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CONSOLIDATION OF THE SOUTHERN PACIFIC AND OTHER RAILROADS.

JANUARY 12, 1883.—Referred to the House Calendar, and ordered to be printed.

Mr. BUTTERWORTH, from the Committee on Pacific Railroads, submitted the following

REPORT:

[To accompany bill H. R. 7242.]

The Committee on Pacific Railroads, to whom was referred bill H. R. 7242, respectfully report:

House bill No. 6316 is intended to authorize the consolidation of such lines of railroad between San Francisco, or other point on the tidal waters of Pacific coast, and some point on the Lower Mississippi River or on the Gulf of Mexico, as will constitute a continuous line of railroad between those points. It seeks to authorize the carrying out and into effect the object and purpose of the act of March 3, 1871, which incorporated the Texas Pacific Railroad Company. It does not permit, but, on the contrary, prohibits the consolidation of any parallel or competing lines, the only object sought being to establish a great continuous through line from the tidal waters of the Pacific, at San Francisco, to New Orleans or some other point on the Mississippi River or Gulf of Mexico. It confers upon the Southern Pacific, with reference to consolidation, the powers and privileges conferred by the act before mentioned upon the Texas Pacific, extending the line, however, to the Mississippi River.

There are six or eight lines of railroad which form parts of this system, each under a separate organization and management, and with a view to economy in organization and management, and consequent reduction of rates, a consolidation is desirable, both in view of the public interests and in the interest of the stockholders of the several roads. The Northern Pacific furnishes an outlet for the resources and products of the Northwest; the Central and Union Pacific furnish a like outlet to the middle section, and a highway through the southern section of the country, which would be open for travel and transportation the year round, is of great commercial importance to the Pacific slope and the Southwest and South; in fact to the whole country.

The Texas Pacific, which was chartered with a view to securing this great national highway from the Pacific Ocean to the gulf, and thence to the East, found itself inadequate to the task. The Southern Pacific, which began to build from the western terminus, has, in connection with other local companies, succeeded, at great cost, in nearly completing the line from San Francisco through California, Arizona, New Mexico, and into Texas, and by consolidating these with other lines now constructed,

and in course of construction, will be able to form a continuous line, which has been so long deemed a public necessity.

The utility of this line of railroad and its importance to the commercial world, particularly to the Pacific slope and the Southwest and South, is too patent to need more than a passing notice. It may be observed, in this connection, that the vast quantity of wheat and other grain, with the other products of that section amounting to several millions of tons per year, now finds its way to Europe in foreign ships which travel from 16,000 to 18,000 miles, going around Cape Horn and crossing the equator twice before reaching Liverpool or other markets of Western Europe, the voyage requiring from one hundred and twenty to one hundred and eighty days—such vessels returning by distant ports with a view to securing a return cargo. The expense of such shipment and the long voyage impose an oppressive tax upon the industries of the Pacific coast, and are in a large measure destructive of the commercial interests of that section.

It is demonstrable that with the completion of the Southern Pacific and the other lines now being built, the vast products of the Pacific slope and Territories adjacent can be transferred from thence to the markets of Western Europe at present cost and in less than one-fourth of the time now required, and, if opportunity be offered for practicable economy in organization and management, a marked reduction in rates be secured. It seems quite certain that grain will be carried at a cost of less than one cent per ton per mile from the Pacific coast to the Mississippi River. That both public and private interests would be subserved by the consolidation proposed is beyond question. The regulation of rates to prevent unreasonable charges would be within the power of Congress, so that any attempted abuse by the common carrier of the privileges, herein conferred could be corrected by legislative enactment.

The quantity of wheat, fruit, wine, ores, &c., produced on the Pacific coast, and which must be carried to the markets of the East and to Europe, is enormous. As stated, this freight must find its way east to our own markets or to Europe in foreign ships, going around Cape Horn, a distance of 16,000 to 18,000 miles, or be transported by rail across the country to the tidal waters of the Gulf of Mexico or some point on the Mississippi River. And in addition, it must soon occur that the great trade with China, Japan, Australia, and the East will find its shortest and cheapest route to the markets of the United States via San Francisco, or other point on the Pacific coast, overland to the Gulf of Mexico, or some point on the Mississippi.

Economy in organization and management is indispensable to low rates of freight and transportation. One of the prime objects of this bill is to afford the opportunity for such organization, and this is practically impossible without consolidation; and since the proposition submitted is conducive alike to public and private interests, it commends itself to the favor of your committee. It is made a postal and military route, and when the vast expanse of country through which it runs—skirting our southern frontier near the Mexican border for a thousand miles, and for nearly as great distance through the Indian country—is considered, its importance will not be underestimated. It will form the southern through route from ocean to ocean, one of the three great arteries of trade and commerce between the East and West, the other two being one through the middle section, the other in the extreme North. The production of our soil is ample to supply all the needs of our people, with a vast surplus for the European market.

The full benefit of this immense product can only be enjoyed by the establishment of means of transportation between the fields and forests, and mines where produced and the points of consumption, the markets of our and other countries. The facilities must be ample and the rates moderate.

The purpose of this bill is to authorize such consolidations and organization as will secure both. Its provisions are such as to encourage that competition which is found in competing lines of railways. It prohibits the consolidation of such lines and permits only that which tends to conserve the interests of the general public, while it inures to the interest of the stockholders by simplifying the management and greatly lessening the expenses of conducting the roads. Both Congress and the State legislatures have recognized the necessity and great importance of a Southern continuous through line, and to that end Congress authorized the company known as the Texas Pacific to construct such a line between New Orleans and the Pacific, and that company was authorized to purchase or consolidate with other lines and important grants of land were voted in aid of the enterprise. But, as before stated, that company was not able to perform the work, the portions of the line and links completed thus far have been constructed by the Southern Pacific and other local companies, which now desire, in furtherance of their original plan, to consolidate: The main line will be about 2,500 miles long, and is in large part completed, but is under the management of eight separate corporations, and is in links and fragments, which must be welded together to form a Southern through route from seaboard to seaboard.

No grant or subsidy of any kind, character, or description is asked, but only the opportunity to utilize in the greatest degree, alike for public and private interests, all the means and opportunities properly available for completing a great international and inter-State through route.

The original bill does not provide with sufficient particularity the manner of effecting the consolidation of the several companies, nor does it contain with sufficient fullness and clearness some provisions and safeguards which your committee deemed important and necessary, and hence a substitute is reported, in which the interests of the stockholders of the several companies are fully protected.

It was also deemed proper to adopt a clause similar to that contained in section 6 of the act of March 3, 1871, in regard to the liabilities of the several companies entering into the proposed consolidation. That section provides for the assumption by consolidated companies of the liabilities of each company so consolidated to the extent of the assets delivered by said company to the consolidated company. It was deemed advisable, also, to provide more fully against the possibility of a consolidation or combination with parallel or competing lines, and your committee, therefore, recommend a clause which absolutely prohibits such consolidation or combination.

The bill also provides that nothing in the act shall be so construed as to confirm or in anywise affect any land grant to any railroad company.

As amended in the substitute, the committee recommend the passage of the bill.