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TEXAS PACIFIC RAILROAD.

STATEMENTS

OF

MR. THOMAS A. SCOTT AND JUDGE BAKER,

BEFORE THE

HOUSE COMMITTEE ON THE PACIFIC RAILROAD.

JANUARY 13, 1875.—Referred to the Committee on the Pacific Railroad and ordered to be printed.

At a meeting of the House Committee on the Pacific Railroad, held January 8, 1875, Mr. Thomas A. Scott, president of the Texas and Pacific Railway Company, and Judge Baker, counsel of the Atlantic and Pacific Railroad Company, on behalf of the bill presented to the House of Representatives for the construction of the southern road to the Pacific, were heard, as follows:

MR. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE: I come before you with the view of asking your consideration of the memorial and bill presented by the Texas and Pacific and Atlantic and Pacific Railroad Companies, for the purpose of securing the construction of what is known as the southern line of railway to the Pacific.

In a recent statement to the Senate Committee on Railroads on this subject, a copy of which I append hereto, I presented many of the points connected with the measure, and some statistics and data, that I desire, without repeating, to lay before your committee for its consideration when the matter is taken up for action.

I presume the great advantages of this route are well understood by every member of the committee. The subject has been before the country now for over twenty years, and had it not been for the late civil war, it would no doubt have been selected as the first line through to the Pacific coast.

Its construction would, in the present depressed condition of the country, give great vitality to many interests that are now suffering, and especially would it be the means of starting mills and manufactories and employing men now idle, and give an impetus to general business that is now so much needed. At this moment the depression in all manufacturing interests is greater, I believe, than at any period since the breaking out of the panic of 1873, and many thousands of our people, anxious for employment, cannot obtain it. If you will observe the records of travel to Europe, you will find that nearly every steamer leaving our shores carries with it large numbers of skilled workmen and men of substance, who came here for the purpose of making this country their home for life, and whose departure is, no doubt, attributable to the depression before referred to.

I believe that by a little judicious aid to this line on the part of the Government, by its simple indorsement of the interest on the bonds of these companies, a great work can be constructed for the development of our material resources in such a way that not a dollar of money will ever be required from the National Treasury, and that a loan of its credit to guarantee the interest on 5 per cent. bonds, and not the principal thereof, will enable the companies to get the means from Europe to complete this highway, and bring into our country large amounts of money to be expended upon a property through which a development of agricultural, mineral, manufacturing, and other resources can be secured, that will give employment to many thousands of people and a material wealth created that will be of permanent value to the Government.

In this connection I desire to make one more point, which is, that, owing to the condition of our industries to-day that furnish the taxable values for the benefit of the Government, you will on examination find that the revenues of the Government itself, through its channels of taxation, are reduced many millions of dollars, and this may possibly necessitate from Congress, before its adjournment, some additional taxation. Now, if these lines can be started and this work can be commenced promptly, people employed, and business once more go into active channels, I have no doubt that many millions of dollars of increased taxation will come into the Treasury of the United States from an improved business, such as we had two or three years ago. You understand my point is this: that the Government business, independent of these railroad questions, is suffering, in common with the other interests of the country, to a very great extent, and it is becoming a very grave question as to whether the present resources of the Government will not compel some new forms of taxation. With this project started on a sound basis, where the Government can and will be thoroughly protected, I believe that the other channels of trade will so fill up as to give the Government revenues great help outside of these questions. The construction of these works is largely considered as a southern measure, for the reason that it gives a new all-rail connection between the Pacific coast and Galveston, New Orleans, Vicksburgh, Memphis, Cairo, Louisville, Atlanta, Nashville, Charleston, Savannah, Richmond, and Norfolk, and thence, by lines already completed, to Saint Louis, Chicago, and the great cities of Boston, New York, Philadelphia, and Baltimore, on the Atlantic sea-board. It will give great vitality to many interests of the South, and for all time prove to be of great value to all the Southern States, and one of the best practical modes of reconstruction, giving, as it will, to so many interests a new prosperity.

In addition to this, the Government, in performing its varied duties in State and Territories through which these roads will pass, can and will secure great economies in the transportation of its munitions of war and supplies of all kind for the taking care and maintenance of its troops, and be enabled to protect our extended southern border with less than one-third of the forces now required.

The savings that can be made to the Government alone, it has been clearly shown by the reports of the Senate and House committees in years past, will amount to several millions of dollars per annum.

I beg leave to respectfully refer your committee to these reports, which are printed among the records of Congress.

I believe the Government has a large direct interest in the construction of this line, which ought not to be set aside upon vague charges of subsidy and appeals to political prejudice. In the first place, the aid asked for here is in no sense a subsidy. We ask for no grant of any

nature or kind, no form of loan or bond of the Government, but simply the aid of its credit, and that confined to the interest upon the bonds of the company, in which the Government is amply secured :

First, by the retention of the extra sums due for military transportation and postal and telegraph service of the Government.

Second, by the net proceeds of the Government lands granted to aid the construction of the roads.

Third, by the earnings of the line.

Fourth, by a first mortgage upon all its property and franchises.

Fifth, by the deposit of \$5,000 per mile of the company's bonds to meet any contingency of the company failing to satisfy the interest every six months maturing during the construction of the lines, if any such contingency could by any possibility occur after exhausting all the resources above enumerated, all of which are pledged under the control of Government to pay this interest.

It has been stated in one of the leading papers of the country within the past few days that the aid asked for means between two and three hundred millions of direct Government money. I want to say distinctly that if any such statement were true, or near the truth, I would not be here to ask of Congress any consideration for this measure.

The simple facts are that on a large portion of the line to be constructed the issue of the company's bonds is confined to \$35,000 per mile of 5 per cent. bonds, making \$1,750 per mile per annum for interest, while on another large portion of the line the issue is confined to \$30,000 per mile, requiring but \$1,500 per mile of net earnings to take care of the interest. I think if any unprejudiced man, or any man at all familiar with railway matters, will take up the subject and consider the great agricultural resources of Texas, her production of cattle, her mineral wealth, and her present large population, and follow the line through to the Pacific coast, with its rich belts of precious metals, coal, iron, copper, and lead, and the large traffic it will receive from the border States of old Mexico ; and then compare all these with the country now traversed by the Union and Central Pacific roads, he will say that these resources are largely beyond what existed on the present line. And yet we find that the existing roads have developed and are now enjoying a business amounting to about \$11,000 per mile of gross earnings ; that its working expenses are less than fifty per cent., and, what is still more remarkable, that the local business of the line, all of which has been created since its construction, amounts to over seventy per cent. of the entire gross receipts ; or, in round numbers, about \$8,000 per mile, from local traffic alone, which, allowing 50 per cent. for cost of working, leaves a profit of \$4,000 per mile to be applied to the various classes of indebtedness, leaving out of the question entirely the profit on their through business.

All that we require, to thoroughly and fully protect the Government from ever being called upon to pay a dollar, is a *gross* earning of not exceeding \$5,000 per mile, out of which, making an allowance of 60 per cent. for working expenses, leaves an ample fund to take care of every possible liability that the Government may incur.

It must be remembered, too, as stated by me to the Senate committee, that not one dollar of these bonds shall be issued except for actual work done in constructing and equipping the lines, under a certificate from commissioners to be appointed by the President, so that even the amount provided for in the bill will not be issued except for the actual requirements of the work, and no profit or speculative gain can result to the company building the line from the issue of the bonds.

I think, from these simple but strong facts, that it should be clear to every mind that the work, as constructed, will not only have the capacity to make the earnings referred to, but largely to exceed them, thus giving to the Government the use of these highways without money, making these large economies for her departments without cost, going a long way to settle the border, and especially the Indian, troubles, and, in connection with these things, starting into active life the business of the country, which has never been so depressed as it is to-day.

I trust, therefore, that when this subject comes to be taken up by your committee, it will be considered in the broad light in which I have endeavored to present it this morning; and I believe, on careful examination, your committee will be convinced that it is the interest of the Government and the people that the aid asked for should be extended, and that the work should be commenced and completed at the earliest practicable date.

Trusting this may be your conclusion, I leave the subject with you.

Statement of expenditures for construction and equipment on the Texas and Pacific Railway.

	Miles.	Amount.
Purchase of Southern Pacific Railroad—Shreveport to Longview	66	\$893,555 23
To cash expended in construction—complete and now in operation:		
Longview to Eagle Ford	135 miles.	
Marshall to Texarkana	76 miles.	
Sherman to Brookston	56 miles.	
	267	
Total in operation	333	8,201,389 62
To cash expended in grading, tying, clearing, and bridging:		
Brookston Junction	94 miles.	
Sherman to Fort Worth	20 miles.	
San Diego East	10 miles.	
Partially tying, clearing, and grading	68 miles.	
	192	1,280,963 64
Total under construction	525	
To cash expended for—		
Surveys and engineering from Fort Worth to San Diego, 1,458 miles.....		331,683 68
Discount and interest		27,781 99
Real estate		24,511 81
Amount maturing liabilities on account of expenditures for construction on above lines		488,547 77
Aggregate expenditure		11,248,433 74

The Texas and Pacific Railway Company has issued stock and bonds, which are lien on franchises of road and United States land-grant, as follows:

Stock	\$1,600,000	
First-mortgage bonds.....	9,210,000	
		\$10,810,000

NOTE.—The first-mortgage bonds have not been negotiated, and are subject to the control of the company. The money expended in construction of road was furnished by subscription and on private credit, for which the parties have never received a cent profit, and now only ask to have the amount returned, with interest, within a reasonable time.

This leaves the 525 miles of completed and partially-constructed road free from any bonded debt or obligation of any kind, and the above sum represents the actual cash expended on the 525 miles of road.

Judge BAKER, on behalf of the Atlanta and Pacific Railroad Company, thus said:

I should like to add a few words to what Mr. Scott has said. The theory of the bill, in the first place, is to secure the construction of one southern line in place of two, as previously provided for on the 32d and 35th parallels. Large grants of land have been made for each, but have not been available, and now it is the purpose to abandon one of the grants of land and make one united road in place of two. So that it is

of consequence to the Government to secure the return of large portions of the lands that have been granted. Now, when this line is completed, it not only reaches the roads mentioned to New Orleans and Vicksburgh, but the Atlantic and Pacific furnishes a road from Saint Louis to the great central portion of the country.

I think it will be much better, because the combined line will run near the northern part of Mexico, and bring to this country an immense trade from that region. Now, under this bill, it is to be remembered that the Congress of the United States does not give its bonds; that these bonds are the bonds of the company, secured by a first mortgage upon all its property and franchises, and that it is simply the interest on these bonds that is to be guaranteed. I have heard it stated as an objection that Congress released, in the case of the Union Pacific, the first lien that it had, and may release this lien. You will see at once that this is impossible, because it is not the obligation of the Government, but of the company, secured by a first mortgage, that cannot be divested under any circumstances, the bonds being in the hands of third parties, who have invested their money in them.

This road, too, runs at a great distance from the other lines of road, and cannot fail to earn the money to pay the interest. There can be no risk on the part of the Government; there can be no loss; you can hardly find a way in which there could be loss.

Nor is this a mere experiment. The matter has been tested in various countries of Europe for many years. Great Britain has indorsed the interest on bonds to the amount of six hundred millions of dollars to build roads in India, to deprive this country of the monopoly of the cotton production, and no one ever heard of her losing anything from it. France has pursued the same system, and also Belgium, and these governments do not lose money; and Russia has guaranteed a much larger amount of railroad securities than any of the countries named.

Now, if the United States can aid in building this main thoroughfare, and secure all the advantages adverted to here, and can do it without risk to the country at this time, when almost all railroad securities are so greatly depressed by reason of the panic, and make these bonds good at a low rate of interest, thus securing the construction of these roads at so cheap a rate, because the reason that railroads cost so much money is the high interest they have to pay, discounts, commissions, &c., and with the interest guaranteed as proposed on these bonds, the money could be had at par and the roads built cheaply and well, I think it would be an excellent thing for the Government to do. How is it possible that the Government could lose? How can Congress hesitate to aid the construction of a road of so much importance to the country, when it could not possibly injure the country?

I know it is customary, and there is a feeling prevailing that there should be no sympathy for railroads and railroad men—that they are almost a set of moral outlaws. I know this feeling prevails, and that its tendency is to deter men sometimes from doing what they conscientiously believe to be right. But it ought not to be forgotten that they have accomplished more for this country than any other one class of men, and have suffered more than all other classes. Some few men have made fortunes, but many more have sacrificed them in building the roads that have developed the West and other sections; and as a rule the capital invested in railroads yields a less return than any other investment in this country.

I think this great road ought to be carried forward, and that Congress ought to favor it. It would help the country in every way, and under

the plan proposed there cannot be an expenditure of one dollar on the part of the Government.

In reply to inquiries from members of the committee, Judge Baker stated that the Atlantic and Pacific Railroad was only mortgaged as far as built, to Vinita, and not beyond, and that the company asked the indorsement of the interest only on the bonds for the line from Vinita to the junction with the Texas and Pacific Railway; that the former land-grant made by the Government would be released on one line west of the point of junction; that the Atlantic and Pacific grant was twenty sections to the mile on each side of the line of road, and therefore, under the proposed plan, about thirty millions of acres of land would revert to the Government; that the line of the Atlantic and Pacific from Vinita to the junction would be from 80 to 120 miles from the original location on the 35th parallel, so that the lands reverting to the United States would be accessible to settlers over these lines.

In reply to inquiries from members of the committee, Mr. Scott stated that there was a very large mineral belt north of the 33d parallel that would be undoubtedly developed by lateral lines from the Texas and Pacific road, running up close to the 35th parallel, and bringing the traffic of that country down to the proposed lines, so that a large portion of the lands to be restored to the United States would be very greatly enhanced in value by the construction of these roads.

The line of the Texas and Pacific is located about 400 miles south of the Union and Central Pacific—the one being on the 32d and the other north of the 38th. It will come very near the borders of Old Mexico at El Paso, and then run from 30 to 80 miles from the border States, which have a population of about two and a half millions, and a mineral wealth, as is well known, that is not exceeded by any country to-day. These people simply want an outlet; the only one they have at present is by ox-teams to some ports on the Gulf of Mexico, or else across to Kansas. But the trade is, of course, so much crippled, owing to the limited transportation, that not one-fortieth part of the business is done that will be when the railway is constructed.

Judge BAKER. There are about 120 tons of silver-ore reaching Saint Louis daily, with all these disadvantages, and a considerable traffic in other matters, all of which will be greatly increased when these lines are constructed and in operation.

ARGUMENT OF MR. THOMAS A. SCOTT, BEFORE THE SENATE COMMITTEE ON RAILROADS.

At a meeting of the Senate Railroad Committee, held December 14, 1874, Mr. Thomas A. Scott, president of the Texas and Pacific Railway Company, on behalf of the bill presented to the Senate for the construction of the southern route to the Pacific, was heard, as follows:

MR. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE: I am before you this morning for the purpose of asking that your committee take up for consideration the memorial and bill presented by the Atlantic and Pacific and Texas and Pacific Railway Companies, for the purpose of completing a southern line of railway westward to the Pacific Ocean.

Many of the reasons why this line should be promptly constructed have been set forth in the memorial. We believe that this line will develop one of the most valuable sections of the United States, covering many of its leading staples, cotton, tobacco, all the grains, and espe-

cially great mineral wealth. At this time of severe depression in business all over our country, the starting of this enterprise in a practical shape would give employment to many thousands of people, start mills and factories now idle, and do much to revive many other branches of industry not immediately connected with it.

When you add to this the value of this road to the South, as a practical means of vitalizing nearly all the roads running through the cotton belt, by contributing a large and valuable trade to many of its commercial centers, as well as placing them in close relation with every railway of the North, certainly these things make it one of the highways of the country that is needed.

With a line provided to New Orleans, and through to Vicksburgh, every interest of the country will be enabled to connect with this road and the region it will traverse, as it will then form connections to every important city on the Atlantic seaboard, and at the same time form connections to Chicago, Saint Louis, and all the interior cities of the country by existing lines. On the Pacific coast it will form communications with every interest that is now constructed there, through which an interchange of commodities between both sides of the continent can be made with great facility and greatly to the advantage of the public.

I shall be glad to have it understood that the Texas and Pacific Railway shall always be held as an open highway for every road that may connect with it from Texas or elsewhere, and to have it placed by Congress so that it can never be controlled in any special interest.

The route of this line is on the natural highway for the development of the country traversed by it. It is located over three hundred miles south of the existing Pacific roads. The country between the two lines cannot be developed by branches or lateral roads from the existing lines. This line, too, when built will afford an outlet for all the trade of Old Mexico, which is very large and valuable, and can be controlled largely for the benefit of this country through the construction of this road; but is now practically lost to our commercial and other interests.

Some years since, when aid from the Government was not in any way sought, a construction association was formed, with the view of completing this Texas Pacific road. The owners of the property believed that they had the right to have it carried through on such basis as was authorized by the States and the General Government on any plan they might deem best within the limits of the law.

This plan would probably have been successful but for the recent financial panic, which has destroyed the possibility of completing the line through private or associated effort. It being now a necessity that some aid should be had from the Government, the construction company has agreed to release all its contracts and restore to the railway company all bonds, stock, properties, and assets of every kind that would have inured to it on a simple repayment to it of the money expended within a moderate period of years. Under these contracts over ten millions of dollars have been provided and spent upon the work, and no man has received a dollar of profit therefrom. The railway company has never sold a bond nor a share of stock, but has the practical control of the whole property.

This arrangement will place the railway company again where it can go forward and complete its road under its own charter, and this they have deemed proper in order that no charge of any form of speculation can be brought against the company in the future.

It has been alleged that the bonds on which we ask the Government guarantee of the interest to be delivered to the company for constructing and equipping the road up to the Government standard are more

than sufficient to do the work thoroughly. I have had some experience in building and equipping roads. I do not believe that the amount we ask for leaves to the company any margin for profit. But I am quite willing that there shall be included in the bill any provision that your committee may see fit that will place the supervision of the expenditure of the money realized for the bonds, from time to time, within the control of any commission or agents whom the Government may appoint to supervise the same, and if the road can be constructed with a less amount of bonds than we ask for, that no more shall be issued than are sufficient to meet the expenditures to construct and equip it and take care of the property during its construction. That is, all the bonds of the company to be secured under the mortgage to remain in the control of the Secretary of the Treasury, and not to be issued except to provide for needful facilities and expenditures, as set forth in the bill, and to provide additional facilities after completion of the road to meet the requirements of the public.

It has been suggested that the companies are asking for a subsidy from the United States Government. I think it is in no form a subsidy. It is no gift of bonds or lands. It is simply a loan of the credit of the Government to the extent that the interest maturing on the bonds of the company actually required to construct the road shall be guaranteed by the Government to the holder. Against this the companies place in the hands of the Government: 1st, the entire earnings for military and other transportation of the Government; 2d, all telegraph and postal service of the Government; 3d, the revenues from all lands hitherto donated by the Government to the company; 4th, all the net revenues from all other sources that may be required other than those above referred to, to meet the possible liability of \$1,750 per mile on an average issue of \$35,000 per mile from the eastern line of Texas to the Pacific coast; with the further provision that, of the reserved bonds of the company, which are a first lien upon its property of every nature and kind, the Secretary of the Treasury shall be authorized, at the end of any six months, if from any cause during construction the company shall fail to provide, ten days before the maturity of any set of coupons, the money to meet the same, to sell so many as may be necessary to make up any deficiency at the expense of the company. So that, in my judgment, the Government will never be called upon to appropriate or pay one dollar to meet any coupons of the company, but the resources are ample beyond doubt to provide therefor.

While this loan of credit, as we now ask it, being a simple guarantee of the interest and not the principal of the bonds, will complete the road, the Government will obtain through the construction of the line many advantages and economies which are familiar, no doubt, to every member of the committee. Among these it may be stated that there will be a direct saving of several millions of dollars per annum in taking care of the military and other departments of the Government as now organized between the eastern line of Texas and the Pacific coast. It will be a valuable auxiliary to the War, Post-Office, and Interior Departments of the Government.

The estimates furnished by the Departments show that the Government would actually save more than \$1,750 per mile per annum, which is the entire amount of interest guaranteed on the bonds on its present business, but which interest will be paid by the company out of its own resources.

The construction of the line will be the most speedy and economical solution of the Indian and border troubles that now exist along the line.

I desire to state to the committee that, if I were not convinced that

this line could be constructed, equipped, and operated without calling on the Government for a dollar, I should not, under any circumstances, come here to ask the aid that is sought by this bill. I believe it can be done on the basis set forth, and which I desire shall be carried out by a most thorough supervision of Government authorities, as to the expenditures for constructing the line. I believe this road, on the basis presented, can be economically constructed, and prove to be a transaction creditable to all parties and valuable to the people and the Government.

With this statement, and a reference to the statistics that have been prepared from the Government records, I leave the subject in the hands of the committee, and trust that, on thorough examination, you may find it to be the interest of the people to have this line constructed without delay.

EXPLANATIONS.

After Mr. Scott closed his statement to the committee, a number of inquiries were made by different members, to which he replied fully, saying: I would state, in reply, that the money spent by the construction company represents actual work upon the line, which, so far, has been built through the garden of Texas—a country producing corn, cotton, tobacco, and all the cereals, and already settled by a large population. In building this line we have had the advantage of railway facilities for the transportation of supplies and labor.

As a consequence, these \$10,000,000 which have been expended represent not only two hundred and sixty-one miles of constructed and equipped road, the greater portion of which has been examined and accepted by the Government, but also one hundred and twenty-six miles of additional road graded, bridged, and tied between Brookston and Texarkana, and west from Sherman and east from San Diego, and also the cost of determining the proper line by actual and full surveys, with estimates for construction across the continent, showing the amount necessary to build and equip the same to Government standard.

The construction company is entitled to certain bonds and stock to represent this expenditure, and part of these bonds that company has pledged as security for the payment of part of the money expended by them in constructing and equipping the road, so that the proceeds of the bonds, whose interest, it is hoped, will be guaranteed by the Government, will enable the railway company to pay this debt without profit, release the existing bonds now held as collateral, and give the Government the first lien upon the entire road, its equipment, government, lands, and franchises.

In addition to the obligations to the construction company, the Texas and Pacific Railway Company has a floating debt of about \$700,000—the greater part of it resulting from the purchase of the roads consolidated with it under authority from Congress. This, in part, represents 64 additional miles of railway constructed and operated by the company. To take care of this floating debt, the company has the original bonds which it created on the part of the line so purchased and now operated by it.

The 325 miles of road now controlled and operated are as follows:

	Miles.
From Shreveport to Eagle Ford, 8 miles west of Dallas.....	195
From Marshall to Texarkana.....	74
From Sherman to Brookston.....	56

325

The entire mileage of the roads embraced in the bill is as follows :

TEXAS AND PACIFIC LINE.

	Miles.
Marshall, via Dallas and Fort Worth, to San Diego.....	1,635
Marshall to Texarkana Junction.....	69
Texarkana to Fort Worth.....	236
	<hr/>
Total Texas and Pacific.....	1,940

ATLANTIC AND PACIFIC LINE.

From Vinita to junction with Texas and Pacific, about..... 400

The roads proposed to connect with every southern road at Vicksburgh and New Orleans, are as follows :

	Miles.
Shreveport to Monroe, (thus completing the Vicksburgh connection).....	105
Shreveport to New Orleans.....	235
	<hr/>
	340

THE INTEREST, ETC.

To take care of the interest asked to be guaranteed, would require an average earning of about \$5,000 per mile. The Union and Central Pacific roads now earn over \$11,000 per mile, and of this, from their local business alone, they earn over \$7,300 per mile; and as the country we run through is certainly as good as theirs, and with much greater resident population and developed resources than they had when their line was constructed, I see no difficulty in our making as large local earnings, and operating the road at a cost of not exceeding 60 per cent., which is more than it costs them, their working expenses being now below 50 per cent., working over higher summits and severe climate at certain seasons, thus showing a very safe margin, even on \$5,000 per mile, to keep the Government clear, on earnings alone, of ever being called upon to pay a dollar on their guarantee. To this we have, as a margin for safety, all through business we may carry; also, all proceeds from land-sales and other sources of revenue. Putting the earnings at only \$5,000 per mile, and allowing 60 per cent. for working expenses, it would give certainly \$2,000 per mile, or more than sufficient to take care of the interest on the bonds from earnings alone.

The part of Texas embraced by our present line is a populated country, and as we go west we will do as the Union and Central Pacific did—carry our population with us. For, in addition to the vast herds of cattle that graze in Western Texas, we strike there one of the richest mineral districts known in the world, extending through New Mexico and Arizona, and containing copper, coal and iron, silver and gold, into which emigration will flow as soon as a highway is furnished. Then, when we get to the borders of Old Mexico, we find one of the richest belts of precious metal awaiting development, and also a large trade to be done with the border States of Old Mexico. These border States embrace a population of about two and a half millions of people, forming a good producing population, and only needing outlets to develop still further the great riches of that country.

Along the Rio Grande, too, there is already the nucleus of a very good population, as also in the western part of New Mexico and Arizona.

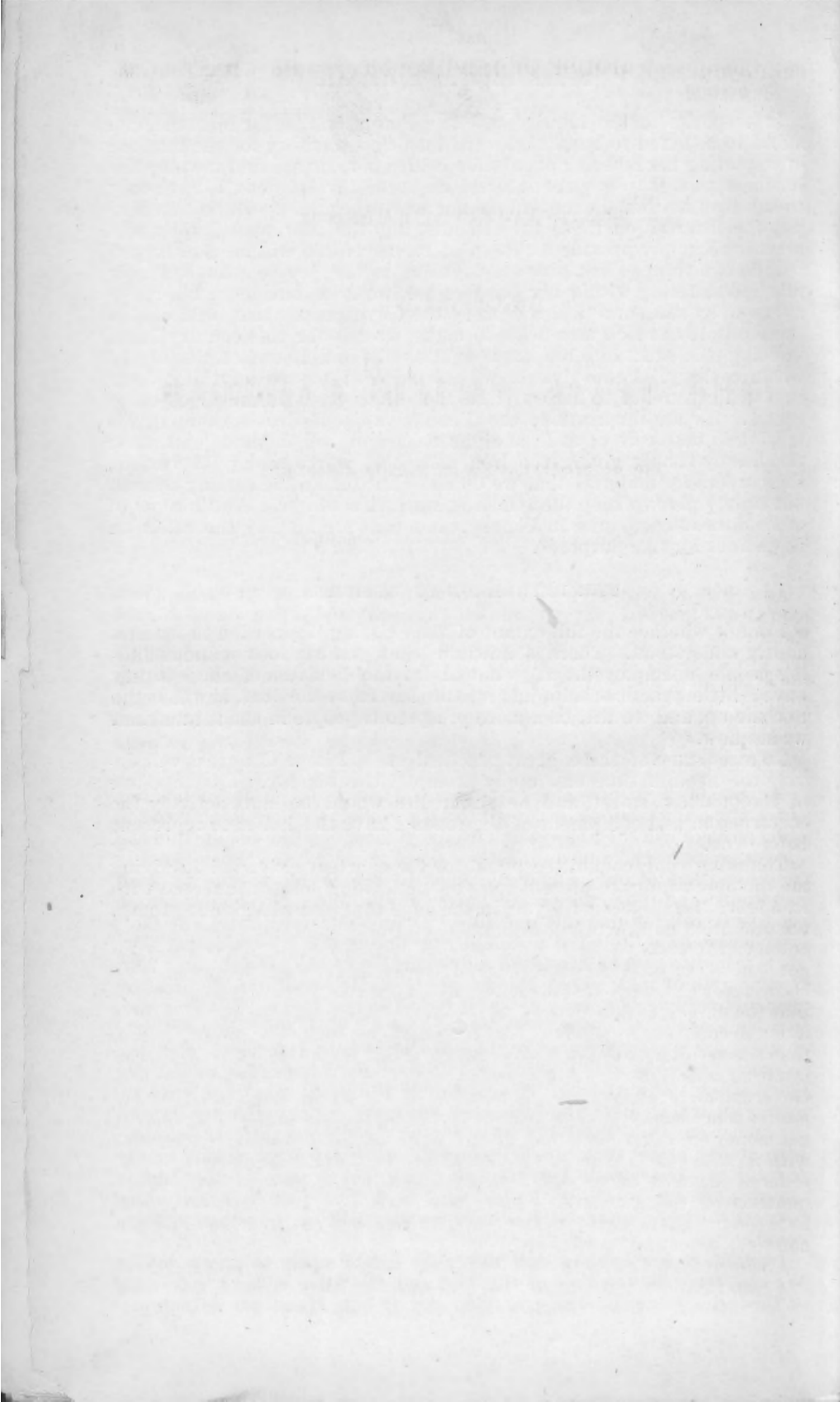
In response to the inquiry whether Pennsylvania, for instance, can afford to be taxed to build highways into new territory for the purpose of exporting her laboring population, which is to create and develop the business that is to pay the interest on these investments, I have only to say that neither Pennsylvania nor any other State will be taxed to pay the interest on these investments, but the new wealth they will create will amply provide for it. But Pennsylvania will be glad if you will do two things: 1st, give employment to the people who are now idle and suffering within her borders for want of business; 2d, make avenues, by safe, practical aid from the Government, that will enable these people to reach new fields to make wealth for this country, and, in doing this, start into life the now idle mills and manufactories of the whole country. Pennsylvania will be rejoiced to see anything done that will give relief to her own and the other great interests of other States. As an illustration, the Pennsylvania Railroad Company is helping to take care of at least eight thousand workingmen and their families by simply giving the iron and steel works along its various lines orders for material that we do not want before the coming season, but simply give to keep these men at work this winter. And I know of other railway companies in Pennsylvania that are helping the mills on these lines for like purposes.

THE DEPRESSION OF BUSINESS.

I doubt whether the full extent of the existing depression in trade is clearly understood. There is nowhere that you can look without finding people unemployed. If you will let the business of the country have a little practical help, just a little leaven in the loaf, it will begin to come up, and we will be a more prosperous people in the future than we are now.

To meet some of these great practical ends, I hope Congress will devote the needful time and apply promptly the remedy. I believe one of the quickest, safest, and best remedies would be start actively the construction and equipment of the roads I have the honor to represent before you.

Thanking your committee again for the courtesy extended in giving me the opportunity to present some of the leading points connected with it, I leave the subject with you, in the hope that you will give it prompt consideration and favorable action.



TEXAS PACIFIC RAILROAD.

ARGUMENT

ON

THE TEXAS PACIFIC RAILROAD

BEFORE

The House Committee on Pacific Railroads.

JANUARY 18, 1875.—Ordered to be printed.

At a meeting of the subcommittee of the Committee on the Pacific Railroad, Mr. Thomas A. Scott was heard on behalf of the Texas and Pacific Railway Company, in reply to Mr. Huntington and General Colton, who appeared before the subcommittee and asked that the bill submitted by the Texas and Pacific Railway Company should be so amended, that that company should not be allowed to build west of Fort Yuma, and that the Southern Pacific Railroad Company, of California, should be admitted under the provisions of the bill to build east from Fort Yuma to meet the Texas and Pacific Railway.

Mr. SCOTT. I do not think the country ought to be put in the position of having a few gentlemen control all the roads on the Pacific coast in order to establish the rates to and from California for the people and the Government. The quartermaster's department in New York, having the advantage of our competing lines to the West, is able to send munitions and supplies to all parts of the West at about one-half the cost in case it had but one line. I think the interest of the Government is clearly to have a competing line to the Pacific coast, if to get it it had to build a thousand miles parallel to the present line. Mr. Huntington, of the Central Pacific, is trying to create the impression that the money to be spent by us is Government money, but it is not, it is the company's money. The traffic of his own line shows clearly that our earnings will be more than sufficient to enable us to meet the interest, and it is only the interest on our own bonds that we ask the Government to guarantee. The result of the panic has been that no matter what statement you present to the capitalists abroad you cannot get money on a new line; but by our plan the Government is enabled, with no risk at all, to secure a second line to the Pacific, which vastly reduces the cost of all her transportation, takes care of the Indian question on the southern border, and with but four hundred miles between the lines, and branches built, as they will be, to penetrate that country, practically settles it.

I believe that Congress will never be called upon to pay a dollar. We can, from the receipts of the line and the sales of land, take care of the interest during construction, and if not, there are \$5,000 per

mile of bonds reserved with the Secretary of the Treasury to take care of that question. Our trouble in building the line is that the panic of 1873 struck us, and we have to-day, besides the three hundred and thirty-three miles of road in operation, nearly one hundred and fifty miles ready for the iron. I do not believe any scheme has ever been presented so simple, so fair, and so economical in its future results to the people of the country who are to be benefited by this road. We can bring seventy or eighty millions of foreign capital into this country within the next three or four years. We can set thousands of people to work, and start up the manufacturing establishments now idle.

The ordinary channels of taxation are drying up. They are being depleted by the depression in business. This measure would give new life, put people in a position to pay increased taxes; and the sooner you can accomplish these results the better for the Government, which has a very large pecuniary interest in the business of the country being started quickly. We develop new wealth; we touch Old Mexico at El Paso and Fort Yuma, and are nowhere more than 80 or 90 miles from the border; and those border-States of Mexico have a population of two and one-half millions, of which a million and a half are an active and industrious and producing population. The enormous mineral wealth of that country cannot be disputed, nor can its agricultural products or its production of cattle. All this wealth will be brought out by our road to enrich New Orleans and Galveston, Memphis, Saint Louis, and Chicago, and our eastern cities. Roads built in the right place develop new wealth. 1st, we start on the border and build west and create entirely new wealth, that comes east to feed the present lines; 2d, we bring these new values to increase the revenue of the Government through taxation; 3d, we make great economies for the Government in its own transportation; and 4th, out of the traffic created by these developments we pay the interest on the cost of our road without asking the Government for a dollar.

We help all manufacturing interests by giving them a new field, and we take care of the people who build our line by distributing them and settling them in the new territory through which our road runs. There are five times the number of people on the Union and Central Pacific now that were engaged in building it. The men who built the roads are scattered through Montana, Idaho, and Nevada, engaged in mining and other pursuits, all created by the road. Over 70 per cent. of the revenue of the Union Pacific to-day is from local traffic, and the same is true of the Central Pacific. When that road was built there was no local business at all between a few miles east of Sacramento and along the base of the mountains, except at Salt Lake City. Nobody lived in the intermediate country, or could live until the road was built, in the country between the Coast-range and three hundred miles this side of Cheyenne. Yet out of that country the roads have developed in local traffic over 70 per cent. of their entire business, now amounting to over eleven thousand dollars per mile, while all we want is \$5,000 per mile in gross earnings, allowing 60 per cent. (instead of 46, at which they work their roads) for working-expenses, to enable us to provide for the interest on our bonds, and never ask the Government for one cent. And this without the revenue to be derived from lands, all of which goes into the United States Treasury. Our road is below the snow-line. There are never more than two or three inches of snow on its highest points, and that only for a day or two in a season, so that you can operate the line the entire year without a snow-shed, or detention from snow.

Now, Mr. Huntington has built from Spadra, twenty miles one

way and twenty another, and twenty-five in another, and says he has one hundred and thirty-five miles of iron on hand to lay through the San Gorgonio Pass. He needs all that iron, every rail of it, to fill the gaps in his line north of Los Angeles to complete his line to San Francisco, which are about one hundred and seventy-five miles. We have a right to build our line either to Fort Yuma or to a point north of that on the Colorado River, if the route be a better one. We did locate to Fort Yuma because there is a Government fort there. But he complains that we ask the aid of the Government to build a line alongside of him, and that this will destroy his capital. In reply to that, I say you come to us at San Gorgonio Pass, and we will open our line to you on fair terms, and you may run your cars and engines over it; and if we cannot agree, I will leave it to three competent disinterested railway officers or to Congress to settle the terms. There is no necessity for building two lines to Fort Yuma; but if you want to build it you can do so, but leave us free to go where we have a right to. If Mr. Huntington can build his line to Fort Yuma without the help of the Government, so much the better for the Government, for it has two lines for its transportation. But his whole project is to shut every interest out from the waters of the Pacific coast but his own, and allow no one there except by his consent. The entire railroad-system of the Pacific coast is now in the hands of a few men. I do not believe it is the interest of the Government and the people that this state of things should continue; and in giving us the indorsement of interest on the bonds for the one hundred and forty miles which he complains of as paralleling him, we propose to take care of that interest ourselves, and if there is a loss on that part of the line we will pay it, and not the Government. I want the right to go where the Government authorized us to go, the harbor of Diego. We are perfectly willing to strike out of our bill the provision as to building to San Francisco, so that we shall not interfere with any capital he has invested, and then, if he wants to spend his money paralleling our line to Fort Yuma, he has a right to do it. But he won't do it; he is too sensible a man. He only comes here to threaten you gentlemen with doing it. He has no right to come here and ask for anything but what the Government originally gave him. Let him connect with us at the San Gorgonio Pass, and we will open our line to him on perfectly fair terms.

As to the line to Fort Yuma, I am perfectly willing to straighten our road and cross the Colorado above Fort Yuma, and then we would only parallel him for 25 or 30 miles, which is not an uncommon thing in this country, where roads parallel each other 50 or 100 miles. The fact is, I would prefer to take that route.

On our entire route we will have about 22 miles with grade between 80 to 100 feet. These occur at three short summits.

Mr. HUNTINGTON. When the bill was originally passed, our Southern Pacific Railroad of California was authorized to build to Fort Yuma, and we have gone on and expended our money and have actually 400 miles laid. We now run to Spadra, about 200 miles from Fort Yuma. There is a gap of 110 miles at which we are working, and in ninety days we will probably have 20 miles of this gap completed. As to Mr. Scott's line crossing the Colorado above Fort Yuma, every one who has been in that country knows there is no local business, and if he parallels us for 25 miles, it is the same as if he paralleled the 140 miles. There is no local business. We have put our money in this enterprise in good faith, and we ask nobody to help. I suppose this bill is to facilitate the building of a Pacific Road, not to benefit any one particular interest; and that being so, the country ought not to have to wait five or six years to

have this gap closed, when it can be closed in half the time by building it at both ends.

Mr. SCOTT. We can build the road as quickly as you can. The country will not have to wait.

Mr. HUNTINGTON. What we want is to go on and close that gap, and not be left at the Colorado River to wait for that road to be built. I think we are right, and that this committee will agree with me. I have myself a small interest in the Southern Pacific, but there is General Colton, the representative of that road, who wants it completed. We are not taking away any of Colonel Scott's rights. If the bill passes, amended as we want it, and he accepts it, all right; if not, we stand just as we did. We don't ask to disturb him; we only ask that the Government shall not come in and put its money against our money, and destroy our property. If there is no aid to be granted, we will take our chances. I think we will swim; if we don't, we will sink. We are working east from Spadra.

Mr. SCOTT. We have worked on our line 10 miles from San Diego, and in the San Geronio Pass.

Mr. HUNTINGTON. We ask no Government aid to the Colorado River. We have 200 miles to build; but we do ask that we shall help close up the gap, if the Government is going to give aid; if not, we are satisfied. I believe that these grounds are tenable, and don't trench upon any one's rights.

Mr. WELLS. The people in our country want a road. They have got tired of the monopoly controlling the transcontinental business of this country. The question is whether Colonel Scott and his friends will accept a bill to be cut off at the Colorado River, or whether a quarrel between the two roads shall be allowed to deprive the country of this line.

Mr. SCOTT. Do you believe, Mr. Huntington, that if your idea is carried out, any man will ever build a road except yourself?

Mr. HUNTINGTON. Yes, sir; I do.

Mr. SCOTT. I do not believe you would.

Mr. HUNTINGTON. The Central Pacific does not control the Southern Pacific Railroad, but have only a small interest in it, two-sevenths. We were asked to come in because we had certain strength among financial men. To keep ourselves out of debt, we have asked men to come in and take the securities with us, until we have now less than two-sevenths.

Mr. SCOTT. I want Mr. Huntington to understand that I have said nothing to this committee looking to interference with his chartered rights, or with his right to spend his money in building roads where he pleases. I simply ask that the committee will aid us to build our line to our charter terminus, San Diego. I stated, what I believe to be true, that it is the interest of the States East, of the Government, and of the people, that this project should be carried out just as it was chartered. We interfere in no way with his rights. He can build as many roads as he pleases, and the more the better for the people. But if this measure is passed, we can get new capital to come in, and make developments that will be useful to everybody, and highly beneficial to the Government. I don't desire to interfere with a dollar that Mr. Huntington has expended in his extension from San Francisco towards the San Geronio Pass. But Mr. Huntington cannot get up here and tell you that he intends to build his road to Fort Yuma, unless, in fairness, he couples it with the statement that it is for the purpose of blocking every other road out of California. No man will want to build that

piece of road for the money to be got out of it. It is only for the purpose of preventing other people from coming into California. If he wants to go to Fort Yuma, let him do it. But let us have our road to San Diego. If he objects to our going to Fort Yuma, we are willing to run a more northerly line to the Colorado, and not touch him till we get to the San Gorgonio Pass. Now, take this city: here are two roads starting out 800 yards from each other, and running to Baltimore, and nowhere more than a few miles apart. The right to build a competing parallel line is granted in nearly every State in the Union, and there is nothing to prevent his building, if he so desires. But there is no pressing necessity for two lines between Yuma and the San Gorgonio Pass, and I told him if we could not agree upon the terms upon which he should use our road from the San Gorgonio Pass to Fort Yuma, I was willing to leave it to disinterested parties, or to Congress, so that he could run his engines and cars over our line to go where he told me he wanted to go—to the head of the Gulf of California. If he wants to use our property, very well; if he don't, it is his right to build according to his charter.

Mr. HUNTINGTON. It is hardly fair to compare roads running from Washington with roads in a country where there are not five people on the one hundred and forty miles.

Mr. SCOTT. The less necessity, then, for building two roads.

Mr. HUNTINGTON. You can build a road to any place you please under the law of California. All you have to do is to subscribe one thousand dollars a mile, pay in ten per cent., and go ahead. What we ask is that Government aid should not be granted to destroy our property.

Mr. SCOTT. I am willing to let you have your property and to let you alone.

Mr. HUNTINGTON. I want to help build the line, if there is any change made.

Mr. SCOTT. If the committee give us this bill, we will build it fast enough for you.

Mr. HUNTINGTON. I think the committee will agree with me, that we could facilitate its building.

General COLTON. I will make the single suggestion from the standpoint of those who have lately become interested in the Southern Pacific Railroad of California. If the junction were made at Fort Yuma, and if the road should follow the original line, we apprehend that that would give us the entire through business for almost seven hundred and twenty miles of road, from the fact that when we got where Colonel Scott's road would turn west to San Diego, it is hardly possible that passengers would go to San Diego and thence to San Francisco by water, when it would take nearly as long as to go from Fort Yuma to Saint Louis; so that, with the connection originally proposed, we would get the entire through business. In going to San Gorgonio we would lose two hundred and fifty miles of travel on our line.

Mr. SCOTT. Not if you don't build it, and then only 140 miles. You can lay your iron on the 130 miles east of where you now are.

Mr. HUNTINGTON. We are going to lay steel rails on our mountain division.

Mr. SCOTT. I think this thing should be looked at as a purely business question. If we give these gentlemen on these 140 miles the same facilities that they would have on their own lines, I don't think the spending of their money on those 140 miles would pay them, because there is no local business there. Therefore, unless their purpose is to

block us out of California, there is no necessity for their building to Fort Yuma. It is not with the view of taking passengers to San Diego and then putting them on steamers to San Francisco. You will have the road from San Gorgonio to San Francisco; and if you had the additional 150 miles to Fort Yuma, there would be no money in it to maintain your road.

General COLTON. For nearly 1,400 miles of this road there is very little difference, as far as population is concerned. We have got to rely on what we bill through.

Mr. SCOTT. There I entirely differ with you. There is a population in Arizona, and great wealth will be developed; but between Fort Yuma and San Gorgonio there is no population. I mean that, taking the business over the piece of line from Fort Yuma to San Gorgonio Pass, there is not money enough in it to make it any object for you to get to Fort Yuma. Your object is to block everybody else. You can build your line to Fort Yuma, and decline to take business from us except at that point, and force us to give you our business there for San Francisco.

You know that it is impracticable to build a railroad directly east from San Diego. We tried most energetically to get across, but we could not. The line, too, through Mexico is almost as bad, and I take it for granted that the United States Government would never agree that a road in which she has so large an interest as this should go through a foreign State.

As I have already said, I don't want to do anything to interfere with a dollar of the capital they have invested under the charter they control, and I am willing to make any reasonable and proper compromise I can consistently with personal and official honor. I have said to the people of San Diego and the South what I would try to do, and I have presented the measure; and if Congress will aid in the limited form asked, I will do it. But if it cannot be done, then I want to have nothing to do with the enterprise. I believe the road ought to be built, and that the interests of the Government and the people require it, and that it would be for the interest of these gentlemen to connect at San Gorgonio rather than at Fort Yuma.

General COLTON. Our answer would be that the original law provided we should go to Fort Yuma, and build 720 miles of road.

Mr. SCOTT. I don't object to that.

General COLTON. We have gone on in good faith; and if the Government aids this road, its object would be to have the road built as quickly as possible, and give each road a chance to close the gap. If the road stands as it does to-day, we are satisfied, and will build to Fort Yuma, and I suppose we can build from there under territorial provisions, if you are not there to meet us.

Mr. SCOTT. I don't object to your building anywhere that you have a right to go.

General COLTON. You propose that the Government shall aid you in building 1,400 miles of road, to reach a point which we can reach in 700 miles, and make us wait two or three years for you.

Mr. SCOTT. I propose nothing of the kind. I stated that I would build the whole line in six years; and I think I will build it in three. We will build as fast as you can possibly do it.

General COLTON. Our road is running to Spadra, less than 50 miles from the point of connection you propose here. When I left home I was contracting for 60 odd miles of road to be graded; and 120 miles of iron is due, and will begin to arrive at San Francisco in 60 days.

Mr. SCOTT. That iron is intended for the road north of Spadra, and not for this end at all.

General COLTON. When these 20 miles are laid, we are in the Tehachape Mountains; and from that point to the edge of the Mojave Desert, which presses us toward Soledad, we propose to lay steel on the heavy grades and iron in the level country.

Mr. SCOTT. I know what you are trying to do; it is very plain to me, and I presume it is to this committee. I do not want to interfere with you, and do not propose to; and if you choose to build to Fort Yuma, and say to us when we get there, which will be as quick as you will—and if they will give us this bill, perhaps a little quicker—we want the San Francisco business, you can make us give it to you at Yuma, if you decide to do so.

General COLTON. If you are going to be there as soon as we are, you ought not object to our bill; it won't do you any harm.

Mr. SCOTT. Yes, it will; it will prevent us from getting the line that the law authorized us to build. You gentlemen come here and protest against our getting the aid we want to build the road. I have no objection to your getting aid to build your road, or to the Government doing whatever it pleases for you; but what I think unfair is for you gentlemen to come here and crush out the interest that the Texas and Pacific and the Government have in getting our road to the waters of the Pacific.

General COLTON. We think it unfair for you to ask substantially to take 250 miles of road from us.

Mr. SCOTT. We don't ask that at all. The local business on that piece of line is no business to sustain the road. You have but one inducement, and that is to block everybody out from the waters of the Pacific; not only individuals, but the Government itself, from ever having a line that can touch the Pacific except over your lines. There is no possible objection to two, three, or four roads being built, so far as we are concerned. We do not propose to ask anything that will interfere with your rights. If you choose to put in a bill and ask the Government to guarantee interest on your 140 miles, all right; and we will strike out of our bill that which covers the road you have laid from San Francisco to San Gorgonio, and confine our road to San Diego.

Mr. HUNTINGTON. Do you want to give this committee the idea that the Southern Pacific would decline to take business you would give us at Fort Yuma?

Mr. SCOTT. No, sir; I do not.

Mr. HUNTINGTON. We should be delighted to take the business and prorate with you; you have the long haul and we the short one, and still we will prorate. Whatever time you will agree to complete the road in we will agree to cut in two.

Mr. SCOTT. So far as I am concerned, I do not propose to agree to that. I propose to let you build your roads where you are authorized, and I want you to let us build our roads where we are. There are a great many interests outside of both of us, and vastly more important than either, that are to be considered by this committee. I take it, that beyond all this question is the interest of the Government and the people, and if they undertake to help the road to the Pacific they will see that it is put in the proper shape for all time. We have the right to go to San Diego, given us by both the United States and the State of California. As to a prorate, Mr. Huntington will not pretend to tell you that if the Union Pacific offered him 1,000 cars at half a cent a ton a mile, or greatly below cost of movement, he would carry out the arrangement.

Mr. HUNTINGTON. I take business from the Union Pacific at the same prorata price they take it.

Mr. SCOTT. There are many roads in this country that do not prorate except the price is a satisfactory one to them. They call it prorating; but if the price is unsatisfactory they charge local rates. I am willing to make a plain, practical, business arrangement with General Colton and Mr. Huntington, but we must build into San Diego and form an actual connection with waters of the Pacific Ocean.

Mr. HUNTINGTON. You can go into San Diego under the State law.

Mr. SCOTT. I know that, but I want to build it on a better basis. I don't think your road is built at a cost of less than 8 or 9 per cent. for capital; perhaps more. I think this road can be built on the plan proposed at between 5 and 6 per cent., and therefore it will be a cheap road, thoroughly constructed, and well equipped. You ought not to object, for you will enjoy its facilities for all time to come.

Mr. HUNTINGTON. If that is all, let us go on in the same bill.

Mr. SCOTT. We have no objection to your putting in any bill you please.

Mr. HUNTINGTON. We don't see it.

Mr. SCOTT. You won't see it; that is the trouble. The question here is beyond us. The aid we ask is never going to bother the Government, and the question here is what is best not for our road, but for the whole people.

Mr. HUNTINGTON. I agree with you, and think the two companies can build the line quicker than one. If they don't want it done quickly, they would not aid it.

Mr. SCOTT. That is your point. You let us alone; you take care of your property and let us build our line.

Mr. HUNTINGTON. We propose to bring grain from Southern California to the East at a very low rate.

Mr. SCOTT. All right. We shall be ready to carry traffic of every kind at as low rate as you fix. There is an immense amount of grain produced on the coast that cannot get to Mr. Huntington's road, unless it goes to San Francisco. It can drop down to San Diego and take our road. That is another reason why our road should go to San Diego.

General COLTON. I am afraid you are trying to take away the business of San Francisco.

Mr. SCOTT. No, sir, I am not; on the contrary my bill provides for building a line to San Francisco, if you won't allow the public to use yours.

Mr. HUNTINGTON. There are no ships coming to San Diego.

Mr. SCOTT. A few will probably come to San Diego if there is a road there. San Diego will be content, and you will have in your pocket the money saved by not building a second line to Fort Yuma; and you will also have a complete connection through our roads to and from San Francisco, and every point they reach. This will surely satisfy San Francisco and ought to satisfy you.