration to the situation which confronts the carriers.

The present situation is: An immense increase in all expenses, without any increase in rates.—In fact with the proposition almost universally made to decrease rates by legislative action.

The large increase in expenses may be illustrated as follows:

SINCE 1898:  
Bridge timber has increased from \$9.36 to \$20.52 per thousand feet.  
Cross ties from 28 cents to 34.5 cents per tie.  
Steel rails from \$17.75 per ton to \$28.00 per ton.

#### EXPENSES HAVE INCREASED AS FOLLOWS.

Locomotives from \$11,392 to from \$16,000 to \$20,000.  
Passenger coaches from \$6,315 to \$9,468.  
Freight cars from \$500.43 to \$765.00.  
Coal cars from \$368 to \$1,135.  
The cost of labor has increased per mile of road from \$1,621.67 in 1895 to \$2,574.71 in 1906; and from \$2,513.64 per mile of road in 1905 to \$2,874.71 in 1906.

Taxes of the company per mile of roads have, since 1895, increased 62.41 per cent.

To this large increase of expense must be added the excessive verdicts of juries in personal injury cases.

In addition to this there is a marked tendency on the part of many of the States to regard any failure of service as willful, and to impose upon the carrier a heavy penalty therefor.

#### PENALTIES NOT EFFICIENT.

Inasmuch as adequate facilities for all are not in existence, the imposition of a penalty for failure to furnish cars under the above mentioned circumstances, if it has any effect other than merely to deplete the treasury of the carrier and to deprive it of that extent of the power to improve its transportation and service, must result simply in their withdrawal of the carrier's facilities from the service in respect to which there is no penalty, in order to use them in the service, where they are a penalty. The logical result of this would be a race between the States to see which could inflict the highest penalty so as to obtain a preference for its own citizens.

transportation service as a whole, but, on the contrary, would tend to produce injustice and discrimination between persons and localities. Besides, this naturally would develop into a preference in favor of State-commerce over inter-State-commerce. But the larger interests of the shipping public of the South are in inter-State-commerce for the reason that their principal markets are the larger markets of the country, which are in other States.

That this condition is appreciated by the shippers will be apparent from the following quotation from a letter just received from a large shipper: "Practically all our shipments go out of the State; therefore, we cannot use Form 41 (a form used for the purpose of availing of the penalty laws of the State), consequently orders for shipments within the State when shippers use Form 41 are given preference."

It is not to be wondered at that the large increase in the cost of materials, equipment and labor and other expenses above adverted to, and the increased difficulties in transportation, are, as shown by the published reports, reflected in a large decrease of the net earnings of the company since July 1, 1906, notwithstanding its increased gross earnings.

With these greatly increased expenses for material, for labor, for taxes, for penalties and for damage claims, and with the just demands of the public for better facilities and greater safety of operation, it must be apparent that a reduction of revenues must conflict with the public interest in these larger questions of better facilities and greater safety.

I submit these facts to the candid consideration of those people who, in perfect good faith, desire a reduction of our freight rates and passenger fares. The public should be advised that, with decreased revenues, the railroads of the country will be utterly unable to pursue successfully their efforts to provide better facilities and greater safety of transportation.

The point is near where it may be absolutely necessary for the public to take the choice between better and safer facilities, on the one hand, and lower rates on the other. In the nature of things, it is impossible to provide both.

In view of the difficulty of meeting the just demands of the public for larger facilities and greater safety, with reduced revenues and increased expenses, I feel that I am justified in laying before our patrons and the public this plain statement of conditions.

Respectfully,  
W. W. FINLEY,  
President.

#### A. C. L. RAISES WAGES.

Because of Increased Cost of Living, Atlantic Coast Line Grants Increase to All Clerks, Agents, Etc.

Special to The Observer. Wilmington, Jan. 15.—It is announced from the headquarters of the Atlantic Coast Line Railroad Company here that, effective January 1, a general increase has been made in the salaries of clerks, agents, trainmasters, dispatchers, sectionmasters, etc. The percentage of increase has not yet been computed, the object having been to make the matter general in all departments without regard to recent increases for efficiency and length of time in some branches of the service. The advance affects several thousand employees on the three divisions of the system and will increase the operating expense of the road more than \$1,000,000 a year. The reason given for the general advance is the increased cost of living.

### NEGROES TO DIG THE CANAL

#### 5,000 TO BE TAKEN TO PANAMA

And They Will be Bessed by White Men From the South Who Understand Them—Mr. Oliver Talks About His Plans for Work at the Isthmus.

Washington Special, 13th, to New York Sun.

William J. Oliver and Anson M. Bangs, the contractors who will probably build the Panama canal, are waiting to take action on the proposition they presented yesterday to construct the canal for 6.75 per cent of the total cost. There seems to be no doubt that the canal commission will within a few days make the award. The proposal of the Oliver-Bangs combination is now being carefully scrutinized by T. P. Shonts, chairman of the commission, and Richard B. Rogers, general counsel.

When a conclusion is reached and the contract formally executed, Mr. Oliver and Mr. Bangs will set in motion the great machine with which they will build the canal. Mr. Oliver will go to the isthmus at once and there personally superintend this work, the largest and most important ever given a contractor. The contractors will take over the whole plant owned by the government in Panama and will at once begin shipping additional materials to the isthmus. They must, in accordance with the terms of the contract, begin actual work within 60 days from the execution of the contract.

Southern negroes will be used extensively for labor by Mr. Oliver. The conditions in Panama are somewhat similar to those in some of the perfect good faith, desire a reduction of our freight rates and passenger fares. The public should be advised that, with decreased revenues, the railroads of the country will be utterly unable to pursue successfully their efforts to provide better facilities and greater safety of transportation.

Mr. Oliver is perhaps better equipped than many other contractors would be. Admittedly one of the greatest problems in Panama is the labor question. Down on the isthmus the fact that the white foremen now employed by the commission are unable to get the proper amount of work out of the West Indian blacks, of whom there are thousands, is not concealed. Mr. Oliver will take with him a great force of white steam shovel men, superintendents, foremen, sub-superintendents and the like. These will come from the employees of the Oliver interests in the United States. They, like Mr. Oliver, will come from the South, where they have been working with negro labor, and it is declared that they will not find trouble in pushing the black man forward at a rapid pace in making the dirt fly.

Mr. Oliver will take 5,000 negroes to Panama with him and maybe more will be taken out of the South. He has not reached a decision about the use of Chinese laborers. There are now two responsible bids before the isthmian canal commission, for furnishing 5,000 Chinese laborers, but no action has been taken on them. If Mr. Oliver so desires he could doubtless take over those bids and make a contract with the bidders. There is no political reason to keep Mr. Oliver from using Chinese labor. He is not restricted in any way, and entirely within the law and his rights, he may import all the Chinese laborers

#### A Misinterpretation.

Lumberton Robesonian. A local item in The Robesonian Thursday seems to have offended some one. It was stated in the item that "The best young men" of the town composed the dancing class. Of course the paper did not mean to say that all the best young men of the town were in the class, but rather that the members of the class are among the best young men of the town. We don't think the young men of the town are the dancing school gave the item a thought much less any offense at it, but there are others who placed that interpretation on the item.

he may care to have.

Like every one else who is familiar with the situation in Panama, Mr. Oliver realizes the importance of getting the right kind of labor. In discussing the contract to-day he said:

"The men now employed on the isthmus who have been there for any length of time must be good men or they would not have stayed by their work. From time to time there will be complaints, but I have never had any difficulty with my labor that I could not handle. If the men are well fed, comfortably housed and get their money promptly we can stand the troubles which will come from bad weather. A man with his feet in the mud and rain on his back is a bad man to argue with, particularly if he does not know that a hot meal and a dry place to sleep are waiting for him when he stops working."

"As I now do my work, the organization of each separate job is under the direction of a managing partner, with full authority to hire and discharge employees, and who is held responsible for results."

"The contractor who undertakes this work should not go to Panama with the idea that he is going to upset everything there. The men who are already there, of course, know more about local conditions than those who have not been there for any length of time. It is the business of the contractor to co-operate with the government officials in every way and to push the construction as fast as he can."

Mr. Oliver has two-thirds and Mr. Bangs one-third control in the combination, which made the lowest bid for the job. The fact that only two men are in the project explains why their bid was so low. These two will share the profits. The other bids, for 7.19, 12.50 and 28 per cent., were made by interests which it is declared would have to divide the profits among a number of partners, and naturally they were looking for greater returns. Mr. Oliver wanted to take the contract single handed, but he was told by Mr. Shonts, chairman of the canal commission, that the government would be unwilling to give such great responsibility to one man. Accordingly Mr. Bangs joined with Mr. Oliver in making the bid. There were a number of propositions made by Mr. Oliver to form partnerships by submitting offers, but those interested in making them were unwilling to go to Panama to personally direct the work.

Government officials are pleased with the proposition of the Oliver-Bangs concern. Mr. Oliver is known to President Roosevelt and is said to have made a very favorable impression on him. He has something of Mr. Roosevelt's manner. His conversation is at times very picturesque. Mr. Oliver is a millionaire three times over, but he doesn't look it.