

S. P. Co.

15083-

*By
H*

ANSWER

OF THE

Central Pacific Railroad Company //

SUBMITTED BY

LELAND STANFORD, President,

AT

SAN FRANCISCO, CAL., JULY 28TH AND 29TH, 1887.

TO THE COMMUNICATION OF THE

United States Pacific Railway Commission

DATED, NEW YORK, MAY 12TH, 1887.

SAN FRANCISCO:

H. S. CROCKER & Co., STATIONERS AND PRINTERS, 215-219 BUSH STREET.

1887.

LIBRARY
OF THE
LELAND STANFORD JUNIOR
UNIVERSITY

A. 1758

STANFORD UNIVERSITY
WITHDRAWN
LIBRARY

LETTER OF THE COMMISSION.

COMMISSIONERS.

ROBERT E. PATTISON, *Chairman*, Phila., Pa.
E. ELLERY ANDERSON, *New York*, N. Y.
DAVID T. LITTLER, *Springfield*, Ill.

CHARLES P. YOUNG, *Secretary*, New York, N. Y.

POST OFFICE ADDRESS:
ROOM 33, NO. 10 WALL ST., NEW YORK, N. Y.

United States Pacific Railway Commission.

NEW YORK, *May 12, 1887.*

TO HON. LELAND STANFORD,
PRESIDENT OF THE CENTRAL PACIFIC RAILROAD CO.,

Dear Sir:—With a view of obtaining full information pertinent to the investigation provided for by “An Act authorizing an investigation of the books, accounts and methods of railroads which have received aid from the United States and for other purposes,” approved March 3, 1887, the Commission created by that act invites such facts and suggestions as may aid in the furtherance of its work.

The lines of inquiry mapped out for the Commission by Congress are specified in Section 2 of the act referred to, and are as follows:

1. That the duty of said Commission shall be to examine into the working and financial management of all of the railroads that have received aid from the Government in bonds.
2. To ascertain whether they have observed all the obligations imposed upon them by the laws of the United States under which they received such aid, or which have been since passed in reference thereto, and complied with all other obligations to the United States.

Exchange
Stanford Univ.

15-31

(AP) 2793

3. And whether their books and accounts are or have been so kept as to show the net earnings of the aided roads, and what said books and accounts actually show in regard thereto, and what have been in fact said net earnings.
4. Or whether there has been a diversion of earnings of aided roads to less productive branches, through constructive mileage allowances, or average mileage allowances, between aided and non-aided roads or parts of roads, or otherwise.
5. And also whether such system of constructive mileage allowances is fair and usual, and, in practical operation, has resulted adversely or otherwise to the aided roads and the interest of the United States.
6. Or whether there has been a diversion of earnings of aided roads to wrongful or improper purposes, and, if so, to what extent.
7. Whether there is a discrimination of rates in favor of unaided against aided roads.
8. Whether any, and if so, how much, money is due and owing to the United States on account of mistaken or erroneous accounts, reports or settlements made by said roads.
9. Whether any traffic or business which could or should be done on the aided lines of said companies has been diverted to the lines of any other company or to non-aided lines.
10. And what amounts have been deducted from the gross earnings of any of said aided railroad companies, by their general freight and passenger agents or auditors, by way of rebate, percentage of business done, constructive mileage, monthly or other payments on any pooling or rate arrangement, contract or agreement.
11. And also to inquire into, ascertain and report as to the kind, character and amount of the assets of said companies.
12. And what assets of each company are now subject to the lien of the Government, and the value thereof.
13. And also whether any dividends have been unlawfully declared by the directors or paid to the stockholders of said companies, and, if so, to what extent.
14. And whether the amount thereof may not be recovered from the directors unlawfully declaring the same or persons who have unlawfully received the same.
15. Whether the proceeds of any trust funds or lands loaned, advanced or granted, have been diverted from their lawful use.
16. Whether any new stock or bonds have been issued, or any guarantees or pledges made contrary to or without authority of law.

17. Whether any of the directors, officers or employes of said companies respectively have been or are now directly or indirectly interested, and to what amount or extent, in any other railroad, steamship, telegraph, express, mining, construction, or other business company or corporation, and with which any agreements, undertakings, or leases have been made or entered into.

18. What amounts of money or credit have been or are now loaned by any of said companies to any person or corporation.

19. What amounts of money or credit have been or are now borrowed by any of said companies, giving names of lenders and the purposes for which said sums have been or are now required.

20. What amounts of money or other valuable consideration, such as stocks, bonds, passes, and so forth, have been expended or paid out by said companies, whether for lawful or unlawful purposes, but for which sufficient and detailed vouchers have not been given or filed with the records of said companies.

21. And further, to inquire and report whether said companies, or either of them, or their officers or agents, have paid any money or other valuable consideration, or done any other act or thing, for the purpose of influencing legislation.

22. And to investigate and report all the facts relating to an alleged consolidation of the Union Pacific Railroad Company, the Kansas Pacific Railway Company, and the Denver Pacific Railway and Telegraph Company, into an alleged corporation known as the Union Pacific Railway Company. Said investigation shall include the alleged sale of the stock of the Kansas Pacific Railroad Company to the Union Pacific Railroad Company, and all the circumstances and particulars pertaining to said alleged sale.

23. And whether any of the Pacific railroad corporations which obtained bonds from the United States to aid in the construction of their railroads have expended any of their moneys or other assets in the construction, or to aid in the construction of other railroads, or invested of their moneys or other assets in the stocks or bonds of any manufacturing, mining and commercial companies or corporations, or of other railroad corporations.

24. And if any such expenditure or investments have been made, the extent and character thereof made by each of said corporations shall be inquired into.

25. And also the present interest of any of said corporations in the railroads auxiliary to their respective railroads.

26. And said Commission shall also ascertain and report the names of all the stockholders in each of said companies, from its organization to

the date of the investigation herein provided for, as they appear on the books of said companies at the date of its annual meeting in each year; the amount of stock held by each.

27. What consideration, if any, was paid by each stockholder to said company for his stock, and when and in what property such payment was made.

28. The date when each stockholder so appearing on the books became such.

29. And whether stock is now held or has heretofore been held in the name of any person in trust or for the benefit of any other, and the names of all such persons.

30. The total amount of the stock in each company.

31. And the dates and amount of any increase of such stock, and the reason for such increase.

32. And the amount of the annual salaries or compensation that are now or at any prior time have been paid to any officer or employe of said company, when such salary or compensation amounts to five thousand dollars or more per annum.

33. And the names of the persons now receiving or who have heretofore received such salaries or compensation.

34. And all bonuses or donations which may have been given or paid to any such person.

35. And all payments made under the head of legal expenses, to whom made, and the amount paid to each, and for what specific services such payments were made.

36. Said Commission shall also inquire into and report upon the relations of said railroads to the interests of the communities through which they pass.

37. To all questions concerning the payment of taxes, especially upon lands granted by Congress.

38. And the delay of said companies in taking out patents for such lands.

39. The rates of fare and freight charged, Discriminations, Differentials, Pools, and other devices.

40. And the facilities and accommodations furnished to the patrons of such roads; and their report shall embrace a consideration of the interests and rights of said communities as affected by whatever plan of settlement or payment of the existing debt may be proposed.

41. Said commissioners shall also consider and report whether the interests of the United States require any extension of the time for performance of the obligations to the United States of said companies, or any of them, and the facts and circumstances upon which said opinion is based.

42. Including the security held by the United States for the performance of such obligations, and the value thereof.

43. And the value of the property of such companies, and either of them, not included in such security.

44. And what further security it is expedient that said companies shall be required to give.

45. And if, in their opinion, such extension shall be required by the interests of the United States, they shall submit a scheme for such extension, which shall secure to the United States full payment of all debts due them from said companies, with a reasonable rate of interest in such time as the commissioners shall propose, having due regard to the financial ability of said companies and the proper conduct of their business in such manner as shall afford efficient service to the public.

46. And the said Commission shall report in full in regard to all such matters aforesaid and in regard to any other matters which may be ascertained or come to their knowledge in regard to said companies respectively, on or before December first, eighteen hundred and eighty-seven, to the President of the United States, who shall forward said report to Congress, with such recommendations or comments as he may see fit to make in the premises.

47. The commissioners shall also ascertain the average cost per annum of Government transportation in the region now traversed by the Pacific railroads between the year 1850 and the completion of said roads.

48. And also the average cost per annum since such completion.

49. And what additional facilities have been furnished to the Government and the people by said roads.

50. Also to inquire what discount the Pacific Railroad and its several branches were forced to make, in disposing of the bonds guaranteed by the Government, to obtain the gold coin which was the currency of the country through which the greater part of said roads pass.

51. Also to ascertain the comparative cost of construction of said roads as compared with what they would have cost with the prices of labor and commodities prevailing five years preceding, or five years subsequent, to the completion of said roads.

52. Also to inquire whether or not the Pacific Railroad was completed in less time than was allowed by law, and, if so, how much less time, and if the United States was benefitted thereby.

53. Also to inquire if either of the Pacific Railroad Companies has been embarrassed and its earning capacity impaired by antagonistic local or State legislation.

54. Also to inquire if the United States, since the Union and Central Pacific Railroad Companies accepted the terms proposed by Congress for the construction of the Pacific Railroads, has granted aid in lands for building competing parallel railroads to said Pacific railroads, and if so, how many such roads, and to what extent such competing lines have impaired the earning capacity of the Pacific railroads.

55. Also to inquire if the United States have contracts with branch roads controlled by either of said Pacific roads for carrying United States mails, and if so, what service has been performed by them, and what money, if any, has been paid for such service, and what remains due and unpaid.

56. And if the United States, by failing to pay for such mail services, has embarrassed said railroad companies, or either of them, in paying their indebtedness to the United States.

57. Also to inquire if the several Pacific railroad companies have complied with the provisions of "An Act to alter and amend the Act entitled 'An Act to aid in the construction of a railroad and telegraph line from the Missouri River to the Pacific Ocean, and to secure to the government the use of the same for postal, military and other purposes,' approved July first, eighteen hundred and sixty-two, and also to alter and amend the Act of Congress, approved July second, eighteen hundred and sixty-four, in amendment of said first named act," commonly known as the Thurman act, and, if not, in what particulars they have failed to comply.

58. Also to inquire what sums the Pacific railroads and their branches can severally pay annually on account of their indebtedness to the United States without imposing such burdens upon the people, and particularly upon the localities through which the roads pass, as to retard the development of the country.

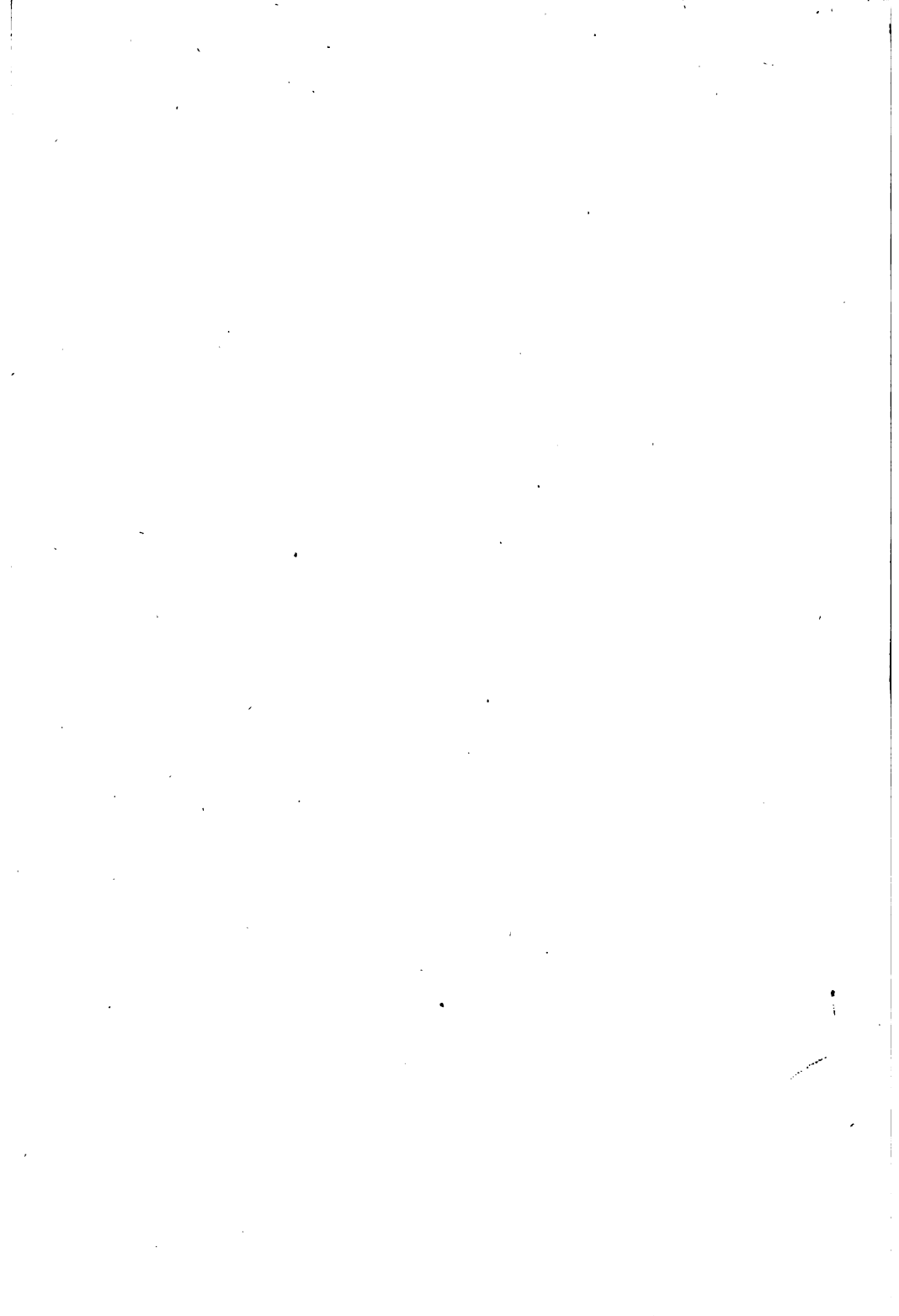
If you have no information on these subjects will you kindly refer this communication to those persons who may possess such information.

ROBERT E. PATTISON, (*Chairman*),
E. ELLERY ANDERSON,
DAVID T. LITTLER.

ANSWER
OF
PRESIDENT STANFORD.

The United States Pacific Railroad Commission met at Parlor A, Palace Hotel, San Francisco, Cal., all of the Commissioners being present.

On July 28th and 29th, 1887, LELAND STANFORD, President of the Central Pacific Railroad Company, being duly sworn and examined, offered in testimony the following statement, which he read:—



Messrs. ROBERT E. PATTISON, Chairman ;

E. ELLERY ANDERSON ; DAVID T. LITTLER ;

Gentlemen : Your communication dated New York, May 12, 1887, requesting me to answer the interrogatories contained therein, was duly received, has been carefully considered by me, and I submit herewith my replies thereto :

I did not have personally the information necessary to answer some of the interrogatories, and, agreeable to your request, referred them to those persons who possessed such knowledge. Their reports, verified by their affidavits, are attached as exhibits to and are made part of my answers to your communication.

The creation of this Commission charged by Congress with the duty of examining "into the workings and financial management of all railroads that have received aid in bonds from the Government," was an honest and candid admission by Congress that there were equities existing in favor of the railroads in question, which should be inquired into, and to the full benefit of which they are entitled. I know that such equities do exist in favor of the roads I represent, and I am pleased that an opportunity has at length been offered us by Congress to present them in such form as to insure their full and impartial consideration, both by it and by the people at large.

Congress
to consider
the equities.

It will be readily admitted, that the examination contemplated by the Act, and with the making of which examination you have been charged, could not be held without the consent of this Company whose affairs it was thus desired to examine.

Examination
possible only
by consent
of company.

The Central Pacific Railroad Company was organized on the 27th day of June, 1861, under the laws of the State of California, and has ever since been, and now is, carrying on

and transacting its business under and in accordance with the laws of this State. In this particular its relations and obligations to the Government are entirely different from those of the Companies which were created by and under Federal statutes. Congress has a control over such corporations, even to the extent, perhaps, of taking away their charters; but as to the Central Pacific, even though all the laws of Congress relating thereto, and under which its relations to the National Government are defined, were repealed, it would still exist as a legal corporation, and continue to do business as such under and in accordance with the laws of the State relating to railroad corporations. After diligent search I have been unable to find anything in that contract which authorizes any investigation of this kind to be made.

Hence, as I have before said, it will be readily admitted that the examination contemplated by the Act of Congress cannot take place without the assent of the Company itself.

Company
consents to
examination.

Notwithstanding all this, however, we meet you most cheerfully in this matter. We shall furnish you a full and detailed answer to each and every one of the fifty-eight propositions and interrogatories contained in the communications herein-before mentioned.

Aid for
construction
of road urged
by all.

The construction of the Pacific Railroad to unite the Atlantic States with the States and Territories of the Pacific was the leading topic of public discussion from the termination of the Mexican War, until the road was finally completed in May, 1869. This subject occupied the attention of political conventions in nearly every State of the Union, and Congress was overwhelmed with petitions and memorials urging the extension of Government aid to the enterprise. Public sentiment compelled the National Conventions of both political parties to declare in favor of the construction of the road, as a military and commercial necessity.

Early
surveys and
routes.

Prior to 1860, surveys and examinations were made by the War Department, of various routes across the continent. The Southern route on the thirty-second parallel was regarded as the only one upon which it was practicable to construct a trans-continental railroad. It was understood that the Northern and

Central routes were impassable in winter on account of the deep snows in that region, and besides, the mountains themselves were represented as imposing insurmountable barriers to the construction of a railroad. Pending the discussion of the question, the Civil war closed the Southern route and rendered it impossible for the United States to avail itself of the advantages supposed to exist on the thirty-second parallel. The Government had no option; if a road was built, either the northern or central route must be adopted. The war made it clear to every citizen that a road connecting the Pacific with the Atlantic was a political necessity. The discussions which had already taken place with respect to the several routes across the continent had impressed the financial world with the impracticability of constructing a railroad on the Central line. Congress, however, resolved that a road must be built, and to that end, in 1862, passed an Act in aid of its construction. The Act provided for the organization of the Union Pacific Railroad Company, to construct the road from the Missouri river to the eastern line of California, and authorized the Central Pacific Railroad Company to construct the balance of the road through that State.

Act of 1862.

At the time of the organization of the Central Pacific, in 1861, the great Comstock Lode in Nevada, was being rapidly developed, and a vast amount of freight was being carried over the mountains by teams. It was for the purpose of doing this business, for which there was no competition, except teams over the mountains, that the projectors of the Central Pacific Railroad organized that company. They would not have attempted to scale the Sierra Nevada mountains with a railroad against other competition.

Business
from
Comstock
Lode.

On the line of the road across the continent for a term of years prior to the passage of the Act for the construction of the Pacific Railroad, the annual expenditures of the Government for the transportation of supplies for the military and Indian service and carrying United States mail had exceeded \$8,000,000. This annual expenditure was assumed as a basis for the compensation which would be paid to the railroad for the service it would be called upon to perform for the Government.

Government
transporta-
tion prior
to road
8 millions
a year.

It was understood that the Government service would be largely increased by the construction of the road, and it was assumed that the compensation would never be less. The Act provided for both bonds and lands to aid in the construction of the road. The bonds were to draw six per cent, and to become due thirty years after the date of their issue. It was also provided that the road should perform all Government service required and that the compensation therefor should be credited upon the principal and interest of the bonds; and that the Company should also pay to the Government five per cent of its net earnings to apply on the bonds.

U. S. transportation charges and five per cent of net earnings to pay the debt.

It was estimated that the eight millions per annum which it had previously cost the Government to transport supplies and carry the mail would be paid to the Company for much better service, and that such payment, together with the five per cent, would liquidate all of the obligations of the Company to the Government before the maturity of the bonds. This would have been the case if the Government had not reduced the compensation of the Pacific Railroad for transportation of supplies and mail service to a mere nominal amount. The Government in fact required the Pacific Railroad to perform mail service at a rate not exceeding the usual allowance made to railroads passing through the populous States of the East, making no allowance for the fact that in the region where the road was constructed there was no competition, very little local business, and the fact that the Government had been relieved from the slow and inadequate service formerly performed by teams and pack animals.

Act of 1862 not adequate.

The Union Pacific Railroad was unable to enlist capital to undertake the construction of the road under the provisions of the Act of 1862. The public mind was so thoroughly impressed with the difficulties of the construction of a railroad on the Central line, that it could obtain no money for that purpose. In addition to this, the war had destroyed public confidence and added largely to the difficulties of the enterprise. The Central Pacific was also unable to avail itself of the provisions of the Act. It was, however, a State corporation, and continued to struggle to construct a road over the

Sierra Nevada mountains. Some aid was extended by the State of California by the guaranty of interest on a million and a half in bonds, and bonds of several of the counties of the State, all of which have been fully reimbursed, except the City and County of San Francisco, which compromised its subscription of \$600,000 to the stock of the Company, by paying \$400,000 in the bonds of the city, after a long litigation.

With the private means of the corporation and the aid above mentioned, it commenced the work of construction in 1863, and continued it until the road was completed in 1869. In 1864 Congress became satisfied that the road could not be built on the terms and conditions provided in the Act of 1862, and passed a supplementary Act containing important modifications, viz: it doubled the amount of the land grant; it provided that the Company might execute a first mortgage on the road for an amount equal to the Government bonds; and it confined the payments required from the Company to one-half the compensation due from the Government, and the five per cent of net earnings named in the original Act. It reserved a lien upon the road for the performance of these obligations.

The argument in favor of these modifications was that the road was a political necessity and must be built at whatever cost; and it was contended that one-half of the compensation due from the Government for services, together with five per cent of the net earnings would pay the bonds before maturity. This would have been the case, if upon the construction of the road the compensation had not been reduced below what was previously paid. The time limited by Congress for the construction of the road extended to July, 1876; but a universal desire was expressed by Congress and the country for an earlier date.

As before remarked, the Central Pacific was compelled to build over the Sierra Nevada mountains, which had been pronounced impassable for a railroad, not only by the public at large, but by many engineers. This alone would have made the negotiation of its securities difficult; but, added to this, there was much local opposition. The construction of the railroad antagonized the Telegraph Company, the Sitka Ice Company, the California Steam Navigation Company, the Paci-

Act of 1864.

Reasons for modified terms.

Time allowed to complete road.

Railroad over Sierra Nevadas declared impossible.

Opposition
by other
interests.

fic Mail Steamship Company, the various toll-road companies, the contractors for the Government, the Sacramento Valley Railroad Company, Wells, Fargo & Co., and all the various transportation interests, because its construction would interfere with or practically destroy their respective business organizations. These interests largely influenced the public press of the Pacific Coast, and made combinations to destroy the credit of the Company and prove to the world that its undertaking was a fraud and a farce which must necessarily culminate in failure. Under these circumstances the road across the Sierra Nevada mountains was constructed, and the will and energy manifested by the Company attracted the attention of Congress and induced a change in the law,

C. P. R. R.
authorized
to build
eastward
from
California.

It will be borne in mind that the original Act conferred on the Central Pacific the right to build to the east line of the State of California. In 1866 that limitation was removed, and it was provided that both the Union and Central Pacific Railroad Companies might continue to build until a connection was made by a continuous line of railroad. At that time the Central Pacific Company was surmounting the difficulties on the Sierra Nevada mountains which had hitherto been regarded as obstacles which could not be overcome, while the Union Pacific Company had scarcely made a commencement. The road of the latter company was then constructed but a few miles west of the Missouri river, although it had a level plain for more than five hundred miles west of Omaha.

Road
completed
May, 1869;
seven years
before time
fixed.

This Act was passed to hasten the completion of the road, and it accomplished the purpose desired. The last spike was driven in May, 1869, seven years before the expiration of the time limited in the original Act. The companies very justly regarded this Act as an indication by Congress that a speedy construction of the road was demanded. To meet this demand both companies made great sacrifices. The loss sustained by the Central Pacific in thus complying with the manifest design of Congress for the speedy completion of the road was very great. The Company did not wait for a completion of a continuous line to convey materials and supplies for the construction of the road; on the contrary, by means of teams and pack mules, transported supplies for hundreds of miles in advance of

Extra cost
by early
completion.

completed construction. It even conveyed railroad iron, locomotives and other materials by teams in winter, over the deep snows on the Sierra Nevada mountains, where little but tunnel work could be done in that season of the year, for the construction of the road beyond; and built many miles of road before a connection was made therewith.

I desire to call the attention of the Commission to some of the sacrifices made by the Company in hurrying the work to its early completion. The bonds issued by the United States to the Company, were on account of the war, disposed of at a discount of over \$7,000,000. This discount, with the interest on the same until the maturity of the bonds will amount in round numbers to twenty million (\$20,000,000) dollars. There was also a like discount suffered on the First Mortgage bonds issued by the Company, whereas if the full time allowed by Congress had been occupied in the construction of the road, these bonds could have been sold at par. At the time the road was constructed the prices of labor and materials in California, Nevada and Utah, were enormously inflated, not only on account of the war prices which then prevailed and the war risks which were incurred in transporting material from the East by sea, but also by reason of the great mining excitement which prevailed in Nevada and California and absorbed nearly all the available white labor. It will be shown by the testimony of engineers who had charge of the construction of the road and other competent witnesses, that the cost of construction exceeded fifty per cent more than it would have been if the Company had delayed its final completion until July, 1876.

The Pacific Railroad has accomplished all the good, both local and national, that was predicted by its most enthusiastic supporters. It has demonstrated the possibility of the construction of a trans-continental road; it has proved to the financial world that the great interior abounds in resources; it has made it possible for the construction of other trans-continental roads, with numerous branches and feeders; it has shown how the National domain can be utilized; it has encouraged the development of the natural resources of California, and shown that its products of fruits and wines can be transported to the Atlantic States by rail. It was the first enterprise anywhere in

Additional
loss to Co.
by early
completion.

Public
benefits
realized
by road.

the world which made possible the habitation of regions of country far remote from navigable waters, and has added untold millions of wealth to the nation. It has performed the public service so faithfully and expeditiously as almost to annihilate the distance between the Pacific and the Atlantic and bring the whole country into close and intimate political, social and commercial relations; it has performed the Government service in transportation of mails, materials and supplies to the complete satisfaction of all Government officers having charge of such business.

Injury to
Co. by
unjust laws.

While the Company has been spending all its energies in furnishing to the Government and the people every possible facility at the lowest possible rate for transportation, Congress has at times, through a misapprehension of the facts, appeared exacting and unjust. The Act of 1878, known as the "Thurman Act," has been injurious to the Company. While it was admitted that there was nothing due from the Company except one-half of its compensation for Government service and five per cent of its net earnings, until the maturity of the bonds, Congress provided for a sinking fund; it placed the management of that fund in the hands of the Secretary of the Treasury. The requirements under this Act have been paid into the fund since 1878 and have been invested in Government bonds issued for the construction of the Pacific Railroads at a cost for premium of 34 per cent. These bonds, as we have already seen, were originally disposed of by this Company at a discount, causing a loss on the principal alone of seven millions of dollars.

Investment
of sinking
fund by U. S.

The Company is charged interest on these bonds at the rate of six per cent on their par value. The Secretary has invested the money which the Company has paid under the Thurman Act in these bonds, paying an average premium therefor of 34 per cent. There has been paid in by the Company to the sinking fund \$3,168,600.50, the loss on which in interest and premium up to the present time is \$1,612,966.72. In fact there is less money in the sinking fund to-day than the amount paid in by the Company by over half a million dollars.

Benefits to be
considered.

It was supposed when the Company accepted the terms of the acts and entered into the contracts with the Government,

that the United States would take into consideration the circumstances under which the road was constructed, the difficulties encountered in its construction and the great benefits accruing to the Government by its increased facilities in mail service and transportation, and allow it a like compensation to that formerly paid for the service when performed by teams and pack animals. This Company instead of receiving four millions per annum, which would have been its reasonable proportion according to the former rates of compensation, has, in fact received not more than one-eighth of that amount.

I also desire to call your attention to the fact that at the time of the construction of the Pacific Railroad no competing roads were anticipated. It was expected that the Pacific Road, for which the Government issued its bonds, would be the only trans-continental road until its debt to the Government was fully liquidated. But soon after the Company entered into the contract with the United States for the construction of the road, other parallel and competing roads were aided by extensive land grants made to them by the United States. The land grant to the Northern Pacific was many times in extent and value more than the land grant of the Union and Central Companies. The Atlantic & Pacific, Texas & Pacific and Atchison & Topeka are all competing roads to the Union and Central, and have all been aided by extensive land grants made by the Government since the commencement of the construction of the Central Pacific.

No competing lines anticipated.

There was certainly no competition available to the Government with the Pacific Railroad from the time of its completion until 1881, when the Atchison, Topeka & Santa Fé united with the Southern Pacific at Deming, New Mexico. During all that period the Government was saved the full amount of the difference between what was paid by the former mode of transportation and the actual amount paid after the completion of the Pacific Railroad. This amounts to many millions of dollars as shown by the public reports. The local business for Utah and Nevada is exceedingly small, as will appear from answers to your questions which I shall hereafter make. The Central Pacific, outside of its local business in California, mainly relies upon through business. This has been dimin-

Loss to C. P. R. R. by competing aided lines.

ished by the competing lines aided by the Government, by at least seventeen millions of dollars, as will be shown by the facts and figures hereafter presented in answer, to the proper interrogatories.

The equities considered by Congress.

The Act of Congress, however, under which your Commission is organized, recognizes the equities of the Company and provides for an examination of all the circumstances attending the construction of the road, such as: what was the cost of Government transportation and mail service on the line of the road prior to its construction; how much more expensive was it to construct the road at the time, than it would have been five years earlier or five years later; what discount was the Company forced to make in disposing of its bonds; what loss has the Company sustained by competing lines subsidized by the Government. This is the first opportunity the Company has had to present in official form these equitable considerations.

The debt of the Government in excess of that of the Company.

I feel confident that when your Commission shall have concluded its labors, it will appear that upon an equitable adjustment between the United States and the Central Pacific Company, the Company will owe nothing to the Government, but on the contrary, the Government will be largely in debt to the Company.

Principal claims against the United States.

I will recapitulate the principal claims of the Company against the Government, which are :

First—The loss and interest thereon which the Company sustained by being forced to sell the bonds received by it from the Government at a discount :

Loss	\$ 7,120,073 55
Interest to maturity	12,816,132 39
	<hr/>
Total	\$19,936,205 94

Second—The amount which the Government saved in its transportation on the Central and Union Pacific line between the completion of the road in May, 1869, and time when it might have been completed under the contract, *i. e.*, July 1, 1876, \$47,763,178.

This Company's proportion, say 46 per cent, \$21,971,062 00

Third—The amount which the Government now owes the Company upon transportation, the legality of which claim has been sustained by the Court of Claims and also the Supreme Court of the United States.

This amount is 1,853,323 15

Fourth—The amount of loss which the Company has directly sustained by reason of the refusal of the Government to grant the Company patents for its lands as rapidly as called for, say,

500,000 00

Fifth—The loss by the Sinking Fund investments in United States Treasury.

1,612,966 72

Sixth—Loss by diversion of business from Central and Union Pacific to other subsidized roads, \$37,000,000.

Central Pacific's proportion of which, 46 per cent is, say

17,000,000 00

Total \$62,873,557 81

I will now proceed to answer the questions submitted by you in their order.

Question 1. That the duty of said commission shall be to examine into the working and financial management of all the railroads that have received aid from the Government in bonds.

Duty of Commission.

Answer 1. This interrogatory, being simply a recital of the duties of the commission, does not seem to require any answer from me.

Have Companies complied with all obligations?

Ques. 2. To ascertain whether they have observed all the obligations imposed upon them by the laws of the United States under which they have received such aid, or which have been since passed in reference thereto, and complied with all other obligations to the United States.

C. P. R. R. Co. has fully complied with the laws.

Ans. 2. The Central Pacific Railroad Company has always promptly observed all the obligations imposed upon it by the laws of the United States under which it received its aid in bonds, or which have since been passed in reference thereto and has also promptly complied with all other obligations to the United States.

I have never heard either from Congress or any other official source that the C. P. R. R. Co. was not promptly discharging, as they accrued, each and every one of the obligations imposed upon it by Congress. If there had been such complaints I should certainly have heard of them.

I was chosen President of the Central Pacific R. R. Company at its organization and have held the position ever since. It has always been the earnest desire and purpose of the company to meet and discharge, and it has promptly met and discharged, as they accrued, all the obligations imposed upon it by the laws of the United States; such has ever been and still is the policy of the company. I deem it unnecessary to say more upon this point, but direct your attention to and ask your careful consideration of the following extracts from the reports of the Attorney-General and the Commissioners of Railroads; also to the affidavit of Mr. E. H. Miller, Jr., the Secretary of the company, hereto attached, marked "Exhibit 1," and made part hereof.

Testimony of U. S. that

ied re-

The Attorney-General in his report to the Senate of the United States, at the first session of the 48th Congress, said: "First: The Central Pacific Railroad Company has fully and promptly complied with the requirements of said Act," meaning the Act of Congress generally known as the Thurman Act. (Ex. Doc. No. 121, p. 2.)

Again, at the same session, in answer to further inquiry, the Attorney-General said: "In further reply to the inquiries of the Senate, I have the honor to state that I am informed by the Secretary of the Interior that the Central Pacific Company has met and paid the demands of the Commissioner of Railroads, reserving all rights." (Ex. Doc. No. 124, p. 3.)

W. H. Armstrong, United States Commissioner of Railroads, in his report for 1882, says: "Able and expert accountants of this office have investigated and reported upon the business, financial condition, and proportion of net earnings due the government for the past year. The results are shown in detail under the proper headings hereafter. Free access has been accorded to the books and accounts of the several subsidized roads, whenever requested. Detailed statements of the earnings and expenses, financial condition, and physical characteristics of the various land grant railroads have been compiled from examination and returns made, and are submitted herewith. As a rule, the accounts of the road are kept in a thoroughly comprehensive and business-like manner. Reports to this office are not always made as promptly as required, but the desire is expressed by the different companies to fully and promptly comply with the lawful demands of the Bureau." (Report 1882, p. 5.)

Again he says:

"Under the Act of May 7, 1878, the book-keeper of this office checked the books and accounts of the company (the Central Pacific Railroad Company) in San Francisco with a view to the ascertainment of 25 per cent of the net earnings for the year ending December 31, 1881. Twenty-five per cent of the net earnings of the subsidized portion of the road was found to amount to \$1,038,935.24. The transportation for the government during the year amounts to \$959,785.33, leaving a balance due the United States of \$79,149.91. Statement was rendered and payment demanded October 20, 1882. A check for the amount was sent to the Treasurer of the United States by the Vice-President of the company October 23rd, 1882. The company has therefore paid to the government all its accrued indebtedness to date." (Ibid, p. 26.)

In his report for the following year, 1883, Railroad Commissioner Armstrong says:

“ In accordance with the Act of May 7th, 1878, the books and accounts of this company (Central Pacific Railroad Company) were checked by the book-keepers of this Bureau in San Francisco, California, with a view to the ascertainment of 25 per centum of the net earnings of that portion of the road (860.66 miles) subsidized with the bonds of the United States for the year ending December 31, 1882. The amount found due was \$792,920.24, against which the company had performed transportation services on aided and non-aided lines, all of which had been retained by the government, amounting to \$1,051,862.46, leaving a balance due the company that year of \$258,942.22. The Central Pacific Railroad Company has paid promptly all balances found to be due to the United States, after statements have been rendered by this office.” (U. S. Com. of R. R. Report, 1883, p. 42.)

In his report for 1884, Commissioner Armstrong says :

“The property and accounts of the several railroads have been examined, the companies (Pacific Railroads) having freely accorded all proper facilities for the inspection of their properties and the examination of their books.” (U. S. Commissioner of Railroads of 1884, page 3.)

General Joseph E. Johnson, U. S. Commissioner of Railroads, in his report for 1885, says :

“ The lease (to the Southern Pacific Company) has not affected the obligations of the Central Pacific Railroad Company to the United States, of course. The accounts of the company were examined in San Francisco. * * * The property of the company was also examined and found to be in good condition, its principal work-shops at Sacramento are thoroughly equipped and capable of making all the engines and cars required by the whole system. The surface of the road is excellent; the ditches ample and the road-bed well raised and bridges sound.” (Rep. 1885, p. 17.)

Again, in the same report, the Commissioner says :

“ The accounts of the companies under the supervision of this office have been carefully examined, especially those of the companies that were aided with the bonds of the United States. Their officers readily furnished all necessary facilities. The property inspected, including railroads, rolling

“stock and work-shops, was in good working order.” * *
 “The portion of this road (Central Pacific) between West
 Oakland and Roseville Junction, 159 miles, was found to be
 “in the usual good condition so characteristic of this compa-
 ny’s railroads.” (Rep. 1885, pp. 3 and 42.)

Theo’s. French, United States Auditor of Railroad Accounts,
 in his report for 1879, says :

“This company (Central Pacific Railroad Company) has
 “rendered such reports as have been required, and submitted
 “its books and accounts to examination. * * * *
 “The Engineer’s report shows in considerable detail the con-
 “dition of the property covered by the lien of the United
 “States. * * * The equipment on the road is in
 “good condition and ample. * * * * The ferry
 “service between Oakland and San Francisco * * *
 “is to be commended. The passenger service on this road is
 “unexceptionably good.” (Auditor’s Report, 1879, pp. 34-7.)

The above extracts from reports made by the persons selected
 by Congress from time to time and authorized to examine the
 books of the company, show that it has always faithfully and
 promptly complied with the laws passed by Congress, and has,
 as I before said, promptly discharged all its obligations to the
 government. In this connection, I direct your attention to the
 fact that the amount found due the company for the year end-
 ing December 31, 1882, as reported by the Commissioner,
 namely, \$258,942.22, has not yet been paid.

*Ques. 3. And whether their books are and have been so
 kept as to show the net earnings of the aided roads, and what
 said books actually show in regard thereto, and what have been
 in fact said earnings.*

Do books
 show net
 earnings
 of aided
 roads?

*Ans. 3. This interrogatory contains three independent
 propositions.*

(a). Have the books been so kept and are they now so kept as to show the net earnings of the aided roads? (b). What do said books actually show in regard thereto? (c). What have been in fact said net earnings? To avoid confusion I shall answer each proposition separately :

C. P. R. R.
books so kept
as to show
net earnings
of aided road.

(a). The books of the Central Pacific Railroad Company have been and are so kept as to show the net earnings of the aided roads.

The original Acts of Congress passed in 1862 and 1864 respectively, make no provision for the examination by any officer, of the books of the companies therein referred to. After the roads were constructed and commenced business, difficulties and controversies arose between the companies and the representatives of the United States in the matter of the settlement of the "net earnings," which, of course, had to be determined before the amount due the government could be ascertained.

Congress, recognizing this defect in the acts of 1862, 1864 and 1878, by a special Act (June 19, 1878) created the office of Auditor of Railroad Accounts, which Act took effect on July 1, 1878. The designation of this office was by the Act of March 3d, 1881, changed to United States Commissioner of Railroads, being a change in title only, the duties and powers remaining the same. The first Auditor of Railroad Accounts appointed under the Act of 1878 visited the office of the Central Pacific Railroad Company in San Francisco, in 1879, and made a thorough examination of the accounts and books and vouchers of the Company from the date of its organization down to the date of his examination. He was given every facility for examination of the books, etc., and upon his report the amount then claimed to be due from the Company was promptly paid and the amounts found due in all subsequent examinations by the Auditor and Commissioner have also been promptly paid. He also made some suggestions in his report that the books of the Company had not been so kept as to show readily the earnings of the aided and non-aided roads. The Company at the beginning of the next fiscal year,—January 1st, 1880—changed its system of book-keeping, at considerable expense of

time and money, to meet his suggestions. Ever since then the books have been and are now so kept as to show the "net earnings" according to his requirements.

(b). The books actually show the "net earnings" from the completion of the road to the last settlement reported by the Railroad Commissioner of the United States, dated December 31st, 1886.

Net earnings
shown.

(c). Such earnings amount to \$59,276,387.54, from the completion of the road to December 31, 1886.

The following statement shows the earnings, expenses and net earnings of the aided road, as ascertained by the U. S. Auditor of Railroad Accounts for each year from the completion of the road to the commencement of the operation of the Thurman Act, July 1, 1878. It covers a period of eight years and about 8 months. The average annual amount of net earnings for this period was \$4,327,000, five per cent of which was paid into the U. S. Treasury under the contract Acts of 1862 and 1864.

Net earnings
from begin-
ning to
July 1, 1878.

The following statement shows the annual net earnings as ascertained by the United States Commissioners of Railroads from July 1, 1878, the commencement of operation of the Thurman Act, to December 31, 1886.

Net earnings
July 1, 1878 to
Dec. 31, 1886.

In order to show the requirements which are actually payable before payments can be made into the Sinking Fund in the United States Treasury, the sums paid into the Sinking Fund of the Company in the Company's treasury according to the terms of the first mortgages, which are prior in lien to the United States bonds, is deducted from the net earnings. The balance shown is the extreme annual amount which can be paid by the Company, on its debt to the Government, as it is the entire net earnings of all the road included in the Government's lien, after deducting the requirements of the prior lien.

It will be noticed that the net earnings prior to 1882, amounted to about \$4,000,000 per annum. In 1882 there was a decrease of \$1,000,000. This is the year in which competition commenced with other trans-continental lines which were aided in their construction by United States land grants. This decrease continued as new land grant lines were completed till 1884 and 1885, for each of which years the net earnings amounted to about \$860,000, and the available balance to about \$740,000. The net earnings of the aided line hereafter cannot be prudently calculated to exceed this annual amount of \$740,000, as the overland business will continue to be divided, and the aided road is chiefly in Nevada and Utah, where there is very little local traffic.

Net earnings
reduced by
competing
lines.

The temporary slight improvement shown for the year 1886, is chiefly owing to an unusually small amount of betterments, additions and repairs, charged in that year. Were these items of the usual amount, the increase of earnings which was made at cut rates, would have been accompanied by an equal or greater increase of expenses.

The annual accruing interest on the United States bonds issued to the Central Pacific is \$1,671,340.80, the net earnings of \$740,000 lacks \$930,000 a year of meeting the accruing interest, even if every available dollar should be taken for that purpose.

CENTRAL PACIFIC

EARNINGS AND EXPENSES of Aided Line—860.66 Miles—

FROM JULY 1, 1878, TO

	JULY-DEC., 1878.	YEAR 1879.	YEAR 1880.
Gross Earnings, Aided Line	\$5,483,930 37	\$10,058,332 35	\$9,953,246 78
Operating Expenses and Taxes	\$2,503,772 66	\$4,788,536 67	\$4,135,955 66
Betterments and Additions	138,350 18	143,352 66	209,216 70
Interest paid on First Mortgage Bonds, having priority of lien over United States Bonds . .	834,990 00	1,671,540 00	1,668,390 00
Total Expenses	\$3,477,112 84	\$6,603,429 33	\$6,013,562 36
Net Earnings so ascertained	\$2,006,817 53	\$3,454,903 02	\$3,939,684 42
Sinking Funds payable from income for re- demption of First Mortgage Bonds, having priority of lien over United States Bonds:			
Central Pacific Railroad . . \$100,000 per annum			
Western Pacific Railroad, } \$20,827 50 "	\$ 60,413 75	\$ 120,827 50	\$ 120,827 50
(83.31% of \$25,000)			
	\$1,946,403 78	\$3,334,075 52	\$3,818,856 92

RAILROAD COMPANY.

as ascertained under the requirements of the Thurman Act,

DECEMBER 31, 1886.

YEAR 1881.	YEAR 1882.	YEAR 1883.	YEAR 1884.	YEAR 1885.	YEAR 1886.
\$10,271,563 71	\$9,580,615 94	\$8,861,425 15	\$7,300,780 67	\$5,949,214 73	\$6,522,909 33
\$4,444,127 74 150,856 28 1,671,695 00	\$4,734,994 99 273,164 50 1,673,940 00	\$4,538,392 39 299,396 16 1,676,910 00	\$4,416,624 22 351,371 80 1,671,630 00	\$3,167,081 76 247,404 00 1,671,180 00	\$3,355,555 18 24,631 87 1,671,180 00
\$6,266,679 02	\$6,682,099 49	\$6,514,698 55	\$6,439,626 02	\$5,085,665 76	\$5,051,367 05
\$4,004,884 69	\$2,898,516 45	\$2,346,726 60	\$ 861,154 65	\$ 863,548 97	\$1,471,542 28
\$ 120,827 50	\$ 120,827 50	\$ 120,827 50	\$ 120,827 50	\$ 120,827 50	\$120,827 50
\$3,884,057 19	\$2,777,688 95	\$2,225,899 10	\$ 740,327 15	\$ 742,721 47	\$1,350,714 78

Constructive
mileage
allowances.

Ques. 4. Or whether there has been a diversion of earnings of aided roads to less productive branches, through constructive mileage allowances, or average mileage allowances between aided and non-aided roads, or otherwise.

Ans. 4. There has been no diversion of earnings of aided roads to less productive branches, through constructive mileage allowances, or average mileage allowances between aided and non-aided roads, or otherwise, except in the instances noted elsewhere and during the period between January, 1880, and February, 1883, inclusive.

Allowances
made by
C. P. R. R. Co.
have ben-
efitted aided
road.

Such allowance was in accordance with the usual custom throughout the United States and was in every instance to the benefit of the aided road. Its continuance, however, was a frequent source of criticism by those not familiar with the details of railway operation and the surrounding necessities controlling rates. Experience proved that the amounts involved were not large. To promote complete harmony, therefore, with the Government and the officers appointed by it to enforce the Acts affecting the Pacific Railroads, constructive mileage allowances were discontinued and have not since been used.

Average
mileage
allowances
favored
aided road

Average mileage allowances were made in ascertaining the net earnings of the aided line by the United States Auditor from November 6, 1869, to December 31, 1879, inclusive, but such allowances did not effect a diversion of earnings from the aided line. The rules prescribed by the United States Auditor allowed only the mileage between Ogden and San Francisco in pro-rating through earnings, over ninety-five per cent of which was by this means given to the aided line. The local earnings were then pro-rated to all lines operated on the average mileage basis. These rules under which the net earnings of the aided line were ascertained for the above period favored the aided at the expense of the non-aided road, the earnings from local business being greater per mile of road in California, where the non-aided roads are located, than in the sparsely settled territory in Nevada and Utah, through which the aided line, alone, runs.

Equal mileage has always been made on mail earnings, the rate on mails being fixed by the Post Office Department on an equal mileage basis.

Constructive mileage was allowed in the division of earnings to the several roads, to certain less productive branches between January 1, 1880, and February 28, 1883. The constructive mileage allowed was not sufficient to give such branches their proper proportion of the earnings from traffic interchanged between them and the main line. On less productive branches higher rates always prevail, other things being equal, than on more productive branches. This is chiefly because the volume of traffic is much less, or because the expense of operation is greater. In either case the cost of the service per ton per mile or per passenger per mile is greater. In dividing the earnings from joint traffic, with the main line, then the less productive line may fairly demand more than its mileage proportion of the amount. The common practice throughout the country in similar cases is for the unproductive line to demand its local rate as its proportion of through earnings. Were the several roads operated in connection with the Central Pacific, managed by different companies, the unproductive branch lines would demand and receive a division of earnings on traffic interchanged greater than they did receive by the constructive mileage allowance. There was therefore no diversion of earnings from the aided line by such allowances, but on the contrary the aided line received in the division a larger proportion of the earnings from joint traffic than it was justly entitled to. This fact appears from the following statement in detail of the allowances made.

AMADOR BRANCH RAILROAD. Constructive mileage of one hundred per cent allowed from January, 1880, to February, 1883, inclusive. The principal joint traffic with this branch is between San Francisco and Ione

The actual mileage is :

Galt-Ione, Amador Branch	27 miles,	17.9 per cent.
San Francisco-Tracy, leased	83 "	55.0 "
Tracy-Galt, aided line	41 "	27.1 "
Total	151 miles,	100 per cent.

Constructive mileage as allowed favored the aided road.

Illustrations of constructive mileage allowances.

Constructive mileage is :

Amador Branch	54 miles,	30.3 per cent.
Leased	83 "	46.6 "
Aided	41 "	23.1 "
	<u> </u>	<u> </u>
Total	178 miles,	100 per cent.

For each dollar then received on joint business between San Francisco and Ione, the aided line would receive on an equal mileage basis 27.1 cents, and on the constructive mileage basis, 23.1 cents. It should have received but 18.3 cents, which is its percentage of the combined local rates, as follows :

The average freight rates on classes 1 to 5 inclusive, are :

Amador Branch	27 miles,	55 cents,	44.7 per cent.
Leased lines	83 "	45½ "	37. "
Aided line	41 "	22½ "	18.3 "
	<u> </u>	<u> </u>	<u> </u>
	151 miles,	123 cents,	100 per cent.

On each dollar of this joint business the amount allowed by the constructive mileage basis thus resulted in giving the aided line 4.8 per cent more than it was fairly entitled to.

LOS ANGELES AND INDEPENDENCE RAILROAD. This road received constructive mileage of 100 per cent from January 1, 1880, to February 28, 1883. This is a branch road running from Los Angeles to Santa Monica, and interchanged no business which affected the earnings of the aided line.

LOS ANGELES AND SAN DIEGO R. R. This road received constructive mileage of 100 per cent from January 1, 1880, to February 28, 1883. This is also a branch running out of Los Angeles, and interchanged no traffic with the aided line.

SAN PABLO AND TULARE R. R. Line from Tracy to Martinez forty-seven miles. Constructive mileage of fifty per cent was allowed for the year 1880. Practically the only portion of the aided line affected by this allowance was that between Tracy and Lathrop, a distance of eleven miles, for the traffic between

San Francisco and points on the Southern Pacific R. R. The traffic between San Francisco and Los Angeles fairly represents the average of this business. The total distance is 482 miles. The aided line proportion of the traffic is thus but $2\frac{1}{4}$ per cent. The S. P. & T. R. R. distance is 47 miles, being 9.96 per cent of the total mileage. The constructive mileage allowance is thus chargeable almost wholly to the remaining 87.79 per cent of the distance, which is non-aided and leased road. Though this road has a short haul it has no terminal expenses, as it formed part of the through Southern Pacific line shortly after its construction. Constructive mileage was allowed only for one year.

SOUTHERN PACIFIC RAILROAD. Constructive mileage of fifty per cent was allowed on this line as it was built southward from Goshen from January 1, 1880, to February 28, 1883. The extension of this line was at first in an undeveloped country with but little business. From Goshen southward the road was difficult to construct and expensive to operate. It crosses the mountains where there are short curves and heavy grades, and to gain the summit at Tehachapi Pass, the line doubles on itself, forming the well known "Loop," since celebrated as an engineering feat. After crossing the Mojave Desert the road to reach the valley of Los Angeles passes through the San Fernando tunnel of over a mile in length. Practically all the joint traffic with this route affecting the aided line was that from San Francisco. This traffic north of Goshen is carried over level grades easy of construction and operation, and on lines having a larger traffic and lower average rates than the line south of Goshen. The cost per mile on the latter line being much greater, a higher charge per mile was just and reasonable, and would doubtless have been demanded had the road been operated by a separate company. The effect of the constructive mileage allowance on the line may be shown by the traffic between San Francisco and Los Angeles. This formed the greater portion of the joint business at the time the constructive mileage was allowed, and fairly illustrates the result for the whole.

The actual mileage is :

San Francisco-Tracy, leased	83 miles,	17.2 per cent.
Lathrop-Goshen, non-aided	147 "	30.5 "
Tracy-Lathrop, aided	11 "	2.3 "
Goshen-Los Angeles, S. P. R. R. . .	241 "	50.0 "
	<u> </u>	<u> </u>
Total	482 miles,	100 per cent.

Constructive mileage is :

Leased	83 miles,	13.8 per cent.
Non-aided	147 "	24.4 "
Aided	11 "	1.8 "
S. P. R. R.	361 "	60.0 "
	<u> </u>	<u> </u>
Total	602 miles,	100 per cent.

For each dollar then, received on joint business, the aided line would receive on an equal mileage basis 2.3 cents, and on the constructive mileage basis 1.8 cents; while on the basis of the combined local rates which would be used were the roads operated by different companies, the aided line would receive but 1.1 cents. By the constructive mileage allowance therefore the aided line has received more than its proper and just proportion of these through earnings. This is shown by comparing the following proportions based on combined local freight rates, with those given above based on the constructive mileage allowance.

Combined local freight charges between San Francisco and Los Angeles:

Tracy-Lathrop, aided	11 miles,	1.4 cents,	1.1 per ct.
San Francisco-Tracy, leased, 83	"	11.0 "	
Lathrop-Goshen, non-aided, 147	"	49.8 "	
Goshen-Los Angeles, leased, 241	"	69.6 "	
	<u> </u>	<u> </u>	
Total non-aided lines	471 miles,	130.4 cents,	98.9 per ct.
Total aided and non-aided, 482	miles,	131.8 cents,	100 per ct.

STOCKTON & COPPEROPOLIS RAILROAD. Constructive mileage of 50 per cent was allowed on this branch for the year 1880, and 100 per cent from January, 1881, to February, 1883, inclusive. The principal business interchanged is that between San Francisco and Milton. The operation in this case with the largest allowance is as follows :

The actual mileage is :

San Francisco-Tracy, leased	83 miles,	62.9 per cent.
Tracy-Stockton, aided	20 "	15.1 "
Stockton-Milton, S. & C. R. R	29 "	22.0 "
	<hr/>	<hr/>
Total	132 miles,	100 per cent.

Constructive mileage at 100 per cent is :

Leased	83 miles,	51.6 per cent.
Aided	20 "	12.4 "
S. & C. R. R	58 "	36.0 "
	<hr/>	<hr/>
Total	161 miles,	100 per cent.

By this allowance the S. & C. R. R. receives 36 per cent of the through rate as against the 22 per cent by the even mileage division. It should receive more than this. The proper proportion to each line is shown by adding the local rates and ascertaining the percentage of each to the sum. The freight rates, classes one to five inclusive, between San Francisco and Stockton average $12\frac{1}{2}$ cents per 100 pounds; between Stockton and Milton, $8\frac{1}{2}$ cents. The division of these locals gives the following percentages :

Leased	83 miles,	10 cents,	47.6 per cent.
Aided	20 "	$2\frac{1}{2}$ "	11.9 "
S. & C. R. R.	29 "	$8\frac{1}{2}$ "	40.5 "
	<hr/>	<hr/>	<hr/>
Total	132 miles,	21 cents,	100 per cent.

It will be seen by comparison with the statement showing constructive mileage percentages above, that the S. & C. R. R. was allowed in the division of this joint traffic, thirty-six per

cent, while it should have received on the basis of the local percentages, forty and one-half per cent. Had this road been operated independently therefore, it would have received fully four and one-half per cent more from earnings of joint traffic, than it was given by the highest constructive mileage allowance.

Aided road has received more than fair proportion of earnings.

The aided line received by the constructive mileage allowance 12.4 per cent on the division of such joint rates, while it should have received on the proper basis of combined local rates, but 11.9 per cent. It will be seen from the foregoing that wherever constructive mileage allowances have been made by this Company, such allowances have not constituted a diversion of earnings from the aided line, but on the other hand, the aided line has, notwithstanding such allowances, received more than its fair proportion in the division of joint earnings.

Is constructive mileage fair and usual?

Ques. 5. And also whether such system of constructive mileage allowance is fair and usual, and in practical operation, has resulted adversely or otherwise to the aided roads and the interest of the United States.

Allowances have resulted favorably to United States

Ans. 5. Such constructive mileage allowances are fair and usual and in practical operation have resulted favorably to the aided roads and the interest of the United States.

It is customary and fair to allow constructive mileage to less productive roads which are not branches, but form part of through routes. Such roads are less productive because they have but a small amount of traffic, or are expensive to operate or both. In either case the cost of the service per ton per mile or per passenger per mile is greater on such roads, and this increase in cost is the basis of the constructive mileage allowance. Constructive mileage should always be allowed. It depends upon such circumstances as grades, curves, amount of business, length of roads, etc. The character of the business is also to be considered, for instance, as to whether it is a coarse grade of freight or costly merchandise that is hauled.

Climatic influence should also go to determine a fair mileage rate. A rate that is sufficient on one road might be entirely insufficient for another. The allowances made according to rules prescribed by the United States Auditor of Railroad Accounts, worked adversely to the non-aided and leased roads. The aided road received thereby a greater amount of net earnings than was properly its due, as more fully appears from accompanying statements.

The following cases, taken at random, of rates in force with connecting lines which are not operated or controlled by this Company, will serve to illustrate the usual custom :

Illustrations
of usual
custom as to
constructive
mileage.

NORTHERN CALIFORNIA RAILROAD AND CENTRAL PACIFIC
RAILROAD.

Miles.		Rates through.	Equal mileage division would be
142	S. F. to Marysville, C. P. R. R. . .	\$5 10	\$5 93
28	Marysville to Oroville, N. C. R. R.	2 00	1 17
170	Total	\$7 10	\$7 10

Constructive mileage allowances of 100 per cent to the Northern California Railroad shows :

Miles.		PER CENT.	RATE.
142	C. P. R. R.	71.7	\$5 10
56	N. C. R. R.	28.3	2 00
198	Total	100.0	\$7 10

In this case the California Northern Railroad demanded and received 100 per cent constructive mileage.

**CARSON AND COLORADO RAILROAD AND CENTRAL PACIFIC
RAILROAD.**

Miles.		Rate through.	Equal mileage division would be
244	S. F. to Reno, C. P. R. R	\$12 05	\$15 10
322	Reno to Lone Pine, C. & C. R. R.	23 00	19 95
566	Total	\$35 05	\$35 05

In this instance the division of the through rates amount to a constructive allowance of about 50 per cent to the Carson and Colorado Railroad and this notwithstanding that road has the longer haul.

**EUREKA AND PALISADE RAILROAD AND CENTRAL PACIFIC
RAILROAD.**

Miles.		Miles through.	Equal mileage division would be
525	San F.-Palisade, C. P. R. R	\$33 05	\$35 02
90	Palisade-Eureka, E. & P. R. R	8 00	6 03
615	Total	\$41 05	\$41 05

The less productive branch road in this case receives in the division of the through rate an amount equal to about 50 per cent constructive mileage.

Aided lines
allowed
constructive
mileage by
other roads.

NEW YORK TO SAN FRANCISCO. A further illustration, which in the present connection is more striking and suggestive than with the branch lines, is the allowance made to the Central Pacific and Union Pacific by the roads east of the Missouri river on trans-continental traffic. The Central and Union Pacific lines having less traffic per mile of road, and in

the case of the Central Pacific particularly, an expensive road to maintain and operate across the Sierra Nevada mountains, the average cost of service per ton per mile is greater than with their connections east of Omaha.

A higher rate per mile is therefore considered fair and has always been allowed in the division of through rates. The through passenger rates from New York to San Francisco which were in force during the time constructive mileage allowances were made to branch lines by the Central Pacific, the proportions allowed each line and the proportions each would have received had no constructive mileage allowance been made to the Central and Union Pacific line are shown by the following table :

THROUGH RATES AND DIVISIONS, 1880,

Between New York and San Francisco.

Rates and Divisions as allowed :

Class.	Through Rate.	DIVISIONS.									
		C. B. Transfer		C. P.		U. P.		C. B.-CHI.		CHI.-N. Y.	
		Cts.	Pro.	Per Mile	Pro.	Per Mile	Pro.	Per Mile	Pro.	Per Mile	
Unlim.	\$1 38 30	.50	\$46 00	5.22c	\$54 00	5.22c	\$14 55	2.97c	\$23.25	2.55c	
2d	105 00	.50	34 50	3.91	40 50	3.91	12 50	2.55	17 00	1.86	
3d	65 00	.50	20 70	2.35	24 30	2.35	6 81	1.39	12 69	1.39	
Coin	100 00	.50	33 26	3.77	38 94	3.77	10 50	1.95	16 80	1.95	

Rates and Divisions would have been had no constructive mileage been allowed.

Unlim.	1 38 30	.50	36 69	4.15	42 92	4.15	20 34	4.15	37 85	4.15
2d	105 00	.50	27 81	3.15	32 54	3.15	15 44	3.15	28 71	3.15
3d	65 00	.50	17 13	1.94	20 04	1.94	9 51	1.94	17 82	1.94
Coin	100 00	.50	26 49	3.00	31 00	3.00	14 70	3.00	27 31	3.00

It will be noticed that in the unlimited rate the Pacific roads were allowed 5.22 cents per mile, while the roads between New York and Chicago received but 2.55. The former in this case receiving over 100 per cent per mile more than the latter.

The mileage of the route is : East of Missouri River, 1402 miles, west, 1916 miles. Applying the constructive mileage system to the sum of the rates for the several classes shows that the *Central and Union Pacific* received a constructive mileage allowance of over 85 per cent.

Profit to aided roads by system of constructive mileage allowances.

This through traffic was very large and comprised a considerable portion of the income of the aided line. The constructive mileage allowance was also for a long haul—the whole length of the road. The difference therefore to the Central Pacific whether it did or did not receive the constructive mileage allowance was of the greatest importance, and the practice has added to the earnings of the aided line amounts aggregating millions of dollars.

Have earnings been diverted to wrongful or improper purposes?

Ques. 6. Or whether there has been a diversion of earnings of aided roads to wrongful or improper purposes, and if so, to what extent.

Earnings used exclusively for benefit of C.P.R.R. Co.

Ans. 6. In answer to interrogatory number 6, I have to say : That the earnings of the Company have been expended and applied exclusively to the benefit of the Company. No portion of them has been applied in construction of any other road. The Company is willing and desirous of making a full, and complete statement to the Commission of all matters in which the Government can possibly have any concern ; I assume that it is unnecessary to go into statements of matters affecting the interests of the Company, in which the Government has not, and can not have any possible interest.

In determining the amount of the net earnings of the Company, in which only the Government is interested, the Company do not propose to make any charge or claim that would diminish or affect the amount of such net earnings, for which it will not furnish entirely satisfactory documentary evidence. All items of expenditure for which such satisfactory evidence shall not be furnished, shall be charged against the Company

exclusively. I will merely add, however, that the disposition made of these earnings of the Company, in which the Government has no interest has met with the approval of the Board of Directors of the Company and its stockholders, on repeated occasions.

Ques. 7. Whether there is a discrimination of rates in favor of unaided against aided roads.

Discrimination in rates against aided roads.

Ans. 7. There is no discrimination of rates in favor of unaided as against aided roads, except that made by the Post Office Department.

No discrimination except those made by the United States.

The rates for transportation of United States mails are fixed by the Post Office Department in accordance with the general laws upon the subject. The basis of the rate is the average daily number of pounds carried over the whole route. The overland Central Pacific route is from Ogden to San Francisco via the aided road to Sacramento, and thence to San Francisco via Benicia over unaided roads. The aided line does not run into San Francisco; the business must go over unaided lines. The general business follows the line designated by the Government between Sacramento and San Francisco, which is the shortest possible line—87 miles by one route and 137 by the other. The weight of mails in either case would be the same, and the rate per mile would be the same. The shorter route, therefore, carries the mails for about one-third less than the longer route. This is in effect a discrimination in favor of the unaided against the aided road. Not only has the Post Office Department thus discriminated against our line, but it and the War Department and other Departments of the Government have given preference to other transcontinental lines that have not been aided in bonds, thus diverting traffic that the Central Pacific could have done. Upon this subject the United States Auditor of Railway Accounts says:

“ Government has taken away business across the State of Nevada, and has also given transportation to the Northern Pacific, the Southern Pacific, the Atchison, Topeka & Santa Fé, the Atlantic and Pacific and the Canadian Pacific, all rival roads, and is paying them full rates when they could get it done for less rates by the aided Central Pacific.”

This matter, with its embarrassing results to the Company, will be found more fully set forth in answer to interrogatory No. 54.

Is any money due to U. S. for erroneous accounts?

Ques. 8. Whether any, and if so, how much money is due and owing to the United States on account of mistaken or erroneous accounts, reports or settlements made by said roads?

Nothing due from C.P.R.R. Co., but money is due to Co. from U. S.

Ans. 8. No money is due and owing the United States on account of mistaken or erroneous accounts, reports or settlements made by our road. On the contrary, there is a balance due the Central Pacific for transportation services on non-aided and leased lines, of \$1,853,323.15, which is withheld in the face of a unanimous decision by the Court of Claims in our favor confirmed by the Supreme Court of the United States.

Annual settlements by U. S. Commissioner.

Settlements have been annually made by the Central Pacific Railroad Company with the authorized officers of the Government for the amounts due the Government under the several Acts of Congress. All amounts involved in such settlements have been promptly paid by the Company when due. Payments were in every case made for the amounts as claimed by the United States Commissioner of Railroads though they were not always believed to be justly due. The items of new construction and new equipment were not currently allowed by the Commissioner, and payments were made for the requirements as stated by him. The Courts, however, in 1885, decided these items to be proper deductions in ascertaining the net earnings. (See Rep. U. S. Com. R. R. 1885, p. 7.) The erroneous accounts were re-stated by the Commissioner in his report for 1886, page 35.

The Central Pacific Railroad Company has overpaid the United States on account of these mistaken and erroneous accounts the sum of \$321,152.72. This sum is still held by the Government and is due the Company in cash, though repeated demands have been made for it by the Company.

Ques. 9. Whether any traffic or business which could or should be done on the aided lines of said companies has been diverted to the line of any other company or to unaided lines.

Traffic diverted to non-aided roads.

Ans. 9. This question will be fully answered under interrogatory No. 54. Such discrimination and diversion is made only by the Government.

I refer also to report of General Manager A. N. Towne herewith submitted and marked "Exhibit 2," also report of General Superintendent, J. A. Fillmore, marked "Exhibit 3."

Ques. 10. And what amounts have been deducted from the gross earnings of any of said railroad companies by their general freight and passenger agents or auditors, by way of rebate, percentage of business done, constructive mileage, monthly or other payments on any pooling or rate arrangement, contract or agreement.

Deductions from gross earnings, by rebates, pools, etc.

Ans. 10. There have been rebates and pooling arrangements, there sometimes being a balance against us and sometimes a balance in our favor. Rebates were made for the purpose of securing business, and pooling arrangements for maintaining rates, and these always favored the aided road.

Such arrangements have added to earnings of aided road.

The question of differentials, pools, etc., is more fully treated in support of the answer to interrogatory No. 39. See the report of J. C. Stubbs, General Traffic Manager, verified by his oath, marked "Exhibit 7" and referred to in the answer to that interrogatory; from which it will appear that whatever has been done in this direction is fully justified by the results.

Assets of
Companies.

Ques. 11. And also inquire into, ascertain and report as to the kind, character and amount of the assets of said companies.

Assets of
C.P.R.R. Co.

Ans. 11. In reply to your interrogatory No. 11, I respectfully submit the following statement, prepared by Mr. E. H. Miller, Jr., the Secretary of the Company.

ASSETS, July 1, 1887.

Railroad and telegraph lines as follows :

BETWEEN	MILES.
San José and Niles	17.54
Niles and Brighton	103.83
Sacramento and near Ogden	737.50
	<hr/>
Total aided road	858.87
Sacramento and Ogden (non-aided) . . . . .	.95
Niles and Oakland Wharf	26.51
Oakland and Alameda, local lines (including 7.72 miles double track)	17.31
Lathrop and Goshen	146.08
Roseville and Coles	295.30
	<hr/>
Total non-aided road	486.15
	<hr/>
Total miles of road	1,345.02

Also right of way, sidings, turn-outs, switches, turn-tables, depots, stations and other buildings, round-houses, shops and machinery, tools, safes, furniture, wharves, slips, engines, cars and other equipment property and appurtenances belonging on the foregoing railroad and telegraph lines.

Steamers and barges as follows: Ferry steamers of the San Francisco Bay; *Alameda, Amador, Capitol, El Capitan, Julia, Oakland, Piedmont, Transit* and *Thoroughfare*.

Sacramento river steamers; *Apache* and *Modoc*; barges, *Ace of Spades* and *Yolo*.

Stocks and bonds of other companies owned, cost \$1,074,360.07. Sinking Fund of the Company in the Treasury of the Company, consisting of railroad bonds of the par value of \$10,356,000.00, cost \$9,601,617.50.

Sinking Fund of the Company in the United States Treasury, June 1, 1887, bonds of the par value of \$2,557,000, and cash, \$39,137.32; cost of bonds and cash, \$3,168,600.50; cost for interest lost on investments, \$1,040,503.54; total cost in excess of par value of bonds, \$1,612,966.72.

Land contracts, deferred payments on time sales, \$1,142,084.86. Cash on hand, \$13,768.49.

Undivided half of sixty acres in Mission Bay, San Francisco; 500 acres of water front in Oakland, California; about 140 acres of water front in Sacramento.

Land granted by the United States to the Central Pacific Railroad Company of California, and to the California and Oregon Railroad Company, less amount sold therefrom and lost from mineral lands, prior claims, etc.

Any valuation which may be placed on the assets of the Company must, at best, be an estimate. I understand that the commission have delegated the duty of making an appraisal of the value of the railroad and other property of the Company to a Board of Engineers, which makes it unnecessary for any such estimate to be made in this place.

Ques. 12. And what assets of each Company are now subject to the lien of the Government and the value thereof.

Assets
subject to
U. S. liens.

Ans. 12. The assets of the Company now subject to the lien of the Government, are as follows :

Assets of
C. P. R. R.
subject to
U. S. lien.

AIDED LINE ASSETS, July 1st, 1887.

Railroad and telegraph lines:

BETWEEN

San José and Niles	17.54 miles.
Niles and Brighton	103.83 "
Sacramento and Ogden	<u>737.50</u> "
Total operated road	858.87 miles.

Also the right of way, sidings, turn-outs, switches, turntables, depots, station and other buildings, round-houses, shops, machinery, tools, safes, furniture, engines, cars and other equipment, property and appurtenances belonging to the foregoing railroad and telegraph lines.

As to the value of the different items of property referred to in this statement, I am personally unable to give it. I understand the Commission has appointed experts to make appraisal of it, and therefore this omission will be thus supplied.

Dividends
paid.

Ques. 13. And also whether any dividends have been unlawfully declared by the directors or paid to the stockholders of said company, and if so, to what extent.

No dividends
unlawfully
declared by
C. P. R. R. Co.

Ans. 13. No dividends have been unlawfully declared by the directors or paid to the stockholders of the Central Pacific Railroad Company.

(Sec. 6, of the Act of Congress of May 7, 1878—The Thurman Act), provides that no dividends shall be voted, made or paid at any time when the Company shall be in default in the payment of either of the sums required to be paid into the Sinking Fund, or in the payment of the five per centum of the net earnings, or interest on any debt the lien of which or of the debt on which it may accrue is paramount to that of the United States.

The Central Pacific Railroad Company has not at any time been in default in respect of the payment of any of the sums required under the provisions of the Act above quoted.

The Central Pacific Railroad Company, as heretofore stated, was organized under the laws of this State, and is now carrying on its business in accordance with the provisions thereof. Section 309 of the Civil Code of California prohibits railroad corporations from making dividends, except from the surplus profits arising from the business thereof. As required by this section all dividends have been made from the net earnings. The road has been in operation for over 23 years for more or less of its extent.

The total sum of these dividends amount to 61 per cent. The amounts paid therefore equal the annual rate of 2.65 per cent, and but for the completion of the Government' aided competing lines, and but for the Government's failure to pay to the Company the money for transportation as determined by the Supreme Court of the United States, the Company would still be paying the dividends. For the information of the Commission and the evidence of the fact that the dividends declared by the Company were not illegal we submit herewith and ask your consideration of a report by Mr. E. H. Miller, Jr., Secretary of the Company, marked "Exhibit 4," and made a part hereof.

Average
dividends
2.65 per cent.

Ques. 14. And whether the amount thereof may not be recovered from the directors unlawfully declaring the same or persons who unlawfully receive the same.

Dividends.

Ans. 14. I beg to state that as there have never been dividends wrongfully or unlawfully declared by the Company there remains nothing liable to recovery.

Ques. 15. Whether the proceeds of any trust funds or lands loaned, advanced or granted have been diverted from their lawful uses.

Have
trust funds
been
diverted?

No funds
diverted.

Ans. 15. No proceeds of any trust funds or lands loaned, advanced or granted have been diverted from their lawful uses. The only trust fund that the Company has ever had in its Treasury has been the Sinking Fund. This fund now amounts to about \$9,000,000. In addition to this, we have paid \$1,216,000 of what was known as the State Aid Loan. The Convertible Loan also aggregated \$1,500,000. The trust funds have been invested in Sinking Funds at interest in the Company's treasury for the final redemption of bonds of the Company.

Have stocks
or bonds
been unlaw-
fully issued?

Ques. 16. Whether any new stock or bonds have been issued, or any guarantees or pledges made contrary to, or without authority of law.

No issues
or pledges
by C.P.R.R.
contrary
to law.

Ans. 16. No new stocks or bonds have been issued, or any guarantees or pledges made contrary to, or without authority of the law.

Directors and
employees'
interest in
other com-
panies.

Ques. 17. Whether any of the directors, officers or employees of said companies respectively, have been, or are now, directly or indirectly interested, and to what amount or extent, in any other railroad, steamship, telegraph, express, mining, construction or other business, company or corporation, and with which any agreements, undertakings or leases have been made or entered into.

Interest
owned in
other Cos.
by Pres.
Stanford.

Ans. 17. I may state that I have been and am interested in the following named companies, and to the extent set opposite the respective name of each company. I know that some of the other directors of the company have been interested in some of these companies; and I believe, but do not know, that they are interested in all of them, the extent of their interest in which I am not prepared to state, as there is no joint ownership of the stock.

1. California Pacific Railroad. I have 24,755 shares of stock in this company.

2. Southern Pacific of California. I had 70,936 shares of stock in this company until December 8, 1884, when I transferred it to the Southern Pacific Company in exchange for $42,561\frac{6}{10}$ shares of its stock.

3. Southern Pacific of Arizona. I had 49,987 shares of stock in this company until December 8, 1884, when I transferred it to the Southern Pacific Company in exchange for $29,992\frac{2}{10}$ shares of its stock.

4. Southern Pacific of New Mexico. I had 16,722 shares of stock in this company until December 8, 1884, when I transferred it to the Southern Pacific Company in exchange for $10,033\frac{2}{10}$ shares of its stock.

5. Southern Pacific of Kentucky. I have $150,233\frac{8}{10}$ shares of stock in this company.

6. Stockton & Copperopolis Railroad Company. I have 586 shares of stock in this company.

7. Berkeley Branch Railroad. I have 231 shares of stock in this company.

8. Amador Branch Railroad. I have 1,560 shares of stock in this company.

9. Los Angeles & San Diego Railroad. I have 370 shares of stock in this company.

10. California & Oregon Railroad. I had stock in this company and took Central Pacific stock for it when it was consolidated with that company. Do not remember the number of shares.

11. San Joaquin Valley Railroad. Same answer as No. 10.

12. San Francisco, Oakland & Alameda. Same answer as No. 10.

13. Western Pacific Railroad. Same answer as No. 10.

14. Contract & Finance Company. I had 12,500 shares of stock in this company when it was disincorporated in 1874.

15. Wells, Fargo & Company. I have 86 shares of stock in this company. Have had a larger number of shares, but do not remember how many.

16. Occidental & Oriental Steamship Company. I have 9,995 shares of stock in this company.

17. Western Development Company. I have 10,000 shares of stock in this company.

18. Pacific Improvement Company. I have 12,500 shares of stock in this company.

19. Ione Coal & Iron Company. I have 8,000 shares of stock in this company.

20. Rocky Mountain Coal & Iron Company. I have 1,817 shares of stock in this company.

21. Carbon Hill Coal Company. I have no stock in this company, but have an interest in it through my holding of Pacific Improvement stock, to which company this mine belongs.

Loans to
other com-
panies.

Ques. 18. What amounts of money or credit have been, or are now loaned by any of said companies to any person or corporation.

Money
loaned by
C.P.R.R. Co.

Ans. 18. The amount loaned any company, corporation or individual by the Central Pacific Railroad Company, being the amount owing to the Company June 30th, 1887, is as follows :

Stockton & Copperopolis Railroad Co	\$115,653 80
G. H. Giddings, New York	93 18
B. E. Smith	100,000 00
T. J. Edmondson	8,000 00
J. H. Flagg	2,000 00
J. W. Young	35,165 34
Coos Bay Coal Company	4,048 30
Total	<u>\$264,960 62</u>

This statement gives only the present amount. The amounts in detail from the organization would be very voluminous. The accountants of the Commission are now examining the books of the Company; if any statement in detail of amounts which have been loaned is desired, they will doubtless make it.

Ques. 19. What amounts of money or credit have been or now are borrowed by any of said companies, giving names of lenders and the purposes for which said sums have been and now are required.

Loans from others.

Ans. 19. The amounts of money or credit borrowed by the Central Pacific Railroad Company, being amount owing by the Company June 30th, 1887, as follows :

Money borrowed by C.P.R.R.

C. J. Torbert, note	\$	2,500 00
Southern Pacific Co., bal of Acct		793,293 88
Company's operating Ledger bal. of Acct		5,630 87
Trustees Land Grant Mortgage		1,508,549 26
Land Suspense Acct., being payments made on Lands sold, not yet conveyed		6,745 80
Total	\$	<u>2,316,719 81</u>

This gives only the present amount ; the amounts in detail from the organization would be very voluminous. The accountants of the Commission are examining the books of the Company ; if any statement in detail of amounts which have been borrowed is desired, they will doubtless make it up.

Ques. 20. What amounts of money or other valuable consideration, such as stocks, bonds, passes and so forth, have been expended or paid out by said companies, whether for lawful or unlawful purposes, but for which sufficient and detailed vouchers have not been given or filed with the records of said companies.

Payments without sufficient vouchers.

Ans. 20. In answer to interrogatory No. 20 I have to say : That the Company in its settlement with the Government proposes to claim nothing as expenses in determining the amount of net earnings in which the Government has an

Payments approved by directors and stockholders.

interest for which the Company does not furnish full and satisfactory vouchers, it is entirely immaterial to the Government and the Government can have no interest in knowing what amount of money may have been expended for which the vouchers on file are not sufficient in detail or otherwise. I would, however, remark that all items of expenditure for which detailed vouchers are not on file have from time to time been approved by the directors and stockholders of the Company.

Influencing
legislation.

Ques. 21. And further, to inquire and report whether said companies, or either of them, or their officers or agents, have paid any money or other valuable consideration, or done any other act or thing for the purpose of influencing legislation.

Ans. 21. In answer to interrogatory No. 21, I have to say in behalf of the Central Pacific Railroad Company that no deduction will be made from that portion of the net earnings belonging to the United States on account of any expenditure for which detailed and satisfactory vouchers are not furnished. We will account to the Government as if no such expenditures had been made.

Consolidation
U. P. Ry.

Ques. 22. And to investigate and report all the facts relating to an alleged consolidation of the Union Pacific Railroad Company, the Kansas Pacific Railroad Company and the Denver Pacific and Telegraph Company, into an alleged corporation known as the Union Pacific Railway Company. Said investigation shall include the alleged sale of the stock of the Kansas Pacific Railroad Company to the Union Pacific Railroad Company, and all the circumstances and particulars pertaining to the said alleged sale.

Ans. 22. This interrogatory relates to other corporations and requires no answer from me.

Ques. 23. And whether any of the Pacific railroad corporations which obtained bonds from the United States to aid in the construction of their railroads have expended any of their money or other assets in the construction, or to aid in the construction of other railroads, or invested of their moneys or other assets in the stocks or bonds of any manufacturing, mining or commercial companies or corporations, or of other railroad corporations.

Assets used
in other
enterprises.

Ans. 23. The Central Pacific Railroad Company has expended no money or assets in the construction or to aid in the construction of other railroads. It never had any interest in other roads except in the way of lease, or by consolidation. The Company has invested a very limited amount of money in bonds and stocks of other corporations, the extent and character of which will be shown in my answer to the next question.

Ques. 24. And if any such expenditures or investments have been made, the extent and character thereof made by each of said corporations shall be inquired into.

Extent of
invested
assets.

Ans. 24. The extent and character of such expenditures and investments are as follows :

Fisk & Hatch, bankers of New York, acted as financial agents of the Company, and at the time of their failure in 1874, gave their notes amounting to \$830,665.46, in settlement of account, with bonds of Chesapeake & Ohio Railroad, amounting to \$1,457,000, as security. Fisk & Hatch suspended payment again in 1884, and in settlement for amount of notes and interest the Central Pacific Railroad Company took Chesapeake & Ohio securities as above shown, June 26th, 1884. The 1,344 bonds were exchanged January 28th, 1887, for 16,800 shares of stock of the Newport News and Mississippi Valley Railroad Company.

We became interested in the Coos Bay Coal Companies because we were largely at the mercy of the coal dealers, and had to pay extraordinary prices. For instance, we paid as high as \$8.00 per ton for local coal which can now be bought for \$4.50 per ton. In order to be independent we got this mine, and by so doing have been able to bring down the prices of outside coal. In this way we have secured a very large saving to the Company.

Ques. 25. And also the present interests of any of said corporations in the railroads auxiliary to their respective railroads.

Interest
in auxiliary
roads.

Ans. 25. The Central Pacific Railroad Company has no present interest in the railroads auxiliary to its lines, and never has had except through consolidations and leases, like the San Joaquin Valley, the California and Oregon, and the Oakland and Alameda connections, etc., which constitute the most valuable portions of the Company's property. The roads consolidated with the Central Pacific Railroad Company and those that have been leased by it are shown at length in the following statement:

THE CENTRAL PACIFIC RAILROAD COMPANY.

Consolidations.

Consolidations.

California and Oregon Railroad Company and Marysville Railroad Company, January 16, 1868. Name, California and Oregon Railroad Company.

California and Oregon Railroad Company and Yuba Railroad Company, Dec. 18, 1869. Name, California and Oregon Railroad Company.

The San Francisco and Alameda Railroad Company and The San Francisco, Stockton and Alameda Railroad Company, Oct. 15, 1868. Name, The San Francisco and Alameda Railroad Company.

The Western Pacific Railroad Company and San Francisco Bay Railroad Company, Nov. 2, 1869. Name, The Western Pacific Railroad Company.

The Central Pacific Railroad Company of California and The Western Pacific Railroad Company, June 23, 1870. Name, Central Pacific Railroad Company.

The San Francisco and Oakland Railroad Company and The San Francisco and Alameda Railroad Company, June 29, 1870. Name, San Francisco, Oakland and Alameda Railroad Company.

Central Pacific Railroad Company, The California and Oregon Railroad Company, The San Francisco, Oakland and Alameda Railroad Company, and The San Joaquin Valley Railroad Company, Aug. 22, 1870. Name, Central Pacific Railroad Company—the present name of the Company under the above consolidations.

Leases.

Leases.

Roads once leased by the Central Pacific Railroad Company now leased by the Southern Pacific Company.

Berkeley Branch Railroad.

Northern Railway.

Stockton and Copperopolis Railroad.
 San Pablo and Tulare Railroad.
 Amador Branch Railroad.
 California Pacific Railroad.
 Southern Pacific Railroad (of California.)
 Southern Pacific Railroad (of Arizona.)
 Southern Pacific Railroad (of New Mexico.)
 Los Angeles and San Diego Railroad.
 Los Angeles and Independence Railroad.

Ques. 26. And said Commission shall also ascertain and report the names of all the stockholders in each of said Companies from its organization to the date of the investigation herein provided for, as they appear upon the books of said Companies at the date of its annual meeting in each year, and the amount of stock held by each.

Names of
stockholders.

Ans. 26. In reply to this interrogatory, I would say: The accountants appointed by the Commission have in their possession the books of the Company containing this information and are preparing the statement called for.

Ques. 27. What consideration, if any, was paid by each stockholder to said Company for his stock, and when and in what property such payment was made.

What
stockholders
paid for
stock.

Ans. 27. In answer to this question, the statement of Mr. E. H. Miller, Jr., Secretary of the Company, marked "Exhibit 5," is submitted hereto, and made a part hereof, showing the

consideration paid the Company by each stockholder receiving stock, and when and in what property such payment was made. The dates of payment given in the subjoined list are the dates when the amounts subscribed were fully paid up. When the stock was transferred or forfeited, the date of the last payment of the person holding the stock is given.

Date of each stockholder.

Ques. 28. The date when each stockholder so appearing on the books became such.

Ans. 28. This question has been fully answered in the answer to interrogatory No. 27.

Stock held in trust.

Ques. 29. And whether stock is now held or has heretofore been held in the name of any person in trust for the benefit of any other, and the names of all such persons.

Ans. 29. In answer to this interrogatory I will state that I am unable to say what stock has been held in trust, but the books being in the possession of and under examination by accountants appointed by the Commission, their report will undoubtedly contain the desired information.

Total amount of stock.

Ques. 30. The total amount of stock in each company.

Ans. 30. The total amount of stock in the Central Pacific Railroad Company is \$100,000,000, of which, \$68,000,000 has been issued. This includes the Western Pacific as well as all other railroads consolidated with the Central Pacific. An analysis and distribution by roads of the capital stock will be found under question No. 27.

Ques. 31. And the dates and amount of any increase of such stock, and the reason for such increase.

Increase
of stock.

Ans. 31. The organization of the Central Pacific of California, provided for eight million five hundred thousand dollars of stock. It was soon ascertained that the road would cost more than that. Then upon the estimated cost the capital was increased to twenty millions, the principal reason being that under the laws of California the bonded indebtedness could not exceed the capital stock. Afterwards, by the Act of Congress of July 3, 1866, it was provided that the Central Pacific might build eastward until it should meet the Union Pacific, and not knowing where that might be, the capital stock was again increased to one hundred millions.

Ques. 32. And the amount of the annual salaries or compensation that are now, or at any prior time have been paid to any officer or employee of said Company, when such salary or compensation amounts to five thousand dollars or more per annum.

Salaries
over \$5,000.

Ans. 32. In reply to this interrogatory, I submit a tabulated statement of annual salaries amounting to \$5,000 or more, paid by the Central Pacific Railroad Company since its organization to any officer or employee, and all bonuses or donations which have been given or paid to any such person.

The tabulated statement of annual salaries contains only the names of those employed and giving all of their time to the Company. Those persons who have been employed by the Company, giving their services only from time to time as they may be called upon by the Company are not included. Upon the consummation of the lease of the Central Pacific to the Southern Pacific Company, the services of the most of the employees were transferred to the Southern Pacific Company.

STATEMENT OF ANNUAL SALARIES

Amounting to \$5,000 or more, paid by Central Pacific Railroad Company since its organization, to any officer or employé, and all bonuses or donations which have been given or paid to any such person.

OFFICE.	NAME OF OFFICER.	ANNUAL SALARY.	FROM	To
President	Leland Stanford	\$10,000	June 28, 1861	Mar. 31, 1885
Vice-President,	C. P. Huntington,			
Financial Agent	Salary & Services	12,500	June 28, 1861	July 1, 1863
and Attorney . .	" " "	25,000	July 1, 1863	" 1, 1864
	Salary	10,000	" 1, 1864	Mar. 31, 1885
Treasurer	Mark Hopkins	10,000	July 1, 1863	Mar. 31, 1878
Agt. & Attorney	E. B. Crocker	10,000	Jan. 1, 1864	Dec. 31, 1869
Secty. & Agent .	James Bailey	10,000	Jan. 1, 1861	July 1, 1863
Supt. & 2d V. Pres.	Charles Crocker	10,000	Jan. 1, 1866	Mar. 31, 1885
Chief Engineer .	T. D. Judah	10,000	June 28, 1861	Nov. 2, 1863
Secretary	E. H. Miller, Jr.	10,000	Jan. 1, 1867	July 1, 1878
		13,000	July 1, 1878	Mar. 31, 1885
Asst. Secretary .	E. S. Miller	5,000	May 1, 1882	Mar. 31, 1885
Financ'l Direct'r	D. D. Colton	10,000	Oct. 1, 1874	Oct. 4, 1878
Treasurer	E. W. Hopkins	5,000	Aug. 1, 1878	Dec. 31, 1882
Treasurer	Timothy Hopkins	5,000	Jan. 1, 1883	Mar. 31, 1885
Chief Engineer .	S. S. Montague	5,000	Jan. 1, 1869	Dec. 31, 1869
		6,000	" 1, 1870	" 31, 1871
		8,000	" 1, 1872	Sept. 30, 1883
Gen'l Solicitor .	S. W. Sanderson	12,000	Jan. 10, 1870	Dec. 31, 1870
		18,000	" 1, 1871	Aug. 30, 1875
		24,000	Sept. 1, 1875	Mar. 31, 1885
		\$10,000 allowance	for extra services	Nov. 13, '86
Attorney	Robert Robinson	\$ 6,000	Jan. 1, 1869	Dec. 31, 1871
		8,000	" 1, 1872	" 31, 1874
		10,000	" 1, 1875	Sept. 30, 1881
Attorney	H. S. Brown	5,000	Jan. 1, 1873	Aug. 31, 1875
	Extra allowance . . .	4,500	Sept. 1, 1875	Mar. 31, 1885
			" " "	" " "
Asst. Gen. Solict'r.	Creed Haymond	15,000	May 1, 1881	Mar. 31, 1885
Attorney	L. D. McKisick	6,000	Sept. 1, 1882	Dec. 31, 1883
		8,000	Jan. 1, 1884	Mar. 31, 1885
	Extra allowance . . .	1,000	" " "	Dec. 31, 1885

OFFICE.	NAME OF OFFICER.	ANNUAL SALARY.	FROM	To
Agent and Asst. to President.	S. T. Gage	\$ 6,000 8,000	Aug. 1, 1871 Nov. 1, 1882	Oct. 31, 1882 Mar. 31, 1885
Land Agent . . .	B. B. Redding	6,000 6,000	Jan. 1, 1871 Feb. 1, 1874	Apl. 30, 1873 Aug. 31, 1882
Attorney	C. H. Tweed	13,333.33	Jan. 12, 1883	Mar. 31, 1885
Agent	C. H. Sherril	20,000	Mar. 1, 1876	Mar. 31, 1885
Attorney	Jas. H. Storrs	10,000	July 1, 1867	Oct. 30, 1882
Agent	Theophilus French	6,000	Apl. 1, 1882	Mar. 31, 1885
Agent	Richard Franchot	20,000	Jan. 1, 1868	Mar. 4, 1875
Land Agent . . .	W. H. Mills	5,000 7,000	Jan. 1, 1883 July 1, 1883	June 30, 1883 " 30, 1887
Att'y and Agent.	A. A. Cohen	10,000	Sept. 30, 1871	Sept. 30, 1876
Consulting Eng'r	George E. Gray	10,000	Mar. 1, 1867	Nov. 30, 1870
Gen'l Supt. . . .	A. N. Towne	13,000 18,000 25,000	Sept. 1, 1869 Aug. 1, 1879 May 1, 1882	July 31, 1879 Apl. 30, 1882 Mar. 31, 1885
Gen'l Manager .				
Assistant General Superintendent.	John Corning	5,000 6,000 8,000	Aug. 1, 1871 Sept. 1, 1871 Dec. 1, 1873	Aug. 31, 1871 Nov. 30, 1873 July 31, 1878
		\$2,355.52	Donation to Mrs. Corning	Services, Aug.
		1,000.00	Allowance to Mrs. Corning	g for one and
		\$3,355.52	one-half months' salary	after decease.
Division Supt., Asst. General Supt.	E. C. Fellows	\$ 5,000 8,000 6,000 7,000	Oct. 1, 1873 Dec. 1, 1878 Jan. 1, 1879 Sept. 1, 1879	Nov. 30, 1878 Dec. 31, 1873 Aug. 31, 1879 July 31, 1880
General Freight Agent.	C. W. Smith	5,000 6,000	Aug. 1, 1870 Sept. 1, 1871	Aug. 31, 1871 Nov. 30, 1871
Master of Trans. Asst. Gen'l Supt. Gen'l Supt. . . .	J. A. Fillmore	5,400 6,000 8,400	Dec. 1, 1878 Aug. 1, 1880 May 1, 1882	July 31, 1880 Apl. 30, 1882 Mar. 31, 1885
Gen. Freight Agt. Freight Traffic Manager . . } Gen. Traffic Man.	J. C. Stubbs	5,400 6,000 8,400 10,000	Aug. 1, 1878 Sept. 1, 1879 May 1, 1882 Oct. 1, 1884	Aug. 31, 1879 Apl. 30, 1882 Sept. 30, 1884 Mar. 31, 1885
Gen. Freight Agt.	Rich'd Gray	6,000	Jan. 1, 1885	Mar. 31, 1885
Asst. Gen. Supt.	R. H. Pratt	5,400	Jan. 1, 1884	Mar. 31, 1885
Supt. of Track . .	L. M. Clement	5,400	July 1, 1877	Apl. 15, 1881
Supt. of Bridges and Building }	Arthur Brown	6,000	Oct. 1, 1879	Mar. 31, 1885
Gen'l Auditor . .	W. H. Porter	6,000	Jan. 1, 1882	Mar. 31, 1885
Supt. Steamers .	W. H. Moore	6,000	Aug. 1, 1874	Feb. 28, 1880
Agent, Sacra'to Steamers . . }	A. Redington	6,000	Aug. 1, 1874	Nov. 30, 1874
Master Mechanic	A. J. Stevens	5,100 5,400	June 1, 1877 Jan. 1, 1884	Dec. 31, 1883 Mar. 31, 1885
Agent	R. P. Hammond	6,000	Oct. 1, 1877	June 30, 1884

Ques. 33. And the names of the persons now receiving or who have heretofore received such salaries or compensation.

Ans. 33. This interrogatory will be found fully answered in reply to the preceding question.

Bonuses and donations.

Ques. 34. And all the bonuses or donations which may have been given or paid to any such person.

Ans. 34. No bonuses or donations have been given or paid to any person except such as are stated in answer to question No. 32.

Legal expenses.

Ques. 35. And all payments made under the head of legal expenses, to whom made, and the amount paid to each, and for what specific services such payments were made.

Ans. 35. The expert of the Commission, Mr. Stevens, has been given the books of the Company and he will prepare an answer to this interrogatory.

Interests of communities.

Ques. 36. Said Commission shall also inquire into and report upon the relations of said railroads to the interests of the communities through which they pass.

Testimony of prominent citizens.

Ans. 36. The relations of the Central Pacific Railroad to the communities through which it passes is most intimate and important, one is indispensable to the other. As to these relations, I give the following testimony of prominent citizens of this State upon this subject which is instructive and valuable:

City and County Auditor, F. F. Strother, who came to San Francisco in 1864, and has been prominent in legal and political circles ever since, says :

Views of
F.F. Strother.

"I am generally considered an anti-railroad man, and so I am in the general acceptance of the term, I mean by this that I give the railroad no praise or credit to which they are not plainly entitled. While this is true I can but agree with the great majority of the leading business men of the city that the remarkable era of prosperity which dawned on California and the Pacific Coast in 1869 was the direct result of the completion of the trans-continental railroad known as the Central and Union Pacific. My knowledge of the benefits and advantages which have followed to the western country in general, and to California in particular, has been obtained more from a close observation of the growth and development going on everywhere around me than from actual commercial experience. The fact is, that but for the indomitable energy of the projectors of this great railroad enterprise, the condition of California would be pretty much the same to-day as it was in the sixties, for the final and successful consummation of this gigantic undertaking, operated as an incentive to other railroad builders and the other trans-continental lines are the result. I firmly believe that if the Union and Central Pacific people had failed or given up this work they had in hand, this State, to-day, would be without eastern railroad connection, and our men of commerce and trade would still be shipping hides, wool, tallow and wheat (the only commodities which was then possible for them to handle) to New York via Cape Horn with clipper ships.

"The development of the State which set in immediately after the connection of the two roads was phenomenal. The people then saw for the first time that there was something else to California besides wool, hides and wheat. Here was a market for their fruits and wines, and what was then an almost unknown industry began to expand until to-day it leads all others on the coast. Then came prosperity, commercial and otherwise, and who can say where it will end. Branch lines of road, 'feeders' I think they are called, have been built from end to end of the State, developing agricultural, viticultural and mining interests in localities where before they could not be carried on profitably. And all this, we may say, is the result of the enterprise of the pioneer railroad builders; it is the legitimate child of their courageous labors."

Advantage
to California.

John H. Wise, one of San Francisco's principal business men, and who has been identified with her leading commercial

Views of
Jno. H. Wise.

interests for over thirty years, has this to say regarding the actual benefits which have resulted from the construction of the Union Pacific and Central Pacific Railroads :

“The building of these roads has benefited this city, the State and the whole coast to an almost incalculable extent. When the scheme of putting through to this coast a line of railroad to connect us with the east was first broached, it was regarded by the great majority of our leading commercial men, myself included, to be next to impossible, that is, it was an enterprise of such gigantic proportions with such seemingly insurmountable barriers in its way that we had little hope of its successful consummation. The primitive surveys of the engineers clearly showed that success in carrying out the scheme demanded not only an outlay of a sum so vast as to at once dampen the hopes of the projectors, but a degree of skill, perseverance and pluck as well, which had never been applied to a similar enterprise in this or any other country. The lively desire of the people of this coast however, to bring about a more desirable condition of things as regarded our commercial facilities led us to hope almost against fate. Our commercial situation prior to the completion of these roads, was unpromising and altogether unsatisfactory. Our only facility for handling freights to and from England, Germany and eastern American ports, was the clipper line of ships, and about the only articles of merchandise we could export were wheat, wool, hides and tallow. Of course the shipping of any kind of fruit by a route which it required under the most favorable conditions, six months to traverse, was altogether out of the question. The growing of fruits on the Pacific Coast for any other purpose than home consumption was therefore never thought of. The vast area of excellent fruit and vineyard lands remained uncultivated, and the country remained undeveloped with no hope of improvement.

“The railroad connection, when it was finally made, brought about a revolution. The clipper ships were abandoned and the volume of business began increasing at a phenomenal rate; emigrants began to pour in, towns began to grow and new ones to spring up, ranchers began cultivating the soil and planting vineyards, and for the first time markets were established in Chicago and New York for California fruits. A new era set in, and from that time dates the rapid development of the Pacific Coast. I consider that the best stroke of business done by San Franciscans, (and San Francisco was then pretty much all there was to California) was when they gave their mite of encouragement and aid toward the construction of this line of railroad. This mite was small indeed, almost inappreciable in

fact, because as I have said there was so little faith in the ability of the builders to successfully surmount the many and great impediments in their way and complete the work. Had there been a greater outlook for the enterprise I do not doubt but that substantial aid would have been given."

Mayor Pond gives the following impression of his views regarding the development of the Pacific Coast and the cause thereof:

Views of
Mayor Pond.

"I consider the connection of the Union and Central Pacific Railroads, which first gave California a through line to the east, as having been the prime factor in bringing about the rapid development of the country and the subsequent prosperity this coast now enjoys. Prior to that time you know, California, while her reputation as a section of unlimited possibilities had spread far and wide, was regarded almost as a foreign country. Immigration into the State had been limited, the whole volume of it being confined to the influx of the adventurous mining horde attracted by the gold fever of '49 and the fifties. These early pioneers were looked upon as explorers of a far away and next to inaccessible country, and it was in those days considered that a man had seen a great deal of the world who had returned to his eastern home in safety from a trip to California.

"Our commercial facilities were equally as bad. Our dealings being confined to less than half a dozen articles of merchandise, because of the time required to reach marketing points. The effect of the final railroad completion was an instantaneous and complete revolution of everything. I cannot say that the immediate effect on the city of San Francisco was beneficial, though some hold that it was. Previously you know we had the handling of every article of merchandise destined to coast points. San Francisco and California had been synonymous terms with the Railroad Company. However a new *modus operandi* was instituted, and freight and passengers were delivered directly to their respective destinations, leaving San Francisco to survive on her own merits. What little we lost in the way of transient patronage however, was made up a thousand fold by the State and coast at large.

"The truth is, the railroad builders made it possible for the outside points throughout the coast to enjoy the benefits of their own advantageous conditions of soil and climate, without dividing up the profit with San Francisco."

"How much substantial encouragement did the railroad builders receive from the people of the coast?" the Mayor was asked.

"None at all; that is, none that I have heard of. You see we did not have much faith in the enterprise, and while we hoped for its success it was generally a case of hands off, as far as contributions of money were concerned. My idea is," said the mayor in conclusion, "that but for the perseverance of those who had this gigantic scheme in hand, California and the Pacific Coast would to-day be just about where they were fifteen years ago."

Views of
Wm. T. Coleman.

William T. Coleman, the organized head and front of San Francisco commercial business, one of the earliest pioneers who has been identified with the growth and development of the commerce of the city, State and coast since 1849, voices the sentiments already expressed by the leading men of the city, that the construction of the Union Pacific and Central Pacific Railroads was the cause of which the general prosperity of the coast is the direct effect.

"When you ask me," said he to a gentleman in his office on July 9th, "to enumerate some of the benefits which have flown from the final completion of the first through railroad line between the east and the west, I can only point you to the evidence of the unequaled prosperity of the Pacific Coast and tell you that all this is comprised in the benefits brought about by the building of that railroad line. Before, we had next to nothing, now we have well nigh everything that can be desired.

"The project was a mammoth one, requiring an outlay of hundreds of millions of dollars. The capital controlled by the projectors was known to be comparatively insignificant and no one could see how the enterprise could possibly succeed. We failed to calculate however on their capital of perseverance and pluck—and this it was that built the road."

"How much assistance did the road receive from the people?" "Next to none at all. That is, the contribution was so slight and it was manipulated in such a way that costly litigation ensued and it proved more of a shackle on the hands of the railroad builders than anything else. Some people call me an anti-railroad man, and perhaps I am partially deserving of the name, but while I am ready to plead guilty to having scored the railroad in general at different times when they seemed to merit it, I have generally been inclined to make an exception of the Union and Central Pacific, which roads are to my mind, richly entitled to much more than they have ever received from the Government or the public."

Senator L. J. Rose, of Los Angeles, was at the Palace Hotel on Sunday, July 17th. In conversation with a reporter regarding the development of the southern section of the State, he said :

Views of
Senator
L. J. Rose.

“The railroads have made Southern California what it is to-day. Before the completion of the through line formed by the joining of the Union and Central Pacific Roads, the southern half of California, which is now famous the world over as the most favored quarter in America in point of climate and soil conditions, was no more or less than a barren sheep pasture. In truth it hardly rose to the dignity of a pasture at all, for the whole country was almost as destitute of vegetation as a desert. There were no vineyards, no orchards, no agriculture, nothing. The only industries which any effort was made to prosecute were cattle and sheep raising, with here and there a sort of experiment in the way of growing cereals, mostly for home consumption. True, this last named industry grew to some proportions after the institution of the clipper ship line by means of which wheat was sent to foreign and eastern ports via Cape Horn, but the leading industries of to-day were not dreamed of, inasmuch as San Francisco was the only market known to us. Wine making and fruit raising for other than local consumption were out of the question entirely.

“Our redemption came in 1869, when the railroad people completed that gigantic and wonderful work—the actual laying of a line of steel over, under and through the granite Rockies, giving California a direct rail connection with the east. I say our redemption came then, so it did. The effect was marvelous and immediate. There was an industrial revolution. We beheld ourselves in a day as it were, surrounded by possibilities which made us a new and different people, in a new and completely changed land. That day fortune smiled upon us and the unequalled prosperity which teems on every hand to-day is the result. The desert indeed ‘blossomed as the rose;’ where there had been barren and neglected wastes there sprang up orchards and vineyards as if by the hand of magic. Cattle and sheep ranges were transformed into fertile and productive farms and ranches. Hamlets sprang into villages, villages into towns, towns into cities. Life and activity took the place of indolence and sloth. Our reputation began to spread and a different and better class of people began to settle among us. Our growth and development has been phenomenal during our life of thirty years, for we consider that we were born on the day the through railroad was completed. And to-day there is no more prosperous section on the face of the globe. Who

can doubt that the railroads brought us all this prosperity, which extends throughout the Pacific Coast? And who can say that the dauntless projectors of the great enterprise which first gave us communication with the world are not entitled to all praise and all support?"

Increase
of wealth
caused by
railroad.

In connection with this subject there is one feature of the relation of the road to the community through which it passes that I feel should not be overlooked. I refer to the wealth-creating power of railroads. The potency of its influence has nowhere been better shown than in California.

INCREASE OF TAXABLE PROPERTY.

In 1870 the tax-roll of Los Angeles county showed the aggregate taxable property to be less than seven millions of dollars. In 1883 the tax-roll of that county was twenty-seven millions and one-half, an increase in twelve years of nearly three hundred per cent, and the figures show that the larger per cent of this increase should be credited to the past five years during which that county has had railroad facilities.

The same gratifying result is obtained by a comparison of the tax rolls of other counties in this State, as will be shown by the following tabulation from the report of the State Controller :

COUNTIES.	1860.	1870.	1883.
Los Angeles	3,650,330	6,918,074	27,584,012
San Bernardino	417,238	1,202,482	5,679,020
San Joaquin	4,938,400	7,880,220	34,769,332
Merced	1,116,994	3,202,455	8,096,170
Stanislaus	969,870	3,423,808	14,562,262
Fresno	931,000	3,219,230	10,604,538
Tulare	1,589,529	3,456,766	8,306,476
Kern	No record.	1,974,856	5,005,095
Totals	13,613,361	31,277,891	114,606,905

The increase from 1863 to 1870 was much less than the increase from 1870 to 1883. The taxable property of these eight counties in 1860 aggregated but thirteen and one-half millions of dollars, or nearly fourteen millions less than the taxable property in Los Angeles county to-day. The aggregate taxable property of these counties in 1870 amounted to less than thirty-one and one-half millions, while the present aggregate value of the taxable property in the same counties foots up \$114,606,905, an increase of about 270 per cent. These counties have gained since 1870, \$83,329,014, the increase being nearly three times the amount of the taxable property in 1870. Taking the counties composing the San Joaquin valley, and I find that prior to the construction of the railroad most of the land was used for sheep grazing and was practically of no value, whereas, at the present time it is worth at least \$125,000,000, so that there has been an increase of at least a hundred million dollars in the value of the property in the San Joaquin valley alone, by the construction of the road.

Ques. 37. To all questions concerning the payment of taxes, especially upon lands granted by Congress.

Taxes

Ans. 37. There are no taxes due to the United States or upon lands granted by Congress.

No taxes
due on lands.

Upon the subject of taxation, I desire to submit the following statement from Mr. E. B. Ryan, our Tax Agent.

Statement of E. B. Ryan. The Central Pacific Railroad Company of California was incorporated June 28th, 1861. The Western Pacific Railroad was incorporated December 13th, 1862. These two companies were consolidated June 23d, 1870, under the name of the Central Pacific Railroad Company.

C. P. R. R
Taxes.

From the date of their respective incorporations, and after their consolidation down to the year 1880, the Central Pacific Railroad Company paid as taxes in the State of California, the sum of \$1,936,666.49. The same Company paid in taxes in the same time in the State of Nevada, the sum of \$1,316,587.26, and in the Territory of Utah, the sum of \$130,984.88, making a total of \$3,384,238.63. Prior to 1880 the county assessors assessed railroad property the same as property of individuals in their respective counties and Boards of Supervisors constituted Boards of Equalization for their respective counties. During this time there had never been any litigation, refusal or delay in regard to tax matters, except in isolated cases where prejudice or mistake had through the action of the assessor or the county Board of Equalization, raised the assessment in some county or counties out of all proportion to the assessment for valuation in other counties through which the railroad passed, and in one instance where several of the counties instead of assessing the railroad at its cash value, as required by law, took into account its collections and the uses to which it was put thereby, fictitiously increasing the valuation. In all cases, however, where the payment of taxes was resisted both the Central and Western Pacific Railroad Companies after judgment was rendered in their favor paid the usual and just amount of taxes due from them.

History of
the tax
litigation.

The question of taxation in this State has been one of peculiar condition for several years past, involving a controversy between the transportation companies and the revenue department of the State Government, and for the full understanding of the question by the Commission it will be necessary to review the origin, history and present condition of this controversy at some length. The old constitution under which this Company was organized provided, Section 13 of Article 11, that all taxation shall be equal and uniform throughout the State. "All property in this State shall be taxed in proportion to its value to be ascertained as directed by law; but assessors and collectors of town, county and State taxes shall be elected by the qualified electors of the district, county or town in which the property taxed for State, county or town purposes is situated."

Equality and uniformity are the controlling principles to this section of the old constitution, and the laws passed by the Legislature under the wise and judicious limitations therein contained, were equal and uniform in their operation upon all persons and property in the State, including the property of railroads operated in more than one county. The property of railroads operated in more than one county of the State was assessed by the same assessor that assessed all other property in his assessment district. The taxes thereon were equalized by the same board and collected by the same collector that equalized and collected the taxes on all other property situated within the jurisdiction of such board and collector. Under this fair and uniform law there never was any difficulty between the railroad company and the people upon the subject of taxation, except in one or two isolated cases, due to purely local causes. Prior to that time, as already said, the Central Pacific Railroad Company and the lines operated by it, paid fully and promptly, without protest or contest all taxes as assessed; assessments then being made upon railroads in the same way as upon all other private property. I say private property, because if railroad property is not private property it is not subject to taxation. In 1879 a new Constitution was adopted in California, under which was created a State Board of Equalization. In this new Constitution the framers omitted the principles of equality and uniformity which form the basis of all taxation under the old instrument, and inserted in lieu thereof the following :

“ All property in the State shall be taxed in proportion to its value, to be ascertained as provided by law.” (Sec. 1, Art. XIII, Cons.)

Section 4 of the same Article among other things provides :
 “ A mortgage, deed of trust, contract or other obligation by which a debt is secured shall, for the purposes of assessment and taxation, be deemed and treated as an interest in the property affected thereby ; except as to railroads and other quasi-public corporations, in case of debts so secured, the value of the property affected by such mortgage, deed of trust, contract or obligation less the value of such security shall be assessed

Equality
of old
Constitution.

Assessments
to railroads
promptly
paid, when
assessed as
other prop-
erty.

Inequality
of new
Constitution.

and taxed to the owner thereof in the county, city or district in which the property affected thereby is situated." In other words, the owners of all kinds of property in this State except railroads and other quasi-public corporations have to pay only upon the value of their interest therein after deducting therefrom the value of the mortgages, etc., if any thereon, whereas the owners of railroad property have to pay taxes upon the full value thereof and are not allowed to make any deductions for the value of the mortgages, etc., thereon. By the same instrument, Sec. 9, County Boards of Equalization were created with power to correct and equalize the entire assessment roll, to increase or lower it or any assessment contained therein, so as to equalize the assessment of the property contained in said assessment roll and make it uniform to the true value in money of the property so assessed; this Board being a tribunal to which an appeal could be taken from the judgment and decision of the assessors. It was intended not only as a check against incompetency and dishonesty on the part of the assessor, but also to give every property owner his day in Court, if he suffered in way by the action or determination of the assessors. This beneficial and just provision of the Constitution applies only to the owners of property as assessed by the county assessor and does not apply to nor effect the owners of railroads operated in more than one county of the State. The owners of such property, if they have been ever assessed or wronged in any other manner in the assessment of property, have no board or officer to whom they can appeal or before whom they may appear, to have their assessments equalized or their wrongs righted. The remedy provided for every other property owner in the State is denied to them. The new Constitution, by Sec. 10 of Art. 13, makes provision for an independent and separate system of assessment for railroads operated in more than one county in the State. They are assessed, not by the assessor, who assesses all other property, including railroads operated in one county, but by the State Board of Equalization. The operation of this law is discriminative against railroads operated in more counties than one, being burdensome and unjust and unequal. It is self-executing; it enables the board to assess the property at

any place, at any time at which it in its pleasure may elect to meet without any notice given of any kind to any person to be affected by its action, and without an opportunity to be heard after its action ; and its decision is declared to be final. The Board may assess those at \$100,000.00 per mile, or it may assess them at \$1.00 per mile. Its action being final and conclusive, neither the railroad companies on one hand, even if power is exercised to confiscation, nor the people on the other hand, if the board should assess the property at \$1.00 per mile, could obtain relief.

In the exercise of this power, the first State Board of Equalization made an assessment of railroad property. The valuations placed by this Board upon a single-track railroad running chiefly through the thinly settled counties, many of which roads had never earned or paid a dividend, was more than double that placed upon any railroad of similar character within the United States. The locomotives of these roads, some of which had been in service nearly a quarter of a century, were assessed at eighty per cent more than new locomotives of the same pattern could be purchased for and placed upon the road, and this, too, in face of the fact that the value of the standard locomotive was certain and easy of ascertainment.

In the proceedings which have been had to determine the validity of this special system of taxation, in no case has the Company for a moment endeavored to delay a final judgment. To determine this question as early as 1881, an action was commenced in the Circuit Court of the United States, in which the whole matter at issue between the Companies and the State could be finally determined. The State took a technical objection to the jurisdiction of the Court, and the case went off upon that ground and without reference to its merits. In 1882 the Companies commenced proceedings in the Superior Court of San Francisco, on the equity side, to determine the question at issue, and tendered into Court, without prejudice, sixty per cent of the tax claimed, and offered to litigate the balance. Again the State interposed technical objections, refused to receive part payment or let the question be heard upon the merits. The State then commenced suit to recover taxes. Those cases were taken to the federal courts, which courts

Assessed more than elsewhere in United States.

Efforts of Co. since 1881 to get a judgment on the merits of the case.

Technical objections by State.

alone could finally determine the question at issue, and an agreed case known as the "San Mateo Case" was made up between the State and the Company. This case was taken to the Supreme Court, advanced in the calendar, argued and submitted for decision. In the meantime an election had occurred and a change in the State administration. It was asserted by the press and many able lawyers that the case was not a fair one. This was pressed upon the Supreme Court of the United States, and that tribunal directed that enough cases should be tried upon their merits to present all the questions, and that when such cases were brought up, they would advance them in the calendar and hear them at once. This fact was publicly announced by the Court at the commencement of the Circuit Court, last August, 1886. In pursuance of that announcement six cases were tried, but one of which has yet been appealed. The case was taken up and a motion made to advance it; the Court refused. It will be borne in mind that the Companies, although denying their legal liability, tendered, on account, sixty per cent of the amount claimed, which would make the tax very much greater than that ever levied upon any such property in the United States. The State Board of Equalization in 1882, reduced the assessments upon railroad property, leaving it yet largely in excess of that levied upon such property in any other State in the Union. It was stated by the Chairman of the Board, at the time of this reduction, that the assessment of 1880 had been made in advance of the assessment of other property, and at a time when the Board believed it had the full power to raise individual assessments up to the standard of value which they fixed upon railroad property, and they intended to do so, but owing to a decision of the Supreme Court of the State, that power was denied them, and that the railroad property was left standing at its full value, while other property in the State had not been assessed at more than forty-four per cent. This was a concession by the very tribunal to which the framers of the constitution had entrusted the power of valuation, that the valuations of 1880 and 1881 were wrong.

In view of the fact that the finances of the different counties had been disarranged by the non-payment of those taxes in October, 1883, the railroad companies proposed to the Gover-

San Mateo
test case.

Pending
litigation
60 per cent
tendered.

State Board
admits over
assessment.

Full amount
of taxes
offered to
State.

nor of the State to pay the taxes, although they still believed them to be too high, for the three years upon the basis of the assessment of 1882. This proposal was refused by the Governor in November, not upon the ground that it was not just, but upon the ground that he had no power to accept it. In the meantime the State authorities had the Spring Valley Water Company and the San Francisco Gas Company settled upon the basis of the tax as assessed, without interest or attorney's fees, although as against one or both companies the State had prevailed in litigation. The Southern Pacific Railroad Company made similar propositions to settle, which were rejected. Against this adjustment with the water and gas companies, which was a final one, and beyond which no power can go, no cry of unfairness was raised by any one; and from that hour to this, so far as I am advised, no one has questioned the propriety or justice of the settlement, although it is conceded that the property of the water company will sell in open market for one hundred per cent more than the assessment, while it is doubtful if the railroad company would bring in the market within ten or fifteen per cent of the assessment.

After the refusal of the Governor to adjust matters with the railroad company, and after the settlement was made with the water company and the gas company on the 12th and 13th of November, the *San Francisco Chronicle*, in an article commenting on the railroad's proposition, took the ground that the Governor had done right, but maintained that a fair settlement of the whole matter would be for the companies to pay the taxes "flat" as the water and gas companies had done. That paper claimed, with a great deal of force, that to satisfy the people that it was dealing fairly, and only wanted the principle decided; the railroad company could afford to pay the difference, which taken in connection with the local tax levied upon ferry steamers, workshops, stations, houses, etc., on the Central Pacific main trunk line, amounts to \$351.00 per mile, a tax beyond the power of any single track railroad to pay.

Notwithstanding this, long before that tax became delinquent, the companies tendered to the State Controller, who had been made the Tax Collector, 60 per cent of the amount with a

Settlement
advocated by
S.F. Chronicle

State Controller refused to receive money on account.

stipulation in writing that the receipt by the Controller of that sum should not affect any local rights of the State or counties to proceed for the balance. The Controller refused to receive the money, and commenced suit against the company for the whole amount. The company has tendered the 60 per cent of the amount claimed in open Court without prejudice to any right to recover the balance, and by reason of the moral obligations resting upon it, offered to pay into the State and county treasuries nearly two million dollars in money.

Taxes paid 1881-6, after judgement, declaring it void.

The Central Pacific Railroad Company for the years 1880, 1881, 1882, 1883, 1884, 1885 and 1886 in the State of California paid for State, county and municipal taxes \$1,408,299.91. The greater part of this sum was in litigation and was voluntarily paid by the company after judgment had been rendered declaring the tax void. The Supreme Court of the United States, when these cases came up before it, in each case affirmed the decision of the Circuit Court in favor of the company and against the legality of the tax. The Central Pacific has paid in taxes in the

Taxes paid over six millions.

State of California	\$3,355,095 75
State of Nevada	2,411,227 60
Territory of Utah	264,316 38
Total	\$6,030,639 73

C. P. R. R. paid more than any other road in U. S.

It is my firm belief and I think the facts herewith submitted will substantiate the statement, that since 1880 the Central Pacific Railroad Company has paid more taxes than any other company in the United States, upon the same number of miles of road.

In substantiation of this I submit the following table, which shows the facts regarding taxes in those States from which I have been able to gather the necessary data. The inequality of the railroad tax in California and Nevada compared with the remaining States, is suggested by the ratio shown in the last two columns, between the taxes per mile of railroad and the population.

ASSESSMENTS OF RAILROADS IN THE FOLLOWING STATES :

STATE.	MILES	ASS'D VALUE	AM'T TAXES	ASS. VALUE	TAX PER	POPULATION TO SQ. MILE.
	R. R.	1883.	1883.	PER MILE.	MILE.	
Missouri	4,305.80	\$37,000,000	\$333,000 00	\$8,604 67	\$77 33	31 55
Alabama	1,865.00	17,764,620	204,744 00	9,525 26	109 77	24 50
S. Carolina	1,465.00	15,227,000	10,393 85	6,863 27	1 87	33 00
Colorado	2,910.00	19,972,134	12,387 00	192 25	78 46	1 87
Ohio	7,518.00	92,325,966	1,445,355 00	86,276 32	3,535 91	15 13
Arkansas	1,525.00	5,392,270	86,276 32	3,535 91	56 57	15 13
Kansas	3,877.09	27,280,219	7,036 42	183 11	12 19	12 19
Massachusetts	1,953.25	26,891,867	866,367 76	13,767 75	443 55	221 78
Indiana	5,300.00	54,000,000	540,000 00	10,188 68	101 88	55 09
Illinois	7,900.00	61,304,000	7,760 00	107 28	36 94	54 96
Tennessee	2,035.61	31,197,200	218,380 40	15,325 00	107 28	36 94
Oregon	961.40	5,715,500	100,592 80	5,944 80	104 63	1 85
W. Virginia	812.59	148,800 00	183 11	25 09	25 09	25 09
Iowa	6,800.00	28,000,000	870,000 00	4,117 64	127 91	29 29
Mississippi	1,002.00	75,745 68	75 59	24 42	24 42	24 42
Virginia	2,270.00	37 70	37 70	37 70	37 70	37 70
Texas	5,610.00	39,630,518	7,064 26	6 07	6 07	6 07
Florida	1,233.00	133,180 43	108 01	4 97	4 97	4 97
Louisiana	950.00	4,000,800	48,009 60	4,211 36	50 53	20 69
Nevada	450.27	5,911,680	157,960 00	13,079 00	350 82	2 00
California	2,187.59	41,297,184	734,579 05	18,877 94	335 57	5 54

In reference to the latter clause of this question, I herewith submit a statement of amounts paid by the Central Pacific Railroad Company in each year for taxes on lands granted by Congress, the date of each payment and the year for which such payment was made.

Taxes paid
on lands.

YEAR.	LOCATION.	DATE OF PAYMENT.	PERIOD.	AMOUNT.
1868	El Dorado County, California	Nov. 14, 1868	Year '68-'69	\$ 82 88
	Placer	" 14, "		662 38
	El Dorado	May 25, 1869		456 75
1869	Nevada	Nov. 11, "	Year '69-'70	334 18
	Placer	" 27, "		765 51
	El Dorado	Dec. 1, "		524 70
	"	" 1, "		74 40
	"	" 18, "		82 35
	"	" 3, "		564 60
	Placer	Nov. 9, "		236 57
1870	"	" 16, 1870	Year '70-'71	172 07
	Nevada	" 18, "		369 04
	Placer	Dist. No.2 " 18, "		784 41
1871	"	" 16, 1871	Year '71-'72	61 71
	"	" 2, "		1,054 81
	Nevada	Dec. 11, "		2,385 64
	El Dorado	Oct. 31, "		1,271 80
1872	"	Nov. 13, "	Year '72-'73	1,070 63
	Nevada	Dec. 11, 1872		2,185 83
	Placer	" 13, "		102 69
	"	Dist. No.1 " 24, "		1,639 50
	Butte	" 18, "		1,896 27
	Sutter	" 31, "		7 20
	"	" 31, "		28 80
	"	" 31, "		171 45
	"	" 31, "		30 72
	Sacramento	" 31, "		139 00
	"	" 31, "		155 20
	"	" 31, "		3 80
	Yuba	" 31, "		35 75
1873	El Dorado	" 13, "	Year '73-'74	959 85
	Nevada	" 31, 1873		2,404 00
	Placer	Dist. No.1 " 31, "		74 11
	"	" 2 " 31, "		1,007 77
	Butte	" 31, "		4,514 74
	Sutter	" 31, "		439 16
	Yuba	" 31, "		1,686 75
	Colusa	" 31, "	Paid in '74	
	Sacramento	" 31, "		162 64
1874	Colusa	" 31, "		\$2,338 27
	"	Feb. 21, 1874	5% 116 71	2,454 98
	El Dorado	Dec. 28, "	Year '74-'75	1,477 98
	Nevada	" 28, "		856 70
	Placer	" 28, "		2,242 68
	"	Dist. No.1 " 31, "		1,239 76
	"	" 2 " 31, "		118 62
	Butte	" 31, "		1,791 68
	Sutter	" 30, "		497 02
	Yuba	" 29, "	Year '74-'75	1,040 50
	Sacramento	" 28, "		71 70
1875	El Dorado	" 31, 1875	Year '75-'76	616 31
	Sierra	" 23, "		240 75
	Nevada	" 27, "		2,250 71
	Yuba	" 24, "		1,979 90
	Yolo	" 17, "		52 27
	Colusa	" 23, "		8,555 64
	Sutter	" 24, "		274 07
	Butte	" 30, "		2,823 03
	Placer	Dist. No.1 " 31, "		1,670 69
	Tehama	" 2, "		3,411 85
1876	El Dorado	" 26, 1876	Year '76-'77	1,146 52
	Colusa	" 26, "		10,171 83
	Yolo	" 26, "		71 77
	Sierra	" 26, "		225 04
	Nevada	" 28, "		2,425 35
	Placer	Dist. No.1 " 28, "		507 37
	"	" 2, "		1,259 25
	Forward			\$78,099 43

YEAR.	LOCATION.	DATE OF PAYMENT.	PERIOD.	AMOUNT.
	Forward			\$78,099. 43
1876	Butte County, California	Dec. 27, 1876		2,291 98
	Tehama	" 27 "		5,102 35
	Sacramento	" 27 "		49 10
1877	Placer	Feb. 26, 1877	Miscs. 67	
	Colusa	" 27 "	" 21.67	
	Yolo	" 27 "	" 7.98	
	Sutter	" 28 "	" 44.08	
	Tehama	March 1, "	" 858.40	
		" 6, "	" 5.66	938 46
	Sierra	Dec. 31, "	Year '77-'78	237 47
	Colusa	" 31, "	" 10,114.96	1,117 76
	"	" 31, "	"	
	" less taxes paid	under protest	Sep. 13, 1875	8,063 61
	Sutter	Dec. 31, 1877	2,051.35	287 73
	El Dorado	" 31, "	"	1,024 15
	Tehama	" 31, "	"	4,687 34
	Butte	" 31, "	"	1,657 84
	Yuba	" 31, "	"	1,911 42
	Placer	" 31, "	"	439 27
	"	Dist. No. 1	"	857 31
	"	" 2	"	66 40
	Yolo	" 31, "	"	2,197 92
	Nevada	" 31, "	"	37 92
	Sacramento	" 31, "	"	258 85
	Churchill	Nov. 6, "	"	7,200 00
	Elko	" 14, "	"	1,311 96
	Lander	" 14, "	Year '77-'78	2,633 28
	Humboldt	" 14, "	"	129 85
	Lyon	" 14, "	"	1,438 33
	Washoe	" 14, "	"	
1878	Sutter	Jan. 15, 1878	Miscs. 49.50	
	Tehama	Feb. 21, "	" 2.30	
	Butte	" 23, "	" 340.09	
	Yolo	" 26, "	" 6.04	
	Sacramento	March 5, "	" 3.65	
	Washoe	" 25, "	" 29.19	430 77
	Lander	Nov. 12, "	Year '78-'79	1,222 00
	Churchill	" 13, "	"	265 77
	Elko	" 14, "	"	4,405 77
	Humboldt	" 14, "	"	2,777 43
	Washoe	" 15, "	"	1,315 64
	"	" 19, "	"	310 80
	Eureka	" 12, "	"	384 00
	Sutter	Dec. 30, "	"	345 60
	Sierra	" 30, "	"	236 60
	Butte	" 31, "	"	3,259 98
	Colusa	" 31, "	"	2,716 61
	El Dorado	" 31, "	"	940 80
	Tehama	" 31, "	"	7,632 42
	Yuba	" 31, "	"	737 62
	Nevada	" 31, "	"	2,161 91
	Placer	" 31, "	"	358 27
	"	Dist. No. 1	"	859 01
	"	" 2	"	35 27
	Yolo	" 31, "	"	45 07
	Sacramento	" 31, "	"	279 63
1879	Churchill	Nov. 1, 1879	Year '79-'80	94 00
	Lyon	" 10, "	"	336 67
	Eureka	" 10, "	"	157 34
	Storey	" 11, "	"	3,969 00
	Elko	" 11, "	"	3,623 49
	Humboldt	" 12, "	"	1,447 61
	Washoe	" 12, "	"	1,025 00
	Lander	" 10, "	"	2,978 29
	Butte	Dec. 29, "	"	377 69
	Sutter	" 29, "	"	1,486 58
	Colusa	" 29, "	"	1,096 08
	"	" 29, "	"	
	Forward			\$169,352 45

YEAR.	LOCATION.	DATE OF PAYMENT.	PERIOD.	AMOUNT.
	Forward			\$169,352 45
1879	El Dorado County, California	Dec. 29, 1879		939 06
	Yuba " "	" 30, "		531 12
	Yolo " "	" 30, "		34 60
	Nevada " "	" 31, "		2,099 88
	Placer " " Dist. No. 1	" 31, "		400 40
	" " " " 2	" 31, "	Year '79-'80	804 66
	Tehama " "	" 31, "		10,346 54
	Colusa " "	" 31, "	Miscs. 19.20	
	Sacramento " "	" 31, "	" 37.90	
	Sutter " "	Feb. 20, "	" 16.25	
	Tehama " "	" 24, "	" 65.50	
	Colusa " "	" 27, "	" 20.66	159 51
	Sierra " "	Dec. 26, "	Year '79-'80	357 24
	1880	El Dorado " "	Jan. 28, 1880	Miscs. 9.54
Sutter " "		Feb. 14, "	" 9.82	
Butte " "		" 14, "	" 9.35	
Sacramento " "		" 14, "	" 8.50	
Yuba " "		" 16, "	" 119.38	
Sacramento " "		" 17, "	" 8.21	
Colusa " "		" 18, "	" 66.55	
Shasta " "		" 21, "	" 15.77	
Yuba " "		" 24, "	" 34.05	
Nevada " "		" 25, "	" 4.55	
Sutter " "		" 28, "	" 206.83	
Placer " "		June 4, "	" 25.71	
			" 518.26	
Less credit of		" 2, "	" 206.80	311 46
Churchill County, Nevada		Nov. 1, "	Year '80-'81	295 84
Eureka " "		" 6, "		385 07
Elko " "		" 9, "		3,882 08
Humboldt " "		" 9, "		4,172 44
Washoe " "		" 9, "		1,350 90
Lyon " "		" 9, "		102 70
Storey " "	" 9, "		67 30	
Zumwalt School District	" 19, "		8 65	
Butte County, California	Dec. 15, "		4,800 30	
El Dorado " "	" 15, "		975 40	
Nevada " "	" 15, "		1,811 77	
Placer " " Dist. No. 1	" 15, "		587 78	
" " " " 2	" 15, "		812 56	
Shasta " "	" 15, "		6,773 71	
Sierra " "	" 15, "		353 30	
Yuba " "	" 15, "		1,527 89	
Colusa " "	" 16, "		1,487 32	
" "	" 16, "		1,104 62	
Sacramento " "	" 16, "		82 96	
Tehama " "	" 16, "		9,311 37	
Yolo " "	" 16, "		60 24	
1881	Butte " "	Feb. 16, 1881	Miscs. 59.16	
	Colusa " "	" 16, "	" 32.30	
	" "	Oct. 21, "	" 285.68	
	" "	Dec. 23, "	" 16.06	393 20
	Nevada " "	Feb. 18, "	Miscs. 63.17	
	Yuba " "	" 19, "	" 18.25	
	Tehama " "	March 4, "	" 24.05	
	" "	" 10, "	" 66.80	
	" "	" 23, "	" 13.32	
	Yolo " "	Dec. 8, "	" 43.23	
	Zumwalt School District	" 22, "	" 19.32	248 14
	Yolo County, California	" 8, "	Year '81-'82	43 23
	Sacramento " "	" 10, "		52 28
	Colusa " "	" 10, "		3,748 11
El Dorado " "	" 10, "		946 10	
Shasta " "	" 12, "		5,843 28	
Sierra " "	" 14, "		353 36	
Forward			\$237,098 91	

YEAR.	LOCATION.	DATE OF PAYMENT.	PERIOD.	AMOUNT.
	Forward			\$237,098 91
1881	Sutter County, California	Dec. 14, 1881		230 62
	Tehama " "	" 15, "		9,203 99
	Nevada " "	" 15, "		1,724 56
	Placer " " Dist. No. 1	" 19, "		400 16
	" " " " 2	" 19, "		813 64
	Plumas " "	" 19, "		96 58
	Yuba " "	" 19, "		2,452 80
	Butte " "	" 19, "		4,903 60
	Churchill " Nevada	Nov. 3, "		301 14
	Eureka " "	" 10, "		481 25
	Lyon " "	" 10, "		132 00
	Storey " "	" 10, "		123 04
	Humboldt " "	" 11, "		4,123 78
	Hiko " "	" 11, "		3,935 25
	Washoe " "	" 11, "		1,557 56
1882	Tehama " California	Feb. 3, 1882	Miscs. 20.79	
	Butte " "	" 11, "	" 81.70	
	Nevada " "	" 11, "	" 60.45	
	El Dorado " "	" 11, "	" 25.84	
	Sutter " "	" 11, "	" 14.84	
	Yuba " "	" 13, "	" 24.43	
	Colusa " "	" 14, "	" 387.66	
	" " " "	" 21, "	" 202.29	
	" " " "	March 31, "	" 91.48	
	" " " "	Feb. 16, "	" 42.84	
	Placer " "	" 18, "	" 9.99	
	" " " "	" 27, "	" 5.20	
	Tehama " "	" 27, "	" 20.63	
	" " " "	March 27, "	" 425.30	
	" " " "	Feb. 27, "	" 56.93	
	Nevada " "	Feb. 27, "	" 16.17	1,486 54
	Sacramento " "	Dec. 13, "	Year '82-'83	25 23
	Placer " " Dist. No. 1	" 15, "	"	346 40
	" " " "	" 15, "	Year '82-'83	806 40
	Nevada " "	" 13, "	"	1,550 15
	Sierra " "	Nov. 27, "	"	339 92
	Yuba " "	Dec. 13, "	"	2,424 76
	Sutter " "	" 19, "	"	226 36
	Butte " "	" 29, "	"	6,773 55
	Tehama " "	" 23, "	"	7,861 13
	Shasta " "	" 26, "	"	5,182 79
	El Dorado " "	Nov, 29, "	"	920 63
	Colusa " "	Dec. 13, "	"	3,774 18
	Yolo " "	Nov. 21, "	"	22 16
	Washoe " Nevada	" 20, "	"	1,485 00
	Lyon " "	" 13, "	"	122 00
	Churchill " "	" 6, "	"	301 14
	Storey " "	" 15, "	"	124 78
	Humboldt " "	" 15, "	"	4,252 02
	Lander " "	" 16, "	"	1,784 40
	Eureka " "	" 16, "	"	63 79
	Hiko " "	" 15, "	"	2,840 47
1883	Placer " California	Feb. 2, "	Miscs. 10.00	
	Colusa " "	" 10, "	" 65.01	
	" " " "	March 4, "	" 308.60	
	" " " "	" 20, "	" 97.08	
	Nevada " "	Feb. 16, "	" 65.34	
	Sacramento " "	" 17, "	" 14.35	
	El Dorado " "	" 27, "	" 5.00	
	Yuba " "	March 1, "	" 30.51	
	Placer " "	" 2, "	" 29.23	
	Butte " "	" 20, "	" 13.60	638 72
	Sacramento " "	Dec. 31, "	Year '83-'84	14 08
	Placer " " Dist. No. 1	" 31, "	"	162 93
	Forward			\$311,677 41

YEAR.	LOCATION.	DATE OF PAYMENT.	PERIOD.	AMOUNT.
	Forward			\$11,677 41
1883	Placer County, California, Dist. No. 2	Dec. 31, 1882		842 44
	Nevada " "	" 31, "		1,601 46
	Sierra " "	" 31, "		405 91
	Plumas " "	" 31, "		196 07
	Yuba " "	" 31, "		2,068 43
	Sutter " "	" 31, "		218 44
	Butte " "	" 31, "		5,636 91
	Tehama " "	" 31, "		6,492 56
	Shasta " "	" 31, "		4,655 85
	El Dorado " "	" 31, "		889 94
	Colusa " "	" 31, "		3,928 15
	Yolo " "	" 31, "		22 03
	Washoe Nevada	" 31, "		1,300 00
	Lyon " "	Nov. 20, "		122 00
	Churchill " "	" 20, "		301 16
	Storey " "	" 20, 1883	Year '83-'84	68 15
	Humboldt " "	" 20, "		3,993 70
	Lander " "	" 20, "		1,710 34
	Eureka " "	" 20, "		496 61
	Elko " "	" 20, "		2,791 38
1884	El Dorado California	Jan. 26, 1884	Miscs. 12.92	
	Placer " "	" 26, "	" 52.41	
	Butte " "	" 26, "	" 31.34	
	Shasta " "	" 26, "	" 53.39	
	Colusa " "	Feb. 23, "	" 70.23	
	El Dorado " "	" 28, "	" 12.43	
	Zumwalt School District	" 29, "	" 5.21	
	Tehama County, California	March 4, "	" 208.01	
	" " "	" 27, "	" 139.76	
	Colusa " "	" 10, "	" 168.82	
	" " "	" 18, "	" 37.04	
	Yolo " "	" 14, "	" 4.04	
	Shasta " "	" 15, "	" 239.12	
	" " "	April 10, "	" 53.59	
	Yuba " "	" 22, "	" 19.91	
	Placer " "	Aug. 8, "	" 20.78	
	Washoe Nevada	Nov. 26, "	" 4.00	1,132 91
	Eureka " "	" 17, "	Year '84-'85	418 70
	Elko " "	" 14, "	"	2,169 96
	Humboldt " "	" 15, "	"	3,548 97
	Lander " "	" 16, "	"	1,616 35
	Lyon " "	" 15, "	"	122 00
	Storey " "	" 15, "	"	75 00
	Washoe " "	" 15, "	"	1,218 50
	Butte California	Dec. 31, "	"	3,676 75
	Colusa " "	" 31, "	"	60 48
	El Dorado " "	" 31, "	"	1,401 44
	Nevada " "	" 31, "	"	1,420 80
	Placer " "	" 31, "	"	786 50
	Plumas " "	" 31, "	"	237 79
	Sacramento " "	" 31, "	"	14 18
	Sierra " "	" 31, "	"	362 50
	Sutter " "	" 31, "	"	138 59
	Shasta " "	" 31, "	"	2,323 15
	Tehama " "	" 31, "	"	4,014 00
	Yuba " "	" 31, "	"	1,127 52
1885	Colusa " "	Feb. 26, 1885	Miscs. 9.60	
	" " "	March 4, "	" 1.25	
	Coloso and Tehama County, Cal	May 11, "	" 61.36	
	Tehama County, California	March 5, "	" 44.85	
	" " "	" 24, "	" 74.51	
	" " "	April 1, "	" 23.36	
	" " "	" 9, "	" 2.50	
	" " "	" 9, "	" 18.48	
	Placer " "	Feb. 19, "	" 69.05	
	Forward		304.96	\$375,255 03

YEAR.	LOCATION.	DATE OF PAYMENT.	PERIOD.	AMOUNT.
	Forward		304.96	\$375.255 03
1885	Placer County, California	Mar. 31, 1885	Miscs.	7.80
	El Dorado " "	" 9, "	"	5.22
	Nevada " "	" 11, "	"	7.56
	Shasta " "	" 24, "	"	54.26
	" " " "	April 8, "	"	15.00
	Butte " " " "	June 30, "	"	8.30
	Yuba " " " "	Mar. 27, "	"	217.62
	Cache " " " "	May 1, "	"	3.97
	Weber " " " "	Oct. 7, "	Year '85-'86	156 30
	Churchill " " " "	" 7, "	"	43 71
	Washoe " " " "	Nov. 10, "	"	295 79
	Lyon " " " "	" 20, "	"	767 23
	Storey " " " "	" 20, "	"	110 00
	Eureka " " " "	" 20, "	"	69 60
	Elko " " " "	" 20, "	"	427 07
	Humboldt " " " "	" 20, "	"	1,844 93
	Lander " " " "	" 20, "	"	2,236 91
	Placer " " " "	" 27, "	"	1,520 82
	El Dorado " " " "	Dec. 21, "	"	1,133 11
	Yuba " " " "	" 21, "	"	1,226 08
	Tehama " " " "	" 23, "	"	1,188 34
	Nevada " " " "	" 23, "	"	3,322 22
	Sierra " " " "	" 23, "	"	1,937 37
	Butte " " " "	" 28, "	"	294 28
	Shasta " " " "	" 28, "	"	3,751 54
	Plumas " " " "	" 28, "	"	1,953 55
	Colusa " " " "	" 30, "	"	216 58
	Sutter " " " "	" 30, "	"	58 91
	Sacramento " " " "	" 31, "	"	111 14
	El Dorado " " " "	" 31, "	"	13 37
1886	El Dorado " " " "	Jan. 13, 1886	Miscs.	27.11
	" " " "	Feb. 13, "	"	60.04
	" " " "	Mar. 3, "	"	21.53
	Butte " " " "	Feb. 1, "	"	37.29
	" " " "	" 11, "	"	3.75
	" " " "	" 13, "	"	19.62
	Colusa " " " "	June 1, "	"	77.34
	Tehama " " " "	Feb. 13, "	"	12.78
	Placer " " " "	" 13, "	"	287.56
	Shasta " " " "	" 17, "	"	4.58
	Nevada " " " "	" 23, "	"	5.23
	Washoe " " " "	Mar. 1, "	"	8.87
	Weber " " " "	June 22, "	"	9.45
	Box Elder " " " "	Oct. 11, "	Year '86-'87	575 15
	Cache " " " "	" 12, "	"	33 54
	Churchill " " " "	" 14, "	"	280 82
	Lyon " " " "	" 14, "	"	20 70
	Storey " " " "	Nov. 8, "	"	295 73
	Washoe " " " "	" 8, "	"	110 00
	Humboldt " " " "	" 15, "	"	60 48
	Elko " " " "	" 15, "	"	741 39
	Eureka " " " "	" 15, "	"	441 39
	Lander " " " "	" 15, "	"	2,198 17
	Yuba " " " "	" 17, "	"	1,539 63
	Sierra " " " "	" 18, "	"	441 71
	Shasta " " " "	" 18, "	"	1,483 03
	Tehama " " " "	Dec. 11, "	"	1,451 16
	El Dorado " " " "	" 11, "	"	279 72
	Nevada " " " "	" 13, "	"	1,645 10
	Placer " " " "	" 13, "	"	2,697 06
	Butte " " " "	" 15, "	"	1,083 51
	Colusa " " " "	" 15, "	"	1,565 61
	Butte " " " "	" 15, "	"	82 90
	" " " "	" 16, "	"	56 14
	Colusa " " " "	" 16, "	"	804 54
	Butte " " " "	" 17, "	"	117 54
	" " " "	" 17, "	"	30 30
	Forward			\$416,160 50

YEAR.	LOCATION.	DATE OF PAYMENT.	PERIOD.	AMOUNT.
	Forward			\$416,160 50
1886	Plumas County, California	Dec. 17, 1886		309 53
	Sutter " "	" 22, "		46 49
	Tehama " "	" 30, "		80 41
	Butte " "	" 31, "		3,028 73
1887	Colusa " "	Feb. 21, "	Miscs. 67.40	
	Yuba " "	" 28, "	" 22.33	
	Butte " "	Mar. 5, "	" 89.69	
	Shasta " "	" 9, "	" 3.50	
	Placer " "	" 9, "	" 61.56	
	El Dorado " "	" 14, "	" 22.32	
	" " " "	" 14, "	" 66.13	
	Nevada " "	" 14, "	" 4.86	
	Shasta " "	" 21, "	" 7.50	
	" " " "	" 30, "	" 436.39	
	Butte " "	" 25, "	" 120.02	
	Placer " "	" 28, "	" 68.40	
	Sierra " "	" 30, "	" 10.02	
	Yuba " "	April 6, "	" 14.48	
	Tehama " "	" 15, "	" 121.61	1,118 01
	Total to June 30, 1887			\$420,743 67

Respectfully submitted,

E. B. RYAN, *Tax Agent.*

Delays in patents for lands.

Ques. 38. And the delay of said Companies in taking out patents for such lands.

Injury to Co. by inability to get patents.

Ans. 38. We have never been derelict in taking out patents for such lands. We have not received our patents properly, and at the present time there are applications for over one million acres of land pending before the United States Land Department.

It has been charged that we do not take out patents because we do not want to pay taxes thereon, but this is not so. We could never get out patents fast enough and have suffered in consequence. The inability of the Company to obtain patents promptly upon application has caused us great loss, not merely in the sales of lands, but more particularly in the business that would have arisen in their occupancy, as will be more fully

shown in the report of Mr. W. H. Mills, land agent of the Company hereto attached and made part hereof, marked "Exhibit No. 6."

Ques. 39. The rates of fare and freight charged, discriminations, differentials, pools and other devices.

Rates and charges.

Ans. 39. Taking into account all the elements which have to be considered in determining the rates at which passengers and freight can be moved, such as amount of business done, the cost of doing it, etc., the cheapest railroading in the world is done on the Central Pacific. Taking the business between the State lines of Nevada as an instance, the local business is almost nothing. It would not maintain the running expenses. The maintainance of that portion of the road is from the business that originates outside of those boundaries and passes through; and through freight is materially affected both in volume and rates by competing lines of road subsidized by the Government.

Low rates on C. P. R. R. considering the circumstances.

For a more detailed answer, I refer to the exhibit made by Mr. J. C. Stubbs, the Traffic Manager of the road, marked "Exhibit No. 7," attached hereto and made a part hereof.

Ques. 40. And the facilities and accommodations furnished to the patrons of such roads; and their report shall embrace a consideration of the interests and rights of said communities as affected by whatever plan of settlement or payment of the existing debt may be proposed.

Facilities furnished, and effect on communities of settlement for debt.

Ans. 40. The facilities and accommodations furnished to patrons of these roads are first class. There is a sufficiency of passenger and freight trains for the accommodation and convenience of the traffic. The speed and frequency of these trains are ample. The rolling stock is up to the standard and excellent in its quality and condition. Stations, station-houses,

Facilities first class.

warehouse facilities and sidings are provided at all necessary points. The character of the service generally will compare favorable with the most thoroughly equipped and best served in the country.

Settlement proposed should not burden country along line.

In any scheme of extension or adjustment that may be made between the Government and the Company, the Government should not forget the policy in which the measure had its origin, that is, the public interest. Travel and transportation should not be so burdened as to cripple the road, jeopardize its efficiency and retard the development of the country.

Extension of time for payment.

Ques. 41. Said Commissioners shall also consider and report whether the interests of the United States require any extension of the time for performance of the obligations to the United States of said Companies, or any of them, and the facts and circumstances upon which said opinion is based.

Security held by United States.

Ques. 42. Including the security held by the United States for the performance of such obligations, and the value thereof.

Such a scheme for extension as shall not affect the service.

Ques. 45. And if, in their opinion, such extension shall be required by the interests of the United States, they shall submit a scheme for such extension, which shall secure to the United States full payment of all debts due them from said companies, with a reasonable rate of interest in such time as the Commissioners shall propose, having due regard to the financial ability of said companies and the proper conduct of their business in such manner as shall afford efficient service to the public.

The equities considered.

Ans. Questions 41, 42 and 45, relate to the policy that shall be adopted with reference to the payment by the Company of the debt due the Government and therefore I shall consider them together. I have heretofore stated that the appointment of this Commission by Congress and the authority and instructions given to it to ascertain what the Company had lost upon the one hand, and what the Government had gained upon the other, by the construction of the road, was a candid admission on the part of Congress that this Company had equities which

Congress desired to adjust and allow. We believe that Congress was not actuated by any mere idle curiosity in creating this Commission to examine into and report concerning the foregoing matters. We have therefore shown among other things:

First—That the Company had to sell the Government bonds at a discount and thereby sustained a loss of \$7,120,073.55; and interest on this loss to maturity, \$12,816,132.59.

Second—That the Government saved \$47,763,178 in transportation between the time when the line was completed and the time when it might have been completed according to the contract, this Company's proportion of which was, say, 46 per cent, or \$21,971,062.

Third—That the Government now owes the Company \$1,853,323.15 for transportation on unaided roads, the justness and legality of which claim has been decided by the Supreme Court of the United States.

Fourth—The amount of interest the Company has lost upon the money which it would have received from the sale of its lands, if the land office of the Government had issued patents as fast as called for by the Company. This amount can be approximately determined.

Fifth—That the Company has lost \$1,612,966.72 in being forced to pay into a sinking fund established by Congress large amounts of money for which it not only has not received any interest, but the Company has not so much money now as it paid therein by over \$500,000. In other words, it has not only lost the interest on this money by reason of mismanagement of the fund, but has even lost a portion of the principal, and at the same time has been compelled to pay six per cent per annum on this very amount so lost to it by reason of the purchase of the bonds placed in the sinking fund at a premium.

Sixth—The diversion of business to other lines which for this Company's proportion amounts to about seventeen million dollars.

There can be no question in the mind of any candid person but what this Company is entitled to have the foregoing specified equities allowed by the Government. If they are allowed, then all questions relative to the extension of time in which to pay the debt becomes immaterial, because the amount of these equities exceed very largely the amount of debt now due from the Company to the Government. If on the other hand, the Government is not willing to allow these claims, it will be exceedingly difficult to determine the conditions which should be imposed upon the Company concerning the payment of the indebtedness. The ability of the Company to pay must always be determined by the amount of business it does. This depends largely upon conditions changing from day to day and over which the Company has no control. As we have hereinbefore stated, the net earnings from local business of the State of Nevada amounts to nothing, and if the departments of the Government having control of Government transportation diverts it from this road and gives it to foreign and competing roads, the business, which this road is fairly entitled to, it is impossible to tell when the Company can meet its obligations. About the only thing that can be done at this time will be to fix the rate of interest which the Government should charge. This should not be in any case more than the Government would have to pay for the use of the money, to-wit: any more than two per cent per annum.

There should be taken into consideration the amounts saved the Government in transportation, that is, based upon the business before the completion of the railroad. Since the completion of the road the efficiency of the service has been increased beyond comparison, of which we make no estimate. Probably thousands of millions of values were created by the construction of the road in the development of the country and making it suitable for homes. That and other benefits to the United States were anticipated at the passage of the law and I believe in no single instance have the people or the Government been disappointed. If the Government does not allow the Company the compensation for services contemplated by Congress at the time of the passage of the bill, and if they are not to be allowed for the diversion of business consequent

upon the Government subsidizing competing roads, then the ability of the Company to pay is manifestly unequal to the burden imposed.

I deem it, however, proper to suggest to the Commission that it was originally contemplated by Congress that the liabilities of the Company were to be discharged by the compensation to be made by the Government to it for the services it might be called upon to perform for the Government, and the 5% of its net earnings, reserved by law. The lien was only intended to secure such performance. In other words, it was contemplated that the services of the Company, together with the 5% would liquidate its liabilities to the Government.

Payments which have been made under original laws expected to pay the debt.

Ques. 43. And the value of the property of such Companies, and either of them, not included in such security.

Property not subject to U. S. lien.

Ans. 43. The Government lien only covers the Central Pacific from Ogden to Sacramento, and the Western Pacific from Sacramento to San José. No other property of the Company is covered by the Government lien. As to the value of the property of the Company not so covered by the Government lien, I am unable to estimate, but am informed that the engineers appointed by the Commission are making an estimate of all the property of the Company, which will include this information.

A statement of these assets is given in the foregoing reply to interrogatories 11 and 12.

Ques. 44. And what further security is it expedient that said Companies shall be required to give.

Further security for U. S.

U. S. has
no right to
change its
contract.

Develop-
ment of the
country the
best security.

Ans. 44. In answer to question 44, I respectfully submit that the Government has no right to change its contract with the Company, and demand other security than that fixed in the original Acts of Congress of 1862 and 1864. Nor is it expedient for the Government to ask further security. On the contrary, the best security that the Government can have, will be a fair consideration of the equities we have already enumerated, and a fair and liberal settlement with the Company upon the basis originally contemplated by Congress, to the end that the Company may be able to discharge all its obligations, and be able to assist in the development of the country and promote the general interests of the people. It should be borne in mind that the burden upon the Company other than its obligations to the Government were vastly increased by the rapid completion of the road, both on account of the ruinous discount suffered in selling its first mortgage bonds, and the high price of material and great disadvantages under which the road was constructed in a country where a large portion of the transportation was necessary by teams, it being impossible to advance the constructed line of road on account of snow blockades in the Sierra Nevada mountains, and the unequal character of the country through which the road passed, necessitated transportation of supplies and of men frequently hundreds of miles.

Commission-
ers to report
by Dec. 1, 1887.

Ques. 46. And the said Commission shall report in full in regard to all such matters aforesaid, and in regard to any other matters which may be ascertained or come to their knowledge in regard to said Companies respectively, on or before December 1st, eighteen hundred and eighty-seven, to the President of the United States, who shall forward said report to Congress with such recommendations or comments as he may see fit to make in the premises.

Ans. 46. This question, relating as it does entirely to the duties of the Commission, does not require any answer from me.

Ques. 47. The Commission shall also ascertain the average cost per annum of Government transportation in the region now traversed by the Pacific Railroads between the year 1850 and the completion of said roads.

Cost of U. S. transportation prior to road.

Ans. 47. The average cost to the Government per annum for transportation in the region now traversed by the Pacific Railroads, between the year 1850 and the completion of the road, was over eight millions dollars. This does not include the cost of maintenance of Government Forts and Military Encampments and a large number of troops necessary to protect the border against the hostile Indians, which disappeared with the advent of the railroad. Nor does it include the expense incident to the carrying of the mails, munitions of war, and other matters required in the region beyond the line of the road, as in northern Montana, Dakota, Washington Territory, and other points now reached by railroads. The difference in the character of the service and other matters of interest will be found more fully set forth in the reply to question 52, which has, in a measure, to be treated in connection with this question. The saving to the United States by the Central-Union line, in the item of transportation, has amounted to January 1, 1886, the sum of \$139,347.741.

U. S. transportation \$8,000,000 a year.

Saving to U. S. to 1886 \$139,347.741.

Ques. 48. And also the average cost per annum since such completion.

Cost of U. S. transportation since completion.

Ans. 48. As shown by the books of this Company and the records of the Government it appears that the average cost per annum for Government transportation over said roads is about one-tenth of the amount formerly paid, with a very superior service, all of which will be found set forth in detail in the answer to question 52.

One-tenth of former cost.

Ques. 49. And what additional facilities have been furnished to the Government and the people by said roads.

Additional facilities furnished by roads.

Ans. 49. It is difficult to definitely state or to specifically point out each additional facility which has been furnished to the Government and the people, by the railroads. It is a matter of history that before the construction of the Central Pacific Railroad, all transportation between San Francisco and New York was done by water. The local transportation was done either by water or by wagons. The average time between New York and San Francisco was about six months by sailing vessel and from 30 to 40 days by steamer. The cost of transportation by any method in use, before the completion of the road was very much more expensive in the direct charge than charges have ever been since the completion of the road. The absence of a railroad to connect with the Atlantic States of the American Union with the Pacific, effected a loss to the people of the whole country, in time, in property, and in money; which each year equaled the annual expense of the Federal Government,—a loss that in two years would, according to the figures of Representative James A. McDougall, cover the cost of a completed railroad to the Pacific. This was a tax upon the industry and enterprise of the people of every State of the Union. The old system of transportation was marked by two great features of disadvantage, one of them was prejudicial to the merchant, in that he was required to possess a larger command of capital, in order to have a sufficient quantity of stock on hand for his operations, while he waited for the long-coming ship to arrive, whose cargo also called for money to purchase. The other operated to the detriment of consumers, inasmuch as opportunities were afforded to persons having a ready command of money to buy up the whole stock of a necessary commodity existing in the market, for the purpose of creating a monopoly therein, and demanding a higher price therefor. Before the establishment of railway facilities, this was repeatedly accomplished with perfect safety to the speculator.

Two-thirds of the territory of the United States lies west of the Mississippi River. The greater portion of which at the time of the commencement of this road was wilderness. It has been opened up into settlements, into homes and general development. The values are not to be measured by hundreds of millions.

Ques. 50. Also to inquire what discount the Pacific Railroad and its several branches were forced to make in disposing of the bonds guaranteed by the Government, to obtain the gold coin which was the currency of the country through which the greater part of said roads pass.

Discount on
U. S. bonds.

Ans. 50. The Central and Western Pacific Railroads were compelled to pay gold coin during the progress of construction for all wages, supplies, fuel, materials and contracts which were payable on the Pacific Coast, the gold always having been the currency of this region.

Cost of road
paid in gold.

The bonds issued by the United States to aid the construction of the Pacific Railroads were made payable 30 years from date, with interest at six per cent, payable semi-annually, the principal and interest made payable in lawful money. This, during the time of the construction of the road and for some years afterwards was U. S. currency. From these facts the bonds have always been known as "Currency Sixes," and they were the only bonds issued by the Government which could not be redeemed by it, at its option at any time before maturity thereof. I have been informed and I believe it to be true, that these are the only bonds which the Government issued during the Civil War upon which they did not sustain a discount. We direct your attention especially to the irredeemable character of the bonds, because as we will hereinafter show, the Company, because of this character of bonds, has sustained a very great loss in being compelled to pay into the sinking fund a large sum of money from which it has received no interest whatever; and at the same time is compelled to pay interest on these outstanding bonds.

Currency
bonds issued
by U. S.

During the time the Company was constructing its road, and at a time when it was experiencing the greatest difficulty in getting the money to meet its obligations the Government securities were very much depreciated because of the existence of the Civil War; for example, the Company was compelled to dispose of the bonds issued to it by the Government at a loss of \$7,120,073.55. The Company is paying six per cent on the bonds issued by the Government, so that at the maturity of the bonds, the Company will have to pay in round numbers,

C.P.R.R. Co.
charged with
20 millions
for which it
received
nothing.

\$20,000,000, for which it never received one farthing. This is one item which must be taken into consideration in estimating the cost of the road and one which is rarely recognized. Again, the Company in selling its own first mortgage bonds was compelled by reason of the impaired value of the Government securities to sell its own bonds at about the same rate that it got for the Government bonds.

Bonds issued. The bonds issued to the Central and Western Pacific Railroads were, at their par value, as follows :

Central Pacific	\$25,885,120 00
Western Pacific	1,970,560 00
	<hr/>
Total currency bonds	\$27,855,680 00

These bonds were issued as sections of the constructed road were accepted by the President of the United States, and so bore different dates from the years 1865 to 1869, inclusive, with the exception of a small number dated in 1870. During all this period the currency was greatly depreciated, sometimes selling as low as 42.66 cents on the dollar in January, 1865, to 83.68 cents on the dollar in December, 1869.

Co. received average for each bond, \$744.44.

In order to get the coin to pay for their construction, labor and supplies, the Central and Western Pacific Companies were forced to dispose of the currency bonds received from the Government at an average rate for gold of 1.34 1-3. The amount received by the Company for each bond of \$1,000 was therefore \$744.44. For the \$27,855,680 in U. S. bonds, these companies received \$20,735,606.45. The discount they were forced to make was thus \$7,120,073.55. Interest is charged the companies on the full amount to the maturity of the bonds. The interest on the \$7,120,073.55 discount which the companies were forced to make, is for thirty years, at six per cent, \$12,816,132.39. *The total principal and interest for discount lost by the companies is therefore \$19,936,205.94.*

Loss from discount \$19,936,205.

The following table shows the amounts and dates of the currency bonds issued to these companies, and the market value of currency at the current average premium on gold :

STATEMENT

Showing dates and amounts of United States Bonds, issued to Central and Western Pacific Railroad Companies (known as currency sixes), with value of same in U. S. gold at current average rates of premium for U. S. currency.

DATE ISSUED.	INTEREST COMMENCED.	AMOUNT OF BONDS.	PREMIUM ON GOLD, AVERAGE RATE.	VALUE OF BONDS IN U. S. GOLD.
<i>Issued to Central Pacific Railroad Company.</i>				
May 12, 1865 . . .	Jan. 16, 1865 . . .	\$1,258,000	1.32	\$953,030 30
Aug. 14, " . . .	Aug. 14, " . . .	384,000	1.42	270,422 53
Oct. 16, " . . .	Oct. 16, " . . .	256,000	1.45	176,551 72
Dec. 11, " . . .	Nov. 29, " . . .	464,000	1.45	320,000 00
March 6, 1866 . . .	Mar. 6, 1866 . . .	640,000	1.33	481,203 00
July 10, " . . .	July 10, " . . .	640,000	1.50	426,666 66
Oct. 31, " . . .	Oct. 29, " . . .	320,000	1.46	219,178 10
Jan. 15, 1867 . . .	Jan. 14, 1867 . . .	640,000	1.35	474,074 07
Oct. 25, " . . .	Oct. 25, " . . .	320,000	1.42	225,352 11
Dec. 12, " . . .	Dec. 11, " . . .	1,152,000	1.34	859,701 49
Jan. 10, 1868 . . .	June 9, 1868 . . .	946,000	1.40	675,714 28
July 11, " . . .	July 10, " . . .	320,000	1.40	228,571 43
Aug. 5, " . . .	Aug. 4, " . . .	640,000	1.48	432,432 43
" 14, " . . .	" 13, " . . .	1,184,000	1.47	805,442 18
Sept. 12, " . . .	Sept. 11, " . . .	1,280,000	1.44	888,888 88
" 20, " . . .	" 19, " . . .	1,120,000	1.44	777,777 77
Oct. 13, " . . .	Oct. 12, " . . .	1,280,000	1.38	927,536 23
" 28, " . . .	" 26, " . . .	640,000	1.34	477,611 94
Nov. 5, " . . .	Nov. 3, " . . .	640,000	1.32	484,848 48
" 12, " . . .	" 11, " . . .	640,000	1.34	477,611 94
Dec. 5, " . . .	Dec. 5, " . . .	640,000	1.36	470,588 24
" 7, " . . .	" 7, " . . .	640,000	1.36	470,588 24
" 30, " . . .	" 29, " . . .	640,000	1.34	477,611 94
Jan. 15, 1869 . . .	Jan. 13, 1869 . . .	640,000	1.36	470,588 24
" 29, " . . .	" 28, " . . .	640,000	1.37	467,153 29
Feb. 17, " . . .	Feb. 17, " . . .	640,000	1.35	474,074 07
Mar. 2, " . . .	" 17, " . . .	1,066,000	1.32	807,575 76
" 3, " . . .	Mar. 2, 1869 . . .	1,333,000	1.32	1,009,848 48
May 28, " . . .	May 27, " . . .	1,786,000	1.40	1,275,714 28
July 15, " . . .	" 27, " . . .	1,314,000	1.37	959,124 09
" 15, " . . .	July 15, " . . .	268,000	1.37	195,620 44
Dec. 31, " . . .	" 16, " . . .	1,510,000	1.20	1,258,333 33
Jan. 2, 1872 . . .	Nov. 28, 1868 . . .	4,120	1.09	3,779 81
<i>Issued to Western Pacific Railroad Company.</i>				
Jan. 24, 1867 . . .	Jan. 26, 1867 . . .	320,000	1.34	238,805 97
Sept. 1, 1869 . . .	Sept. 3, 1869 . . .	320,000	1.33	240,601 50
Oct. 29, " . . .	Oct. 28, " . . .	1,008,000	1.29	781,395 35
Jan. 27, 1870 . . .	Jan. 22, 1870 . . .	322,000	1.22	263,934 42
" 8, 1872 . . .	" 22, 1872 . . .	560	1.09	513 76
		\$27,855,680		\$20,448,466 75

The bonds were sold by the Companies to some extent for a premium in currency, so that the above value of bonds in gold is not quite as much as the amount received by the Companies, namely :

Total value of currency bonds	\$27,855,680 00	
Value in United States gold	\$20,448,466 75	
Premium added	287,139 70	
	<u> </u>	<u>20,735,606 45</u>

Discount Company was forced to make in disposing of bonds, being loss to Company on principal		7,120,073 55
Interest thirty years at 6%		<u>12,816,132 39</u>

Total amount on bonds C. P. R. R. Co. is required to pay to the Government, for which it received nothing \$19,936,205 94

Bonds bought for sinking fund.

Under the provisions of the Act of May 7, 1878, the Company has been forced to pay for these same bonds for the sinking fund in the United States Treasury, a premium of about 35 per cent. It has thus suffered a loss in premium on the redemption of the bonds of an equal rate to the loss in discount on their issue. The sinking fund of the Central Pacific Railroad Company in the United States Treasury on June 1, 1887, contained \$2,548,000 United States Pacific Railroad bonds (currency sixes) and \$9,000 Central Pacific Railroad First Mortgage bonds; total, \$2,557,000.

Premium averages 34.21 per cent.

To secure these bonds the Secretary of the Treasury, under the provisions of the Acts of May 7, 1878, and March 3, 1887, has paid a premium averaging 34.21 per cent, or for each bond of \$1,000 he has paid \$1,342.10. As these bonds must be held in the fund till the maturity of the debt, when they will be redeemed by the Government at par, the premium paid is wholly lost.

The resulting loss on account of premiums and discount for this \$2,548,000 in the sinking fund is as follows :

Received by C. P. R. R. Co. in coin for \$2,548,- 000 U. S. Currency bonds, at \$744.40 per \$1,000	\$1,896,731 20
Paid by Secretary of Treasury in coin belong- ing to C. P. R. R. Co. for \$2,548,000 U. S. Currency bonds at \$1,342.10	3,419,670 80
Cost of \$2,548,000 bonds in excess of amount received by C. P. R. R. Co	\$1,522,939 60

The foregoing facts may be summarized as follows :

For each currency bond of \$1,000 issued the Com-
pany received in coin \$744 40

And is required to pay:

For principal for those in sinking fund, \$1,342 10
For interest on all for 30 years at 6 per
cent, 180 per cent 1,800 00
————— \$3,142 10

Thus for \$1,000 received in *coin* from the United
States bonds the Central Pacific Railroad Com-
pany is charged with \$4,220 76

For \$1,000
coin this Co.
is charged,
as to bonds
in sinking
fund, \$4,220.76

As before stated the road was completed seven years before the expiration of the term limited by Congress. If the Company had taken advantage of the time allowed by Congress for the completion of the road, they could not only have sold the Government bonds at par, but could also have disposed of their own first mortgage bonds at their face value, which would have been a net gain, over and above what was actually received, of \$7,120,073.55, the interest on which for thirty years would have been \$12,816,132.39, which would make an aggregate saving on the Government bonds and the bonds issued by the Company, principal and interest, in round numbers, of about forty million dollars. The sacrifice was made to comply with the urgent demands of the United States and people generally, for the early completion of the road, with the general understanding that the Government would make due allowance for the extra exertion put forth by the Company.

Loss on bonds
and interest
by early com-
pletion of
road, forty
millions.

Cost of
construction.

Ques. 51. Also to ascertain the comparative cost of construction of said roads as compared to what they would have cost with the prices of labor and commodities prevailing five years preceding, or five years subsequent to the completion of said roads.

Ans. 51. Absolute accuracy of statement as to the cost of completing the road as early as 1869, as compared with what would have been the cost if it had been completed five years later, cannot perhaps be made; but by comparing prices of labor and material at the time the road was completed, with the prevailing prices seven years later (the time allowed for completion,) and taking into consideration the obstacles encountered, and sacrifices made for rapid construction, an approximation can be made.

C. P. R. R.
cost more
than double
by early
completion.

It is safe to say that the road cost more than double what it would have cost if the company had taken the time allowed by the Acts of Congress for its completion, by reason of the difference in price of labor and material, added to the sacrifices made by the company to hurry the completion of the road. All supplies had to be purchased in the East, nearly a year in advance of the time when they would be needed in order to get them here when required. The company also, by reason of the great demand that was made upon them by the Government and the people, sent parties ahead of the construction train in order that the road might be in course of construction in several different places at the same period of time. Of course, in all these cases where parties were organized and sent out in advance of the construction trains, everything used by them in the construction of the road or in supplying food and clothing for the men and food for the teams had to be hauled in wagons, sometimes as far as 350 miles or more, at a very great expense to the company. In many instances, the company even had to build the wagon roads before their teams could reach their destination, and in some cases, they were compelled to haul water for the men and teams over forty miles.

For the actual cost of the road as compared to what it would have been had the road been constructed five years earlier or five years later, I would refer you to the reports of L. M.

Clement, Assistant Engineer; Wm. Hood, Chief Engineer; J. H. Strobbridge, Superintendent of Construction; and Arthur Brown, Superintendent of Bridges and Buildings; numbered, respectively, Exhibits 8, 9, 10 and 11.

Ques. 52. Also to inquire whether or not the Pacific Railroad was completed in less time than was allowed by law, and, if so, how much less time, and if the United States was benefitted thereby.

Benefit to U. S. by early completion of road.

Ans. 52. The Act required that the road should be completed July 1, 1876; the road was in fact completed May 9, 1869,—more than seven years in advance of the time allowed by law. In thus hastening its completion, its cost largely exceeded what it would have been if it had not been constructed so rapidly, and by this completion the Government has been largely benefitted. Before the expiration of the time allowed for the construction of the Central and Union Pacific roads by contract, the Government had been directly benefitted to the extent of more than \$47,000,000 saved upon freights, mails and transportation of troops alone.

Road completed seven years before time fixed.

Forty-seven millions saved.

At the time Congress made the loan to aid in the construction of the roads, every one expected that the transportation furnished by the Government to the road would much more than pay the interest on the bonds and probably furnish a sinking fund sufficient to extinguish the debt at maturity. This conclusion was reached by taking the cost to the Government of transportation at the time the loans were made, as the basis of computation. Since the railroads were constructed the amount of Government transportation has very largely exceeded the calculations of the promoters of the enterprise, but the service has been performed at so greatly reduced cost that the receipts from this source have fallen far below what it was expected they would be. This has been disappointing to us, but a great gain to the Government.

Payments under original acts to liquidate debt and interest.

Testimony of
U. S. Com-
missioner of
Railroads.

Aside from what the Government saved directly in the cost of transportation of mails, supplies and troops, it has also saved an enormous amount indirectly in various ways, as will be seen by reference to the report of the United States Commissioner of Railroads for 1883, an extract from which I herewith submit: The Commissioner at page 16 of said report says:

“The construction of these roads has been pronounced by the Supreme Court of the United States to have been a national necessity so urgent as to admit of no delay, and confessedly involving the integrity of the Union. The energy with which they were built is well illustrated in the fact that they were completed in seven years less time than the limit established by law, and at a time when the currency bonds issued to the companies realized an average of only about seventy-five per cent in gold. And they must be repaid at par. It was doubtless expected that the compensation for Government transportation would equal the current interest; that it has not, has been a disappointment as well to the companies as to the Government, but had the charges for transportation continued at the rate prior to their construction it would greatly have exceeded the interest. The Government has the advantage and is entitled to it, of the reduced expenses of transportation which has resulted from their construction, and in this view the saving to the Government has greatly exceeded the current interest it has paid. It is also fairly to be considered that the national purposes have all been more than realized in the increased sales of public lands, the extension of civilization, the suppression of Indian wars and the consequent great diminution of expenses; the establishment of States and the strengthening of the ties which have bound the States of the Pacific Coast indissolubly to the Union.”

Public
benefits.

But the benefits to the public are even greater than those to the Government. When we began to build the railroad the merchants of San Francisco had absolute control over the other merchants of this coast, and they could and frequently did combine to arbitrarily increase the price of provisions and all other articles of commerce. Sometimes they would advance the price of a single article 100 per cent in a single day. They kept a record of all in-bound vessels with their cargoes, and whenever they found that there was a limited supply of

any given commodity in the market, they went out and bought up all in the market, and all in transitu, and no further supplies could be furnished until orders from here could be filled in the East, which would take fully six months. In the meantime these men who had secured all there was of the article on which they wished to create a monopoly, fixed on it their own price. It was no uncommon thing to have a necessary of life advance 100 per cent in a day. The construction of the railroad prevented all this, and is so far a direct benefit to the consumer. Again, under the old system, when all merchandise had to be brought in ships around Cape Horn, every merchant, every importer, every business man and every jobber had to carry at least six month's stock in his store, and an equal amount afloat; involving in the transaction of his business a very large capital, idle for the most of the time, the interest on which became a burden on the people. Now, one or two months' stock is sufficient and a man can do as much business with \$50,000 capital than he could under the old condition of things with half a million. The carrying trade then was largely in the hands of foreigners, and a large per cent of the monies paid for freight was sent to Europe. Since the construction of these roads over 65 per cent of the money received by us has been paid out in California and adjacent regions in operating and other expenses, and a large proportion of the balance not required to be sent abroad to pay the interest upon the bonds has been invested here in developing the resources of the State and in making it productive. The railroad company has paid out along the line of its road in this State in wages alone, more than \$100,000,000, most of which would have gone out of the country if the road had not been constructed.

The benefit to the Government by the early completion of the line is more fully shown by the report of E. H. Miller, Jr., Secretary of this Company, upon the subject, which report is attached hereto, marked Exhibit No. 11½. The report in reply to other questions also shows the saving in transportation charges by the construction of the road, as well as other information collateral to this general subject; all of which is compiled from official documents.

Trade
monopolies
prior to
road.

Saving
to U. S. in
transporta-
tion in seven
years, forty-
seven mil-
lions.

By reference to this report it will be seen that the United States has saved in transportation charges alone by the completion of the Central-Union Pacific line,

To June 30, 1876	\$ 47,763,178 00
To December 31, 1885.	\$139,347,741 25

At the same rate, continued to the maturity of the bonds, the Government will have saved \$259,040,430 00

Antagonistic
legislation.

Ques. 53. Also to inquire if either of the Pacific Railroad Companies has been embarrassed, and its earning capacity impaired by antagonistic local or State legislation.

Ans. 53. The Central Pacific Railroad Company has been embarrassed and its earning capacity impaired by antagonistic local and State legislation. While we were trying to make financial negotiations, one claim that we made was based upon the fact that the State of California allowed us fifteen cents a ton per mile. Another was that the United States laws allowed us to charge any rate we pleased up to ten per cent dividends, then only interfering in case our rates were extortionate. When the agitation against rates commenced we had only thirty-one miles of road built, and efforts were made in the Legislature to pass bills materially affecting our rates. This damaged us before the public. It not only indicated that we might have to reduce our rates but made the future very uncertain.

Antagonized
from the first.

From the very first we were strongly antagonized, Congress required that we should build a telegraph line as well as a railroad. The consequence was that we encountered the antagonism of the existing telegraph companies. We were to build a railroad to San Francisco, consequently we encountered the antagonism of the Steam Navigation Company, and clipper ship owners. We were to build a railroad across the mountains and so antagonized the Pacific Mail Steamship Company and the Sacramento Valley Railway Company which operated a railroad from Sacramento eastward about forty miles. Upon

the construction of the road their stock sustained a serious injury. A line across the continent was also antagonized by the stage companies and express companies. The Pony Express line and the toll roads, all of which had to give way before it, also opposed us. It also seriously affected contractors for the Government at the various posts and Indian agencies and antagonized many other interests of wealth, power and influence. All these interests combined and influenced the press and politicians, and antagonized us in the money centers of the east, Germany, France and England, with a view of injuring our credit and preventing the fruition of our hopes. As there was a feeling extant not only in Europe but in this country as well, that the effort to cross the Sierra Nevada mountains by a practical railroad would prove a failure, these influences did injure us to a very great extent. Even the Sitka Ice Company, which was charging the people of San Francisco five cents a pound for ice, antagonized us from a selfish motive as we saved the people in this direction alone, \$600,000 a year. The Overland Stage Company, which received from the Government of the United States \$1,800,000 per annum for carrying the mail, brought their influence to bear against us. All these interests combined to influence legislative bodies against us to injure our credit, and, as the journals of all the legislatures would indicate, annoyed and hampered us in every possible manner.

Political
opposition
by conflicting
interests.

Hostile legislation has been proposed at every session of the legislature since the commencement of the road. It has assumed various forms and often of so serious a character that if successful it would have been impossible to operate the road under its restrictions.

Continued
hostile
legislation
proposed.

Ques. 54. Also to inquire if the United States, since the Union and Central Pacific Railroad Companies accepted the terms proposed by Congress for the construction of the Pacific Railroads, has granted aid in lands for building competing parallel railroads to said Pacific Railroads, and if so, how many such roads, and to what extent such competing lines have impaired the earning capacity of the Pacific Railroads.

Injury by
competing
aided lines.

Earnings of Pacific railroads impaired by U. S. aid to other lines, \$37,000,000.

Ans. 54. Congress has granted aid in lands for building competing parallel roads to the Pacific Railroads. The number of which and the extent to which such competing lines have impaired the earning capacity of said Pacific Railroads is hereinafter fully set out in the statement of J. C. Stubbs, General Traffic Manager, annexed hereto, marked "Exhibit 12," and made part hereof; the actual business diverted being upwards of \$37,000,000.

Service of non-aided roads remaining unpaid.

Ques. 55. Also to inquire if the United States have contracts with branch roads controlled by either of said Pacific roads for carrying United States mails, and if so, what service has been performed by them, and what money, if any, has been paid for such service, and what remains due and unpaid.

Payment on leased lines withheld by U. S.

Ans. 55. The United States Government had contracts with branch roads controlled by the Central Pacific Railroads for carrying United States mail. The Central Pacific Railroad Company controlled by lease a number of branch lines prior to April 1st, 1885, from which date the lines were leased to the Southern Pacific Company. Mails were carried by these lines for the United States under the rules and orders of the Post Office Department. No payments have been made for such service since 1883, at which time but partial payments were made. The payments were withheld prior to April 1st, 1885, because the Central Pacific Railroad Company leased the lines and they have been withheld since that date because the Central Pacific Railroad Company had formerly leased the lines.

Cash due under Supreme Court decision, \$1,853,323.15.

The United States Supreme Court has decided that compensation for transportation on non-aided and leased lines was payable to the Company in cash. From and including the year 1882 to the present time there has been annually a balance due the non-aided lines for transportation services performed. The amount thus due from the Government in cash in excess of all requirements of law to December 31st, 1886, is \$1,853,323.15. The service that has been performed, the amount of money

which has been paid for such service and what remains unpaid are fully shown by the reports of Mr. E. H. Miller, Jr., Secretary of the Company hereto attached, marked "Exhibit 13," and made part hereof.

Ques. 56. And if the United States, by failing to pay for such mail services, has embarrassed said railroad companies, or either of them, in paying their indebtedness to the United States.

Embarrassment to companies by U. S. not paying amounts due.

Ans. 56. The United States by failing to pay for such mail service and other transportation, has caused an expenditure to the Central Pacific Railroad Company of amounts equal to interest on the sums retained at the rate of six per cent per annum; that being the rate of interest paid during the period on floating debt of the Company, which debt would have been decreased by the payment of the sums due from the United States. The annual interest on this balance due the roads in question to December 31, 1886, of \$1,853,323.15, at six per cent, is \$111,199.39. This is the present annual injury to the roads by the Government on account of the item of transportation charges unpaid. The current charges also, in excess of the requirements, amount, as shown by the foregoing statement to about \$150,000 a year. This amount with the interest on the balance make the accruing annual sum of \$560,000 due for transportation on non-aided lines and remaining unpaid.

Present annual injury on this account, \$560,000.

Ques. 57. Also to inquire if the several Pacific Railroad Companies have complied with the provisions of "An Act to alter and amend the Act entitled, an Act to aid in the construction of a railroad and telegraph line from the Missouri river to the Pacific Ocean, and to secure to the Government the use of the same for postal, military and other purposes. Approved July 1st, eighteen hundred and sixty-two, and also to alter and amend the Act of Congress, approved July 2d, 1864, in amendment of said first named Act," commonly known as the "Thurman Act," and if not, in what particulars they have failed to comply.

Have roads complied with the laws?

C.P.R.R. Co.
has fully
complied
with the acts.

Ans. 57. The Central Pacific Railroad Company has complied with all the Acts enumerated in this interrogatory in letter and in spirit, to the satisfaction of the officers heretofore appointed under the several Acts of Congress to examine into the affairs of this Company. The first examination was made in 1879, and included everything from the completion of the road up to the date of that examination. Since that time annual examinations have been made and reported upon. In every case the reports show that the Company has complied with all the obligations imposed upon it by Congress. All this fully appears in detail in my answer to interrogatory No. 2.

What can be
paid without
injury to
country
along the
lines.

Ques. 58. Also to inquire what sums the Pacific Railroads and their branches can severally pay annually on account their indebtedness to the United States without imposing such burdens upon the people, and practically upon the localities through which the roads pass, as to retard the development of the country.

Injury to
Nevada and
Utah by
demanding
early pay-
ment.

Ans. 58. It has been shown in answer to interrogatory No. 3 (c), that the present net earnings of the aided lines, over which the Government lien extends, after paying the current charges which are prior in lien to that of the United States, amount to about \$740,000 per annum. The annual accruing interest on the United States bonds is \$1,671,340.80. The whole amount of net earnings therefore lacks \$930,000 of meeting the accruing interest, even if every available dollar were used for that purpose. The net earnings of the aided road are alone available for the payment of the debt to the Government. Thus the available funds can only be increased by increasing these earnings. This can only be done by increasing the rates through Nevada and Utah, and so fixing the burden of the debt upon the communities through which the road runs. To whatever extent this means should be employed, it would retard the development of the country, and impose a

burden upon a comparatively few people along its line, for benefits which have been shared by the country at large and particularly by the several departments of the Government. The local rates would wholly have to stand such a charge ; as, on account of competition of other trans-continental lines which were also aided in their construction by United States land grants, through rates cannot be raised. The earning from local traffic for the aided line during the month of May, 1886, was :

Freight	\$161,310 08
Passenger	87,366 10
	\$248,676 18

This month is a fair average for the year, and would give an annual amount of \$2,984,000. A considerable amount of these earnings is from traffic, the rates on which are controlled by competition, although it is local. This is the case with most of that over the aided line in California. In case the rates should be raised then, to pay the Government bonds, the burden would fall almost entirely on the communities in Nevada and Utah.

To pay the balance of \$930,000 necessary to meet the accruing interest on the United States bonds, without making any provision whatever for the principal, would require an increase in local rates in Nevada and Utah of over 33 per cent.

Increase of local rates required.

The foregoing statements, together with the exhibits herewith presented in connection therewith, substantiate the averment made on pages 20 and 21 hereof, that an equitable adjustment of the accounts between this Company and the United States would allow the Company's claims against the Government to the amount of \$62,873,557.81.

All of which is respectfully submitted,

LELAND STANFORD,

President.

STATE OF CALIFORNIA, }
 City and County of San Francisco. } ss.

LELAND STANFORD, being duly sworn, deposes and says, that the facts stated in the foregoing answers to the 58 interrogatories propounded to him by the United States Pacific Railway Commissioners are true, to the best of his knowledge and belief.

LELAND STANFORD.

Subscribed and sworn to before me, this 28th day of July,
 A. D. 1887.

E. B. RYAN,

Notary Public in and for said City and
 County of San Francisco, State of
 California.

EXHIBITS.



EXHIBITS.

-
1. Affidavit of E. H. MILLER, JR., Secretary, that the Central Pacific Railroad Company has complied with all obligations of the law page 114
 2. Statement of A. N. TOWNE, General Manager, relative to diversion of business to non-aided lines . . . page 115
 3. Statement of J. A. FILLMORE, General Superintendent, relative to cost of operating mountain divisions . page 126
 4. Statement of E. H. MILLER, JR., Secretary, relative to dividends paid page 129
 5. Statement of E. H. MILLER, JR., Secretary, as to consideration paid for stock by each stockholder . . page 135
 6. Statement of WM. H. MILLS, Land Agent, as to the lands of the Company page 145
 7. Statement of J. C. STUBBS, General Traffic Manager, relative to differentials, pools, etc. page 173
 8. Statement, of L. M. CLEMENT, Civil Engineer, relative to cost of construction page 186
 9. Statement of WM. HOOD, Chief Engineer, relative to cost of construction page 193
 10. Statement of J. H. STROWBRIDGE, Superintendent of Construction, relative to cost of construction . . page 197
 11. Statement of ARTHUR BROWN, Superintendent of Bridges and Buildings, relative to cost of construction page 200
 - 11 1/2. Statement of E. H. MILLER, JR., Secretary, showing the saving to the Government in transportation and other charges by the construction of the road . page 204
 12. Statement of J. C. STUBBS, General Traffic Manager, relative to competing roads aided by Congress. . page 238
 13. Statement of E. H. MILLER, JR., Secretary, relative to amounts due from United States for transportation on non-aided roads page 262

EXHIBIT No. 1.

Affidavit of E. H. MILLER, JR., Secretary, that the Central Pacific Railroad Company has complied with all obligations of the laws.

(See Ans. to
Ques. No. 2.)

E. H. MILLER JR., being duly sworn, deposes and says :

I am a citizen of the United States and of the State of California, over twenty-one years of age, and am competent to testify in this matter.

On the 29th day of September, 1863, I was elected secretary of the Central Pacific Railroad Company, and ever since then have been and now am the duly appointed and acting secretary of said Company ; that as such secretary I have had charge of and have kept, and now have charge of and keep all the books of account, papers and vouchers pertaining to its business ; that as such secretary I have had occasion to and have examined all the laws of the United States heretofore passed with reference to aiding said Company with bonds ; that as such secretary I have had occasion to and have familiarized myself with the obligations of such laws, so far as they relate to the Central Pacific Railroad Company, and the Company has promptly observed all such obligations to the best of my knowledge and belief.

E. H. MILLER, JR.

Subscribed and sworn to before me, this 26th day of July,
A. D. 1887.

E. B. RYAN,

[NOTARIAL SEAL]

Notary Public in and for the City
and County of San Francisco,
California.

EXHIBIT No. 2.

Statement of A. N. TOWNE, General Manager, relative to diversion of business to non-aided lines.

SAN FRANCISCO, July 5, 1887.

HON. LELAND STANFORD,

President Central Pacific Railroad Co.,

DEAR SIR: In obedience to your instructions, I beg leave to report with respect to the question (No. 9) asked by the Pacific Railroad Commission, created by the Act of Congress approved March 3d, 1887: "Whether any traffic or business " which could or should be done on the aided lines of said " Company has been diverted to the lines of any other Com- " pany or to non-aided lines," as follows:

(See Ans. to
Ques. No. 9.)

DIVERSIONS TO THE LINES OF OTHER COMPANIES.

First—*Through Traffic.*

It is a matter of public knowledge that there are now several trans-continental lines. It is unnecessary to name them. All except the original Central and Union Pacific line have been completed since 1880. Each of those constructed since 1880 has diverted more or less traffic from the original Union and Central Pacific line. The aggregate of these diversions is equal to more than 50 per cent of the total through freight and passenger traffic for the five years and nine months ending with December 31, 1886, the period which has elapsed since the opening of the first line competing with the Central and Union Pacific line for through traffic.

The responsibility for the construction of these opposing lines rests, in my judgment, with the Government of the United States. It follows that the United States Government is the instrumentality through which said diversions of through traffic from the Union and Central Pacific roads to the other later built trans-continental lines was accomplished.

A part of each of said other lines received large grants of land from the United States Government, the grant being in each case, I believe, double the grant of lands made to the Union and Central Pacific companies. It was the Government grant of land which induced the building of these roads,—at least it, if not the sole cause of their construction, was the inducement which facilitated their construction and caused their early completion. In each case the building of these roads has been in advance of the settlement of the country through which they run. In nearly every case the country has been settled since the completion of the road, in the main through the advertising agencies of the railroad managers whose motives were not only to develop traffic but to sell their lands. There has been no time when the original line made by the Union and Central Pacific roads could not and would not have provided facilities for and amply accommodate all the through traffic carried by the other lines; hence the conclusion is inevitable that the United States Government, by granting large land subsidies in aid of roads which have been built, and which, since their completion, have competed for and taken the larger share of the through traffic from the Central and Union Pacific line, is directly responsible for the diversion of said traffic and the consequent loss in earnings to the Central Pacific Company and Union Pacific Company. This loss would have been very much greater, but fortunately the Southern Pacific Railroad Company, organized in 1865 under the laws of California to build a railroad from San Francisco to San Diego, thence east to the boundary of the California State Line, there to connect with railroads to be built to the Mississippi River, passed in 1870 under the control of the men who controlled the Central Pacific. The control of the Southern Pacific by the Central Pacific owners delayed the extensions of the former road and after its extensions were made to connections with lines building westward from the Mississippi River, secured co-operation and harmony in working the traffic which was common to both the Central Pacific and the Southern Pacific lines that would have been impossible under separate control and which was of great advantage to the original or Central Pacific line.

There can be little questioning, in the minds of practical railroad men, of the proposition, that had the railroads following the 32d and 35th parallel routes, respectively, been wholly constructed and operated by men who were not interested in the Central Pacific line, the diversion of traffic to those lines would not only have been more rapid and greater in degree, but that the revenue of the Central Pacific and Union Pacific line would have been diminished in much greater ratio.

The extent of the damage to the Central and Union Pacific line by diversion of traffic to these other through trans-continental lines will be shown approximately by the General Traffic Manager in answer to the Commission's inquiry No. 54.

Second—*Local Traffic.*

The traffic between San Francisco and other Bay points, on the one hand, and the cities of Stockton, Sacramento and Marysville, California, respectively, is shared by other carriers. This, however, scarcely comes under the head of a diversion from the Central Pacific aided lines. The other carriers sharing this traffic are, (a) vessels navigating the bays, Sacramento river, San Joaquin river and Feather river, respectively—routes which were open and employed before the Central Pacific line was built; (b) the California Pacific Road, which was completed and in operation before the Western Division of the Central Pacific. Therefore, whatever amount of this business has been done via the Western Division of the Central Pacific is, in fact, a diversion from the other carriers named.

DIVERSIONS TO NON-AIDED LINES.

While the roads, to which the diversions treated under this heading have been made, were built and are owned by other companies than the Central Pacific, yet as they are controlled by those who have also controlled and managed the Central Pacific, I presume they illustrate the diversions to non-aided lines referred to in the Commission's interrogatory.

Traffic to and from points south of Lathrop interchanged with San Francisco and Oakland has, since the completion of

the San Pablo & Tulare road, Tracy to Oakland via Martinez, been carried over that road instead of being carried via Niles and Livermore. The road from Tracy to Oakland via Martinez is eleven miles longer than the road from Tracy to Oakland via Livermore, but the former is a practically level road, its maximum grade being ten feet to the mile, over which an ordinary engine can draw fifty cars, loaded with from ten to twelve tons each, while the latter crosses the Contra Costa range with a maximum grade of over fifty-two feet to the mile, which would require three engines to haul the same train. The longer line does not lose appreciably, if at all, in the matter of time when compared with the Livermore line, while it gains greatly in the matter of cost of operating.

Traffic on the Western Division of the Central Pacific east of Lathrop, to and from San Francisco and Oakland, has also been diverted from the "aided" line between Tracy and Niles in like manner and for the same reason as the traffic to and from points south of Lathrop.

Traffic interchanged by points east of Sacramento and north of Roseville Junction with San Francisco and Oakland has been diverted at Sacramento from the "aided" line between Sacramento and Niles, to the California Pacific and Northern Railway, a non-aided line. The reasons for this diversion are—

First—*Public Convenience.*

The passenger train time between San Francisco and Sacramento via the California Pacific line is four hours against six hours via the Central Pacific, Stockton and Livermore route. The public demands and is entitled to the best service we can give. We should be unable to justify sending passengers or even freight, over the long and heavy line via Stockton against the shorter, easier and much more attractive line via Benicia. Especially is this true of the through or trans-continental traffic, which is taken in competition with other trans-continental lines. The weight of this consideration with those whom the Company serves is well illustrated by the fact that the United States Government chooses the short line for the transportation of its mails in consideration of (a) public con-

venience, (b) and the fact that it pays for the transportation of mails by the mile. By so doing it expedites the mails and saves money, secures the best service at the least expense to the Government.

Second :—*Economy in Operating.*

The line from Sacramento to Oakland wharf via Stockton and Niles is 136 miles, and crosses, as I have before explained, the Contra Costa Range at a maximum grade of over 52 feet to the mile, while the California Pacific line via Benicia makes but 86 miles between Sacramento and Oakland wharf, and is practically a level line. If we were to equate the two lines,—that is to say, reduce the grades and curves of both lines to their equivalent in straight level lines, we would find the Stockton route to be more than double the length of the Benicia line. There is fully that difference in the cost of handling the traffic over the two routes, in view of which it would have been inexcusable to use the longer and more expensive route.

The Government did not assume the responsibility of constructing the Central Pacific road. It contributed thereto by a grant of land and a loan of credit, but its motives were selfish. It was not moved by a desire to benefit or enrich the promoters of these enterprises. The result, as will doubtless be shown before the Commission, has amply justified the wisdom of Congress in granting the aid. No Government or individual ever made a better investment, or, if I may be allowed the expression, ever engaged in a more successful venture, even if it transpires that neither the principal nor the interest of the loan is ever repaid. Neither did the Government assume the responsibility of operating the road when it was completed. It was left in the control and management of its owners, and we must assume that this was the purpose of Congress. We may also fairly assume that Congress expected the road to be managed by practical business men upon established business principles, of itself a valuable promise, affording the best guaranty that sooner or later the Company would be able to discharge its obligations to the Government. These shareholders found themselves engaged with the problem of making a support for nearly a thousand miles of road through a sparsely

settled territory, which, for the most part, at the time, was regarded as incapable of producing anything in the way of traffic which a carrier could move with profit. It was a link in a trans-continental line connecting the Atlantic and Pacific Coasts. California was the chief State on the Pacific Coast, having a population in 1870, of but little over 560,000. It was known only as a mining State. Its agricultural resources were not only undeveloped but unknown, even undreamed of by the most sanguine. The chief value of the road was its value to the Government as a *military road*, as a strategic line, but the Government assumed no responsibility for its management, provided no guaranty of earnings, no means of support. The owners of the road were left to their own resources and devices to develop traffic and to make a support for it. The occasion called for the greatest skill and sagacity, untiring industry and the utmost economy on the part of the owners and the agents they employed to assist in conducting the affairs of the Company. The Government, which I here put in the place of the public, certainly understood this. It cannot be that at the time there was any warrant for interfering with the management of the road or any thought of questioning the propriety of anything which the managers of the road might or should legally do in pursuit of the interests of the railroad company. Its interest was to secure the maximum of traffic and to move it at the minimum of cost. It is not to be supposed that the circumstances I have described ever (until after the passage of the Thurman Act) suggested to the managers of the road, to its patrons, to Government officials, or to Representatives in Congress, that the question whether the Company should or should not be restrained from adopting any method of conducting its traffic or any measure of economy in operating the road, or any device to conserve, increase or promote its traffic, should turn upon the point whether or not it affected the earnings of a particular "aided" or "non-aided" portion of the road, so long as the method, measure or device was lawful and had for its object the welfare of the Company, On the contrary, it is fair to assume that these circumstances not only warranted but required the employment of every

measure of economy, every lawful device to defeat or meet competition, every means to increase the traffic and enlarge the revenue of the Company, regardless of special considerations for a part of its road, whether "aided" or "non-aided," so long as the communities on every portion of the road were afforded reasonable service at a fair price.

Were we to examine into the ultimate cause which led to the acquirement or building of the "non-aided" lines to which traffic may be said to have been diverted, it will be found in every case to have had for its object the strengthening and protection of the Central Pacific line. They are all feeders of the main line. They occupy territory which sooner or later would have been seized by other Railroad Companies. They have developed the resources of that territory and made it tributary to the main line of the Central Pacific. I venture to say that in each case the gain to the Central Pacific Company from contributions of traffic, the reduction of competition, the saving in cost of handling traffic by the acquirement of these "non-aided" competitive and tributary lines has more than equalled their cost. As a single example, take the California Pacific Road. Suppose it had continued under separate and independent control from the Central Pacific, what its extensions might and would have been to the damage of the Central Pacific in its most productive territory, is scarcely a matter of conjecture. It certainly would have been extended through the Sacramento Valley and probably would have been constructed east and formed another through line. The control of the California Pacific was necessary to the Central Pacific. Having it, a reasonable regard for the public interest as well as economy in conducting the traffic compelled the Central Pacific managers to handle the traffic in the manner I have described. I need only suggest these considerations. They have doubtless been thought of and debated in your own mind to far greater length than in mine or than I would be authorized to treat them in this communication.

Very respectfully,

A. N. TOWNE.

SAN FRANCISCO, July 8, 1887.

HON. LELAND STANFORD,

President Central Pacific Railroad Co.

DEAR SIR: In addition to what I said in my letter of the 5th relative to the diversion of business and the difficulty in operating the aided line between San Francisco and Sacramento as compared with the level and shorter line by the non-aided roads, I desire to call your attention to another important factor entering into the question, showing still further reasons why the company will not be able to meet its obligations to the Government at maturity, or even for many years to come.

Of the 865 miles (in round numbers) of the aided line between San Jose and the point of junction with the Union Pacific, five miles west of Ogden, 586 miles, or 67 per cent, is located in Nevada and Utah, through a section almost wholly devoid of the first element of prosperity in a country, namely, agriculture. All this vast region offers little inducement to the farmer—in fact the country through which the road passes is a vast area of unoccupied land, and the settlements along the road are small and unimportant, with few exceptions. I find in looking over the earnings for that portion of the line within the State of Nevada for the month of August, 1878, (which month showed the largest earnings of any month that year) it shows the entire receipts from both freight and passengers collected from our patrons for the pro rata proportion of the road operated within that state to have been as follows:

Freight forwarded from points in Nevada,	\$ 48,620.64
Freight received at points in Nevada,	74,715.06
Passengers both ways,	27,974.00
	<hr/>
Total,	\$151,309.70

On the other hand for this same month the taxes and amounts actually paid out to our own men, residents of that state, amounted to \$63,347.97; and we may add to this amount

the cost of all such as rails, fastenings, timber, lumber and material for shops, fuel, etc., used in that state, which are not included in the above figure, together with proportion of interest, salaries and other expenses; and we would find out that the amount so paid out was greater than the proportionate amount of earnings received from all traffic within the boundaries of that state.

There being no timber, and but little cultivation this vast territory may be classed as grazing and mineral lands, and the contributions to the road in the way of traffic are small, and of far less value now than in the past, as will be seen by the following comparative statement of freight traffic to and from points in Nevada during the years 1876 and 1886:

	1876.		1886.	
	POUNDS.	EARNINGS.	POUNDS.	EARNINGS.
From Nevada Points	121,712,030	\$ 549,780 60	160,909,650	\$ 649,237 60
To Nevada Points	381,211,690	2,789,929 40	131,958,100	1,021,363 10
Total . . . . .	. . . . .	\$3,339,710 00	. . . . .	\$1,670,600 70

Which shows for the "out" freight a gain in charges of 15 per cent over 1876, and for "in" freight it shows a loss in charges in 1886 as against 1876 of over 63 per cent. On the total "in" and "out" it shows a loss in 1886 as compared with 1876 of \$1,669,109.30, or about 50 per cent.

The live-stock shipments are light for the reason that the cattle-men drive much of their stock north through a good grazing country to shipping points for the East by the Union Pacific and Northern Pacific Roads. And the great mining industries of Nevada, which once contributed a large and remunerative traffic to the road, now give us but a very limited amount.

From the Nevada State line westward, 138 miles, the road is constructed over the Sierra Nevada range of mountains, reaching an elevation of nearly 7,000 feet, where the traffic is

light and the expense of operating very heavy. And since it is proper to judge all things by a standard of comparison I may perhaps be permitted to point out a few of the difficulties incident to constructing and operating the Central Pacific road over this mountainous and sparsely settled section as compared with the roads of the eastern and northwestern States; the latter were easily built, having straight lines, running through level and populous sections, many of them over inexhaustible beds of coal, with grades so favorable that eighty cars and upwards can be taken with safety in a train, while on the other hand, on the mountain section of the Central Pacific above mentioned, six cars is the limit for a train with a ten-wheel engine, with 18 x 24-inch cylinders, more than six cars requiring a second engine, and more than twelve or thirteen a third engine, or the train must be divided; this is on the portion of the road where we have to overcome an elevation of nearly 7,000 feet.

In passing, and in this connection I will add that the nature of the country through which this road runs between San Francisco and Ogden is such that there are nearly 15,000 feet of ascending, and nearly 11,000 of descending grades; making a total of about 26,000 feet. The total curvature is 45,000 degrees, equal to 125 complete circles, or to a 52-degree curve for the whole distance, thus necessitating a material increase of locomotive power.

Again referring to that portion of the line between the Nevada State boundary and Sacramento, I should not fail to remind you of the large and unavoidable expense in the construction and maintainance of snow sheds and galleries, in extent nearly forty miles, made necessary as a protection against the storms of the winter months in that region; then there is great cost in the maintainance and operation of the enormous snow-plows, with a large force of men to work them, which force, in the summer season has to be kept on water trains, fully equipped, to extinguish fires in the sheds and galleries. This is an expense that no other railroad in this country, or perhaps in the world, is subjected to.

All this is necessary to keep the line open for the movement of the traffic promptly and satisfactorily; and further it is all-

important that the line be ever kept open in order to meet the wants of the Government, as provided in the Act requiring us to be prepared at all times to transport the mails, troops, munitions of war, supplies and public stores whenever required to do so by any department of the Government, as they are to have preference in the use of the road in all cases and under all circumstances.

The line from Sacramento to San José is, in round numbers, 140 lineal miles ; between Sacramento and San Joaquin river, 68 miles, the country is good, and devoted to agriculture and horticulture, the soil is productive and the traffic profitable to the road, although at Sacramento and Stockton we have active competition from the rivers, which makes traffic to and from those cities less desirable and profitable than we could wish.

From the San Joaquin River over the inner coast range of mountains to Livermore, 31 miles, is a section which pays little tribute to the road, but from Livermore to San José the line runs through a fine productive section of agriculture and horticulture, although that portion of it between Niles and San Jose, 17 miles, is subject to active competition from the South Pacific Coast Railroad, which not only divides up the traffic, but compels this Company to take the remainder at very low rates. Further competition from this source is, however, happily now avoided by the acquisition of that company's property by the Southern Pacific Company.

In conclusion I will add that notwithstanding the light traffic, the facilities and accommodations furnished our patrons are in all respects first-class.

Yours truly,

A. N. TOWNE.

EXHIBIT No. 3.

Statement of J. A. FILLMORE, General Superintendent, relative to cost of operating mountain divisions.

SAN FRANCISCO, July 25, 1887.

HON. LELAND STANFORD,
President Central Pacific Railroad Co.,

(See Ans. to
Ques. No. 9.)

DEAR SIR: As requested in yours of even date, I submit the following, relative to the difficulties of, and the difference in cost of operating the mountain division of the Central Pacific Railroad as compared with a road of ordinary grade:

First—The engine service alone is nine times greater. For example, one engine can take a train of forty-five cars in the valley from Sacramento to Rocklin, from which point it requires five engines of the same class to take the same train over the mountain division. On the return, these engines, not being required to pull the trains, are virtually “dead-headed,” with the exception of one.

Second—The total cost of engine service per mile was much greater. Using the same fuel, wood, at the same price per cord, the cost per mile on the mountain division is $33\frac{27}{100}$ cents; on a road of ordinary grade, $23\frac{89}{100}$ cents; an increase of $42\frac{24}{100}$ per cent.

Third—On account of the increased number of trains over the mountain division (five trains being required to do the work of one in the valley) there is a corresponding increase of expenses in the way of stations, telegraph operators, track-walkers, watchmen, wood-pilers, etc.

Fourth—The cost of keeping the mountain division open in heavy weather, especially during the winter months, is something beyond comparison with any other division, or with any other road. I had charge of that division, as Division Super-

intendent, during the winter of 1873-4. The total fall of snow that winter was sixty-three feet. At times it was necessary to run five snow-plows, and nine engines were required to each plow, to insure against blockade. In addition to this we had to employ between four and five hundred shovelers during the storms, and most of them were required between the storms to shovel back the snow preparatory to another storm. During that winter, and indeed during every winter when we are troubled with snow in the mountains, all freight trains are put on sidings outside the snow-belt, their engines are placed on the snow-plows, and we only attempt to run passenger trains. We have had as many as thirteen engines on one passenger train of six cars. On that portion of the mountain division where the snow sheds are located, we have expended for repairs of the sheds in the nine years from 1878 to 1886, inclusive, \$384,274.23, an average of \$42,697.23 per year. This is for ordinary repairs, and doesn't include betterments. In addition to the above expenses on repairs of the snow sheds, in order to guard against fire, we have three fire trains under steam day and night, ready to move at a moment's notice when an alarm of fire in the sheds is turned in. As a further precaution against fire, the sheds are watered twice a week for a distance of about thirty-six miles.

Fifth—We have over the Central Pacific Railroad one through express train each way per day, and during the summer months, for about six months of the year, for about two-thirds of the time, these trains are run in two sections, being too long and too heavy to be run as one solid train. Over the same road there is an average of three through freight trains per day each way; this is about the same daily number that have been run during my entire connection with the road, which began in 1871. It is only within the last few years, however, that second sections during the summer months have become of almost daily occurrence.

Sixth—Relative to where the business comes from that would maintain a road from the State of California through Nevada and Utah, will say: East-bound through freight

originates in California, nearly all of it, and mostly west of the Sierra Nevada mountains. Nearly all west-bound through freight originates east and south of Ogden, Utah.

Yours, etc.,

J. A. FILLMORE,

General Superintendent.

STATE OF CALIFORNIA, }
City and County of San Francisco. } ss.

J. A. FILLMORE, being first duly sworn, saith: That he has read the foregoing statement that the matter and things therein stated are true of his knowledge and belief except as to those matters stated on his information and belief, and as to those he believes it to be true.

J. A. FILLMORE.

Subscribed and sworn to before me this 26th day of July,
A. D. 1887.

E. B. RYAN,

[SEAL OF NOTARY.]

Notary Public in and for
said City and County.

EXHIBIT No. 4.

Statement of E. H. MILLER, JR., Secretary, relative to dividends paid.

(See Ans. to Ques. No. 13.)

NUMBER	DATE	RATE	AMOUNT
1	Sept. 13, 1873	3 per cent	\$1,628,265
2	Aug. 4, 1874	5 "	2,713,775
3	April 1, 1875	6 "	3,256,530
4	Oct. 1, 1875	4 "	2,171,020
5	April 3, 1876	4 "	2,171,020
6	Oct. 2, 1876	4 "	2,171,020
7	April 2, 1877	4 "	2,171,020
8	Oct. 1, 1877	4 "	2,171,020
9	Feb. 1, 1880	3 "	1,628,265
10	Aug. 1, 1880	3 "	1,778,265
11	Feb. 1, 1881	3 "	1,778,265
12	Aug. 1, 1881	3 "	1,778,265
13	Feb. 1, 1882	3 "	1,778,265
14	Aug. 1, 1882	3 "	1,778,265
15	Feb. 1, 1883	3 "	1,778,265
16	Aug. 1, 1883	3 "	1,778,265
17	Jan. 15, 1884	3 "	1,778,265
			<u>\$34,308,055</u>

CENTRAL PACIFIC RAILROAD COMPANY.

Statements showing Surplus Profits available for Dividends from organization to December 31, 1884.

1864 to June 30, 1878.

Income—Receipts	\$124,283,017 46
Land receipts to	
redeem bonds	1,136,000 00
Interest on Sinking Funds,	790,207 43
<hr/>	

Carried forward \$126,209,224 89

Brought forward		\$126,209,224	89
Expenses, etc.	98,582,084	43	
Sinking Funds of Company	3,072,557	43	
U. S. Government:			
½ Transportation charges			
retained prior to 1873	758,639	69	
½ Transp. to June 30, 1878,	1,021,289	85	
5 per cent of net earnings to			
June 30, 1878	1,871,430	00	
Land bonds redeemed	1,136,000	00	
			106,442.001 40
Surplus profits to date		19,767,223	49
Dividends Nos. 1 to 8 in-			
clusive, September, 1873			
to October, 1877		18,453,670	00
Balance surplus profits		\$ 1,313,553	49

July 1st, to December 31, 1878.

RECEIPTS.

Earnings	\$ 9,798,477	33
Lands	1,151,000	00
Interest on Sinking Funds	118,702	29
	\$11,068,179	62

EXPENDITURES.

Expenses, etc.	\$ 7,916,723	13
Land bonds redeemed	1,151,000	00
Sinking Funds of Company.	223,702	29
U. S. Requirement, 25 per		
cent. of net earnings.	536,291	93
	\$ 9,827,717	35
		\$1,240,462,27

Balance surplus profits to date \$2,554,015 76

Balance surplus brought forward . . . \$2,554,015 76

For the year 1879.

Receipts—Earnings . . .	\$17,250,971 02
Receipts—Lands	433,000 00
Interest on Sinking Funds	233,903 18
	<hr/>
	\$17,917,874 20

EXPENDITURES.

Expenses, etc	\$14,860,262 54	
Land bonds redeemed . .	433,000 00	
Sinking Funds of Company	772,403 18	
U. S. Requirement, 25 per cent	899,563 92	
	<hr/>	
	\$16,965,229 64	\$952,644 56

Balance surplus profits to date \$3,506,660 32

For the year 1880.

Receipts—Earnings . . .	\$20,911,108 58
Receipts—Lands	200,000 00
Interest on Sinking Funds	254,617 08
	<hr/>
	\$21,365,725 66

EXPENDITURES.

Expenses, etc	\$16,588,934 81	
Land bonds redeemed . .	200,000 00	
Sinking Funds of Company	1,008,117 08	
U. S. Requirement	1,037,225 28	
	<hr/>	
	\$18,834,277 17	\$2,531,448 49

Surplus profits to date	\$6,038,108 81
Dividends Nos. 9 and 10	3,406,530 00
	<hr/>

Balance surplus profits carried forward . \$2,631,578 81

Balance surplus brought forward \$2,631,578 81

For the year 1881.

Receipts—Earnings	\$24,094,100 95
Receipts from Investments	612,656 40
Receipts from Lands	420,000 00
Interest on Sinking Funds	262,500 00
	<hr/>
	\$25,389,257 35

DISBURSEMENTS.

Expenses, etc	\$18,087,719 98	
Land bonds redeemed	420,000 00	
Sinking Funds of Company	1,016,000 00	
U. S. Requirements	1,038,935 24	
	<hr/>	
	\$20,562,655 22	\$4,826,602 13

Surplus profits to date	\$7,458,180 94
Dividends Nos. 11 and 12	3,556,530 00
	<hr/>

Balance surplus profits \$3,901,650 94

For the year 1882.

Receipts—Earnings	\$25,683,242 41
Receipts—Lands	711,000 00
Interest on Sinking Funds	281,260 00
	<hr/>
	\$26,675,502 41

EXPENDITURES.

Expenses, etc.	20,545,180 24	
Land bonds redeemed	711,000 00	
Sinking Funds of Company	1,034,760 00	
U. S. Requirement	792,920 24	
	<hr/>	
	\$23,083,860 48	3,591,641 93

Surplus profits to date	\$7,493,292 87
Dividends Nos. 13 and 14	3,556,530 00
	<hr/>

Balance surplus profits carried forward . . . \$3,936,762 87

Balance surplus brought forward \$3,936,762 87

For the year 1883.

Receipts—Earnings \$24,751,657 75
 Receipts—Lands 574,000 00
 Interest on Sinking Funds 335,125 00

\$25,660,782 75

EXPENDITURES.

Expenses, etc. \$20,196,863 42
 Land bonds redeemed 574,000 00
 Sinking Funds of Company 1,088,625 00
 U. S. Requirement 661,530 69

\$22,521,019 11 \$3,139,763 64

Surplus profits to date \$7,076,526 51
 Dividends Nos. 15 and 16 3,556,530 00

Balance surplus profits \$3,519,996 51

For the year 1884.

Receipts—Earnings \$22,182,030 96
 Receipts—Lands 472,000 00
 Interest on Sinking Funds 373,000 00
 Miscellaneous receipts 234,211 83

\$23,261,242 79

EXPENDITURES.

Expenses, etc. \$21,238,166 03
 Land bonds redeemed 472,000 00
 Sinking Funds of Company 1,126,500 00
 U. S. Requirement 538,851 52

\$23,375,517 55 *Deficit.*
 \$ 114,274 76

Surplus profits to date \$3,405,721 75
 Dividend No. 17 1,778,265 00

Balance surplus profits to date \$1,627,456 75

E. H. MILLER, JR.,

Secretary.

STATE OF CALIFORNIA, }
 City and County of San Francisco. } ss.

E. H. MILLER, JR., being first duly sworn, saith: That he has read the foregoing statement consisting of the pages next preceding, marked "Exhibit No. 4" and knows the contents thereof; that the facts therein stated are true except as to those matters stated on his information or belief, and as to those he believes it to be true.

E. H. MILLER, JR.

Subscribed and sworn to before me this 26th day of July,
 A. D., 1887.

[SEAL OF NOTARY.] E. B. RYAN,
 Notary Public in and for the City
 and County of San Francisco,
 State of California.

EXHIBIT No. 5.

CENTRAL PACIFIC RAILROAD COMPANY.

Statement of the consideration paid the Company by each Stockholder receiving stock, and when and in what property such payment was made.

(See Ans. to Questions 27, 28 and 30.)

The dates of payment herein given are the dates when amount subscribed was fully paid up. When stock was transferred or forfeited, the date of last payment by party holding stock is given.

NAMES OF STOCKHOLDERS.	No. of Shares.	DATES OF PAYMENT.	AMOUNT PAID.	IN WHAT PROPERTY.	TRANSFERRED, ETC.
Avery, Sarah F.	1	Oct. 10, 1864	\$ 100 00	Cash.	
Avery, Melissa	1	Oct. 10, 1864	100 00	"	
Arnold, Jacob	2	Dec. 1, 1862	20 00	"	To Chas. Crocker.
Crocker, C.		Mar. 21, 1870	180 00	"	
Adams, C. W.	10	Mar. 11, 1864	1,000 00	"	
Brickell, B.	20	April 30, 1861	200 00	"	To C. C.
Crocker, C.		Mar. 21, 1870	1,800 00	"	
Brickell, E. J.	40	April 30, 1861	400 00	"	To C. C.
Crocker, C.		Mar. 21, 1870	3,600 00	"	
Booth, L. A.	10	Jan. 17, 1867	1,000 00	"	
Bradley & Co., E. L.	25	April 30, 1861	250 00	"	Forfeited.
Beans, T. E.	10	April 30, 1861	100 00	"	
Bowstead & Co	10	April 30, 1861	100 00	"	To D. W. Welty.
Welty, D. W.					To C. C.
Crocker, C.		June 21, 1870	900 00	Cash.	
Bailey, James	150	April 30, 1861	1,500 00	"	To A. P. Stanford.
Stanford, A. P.		Sept. 28, 1863			To Leland Stanford
Stanford, Leland		April 4, 1870	13,500 00	Cash.	
Blanchard, N. W.	10	April 30, 1861	100 00	"	To C. C.
Crocker, C.		Dec. 14, 1866	900 00	Construction	
Burnham, W. C.	10	Feb. 12, 1864	1,000 00	Cash.	
Burt, B.	5	Feb. 18, 1864	500 00	"	
Bell, T.		Nov. 5, 1862	20 00	"	To C. C.
Crocker, C.		June 21, 1870	180 00	"	
Bruner, Jos.	2	Feb. 9, 1863	40 00	"	To C. C.
Crocker, C.		June 21, 1870	160 00	"	
Brown, Daniel	1	Nov. 6, 1862	10 00	"	Forfeited.
Bowman, Ida	2	Nov. 20, 1862	20 00	"	To C. C.
Crocker, C.		June 21, 1870	180 00	"	
Bowman, Wm. J.	2	Nov. 20, 1862	20 00	"	To C. C.
Crocker, C.		June 21, 1870	180 00	"	
Bithell, Jas.	20	Dec. 31, 1864	2,000 00	"	
Blum, E.	5	Mar. 30, 1863	150 00	"	To C. C.
Crocker, C.		June 21, 1870	350 00	"	
Beck, Robert	5	Dec. 12, 1862	50 00	"	To C. C.
Crocker, C.		June 21, 1870	450 00	"	
Bellmer & Co., J.	3	Nov. 15, 1864	300 00	"	
Banquier, Jos.	5	April 14, 1864	500 00	"	
Barnes, Chas.	1	Dec. 15, 1862	10 00	"	Forfeited.
Brown, R. T.	10	Dec. 18, 1862	100 00	"	To C. C.
Crocker, C.		June 21, 1870	900 00	"	
Booth, Newton	25	Feb. 21, 1863	500 00	"	To L. S.
Stanford, Leland		April 22, 1863			To C. C.
Crocker, C.		Jan. 4, 1866	2,000 00	Salary.	
			5,000 00	Cash	
Bailey, James	500	July 4, 1863	20,000 00	Services.	To A. P. S.
		Sept. 5, 1864	5,000 00	"	
Forward	887		\$65,370 00		

NAMES OF STOCKHOLDERS.	No. of Shares.	DATES OF PAYMENT.	AMOUNT PAID.	IN WHAT PROPERTY.	TRANSFERRED, ETC.
Forward	887	. . . . .	\$65,370 00		
Stanford, A. P.		Nov. 30, 1864	16,000 00	Cash	To I. S.
Stanford, Leland		April 4, 1870	4,000 00	"	"
Bragg & Co., H. W.	30	Sept. 8, 1864	3,000 00	"	"
Bassett, Geo. A.	20	July 1, 1863	2,000 00	Services	"
Cross, Samuel	10	Nov. 9, 1864	1,000 00	and Cash	"
Cole, Cornelius	10	May 6, 1863	400 00	Cash	To C.P.Huntington
Huntington, C. P.		Sept. 22, 1870	600 00	"	"
Callahan, D. E.	10	May 1, 1862	100 00	"	To I. Upson.
Upson, L.		Sept. 5, 1864	900 00	Services	"
Crocker, Chas.	150	Dec. 1, 1864	15,000 00	Cash	"
Cummings, C. H.	10	Jan. 4, 1864	1,000 00	"	"
Culver, J. H.	2	April 14, 1863	60 00	"	Forfeited.
Coffin, C. S.	1	Jan. 6, 1864	100 00	"	"
Cochran, Martha T.	10	Oct. 31, 1862	100 00	"	To C. C.
Crocker, C.		June 21, 1870	900 00	"	"
Cook, Hiram	10	Feb. 27, 1864	1,000 00	"	"
Cronkite, H.	1	Nov. 5, 1862	10 00	"	Forfeited.
Chevalier, F.	2	Dec. 3, 1864	200 00	"	"
Conrad, Marie	1	Mar. 12, 1863	30 00	"	To C. C.
Crocker, C.		June 21, 1870	70 00	"	"
Conrad, John	1	Mar. 12, 1863	30 00	"	To C. C.
Crocker, C.		June 21, 1870	70 00	"	"
Converse, C. H.	1	Nov. 10, 1862	10 00	"	Forfeited.
Cook, T. H.	5	Mar. 1, 1868	500 00	"	"
Coolot, A.	5	Feb. 10, 1864	500 00	"	"
Cole, Cornelius	15	May 6, 1863	600 00	"	To C. P. H.
Huntington, C. P.		Sept. 22, 1870	900 00	"	"
Crocker, E. B.	10	Dec. 23, 1865	100 00	"	"
			900 00	Services	"
Crocker, H. S.	5	Dec. 31, 1863	500 00	Cash	"
Cummings, Wm.	20	May 9, 1863	800 00	"	To J. Bithell.
Bithell, J.		June 10, 1865		"	To C. C.
Crocker, C.		Dec. 14, 1866	1,200 00	Construction	"
Clark, D. W.	10	Jan. 6, 1863	100 00	Cash	To C. C.
Crocker, C.		June 21, 1870	900 00	"	"
Crocker, B. R.	50	Feb. 3, 1864	5,000 00	"	"
Crocker, Chas.	500	Jan. 7, 1864	5,000 00	"	"
			45,000 00	Construction	"
Chamberlain, O. L.	250	May 12, 1864	25,000 00	Cash	"
Drew, N. L.	5	May 10, 1864	500 00	"	"
Dean, G. B.	5	May 30, 1864	500 00	"	"
Duffy, Jas. A.	5	Oct. 10, 1864	500 00	"	"
Davis, E.	3	June 2, 1864	210 00	"	To C. C.
Crocker, C.		July 26, 1867	90 00	Construction	"
Dreher, W.	5	Dec. 11, 1862	50 00	Cash	To C. C.
Crocker, C.		June 21, 1870	450 00	"	"
Drew, D. K.	1	May 10, 1864	100 00	"	"
Drew & Co., N. L.	40	May 10, 1864	4,000 00	"	Forfeited.
Douglass, W. J.	1	Dec. 13, 1862	10 00	"	Forfeited.
English, W. G.	10	May 1, 1861	100 00	"	"
Evans, J. R.	2	Aug. 17, 1864	200 00	"	"
Ebner, C. & F.	20	Feb. 11, 1864	2,000 00	"	"
Egl, A.	1	Mar. 3, 1864	100 00	"	"
Earl, D. A.	10	Feb. 24, 1864	1,000 00	"	"
Everett, W. L.	3	Oct. 22, 1866	100 00	"	To C. C.
Crocker, C.		Dec. 14, 1866	200 00	Construction	"
Findley, Thos. W.	10	Nov. 1, 1864	100 00	Cash	To C. C.
Crocker, C.		Dec. 14, 1866	900 00	Construction	"
Forbes, J. F. H.	10	Oct. 22, 1862	100 00	Cash	To C. C.
Crocker, C.		Dec. 14, 1866	900 00	Construction	"
Frederick & Kerubs	5	May 21, 1864	500 00	Cash	"
Foye, W. R. S.	10	July 15, 1863	500 00	"	To C. C.
Crocker, C.		Dec. 14, 1866	500 00	Construction	"
Franklin, P.	2	May 22, 1863	60 00	Cash	To C. C.
Crocker, C.		June 21, 1870	140 00	"	"
Floburg, J. S.	1	July 1, 1863	40 00	"	Forfeited.
Forward	2,175	. . . . .	\$212,800 00		

NAMES OF STOCKHOLDERS.	No. of Shares.	DATES OF PAYMENT.	AMOUNT PAID.	IN WHAT PROPERTY.	TRANSFERRED, ETC.
Forward	2,175		\$212,800 00		
Friend & Terry	20	Aug. 8, 1864	2,000 00	Cash	
Milliken Bros.	10	May 1, 1861	100 00	"	L. H. Foote. Forfeited.
Foote, L. H.					
Forney, J. W.	20	July 1, 1863	2,000 00	Services	
Griffing, Fredk.	10	May 1, 1861	100 00	Cash	To L. Upson.
Upson, L.		Sept. 5, 1864	900 00	Services	
Gass, J. H.	10	May 1, 1861	100 00	Cash	To J. M. Frey.
Frey, J. M.		April 27, 1870	900 00	"	
Gillig, John	50	June 23, 1865	5,000 00	"	
Gardner, Robert	10	Mar. 30, 1862	300 00	"	To C. C.
Crocker, C.		June 21, 1870	700 00	"	
Gallatin, Albert	10	July 15, 1863	500 00	"	To C. C.
Crocker, C.		Dec. 14, 1866	500 00	Construction	
Greenlaw, A. S.	3	Feb. 8, 1864	300 00	Cash	
Gotthold, Gustave	1	May 30, 1862	30 00	"	Forfeited.
Gaxort, Eugene	5	Mar. 17, 1863	100 00	"	To C. C.
Crocker, C.		June 21, 1870	400 00	"	
Gosmer, B.	5	Mar. 31, 1864	500 00	"	
Greenbaum, Wm.	5	May 29, 1863	200 00	"	To C. C.
Crocker, C.		June 21, 1870	300 00	"	
Gates, Justin	10	Dec. 17, 1862	100 00	"	To Dr. D. W. Whitmore
Whitmore, Dr. D. W.		Dec. 13, 1866	900 00	"	
Gruhler, Christian	5	Jan. 7, 1863	50 00	"	To C. C.
Crocker, C.		June 21, 1870	450 00	"	
Gruhler, Elias	5	Jan. 7, 1863	50 00	"	To C. C.
Crocker, C.		June 21, 1870	450 00	"	
Gruhler, J.	10	Jan. 21, 1864	1,000 00	"	
Grimm, C. H.	10	July 30, 1863	500 00	"	Forfeited.
Goodman, Ira	25	July 1, 1863	2,500 00	Services	
Hooker, C. G.	10	May 1, 1861	100 00	Cash	To C. C.
Crocker, C.		June 21, 1870	900 00	"	
Hopkins, Mark	150	Dec. 31, 1865	15,000 00	"	
Huntington, C. P.	150	Dec. 31, 1865	15,000 00	"	
Hill, Wm. H.	4	Mar. 15, 1864	400 00	"	
Harbison, J. S.	2	Mar. 27, 1864	200 00	"	
Hurley, Miss M. E.	10	Feb. 16, 1864	1,000 00	"	
Hartman, G. F.	4	Mar. 17, 1863	80 00	"	To C. C.
Crocker, C.		June 21, 1870	320 00	"	
Hector, J.	1	Nov. 5, 1862	10 00	"	Forfeited.
Heilbron & Bro., A.	10	Dec. 17, 1863	600 00	"	To C. C.
Crocker, C.		June 21, 1870	400 00	"	
Hunt, W. B. (for E. Hunt)	10	Sept. 4, 1862	500 00	"	To C. C.
Crocker, C.		Dec. 14, 1866	500 00	"	
Holmes, H. T.	5	Dec. 11, 1862	50 00	"	To C. C.
Crocker, C.		Dec. 14, 1866	450 00	Construction	
Henkel, Wm.	2	Dec. 11, 1862	20 00	Cash	To C. C.
Crocker, C.		Mar. 13, 1867	180 00	Construction	
Heinrich, Chas.	5	July 9, 1865	500 00	Cash	
Harmon, A. K. P.	20	Dec. 12, 1862	200 00	"	To C. C.
Crocker, C.		Dec. 14, 1866	1,800 00	Construction	
Heppe, Jacob	2	April 21, 1863	60 00	Cash	Forfeited.
Holmes, E.	5	Jan. 13, 1863	50 00	"	"
Hull & Lohman	100	April 29, 1863	3,000 00	"	To E. H. Miller, Jr.
Miller, Jr., E. H.		July 20, 1867		"	To C. C.
Crocker, C.		July 26, 1867	7,000 00	Construction	
Heisch, August	2	Jan. 31, 1863	20 00	Cash	Forfeited.
Hopkins, Mark	500	Dec. 31, 1865	50,000 00	"	
Huntington, C. P.	500	Dec. 31, 1865	50,000 00	"	
Hepburn, George	25	July 1, 1863	2,500 00	Services	
Irwin, Jared	5	April 26, 1864	500 00	Cash	
			1,516 77		
Judah, T. D.	150	Sept. 22, 1863	12,816 55	Services	To C. C.
Crocker, C.		Dec. 20, 1863	666 68	Construction	
Jelly, Samuel	5	Mar. 20, 1868	500 00	Cash	
Jacobs, N. M.	2	Feb. 2, 1863	40 00	"	To C. C.
Crocker, C.		June 21, 1870	160 00	Cash	
Forward	4,078		\$400,770 00		

NAMES OF STOCKHOLDERS.	No. of Shares.	DATES OF PAYMENT.	AMOUNT PAID.	IN WHAT PROPERTY.	TRANSFERRED, ETC.
Forward	4,078	. . . . .	\$400,770 00		
Johnson, Peter	2	Jan. 30, 1864	200 00	Cash	
Jacobs, Elias	10	Dec. 17, 1862	100 00	"	To C. C.
Crocker, C.		June 21, 1870	900 00	"	
Judah, T. D.	450	July 1, 1863	45,000 00	Paid to sundry persons	and charged to construct'n.
Kelly, Mott & Co.	10	May 1, 1861	100 00	Cash	To C. C.
Crocker, C.		Dec. 14, 1866	900 00	Construction	
Knox, W. F.	5	April 28, 1864	500 00	Cash	
Klink & Martfeld	5	June 30, 1863	500 00	"	
Kohler, H.	5	Nov. 3, 1862	50 00	"	To C. C.
Crocker, C.		June 21, 1870	450 00	"	
Kahl, J. B.	5	Nov. 5, 1862	50 00	"	To C. C.
Crocker, C.		June 21, 1870	450 00	"	
Krambach, L.	3	Nov. 30, 1863	150 00	"	Forfeited.
Kraies, Edward	10	Dec. 3, 1864	1,000 00	"	
Kimball, E.	5	Dec. 16, 1863	500 00	"	
Keller, Frank	5	July 11, 1866	500 00	"	
Kendall, David	5	Oct. 20, 1868	500 00	"	
Kadel, Tobias	5	Dec. 11, 1862	50 00	"	Forfeited.
Kremble, E. C.	10	July 1, 1863	1,000 00	Services	
Lindley, T. M.	10	May 1, 1861	100 00	Cash	L. Upson.
Upson, L.		Sept. 5, 1864	900 00	Services	
Lord, Holbrook & Co.	10	Aug. 10, 1864	1,000 00	Cash	
Loutzinhiser, W.	5	May 1, 1861	50 00	"	To C. C.
Crocker, C.		Dec. 14, 1866	450 00	Construction	
Lindley, W. K.	10	Feb. 10, 1864	1,000 00	Cash	
Larkin, H. W.	50	Feb. 16, 1864	5,000 00	"	
Loomis, E. J.	1	April 24, 1863	30 00	"	Forfeited.
Littleton, M.	2	Feb. 16, 1864	200 00	"	
Lewis, Isaac	1	April 21, 1864	100 00	"	
Linton, C. B.	1	April 24, 1863	30 00	"	Forfeited.
Lyon & Son	10	July 12, 1865	1,000 00	"	
Locke & Lavenson	5	Aug. 22, 1865	500 00	"	
Lecompt, M.	10	June 18, 1863	500 00	"	To C. C.
Crocker, C.		June 22, 1868	500 00	Construction	
Lindley, T. M.	50	July 11, 1865	5,000 00	Cash	
Lord, J. D.	20	Aug. 10, 1864	2,000 00	"	
Marsh, Chas.	50	Sept. 5, 1864	3,000 00	"	Forfeited.
Morse, John F.	5	Feb. 29, 1864	500 00	"	
Moore, B. F.	10	Feb. 2, 1863	200 00	"	Forfeited.
McLaughlin, F.	10	May 1, 1861	100 00	"	To C. C.
Crocker, C.		Dec. 14, 1866	900 00	Construction	
Mathewson, J. T.	5	Feb. 2, 1863	100 00	Cash	To C. C.
Crocker, C.		Dec. 14, 1866	400 00	Construction	
Morse, John F.	15	Feb. 29, 1864	1,500 00	Cash	
McGuire, Jas.	5	Jan. 15, 1863	100 00	"	To C. C.
Crocker, C.		June 21, 1870	400 00	"	
Mier, F.	10	May 20, 1864	1,000 00	"	
Mayer, Conrad	3	Nov. 5, 1862	30 00	"	Forfeited.
Mahlenfels, F. H.	2	Nov. 5, 1862	20 00	"	Forfeited.
Mosier, Sam'l.	5	Nov. 7, 1862	50 00	"	Forfeited.
Meister, John	2	Nov. 8, 1862	20 00	"	Forfeited.
Marvin, W. W.	10	May 10, 1864	1,000 00	"	
McNeil, John	5	Sept. 5, 1868	500 00	"	
McDonald, R. H.	20	June 8, 1868	2,000 00	"	
Myers, H.	5	Dec. 3, 1864	500 00	"	
Mott, Jr., E. B.	10	Feb. 5, 1866	1,000 00	"	
Moore, Geo. R.	10	Feb. 25, 1865	1,000 00	"	
Mangan, P. F.	1	Feb. 16, 1864	100 00	"	
Moore, D. Z.	25	June 19, 1865	2,250 00	"	To C. C.
Crocker, C.		June 21, 1870	250 00	"	
Mills & Co., D. O.	50	Mar. 1, 1864	5,000 00	"	
Mahon, D. W.	5	July 1, 1863	500 00	Services	
Nichols, N. S.	10	Dec. 16, 1863	1,000 00	Cash	
Newbaur & Co., A.	3	Nov. 5, 1862	30 00	"	To C. C.
Crocker, C.		June 21, 1870	270 00	"	
O'Neil, James	2	Oct. 25, 1862	20 00	"	To C. C.
Forward	5,076	. . . . .	\$495,770 00		

NAMES OF STOCKHOLDERS.	No. of Shares.	DATES OF PAYMENT.	AMOUNT PAID.	IN WHAT PROPERTY.	TRANSFERRED, ETC.
Forward	5,076	. . . . .	\$495,770 00		
Crocker, C.		June 21, 1870	180 00	Cash	
Oatman, Ira	10	Nov. 1, 1862	100 00	"	Forfeited.
Ochs, George	2	Nov. 7, 1862	20 00	"	To C. C.
Crocker, C.		June 21, 1870	180 00	"	
Oettl, F.	10	Dec. 11, 1862	100 00	"	Forfeited.
Pond, I. S.	2	Jan. 30, 1863	40 00	"	To C. C.
Crocker, C.		June 21, 1870	160 00	"	
Pike, J. F.	20	Mar. 20, 1865	2,000 00	"	
Russell, P. H.	5	June 19, 1865	500 00	"	
Rice, C.	10	April 6, 1863	300 00	"	To C. C.
Crocker, C.		June 21, 1870	700 00	"	
Ross, Thomas	10	April 11, 1863	200 00	"	To C. C.
Crocker, C.		June 21, 1870	800 00	"	
Renaud, G.	10	July 11, 1866	1,000 00	"	
Ryan, John	5	April 28, 1864	500 00	"	
Ready, W. B. and B. F.	5	Oct. 31, 1862	50 00	"	To C. C.
Crocker, C.		June 21, 1870	450 00	"	
Ross, Frank C.	1	June 17, 1863	50 00	"	To C. C.
Crocker, C.		June 21, 1870	50 00	"	
Russell, P. H.	10	June 19, 1865	1,000 00	"	
Robbins, S. B.	1	Feb. 4, 1863	20 00	"	Forfeited.
Ransich, Martin	3	July 4, 1864	300 00	"	
Reeves, J. W.	5	Mar. 19, 1864	500 00	"	
Redding, B. B.	2	Feb. 13, 1863	40 00	"	
			160 00	Salary	
Rice, H. B.	5	May 9, 1863	150 00	Cash	Forfeited.
Rowland, Geo.	10	June 8, 1863	300 00	"	To C. C.
Crocker, C.		Dec. 14, 1866	700 00	Construction	
Radcliff, W. M.	10	Jan. 4, 1863	1,000 00	Cash	
Robinson, Jno. E.	10	July 1, 1863	1,000 00	Services	
Ryan, Jas. T.	50	July 1, 1863	5,000 00	"	
Strong, D. W.	50	Sept. 5, 1864	3,900 00	Cash	To C. C.
Crocker, C.		June 21, 1870	1,100 00	"	
Stockton, E.	20	May 1, 1861	200 00	"	To C. C.
Crocker, C.		June 21, 1870	1,800 00	"	
Sargent, A. A.	10	May 1, 1861	100 00	"	Forfeited.
Smith, C. W.	5	May 1, 1861	50 00	"	"
Stanford, Leland	150	Dec. 31, 1865	15,000 00	"	
Seaman, J. A.	1	Mar. 11, 1864	100 00	"	
Smith, John	1	Feb. 21, 1863	20 00	"	Forfeited.
Schild, Philip	10	Jan. 26, 1864	1,000 00	"	
Strowbridge, F. W.	2	Nov. 1, 1862	20 00	"	To C. C.
Crocker, C.		June 21, 1870	180 00	"	
Scott, Mary	5	Jan. 19, 1864	500 00	"	
Soule, E.	4	Nov. 4, 1862	40 00	"	To C. C.
Crocker, C.		Dec. 14, 1866	360 00	Construction	
Schaefer, Louis	1	Feb. 15, 1864	100 00	Cash	
Sellinger, Chas.	2	June 2, 1864	140 00	"	To C. C.
Crocker, C.		June 21, 1870	60 00	"	
Schade, John	3	April 5, 1864	300 00	"	
Schild, Philip	10	Jan. 26, 1864	1,000 00	"	
Stanton, P.	5	Mar. 26, 1864	500 00	"	
Stevens, Joseph	1	Mar. 9, 1864	100 00	"	
Schroeder, H.	3	April 15, 1863	90 00	"	Forfeited.
Schroer, S. H.	1	Dec. 11, 1862	10 00	"	To C. C.
Crocker, C.		June 21, 1870	90 00	"	
Stremming, C.	5	Dec. 11, 1862	50 00	"	To C. C.
Crocker, C.		June 21, 1870	450 00	"	
Strutz, Julius	10	Dec. 3, 1864	1,000 00	"	
Stewart, Geo. W.	1	May 17, 1864	1,000 00	"	
Stanley, Lee	3	Jan. 30, 1863	60 00	"	To C. C.
Crocker, C.		June 21, 1870	240 00	"	
Strong, W. R.	10	Feb. 10, 1864	1,000 00	"	
Schmeiser, Geo.	5	Aug. 12, 1865	500 00	"	
Spaulding, Wm. H.	20	Feb. 27, 1863	400 00	"	To C. C.
Crocker, C.		June 21, 1870	1,600 00	"	
Forward	5,619	. . . . .	\$546,380 00		

NAMES OF STOCKHOLDERS.	No. of Shares.	DATES OF PAYMENT.	AMOUNT PAID.	IN WHAT PROPERTY.	TRANSFERRED, ETC.
Forward	5,619	. . . . .	\$546,380 00		
Swinerton, Geo. H	5	Oct. 21, 1865	500 00	Cash	
Stanford, Leland	500	Nov. 30, 1864	50,000 00	"	
Stanford, A. P.	10	Jan. 22, 1870	1,000 00	"	
Shaw, W. B.	20	July 1, 1863	2,000 00	"	
Sturgeon, E. B.	20	July 1, 1863	2,000 00	"	
Sherman, R. N.	5	July 1, 1863	500 00	"	
Sutter, Chas.	5	Nov. 5, 1862	50 00	"	Forfeited.
Turner, I. N.	10	May 5, 1861	100 00	"	Forfeited.
Truchler, Henry	5	Feb. 20, 1864	500 00	"	
Turon, S.	10	Sept. 22, 1866	1,000 00	"	
Thirlbahr, H.	3	Dec. 11, 1862	30 00	"	To C. C.
Crocker, C.	3	June 21, 1870	270 00	"	
Thirlbahr, Dores.	3	Dec. 11, 1862	30 00	"	To C. C.
Crocker, C.	3	June 21, 1870	270 00	"	
Upson, L.	10	Sept. 5, 1864	1,000 00	"	
Van Heusen, G. K.	2	Oct. 23, 1862	20 00	"	Forfeited.
Van Winkle, I. S.	20	Jan. 17, 1864	2,000 00	"	
Williams, John	10	May 1, 1861	100 00	"	To C. C.
Crocker, C.	10	Dec. 14, 1866	900 00	Construction.	
Waite, E. G.	5	May 1, 1861	50 00	Cash	
Welty, D. W. (for Mrs. Baldwin)	3	Feb. 29, 1864	300 00	"	
Wheeler, O. C. (in trust)	3	Nov. 23, 1866	300 00	"	
Wetzlar, Julius	10	Dec. 3, 1864	800 00	"	Forfeited.
Williams, J. C.	25	Feb. 26, 1864	2,500 00	"	
Wachhorst, H.	5	Jan. 6, 1863	50 00	"	To C. C.
Crocker, C.	5	June 21, 1870	450 00	"	
Zumwalt, D. K.	1	Feb. 25, 1864	100 00	"	
Shew, Jacob	2	Sept. 5, 1863	20 00	"	Forfeited.
Wheeler, Cyrus T.	25	Oct. 18, 1865	2,500 00	"	
Menke, A.	2	Feb. 6, 1863	40 00	"	To J. Bellmer & Co.
Bellmer & Co. J.	5	Nov. 15, 1864	160 00	"	
Rippon & Hill	5	Nov. 12, 1864	500 00	"	
Lyle, Geo. J.	5	May 16, 1864	500 00	"	
Fitzpatrick, M.	1	Dec. 11, 1862	10 00	"	Forfeited.
Newbourg, L.	1	Jan. 10, 1863	10 00	"	To C. C.
Crocker, C.	1	June 21, 1870	90 00	"	
Lages, C.	1	Jan. 10, 1863	10 00	"	Forfeited.
Jacobs, Enoch	10	Jan. 8, 1865	1,000 00	"	
Stewart, Thos. K.	1	Jan. 8, 1864	100 00	"	
Jenks, C. C.	10	Dec. 8, 1862	100 00	"	To C. C.
Crocker, C.	10	Dec. 14, 1866	900 00	Construction.	
Dumant, Alphonsine	15	Sept. 5, 1863	150 00	Cash	Forfeited.
Rond, J. P. C.	5	Sept. 5, 1863	50 00	"	Forfeited.
	6,392		\$619,340 00		
Total number of shares as above, 6,392 @			\$639,200 00		
Paid in as above			619,340 00		
			\$ 19,860 00		
267 shares were declared forfeited, June 13, 1870, on which there had been paid \$6,840, which was			6,840 00		
Credited to Profit and Loss Account			\$ 26,700 00		
Deduct 267, leaves 6,125 shares @ \$100 00.			\$612,500 00		
Burke, F.	5	Mar. 24, 1864	500 00	Cash	
Weil, C.	3	Aug. 16, 1864	300 00	"	
Seeger, R.	3	Aug. 16, 1864	300 00	"	
Hill, W. H., for Jane E.	1	Mar. 15, 1864	100 00	"	
Hill, W. H., for Isabella	1	Mar. 15, 1864	100 00	"	
Miller, Jr., E. H.	10	Dec. 29, 1865	1,000 00	"	
Godchauer Bros. & Co.	10	Aug. 8, 1865	1,000 00	"	
McClatchy, J.	10	Aug. 10, 1863	1,000 00	Services.	
Forward	6,168	. . . . .	\$616,800 00		

NAMES OF STOCKHOLDERS.	No. of Shares	DATES OF PAYMENT.	AMOUNT PAID.	IN WHAT PROPERTY.	TRANSFERRED ETC.
Forward	6,168	. . . . .	\$616,800		
Sacramento County	3,000	Jan. 25, 1864	300,000	Bonds	
Placer County	2,500	Jan. 12, 1864	250,000	"	
Lombarde, C. A.	500	Aug. 4, 1863	50,000	Construction—Materials	
Lombarde, C. A.	600	Aug. 4, 1863	60,000	"	
Judah, T. D.	500	July 1, 1863	25,000	Services	To C. C.
Crocker, C.		Sept. 22, 1863	25,000	Salary	
Palmer, C.	5	July 20, 1863	500	Cash	
Williams, Mrs. E. L. M.	10	July 27, 1863	1,000	Construction—Materials	
Glidden, Mrs. C. C.	10	July 27, 1863	1,000	"	
Glidden, Mrs. E. M.	10	July 27, 1863	1,000	"	
Lynch, P.	7	July 27, 1863	700	Cash	
Rogers, J. J.	50	Dec. 12, 1863	5,000	Advertising and Printing	
Johnson, Joel	1	Dec. 12, 1863	100	Cash	
Boruck, M. D.	5	Dec. 12, 1863	500	Services	
Chase, C. M.	5	Dec. 12, 1863	500	"	
French, Walter H.	1	Dec. 14, 1863	100	Cash	
Coates, Wm.	1	Dec. 15, 1863	100	Right of Way—Release	
Collins & Bro., C.	3	Jan. 14, 1864	300	Construction	
Smith, S. D.	76	April 30, 1864	7,600	"	
Crocker, C.	116	Dec. 1, 1864	11,600	"	
Crocker, C.	658	Sept. 24, 1864	65,800	"	
Bates, C. D.	55	April 26, 1864	5,500	"	
Turton, Knox & Ryan	45	April 28, 1864	4,500	"	
Sanders, Lewis	3	Feb. 29, 1864	300	Real Estate	
Domingos, John	1	June 17, 1865	100	Cash	
Turton, Wm.	5	April 28, 1864	500	"	
Foster, F.	1	April 30, 1864	100	Stationery and Printing	
Mason Mfg. Co.	22	April 30, 1864	2,200	Car Trucks	
Huntington, C. P., Agt.	360	Sept. 20, 1864	36,000	Paid for Materials	
Ross, Samuel	2	Nov. 9, 1864	200	Services and Cash	
Brannan, S.	200	Dec. 1, 1864	20,000	Rolling Stock	
Crocker, C.	202	Dec. 31, 1864	20,200	Construction	
Moore, Geo. R.	40	Feb. 25, 1865	4,000	Services	
Parker, J. E.	3	April 7, 1865	300	Real Estate	
Crocker, Chas.	3,377	June 24, 1865	337,700	Construction	
Ames, Henry	13	June 24, 1865	1,300	Real Estate	
Estee, M. M.	3	June 30, 1865	300	Services	
Haskell, D. H.	20	June 30, 1865	2,000	"	
Huntington, C. P., Agt.	200	Aug. 26, 1865	20,000	Sold for Cash	
Robinson, Robt.	10	Nov. 10, 1865	1,000	Services	
Stanford, Leland	30	Dec. 23, 1865	3,000	Salary	
Huntington, C. P.	65	Dec. 23, 1865	6,500	"	
Crocker, E. B.	141	Dec. 23, 1865	14,100	"	
Crocker, C.	5,041	Dec. 12, 1865	504,100	Construction	
Crocker, C.	6,584	Dec. 12, 1865	658,400	"	
Crocker, C.	2,717	Dec. 15, 1865	271,700	"	
Crocker, C.	55	Jan. 4, 1866	5,500	Salary	
Crocker, C.	1,005	Jan. 12, 1866	100,500	Construction	
Crocker, C.	2,210	Feb. 12, 1866	221,000	"	
Crocker, C.	1,158	Mar. 7, 1866	115,800	"	
Crocker, C.	2,109	Mar. 9, 1866	210,900	"	
Huntington, C. P., Agt.	50	Mar. 9, 1866	5,000	Paid to sundry persons and	charged Expense.
Crocker, C.	1,901	April 19, 1866	190,100	Construction	
Huntington, C. P., Agt.	25	May —, 1866	2,500	Expense	
Huntington, C. P., Agt.	20	June 5, 1866	2,000	"	
Crocker, C.	4,334	May 18, 1866	433,400	Construction	
Crocker, C.	5,749	June 8, 1866	574,900	"	
Huntington, C. P., Agt.	45	June 21, 1866	4,500	Sold for Cash	
Crocker, C.	6,785	July 14, 1866	678,500	Construction	
Crocker, C.	4,316	Aug. 14, 1866	431,600	"	
Huntington, C. P., Agt.	50	Aug. 20, 1866	5,000	Expense	
Huntington, C. P., Agt.	20	Aug. 31, 1866	2,000	"	
Crocker, C.	5,595	Sept. 24, 1866	559,500	Construction	
Huntington, C. P., Agt.	130	Dec. 7, 1866	13,000	Expense	
Huntington, C. P., Agt.	20	Dec. 7, 1866	2,000	Sold for Cash	
Huntington, C. P., Agt.	95	Dec. 7, 1866	9,500	"	
Forward	69,038	. . . . .	\$6,903,800		

NAMES OF STOCKHOLDERS.	No. of Shares.	DATES OF PAYMENT.	AMOUNT PAID.	IN WHAT PROPERTY.
Forward	69,038	. . . . .	\$6,903,800	
Huntington, C. P., Agt.	295	Dec. 7, 1866	29,500	Expense.
Crocker, C.	14,777	Dec. 12, 1866	1,477,700	Construction.
Crocker, C.	1,429	Dec. 31, 1886	142,900	"
Huntington, C. P., Agt.	200	Feb. 22, 1867	20,000	Sold for Cash.
Huntington, C. P., Agt.	605	Feb. 22, 1867	60,500	"
Huntington, C. P., Agt.	295	Feb. 22, 1867	29,500	Expense.
Crocker, C.	1,996	Mar. 13, 1867	199,600	Construction.
Crocker, C.	1,617	Mar. 22, 1867	161,700	"
Huntington, C. P., Agt.	50	April 3, 1867	5,000	Sold for Cash.
Huntington, C. P., Agt.	7	April 3, 1867	700	"
Huntington, C. P., Agt.	30	July 4, 1867	3,000	Expense.
Crocker, C.	6,940	July 16, 1867	694,000	Construction.
Crocker, C.	10,976	July 26, 1867	1,097,600	"
Crocker, C.	21,822	July 30, 1867	2,182,200	"
Crocker, C.	9,125	Oct. 1, 1867	912,500	"
Huntington, C. P., Agt.	5	Oct. 14, 1867	500	Sold for Cash.
Crocker, C.	7,299	Dec. 4, 1867	729,900	Construction.
Crocker, C.	1,761	Dec. 24, 1867	176,100	"
McClatchy, Jas	10	Feb. 3, 1868	1,000	Cash.
Huntington, C. P., Agt.	50	June 4, 1868	5,000	Paid Sundry Persons and charged to Expense.
Huntington, C. P., Agt.	4	June 16, 1868	400	Expense as above.
Contract & Finance Co.	8,600	July 2, 1868	860,000	Construction.
Huntington, C. P., Agt.	55	Aug. 22, 1868	5,500	Expense.
Contract & Finance Co.	73,960	Sept. 25, 1868	7,396,000	Construction.
McDonald, R. H.	5	Nov. 25, 1868	500	Real Estate.
Crocker, C.	14,881	Dec. 14, 1868	1,488,100	Construction.
Huntington, C. P., Agt.	2	Jan. 5, 1869	200	Expense.
Contract & Finance Co.	86,000	Feb. 18, 1869	8,600,000	Construction.
Contract & Finance Co.	68,800	Oct. 1, 1869	6,880,000	"
Huntington, C. P., Agt.	50	Nov. 4, 1869	5,000	Expense.
Crocker, Chas.	4,000	April 6, 1870	400,000	Cash.
Huntington, C. P., Agt.	50	May 19, 1870	5,000	
(79,000)				
WESTERN PAC. R. R. Co.				
Santa Clara County	1,500	June 30, 1870	150,000	Consolidation of June 30, 1870. (See
Stanford, A. P.	10	June 30, 1870	1,000	Supplementary Statement W. P.
Stanford, Leland	15,484	June 30, 1870	1,548,400	R. R.)
Crocker, Chas.	15,499	June 30, 1870	1,549,900	
Crocker, E. B.	15,499	June 30, 1870	1,549,900	
Hopkins, Mark	15,499	June 30, 1870	1,549,900	
Huntington, C. P.	15,499	June 30, 1870	1,549,900	
Miller, E. H., Jr.	5	June 30, 1870	500	
Cummings, C. H.	5	June 30, 1870	500	
(18,383)				
CAL. & OREGON R. R. Co.				
Crocker, E. B.	3,659	Aug. 22, 1870	365,900	Consolidation of August 22, 1870.
Hopkins, Mark	3,658	Aug. 22, 1870	365,800	
Stanford, Leland	3,661	Aug. 22, 1870	366,100	
Stanford, A. P.	5	Aug. 22, 1870	500	
Miller, E. H., Jr.	3	Aug. 22, 1870	300	
Redding, B. B.	5	Aug. 22, 1870	500	
Cummings, C. H.	5	Aug. 22, 1870	500	
Crocker, Chas.	3,659	Aug. 22, 1870	365,900	
Huntington, C. P.	3,658	Aug. 22, 1870	365,800	
Madden, Jerome	5	Aug. 22, 1870	500	
Scudder, C. L.	5	Aug. 22, 1870	500	
Stanford, A. P.		Aug. 22, 1870		
Flint, Jas. F.	20	Aug. 22, 1870	2,000	
Lander, F. C.	20	Aug. 22, 1870	2,000	
Dana, Chas.	20	Aug. 22, 1870	2,000	
Forward	502,117	. . . . .	\$50,211,700	

NAMES OF STOCKHOLDERS.	No. of Shares.	DATES OF PAYMENT.	AMOUNT PAID.	IN WHAT PROPERTY.
Forward	502,117	. . . . .	\$50,211,700	
(3,050) SAN JOAQUIN VALLEY R. R. Co. . . . .	. . . . .	. . . . .	. . . . .	Consolidation of August 22, 1870.
Crocker, E. B.	600	Aug. 22, 1870	60,000	
Huntington, C. P.	600	Aug. 22, 1870	60,000	
Hopkins, Mark.	600	Aug. 22, 1870	60,000	
Miller, Jr., E. H.	10	Aug. 22, 1870	1,000	
Crocker, C.	600	Aug. 22, 1870	60,000	
Bender, D. A.	10	Aug. 22, 1870	1,000	
Cummings, C. H.	10	Aug. 22, 1870	1,000	
Redding, B. B.	10	Aug. 22, 1870	1,000	
Stanford, Leland	600	Aug. 22, 1870	60,000	
Madden, Jerome.	10	Aug. 22, 1870	1,000	
(7,603) SAN FRANCISCO, OAK- LAND AND ALAMEDA R. R. Co. . . . .	. . . . .	. . . . .	. . . . .	Consolidation of August 22, 1870.
Blake, G. M.	2	Aug. 22, 1870	200	
Blanchard, Wm.	20	Aug. 22, 1870	2,000	
Brooks, T. W.	20	Aug. 22, 1870	2,000	
Browne, J. M.	10	Aug. 22, 1870	1,000	
Brayton, Mrs. J. H.	5	Aug. 22, 1870	500	
Cannon, Adam	105	Aug. 22, 1870	10,500	
Garratt, W. T.	16	Aug. 22, 1870	1,600	
Hays, J. C.	5	Aug. 22, 1870	500	
Hardy, M. C.	3	Aug. 22, 1870	300	
Muller, H.	1	Aug. 22, 1870	100	
Macken, James.	35	Aug. 22, 1870	3,500	
Radovich, L.	5	Aug. 22, 1870	500	
Scotchler, J. B.	5	Aug. 27, 1870	500	
Taylor, C.	2	Aug. 22, 1870	200	
Tubbs, Hiram.	238	Aug. 22, 1870	23,800	
Tubbs, Hiram, Trustee { Woods, Samuel } { Stanford, Leland, et al }	15 10	Aug. 22, 1870 Aug. 22, 1870	1,500 1,000	
Cohen, A. A.	6,106	Aug. 22, 1870	610,600	
Crocker, Chas.	200	Aug. 22, 1870	20,000	
Crocker, E. B.	200	Aug. 22, 1870	20,000	
Hopkins, Mark.	200	Aug. 22, 1870	20,000	
Huntington, C. P.	200	Aug. 22, 1870	20,000	
Stanford, Leland	200	Aug. 22, 1870	20,000	
Contract & Finance Co.	12,815	Feb. 24, 1871	1,281,500	Construction.
Contract & Finance Co.	20,000	Apr. 29, 1871	2,000,000	Construction.
Deduct Forfeited Stock	545,585 85		\$ 54,558,500 8,500	
25 C. & O. Div'n Stock, 60 Old Yuba R. R.				
Deduct	545,500 2,745		\$ 54,550,000 274,500	Stock surrendered August 22, 1870 S. J. V. R. R. Co.
Pacific Improvem't Co. Stanford, Lel'd, Trustee Stanford, Lel'd, Trustee	542,755 80,000	Dec. 31, 1886 June 5, 1871 Feb. 28, 1873	\$54,275,500 8,000,000	Construction, C. & O. Division. In trust for Co., 53,333 shares. In trust for Co., 30,000 shares.
Sold to Various Parties	50,000	Jan. 29, 1880 {	3,600,000 1,400,000	Cash. Charged to Construction.
Surrendered to Co. . . . .	. . . . .	April 27, 1887	. . . . .	26,088 shares.
To Huntington, C. P.	7,245	April 27, 1887	724,500	In trust for Co.
	680,000		\$68,000,000	

STATE OF CALIFORNIA,
 City and County of San Francisco. } ss.

E. H. MILLER, JR., being first duly sworn, saith: That he has read the foregoing statement consisting of the pages next preceding, marked "Exhibit No. 5," and knows the contents thereof; that the facts therein stated are true except as to those matters stated on his information or belief, and as to those he believes it to be true.

E. H. MILLER, JR.

Subscribed and sworn to before me this 26th day of July,
 A. D. 1887.

E. B. RYAN,

Notary Public in and for
 said City and County.

[SEAL OF NOTARY.]

EXHIBIT No. 6.

Relative to lands of Central Pacific Railroad Co. by Wm. H. MILLS, Land Agent.

OFFICE LAND DEPARTMENT
CENTRAL PACIFIC RAILROAD COMPANY,
SAN FRANCISCO, June 20, 1887. }

(See Ans. to
Ques. No. 38.)

Hon. Leland Stanford, President Central Pacific Railroad Company—MY DEAR SIR: Answering the inquiries transmitted by you to this department of the Board of Commissioners to examine into the affairs of the Central Pacific Railroad Company, and touching the land grant to said railroad company, I have to respectfully report to you as follows: That the Act of 1862, granted to the company for the purpose of aiding in the construction of a railroad and telegraph line:

“Every alternate section of public land designated by odd numbers to the amount of five sections per mile on each side of the said road on the line thereof, and within the limits of ten miles on each side of said road, not already sold, reserved or otherwise disposed of by the United States, and to which a homestead or pre-emption claim may not have attached at the time the line of said road is definitely fixed.”

The Act further excepted from the operation of the grant all mineral lands, but where the same contained timber the timber thereon was granted. The provision relating to this subject is found in Section 3 of the Act approved July 1, 1862. By the passage of the Act of 1864, entitled “An Act to amend an Act entitled: ‘An Act to aid in the construction of a railroad and telegraph line from the Missouri river to the Pacific ocean, etc.’” The third section of the Act of 1862 above summarized and quoted was amended by striking out the word “five” where it occurs and inserting in lieu thereof the word “ten” and by striking out the word “ten” where it occurs in the original section and inserting in lieu thereof the word “twenty.”

Thus amended, the granting Acts gave land in odd numbered sections to the amount of twenty sections per mile on each side of the line of road.

The Act approved July, 1864, amended and modified the mineral reservation by declaring that the term "mineral land" wherever the same occurs in the Act should not be construed to include coal and iron land. These provisions are found in Section 4 of the Act of 1864. The rights of the company under the grants of 1862 and 1864 attached to the land granted coincident with the time of the definite location of the road, and the filing of the map of definite location with the Secretary of the Interior. It should be observed that the date of the filing of the map of definite location of the road identifies the land granted, and initiates the definite rights of the company, suspending the operation of the homestead and pre-emption laws of the United States; but that the right of the company to select lands by lists of selections for the purpose of obtaining record title to the land by way of patents issued by the Government of the United States, accrued only at the date of the acceptance by the President of the United States of the road or section of the road when completed, to wit, November, 1874.

The provision of law above referred to is found in Section 4 of the Act of 1862, which reads :

"Whenever the said company shall have completed forty consecutive miles of said railroad and telegraph line, ready for the service contemplated by this Act, the President of the United States shall appoint three commissioners to examine the same and report to him in relation thereto; and if it shall appear to him that forty consecutive miles of said railroad and telegraph line have been completed and equipped in all respects as required by this Act, then upon the certificate of said Commissioners to that effect patents shall issue conveying the right and title to said lands to the company on each side of said road as far as the same is completed."

The right, then, of the company to select the land granted accrued on the date when the Commissioners referred to in the law filed their certificate of acceptance by the President with

the Interior Department of the Government. The date of the acceptance of the first fifty miles eastward from Sacramento is September 8, 1864, and the road between Promontory and Ogden was accepted by the President July 15, 1869, and the whole finally accepted in November, 1874.

It will be observed that the right of the company to select lands for the purpose of receiving record evidence of title by way of patents from the Government did not accrue prior to the dates above referred to, that it was a right which could not be exercised until the lands were surveyed and the plottings of surveys properly executed and filed in the local land offices of the United States, after first having been approved by the Surveyors-General of the respective States and Territories through which the line runs. In addition to this, by rule of the department, no selections are permitted until ninety days have expired after the date of filing and approval of the township plats by the Surveyor-General. At the time the right of the company to ask for patents accrued by the acceptance of the various sections of the road by the President of the United States, but a very small proportion of the lands within the granted limits were surveyed and a still smaller proportion properly platted and the plats filed in the offices of the Surveyors-General. An examination of the official plats reveals the fact that between the dates of the surveys and the dates of their final approval by the Surveyors-General there is frequently a period of two or more years.

The Act of 1864 added five alternate odd-numbered sections on each side of the road, and attached a new and important condition precedent to acquirement of record title. Section 12 of the Act of 1864 provides :

“That before any land granted by this Act shall be conveyed to any company or party entitled thereto under this Act, there shall first be paid into the Treasury of the United States the cost of surveying, selecting and conveying the same by the said company or party in interest, *as the title shall be required by the said company.*”

By this provision a new condition was imposed not found in the Act of 1862, to-wit, that requiring the company to pay the

costs of surveying, selecting and conveying the land. This new condition entailed a large additional expenditure of money by the cost of the items mentioned; but it, at the same time, defined the right of the company as to when such costs should be paid. In unequivocal language it declared that the costs of surveying, selecting and conveying the land should be paid by the company as the title should be required by it, thus vesting in the company the right of election as to when these fees should be paid, and the record title obtained. The early occupancy and settlement of the region through which the railroad passed was obviously consistent with the highest interests of the company, that the Congress of the United States evidently depended upon this most obvious interest alone for the early disposition of the land. The subsequent action of the company proves that in entertaining this opinion the Congress of the United States was not mistaken. From the very outset the company inaugurated the policy of taking title to the lands as rapidly as such record evidence of title could be obtained from the Government, and even before the completion of the first section of fifty miles eastward from Sacramento, and in anticipation of its early completion; yourself as President of the Central Pacific Railroad Company addressed a letter to Hon. John P. Usher, Secretary of the Interior, dated Sacramento, California, February 19, 1864, from which, as plainly showing forth the disposition of the company under this head, the following quotation is made :

AN URGENT LETTER.

“We expect to have thirty-one miles of railroad from Sacramento to Newcastle Gap completed and in running order about the 1st of April next, and it would be a great aid to the enterprise if the survey of ten miles on each side of the road were completed immediately thereafter, as contemplated by the Act of Congress.”

Herein you urge upon the attention of the honorable Secretary the importance to the Company of an early completion of the surveys of the lands granted to it. The records of the Land Office will show that upon the date at which your letter

was written but six townships lying within the limits of the grant and opposite the thirty-one miles of road subject of your letter were surveyed, and of these six townships, embracing only about 70,000 acres of land prima facie granted to the company, there was but a small portion not excepted out of the grant by the operation of the homestead and preëmption rights, reservations of mineral lands and lands granted to the State as swamp and overflowed. Indeed, at the date of the grant itself, approximately but 104,000 acres of the grant made to the road in California were surveyed, while the grant lying within the boundaries of the State of California was approximately 1,500,000 acres. It was presumably evident to your mind, as the chief executive officer of the company, that your company would exercise its right to select the land at the earliest possible moment, and your letter to the honorable Secretary of the Interior, even before the completion of the first section, urging the completion of the surveys is indisputable evidence of the very earliest disposition of your company in the premises. Whatever may have been the motive, however, in influencing the enactment of the provision above referred to, it is unequivocally provided in the terms of the granting act that the time of payment of the costs of surveying, selecting and conveying the land should be a condition precedent to the receipt of record title and that the time of such payment and the formation of lists of selections should be left to the election of the company, or, to repeat the language of the Act, should be paid, "as the company should require the title." In seeking for an interpretation of these words, there is no ambiguity of language which leaves doubt as to their meaning. The cost of surveying selecting and conveying the land, and the issue of patents to follow the payment of such costs and selections were not made referable to or dependent upon the exigencies of State, county or municipal government, but was relegated solely to the company itself. Notwithstanding, however, the absence of all legal requirements as to the time when the company should apply for and receive title to the lands granted, it from the first inaugurated the policy of paying the costs required by law of acquiring at the earliest practicable moment record evidence of title, and of promoting by every means in its power, the settlement

of the country through which its roads passed. As already indicated, the right of the company to acquire title did not mature until the various sections of the road had been examined and reported upon by the commissioners appointed by the President of the United States, and the road accepted by the President in pursuance of the recommendation contained in the report of such commissioners. The date at which the road was finally accepted is indicated by a letter from the Department of the Interior to the Commissioner of the General Land Office, dated Washington, November 3, 1869, in which the Hon. Secretary informs the Commissioners that the road has been accepted. Early in the year 1869 the Department of the Interior ordered an absolute suspension of the issuance of patents, as the following letter will show :

DEPARTMENT OF THE INTERIOR, }
WASHINGTON, D. C., March 22, 1869. }

SIR: You will withhold all action toward the issue of patents of lands to the Central Pacific Railroad Company of California and the Western Pacific Railroad Company until further advice from this Department. Very respectfully, your obedient servant.

J. D. COX, Secretary.

To Hon. Joseph S. Wilson, Commissioner of the General Land Office.

This suspension of patents placed an absolute embargo upon transactions under that head, an embargo which was not removed until March 26, 1870, a period of one year and four days. However, on the 3d day of November, the Honorable Secretary of the Interior addressed the following letter to Hon. Joseph S. Wilson, Commissioner of the General Land Office :

DEPARTMENT OF THE INTERIOR, }
WASHINGTON (D. C.), November 3, 1869. }

Sir: The commission to examine the Union Pacific and Central Pacific railroads having reported, and its report being accepted and made the basis of adjustment of the accounts between the United States and said railroad companies, you are hereby authorized to commence the patenting of such lands to

the said companies under grants made by Congress, as follows: In addition to the bonds retained by the United States as security for the completion of said roads in the matters reported deficient or not up to the standard by the said commission, one-half of the lands ready for patenting to the Union Pacific will have patents suspended until further direction from this department. The other half may be patented to said company as fast as surveys and other preliminaries are completed—that is to say, beginning at Omaha and running westward—Sections 1, 5, 9, etc., will be patented, there being no valid claim found, and Sections 3, 7, etc., will be withheld until further directions as above stated. Patents to the Central Pacific Railroad may, in like manner, issue, beginning at Sacramento and working eastward. It is my desire that the work be so systematized that it may be pushed forward as rapidly as possible. Very respectfully, your obedient servant,
 (Signed) J. D. COX, Secretary.

Hon. Joseph S. Wilson, Commissioner of the General Land Office.

Under the instructions contained in the foregoing, lists of selection were made. Some of these failed to observe the instructions of the Secretary of the Interior, to omit one-half of the land in any township from the list of selections made. These lists having reached the Department of the Interior, the honorable Secretary, J. D. Cox, under date of March 8, 1870, in a letter addressed to the Honorable Commissioner of the General Land Office, says :

“ Under date of the 3d of November last you were directed to prepare for patenting one-half of the lands inuring to said company, namely : Sections 1, 5, 9, etc., and Sections 3, 7, etc., should be withheld. I find that the lands thus to be withheld are in this list, therefore return the list, that a new one may be prepared, omitting those sections that are to be withheld from patenting.”

Mr. Beard, attorney for the company at Washington, urged the issue of patents for the list, which embraced 116,000 acres, and in a letter addressed to Hon. Joseph S. Wilson, used the following language :

“In view of the fact that there has been patented heretofore to the company only 144,686 acres out of 1,700,000 acres, the surveys of odd-numbered sections along the 130 miles of road in California, in five years, this course appears to be but just.”

Herein, your attorney at Washington on the 26th day of March, 1870, was forced to plead the small number of acres listed and patented in the Central Pacific grant as an argument in favor of the issue of further patents.

It is plain from this plea of your attorney that there existed a strong desire on the part of the Government to withhold patents from the company, and an equally strong desire on the part of the company to urge the patenting of its land as rapidly as that process could be achieved.

Certified copies of all the letters above set forth from the Interior Department at Washington are in possession of the land department of your company, to be exhibited when called for.

The road was, however, not finally accepted until late in the year 1874. The Commissioners appointed to make the final examination were Eugene L. Sullivan, Calvin Brown and J. W. Dwyer, and the report of these Commissioners is dated Ogden, Utah, November 2, 1874. This report was certified by C. Delano, Secretary of the Interior, to the President, under date of the 12th of November, 1874; and at that date it may be said that the road was finally accepted. The time, then, at which the right to receive patents for lands granted may be placed approximately at January 1, 1875, at which date the company had applied for 304,196.38 acres, and had received patents for 271,165.85 acres.

At the very outset the adjustment of the grant to the Central Pacific railroad was beset with difficulties and embarrassments unknown to the eastern division of the line connecting the Missouri river with the Pacific ocean. The lands were not granted in specific sections. The sections could be identified only after the map of definite location of the line had been filed with the Secretary of the Interior. The limits of the grant could then be delineated. Lands in the odd-num-

bered sections within such limits were granted by categories only. Lands in certain other categories or relation with respect of the title of the Government were excepted, and among the latter, mineral land was mentioned as an exception. The line of road from Sacramento eastward intersects at right angles the great mineral belt on the western flanks of the Sierra Nevada mountains, and rules of practice in the General Land Office had to be established whereby the mineral or non-mineral character of the land could be ascertained. Decisions of questions of this character necessarily involve delay. The granting Act did not specifically establish any court vested with power to hear and determine questions growing out of the physical facts by which lands granted or lands excepted out of the grant were to be identified. The Act was turned over to the Executive Department of the Government for executive and ministerial administration, and the rules of practice by which determination was to be reached as to whether specific lands were granted or excepted were established by the Interior Department of the Government.

LISTS OF SELECTIONS FILED.

The first list of selections, completed May 19, 1865, and officially known as List No. 1, Marysville, embraced the listing of 55,259 acres. The first patent to the company granted in pursuance of this list of selections is dated January 4, 1866, and covered but 45,510 acres of lands listed in the original list, thus suspending for future examination 9,784 acres. This first list of selections, in the amount of 55,259 acres was, therefore, before the General Land Office at Washington eight months before any patents were issued. At the close of the year 1865 there was therefore due the company upon lists of selections of unpatented land the amount of 55,259 acres. The second list of selections is dated August 27, 1866, and embraced 41,804 acres. It is officially known as List No. 2, Marysville, and the third list, embracing 36,059 acres, known as List No. 3, Marysville, is dated November 6, 1866, and the receipt of patents to lands selected by this list is dated June 22, 1867, a period of seven months after the date of the listing. In each instance of lists of selections some of the land claimed by the company was

suspended for further examination, an examination which, I regret to say, has not been made up to the present time.

Accompanying this letter to you, will be found a tabulated statement.

This table shows the dates at which the listings were completed, and the date at which the patents in pursuance of such lists were received, and from it may be derived a full and complete exhibit of the status of the account between the Government and the company at any particular date. The tabulated summary of this statement is here introduced. This statement exhibits the total amount of acres for which the company had made application, and which applications were before the department at the end of each year—the number of acres patented in pursuance of such lists of selections—and the balance of acres listed and unpatented at the end of each year, from the end of the year 1865 to June 1, 1887. This table shows the smallest number of acres listed and unpatented before the General Land Office for examination to be at the end of the year 1875, and that they aggregated 17,131.97 acres, and also shows the largest balance of land listed and unpatented to be on the 1st day of June, 1887, and that they aggregate 622,612.54 acres. The tabular statement is subjoined, and its careful analysis is respectfully urged upon your thoughtful attention:

END OF YEAR.	Fees paid . . .	Acres Listed .	Acres Patented .	Balance of Acres Listed, unpatented
1865	\$ 4,061 00	55,259.09	. . . . .	55,259.09
1866	9,780 08	133,153.66	87,596.03	45,557.63
1867	10,177 65	161,755.67	144,386.63	17,369.04
1869	13,354 31	278,532.56	144,386.63	134,145.93
1870	14,862 88	296,910.21	261,525.33	35,384.88
1874	15,443 24	304,196.38	271,165.85	33,030.53
1875	18,961 84	358,628.00	341,496.03	17,131.97
1876	42,668 34	721,658.17	528,854.12	192,804.05
1877	43,543 18	735,224.53	694,158.99	41,065.54
1879	44,286 18	745,664.45	708,862.17	36,802.28
1882	51,546 35	871,623.73	721,434.68	150,189.05
1883	52,485 34	887,728.12	780,879.40	106,848.72
1884	63,440 01	1,077,727.50	889,945.99	187,781.51
1885	69,830 79	1,192,262.87	921,586.97	270,675.90
1886	90,484 17	1,566,519.07	1,039,710.59	526,808.48
June, 1887	95,468 64	1,162,323.13	1,039,710.59	622,612.54

DUE DILIGENCE TO SECURE PATENTS.

Your attention is respectfully called to the very significant fact that at the end of the year 1869, the date at which the road was completed, the company had made list application for 278,532 acres, all of which was made prior to the completion of the road itself, and that the Government had responded by issuing patents for but 144,386 acres, leaving a balance of acres listed and unpatented of 134,145. Thus, at the date of the completion of the road, the company was a petitioner for 134,145 acres of land in excess of the response of the Government to its petitions by way of patent. Your attention is further called to the fact that at the end of the year 1876 the approximate date at which under the Act the company was to have completed the road—it had made application for 721,658 acres to which the Government had responded by issuing patents for but 528,854, leaving a balance of acres listed and unpatented of 192,804. Following the table down to the close of the year 1883, a most significant exhibit should not escape your attention. At the close of that year the company had applied from the date of the first listing in 1865 to the last listing completed in 1883, for 887,728 acres. From the acres so listed, the Government had patented to the company 780,879 acres, leaving a balance of acres listed and unpatented of 106,848 acres. From the close of the year 1883 to the 1st of June of the current year the company has made application for 774,595 acres, an amount nearly equal in the three years and six months under observation to the gross amount of lands applied for in the twelve years preceding that period. The policy of increased activity in the application for patents was inaugurated in the hope that a corresponding activity in the examination of lists would be manifested by the Government. This, unfortunately, has not been the case, as the table herein above clearly exhibits. The only effect has been to increase disproportionately the figures in the column headed "Balance of Acres Listed and Unpatented." Of the 887,728 acres in the aggregate listed at the close of the year 1883, but 106,808 acres remained unpatented; that is to say, about 13 per cent of the acres presented to the Land Department at

Washington in the lists of selections remained unpatented, while on the other hand, of the 1,662,323 in the aggregate listed on July 1, 1887, 622,612 acres remained unpatented, the unpatented land bearing the percentage relation to the whole number of acres selected of about 38 per cent. Thus the percentage of the balance of acres listed and unpatented has increased since the close of the year 1883 from 13 per cent to 38 per cent. The significance of this exhibit, as plainly tending to discourage the activity of the company in making lists of selections, will not escape the attention of any candid mind. The simple exhibit of facts themselves forces upon the company the conclusion that increased activity in the way of making lists of selections of lands for which patent is asked has not been met by a corresponding activity on the part of the Government in responding to the petitions of the company, but on the contrary, has served only to increase disproportionately the balance of acres listed and unpatented. Your attention is called to the fact that the aggregate fees paid on account of lands selected by the company amount to \$95,468. Of this sum 38 per cent, or a sum in excess of \$37,000, was paid upon the lands for which patent is still withheld. The balance in favor of the company at the close of the business of 1883, which had been paid upon the lands selected and unpatented, was but slightly in excess of \$6,000. Increased activity in meeting the requirements of the Granting Act, by paying the costs of surveying, selecting and conveying the land, has therefore resulted in the payment into the Treasury of the United States of a large sum of money, of the use of which the company is deprived, and which, by reason of the failure of the Government to respond with patents, lies useless in its treasury. These facts present only discouraging features well calculated to deter the company from the policy of increased activity in the way of making lists of selection of the land granted.

The exhibit also shows clearly that from the date of the inauguration of the relations between the Government and the company under this head there has been no time at which the company has not had on deposit with the Treasury of the United States a considerable sum of money on account of the payment of the costs of surveying, selecting and conveying

the lands; that at all times from the date of the first list of selections to June 1, 1887, the Government itself has been the party delinquent, and that lists of selections upon which the fees had been paid largely in excess of the response of the Government by way of patents have been at all times, and at all dates since the first list of selections was completed before the Land Department of the Government for examination.

THE GOVERNMENT FAILS TO SURVEY THE LAND.

Notwithstanding the requirement that the company shall pay the costs of surveys, the right to determine when such surveys may be made is vested by law in the Government of the United States. During the past two years the rates allowed by the Commissioner of the General Land Office for surveying have been so low as to almost wholly arrest the progress of surveys within the limits of the grant. As fully illustrating the disposition of the existing Administration in the premises, it may be here related that during the year 1886 the Surveyor-General for the State of Nevada advertised for bids for surveys relating to 345 townships of land, wholly within the limits of the grant, to your company in that State. These 345 townships, embracing about one-half the area of the lands granted to your company in the State of Nevada, are still unsurveyed. Specifications for these surveys, and the amount which would be allowed as fees for the surveys, were advertised, and the bids were to have been opened, according to the advertisement, on the 1st day of November in that year. Upon the date at which these bids were to be opened not one bid had been received. The proposals had been rejected in their entirety by the surveyors. A like result has attended the offers of the Government for the completion of the surveys of land in California, and on the 1st of July, 1886, the Surveyor-General of California returned to the Treasury of the United States the entire amount of the appropriation which had been made by Congress for the completion of the surveys of land in this State, notifying the Commissioner of the General Land Office at the same time that no responsible surveyor would enter into a contract for the completion of the surveys; that the rate of compensation offered by the honorable Commissioner of the

General Land Office was entirely too low. In the Territory of Utah the efforts of the Commissioner to secure the completion of the surveys have been attended with a larger share of success, but there still remains in that Territory within the limits of your grant a very large area of unsurveyed land, while of the lands surveyed in that Territory within the limits of the grant, more than half of the surveys have been completed since the year 1880. According to the statements furnished by the honorable Commission appointed to investigate the affairs of your road under this head, there was granted an aggregate of 8,000,000 of acres of land to your road. A very small proportion of this area was surveyed prior to 1860. Between the years 1870 and 1880 surveys were prosecuted very tardily. From 1880 to 1883 an increased activity in the surveys was observable, but even at the present date about one-half of the lands granted are still unsurveyed, but owing to the policy inaugurated and persisted in by the present honorable Commissioner of the General Land Office, surveying for the past two years has been almost wholly suspended.

DISCOURAGING AND UNREASONABLE REQUIREMENTS.

In addition to all the discouragements herein set forth, within the past three months, and in the exercise of his discretion, the honorable Commissioner of the General Land Office has departed from all the precedents established by his predecessors in office, and has attached to the requirements for disapproving the mineral character of land, onerous and, to my mind, unreasonable rules of practice. These new rules are made applicable to the lists of selections which have been before the department for more than two years. Among these rules may be mentioned that of requiring non-mineral affidavits as to land returned and denominated by the United States surveyors as agricultural. Heretofore such return by the surveyor was accepted as *prima facie* evidence of the agricultural character of the land. Under the existing regulations of the Land Department, which regulations have been announced only within the past three months, and made to relate to lists of selections which have been before the department for more

than two years, it is now required that an affidavit shall be made as relates to each forty acres of land embraced within such list of selections by an individual "who has frequently passed over" each subdivision of forty acres, and is therefore competent to testify that there are no mineral indications found upon the forty-acre tract subject of the affidavit; that the affidavit shall be made separately and specifically as relates to each particular forty acres, and that a single affidavit embracing a number of these small Governmental sub-divisions will not be competent; and that the individual who makes the affidavit shall be specifically authorized in each particular case to make such affidavit. This requirement is made to relate to large areas of grazing land in the State of Nevada and the Territory of Utah, notoriously free from all mineral indication. It is well known to you that large areas of lands fit only for grazing purposes, in the State of Nevada and the Territory of Utah, are located in very sparsely settled regions, and that it will be most difficult, if not wholly impossible, to find individuals who have frequently passed over each particular and separate forty-acre tract embraced within the limit of your grant, and who therefore possesses the necessary knowledge to qualify them to make the required affidavits in this behalf.

OBSTRUCTIVE MEASURES.

As to land interdicted as mineral by the field notes of the United States surveyors, new, onerous, and, to my mind, unreasonable requirements are made in the recently adopted rules of practice. Under the rules of practice obtaining in 1865 and up to the 1st of March, 1887, disproof as to the mineral character of land interdicted as mineral could be initiated upon lands unselected. This was obviously a reasonable rule. The lists of selections must first be submitted to the Registers and Receivers of the local land offices of the district wherein the lands are located. Upon lists so presented Registers and Receivers must first hear and determine upon all questions relating to the mineral character of the land before they can certify that it is agricultural in character, and therefore clear of the company, and subject to the terms of the grant. The practice

has uniformly been to initiate proceedings prior to selections to disprove the mineral character of the land, which proof has been submitted under the rules established by the Interior Department itself for Registers and Receivers, and under the direction of these officers with respect to advertising the hearings of such testimony in disproof. Upon the testimony so presented, Registers and Receivers have determined the mineral or agricultural character of the land in question. The agricultural character of the land being established, it became subject to selection by the company, and land so selected could be certified as clear to the company by the Registers and Receivers of the District Land Office to the Commissioner of the General Land Office. In pursuance of this rule of practice which was established by the Interior Department, and which had been maintained by all the Secretaries of the Interior until within the past few months, disproof as to the mineral character of the land was taken as relates to a large area of acreage. The proceeding is in the very nature of things costly, and after this cost had been borne by the company, etc., so much of the land as had been decided by the Registers and Receivers of the District Land Offices to be agricultural had been selected, the Commissioner of the General Land Office dismissed all the proceedings with reference to the non-mineral character of the land, not because of any allegation of irregularity of proceedings, under the rules of practice, which have obtained for the last twenty years, but upon the technical plea that the grant to the company does not of itself establish such right in the company with respect of lands selected as would entitle it to inaugurate proceedings in disproof, but that its rights to the land must first be inaugurated by a selection, and that disproof as to mineral must follow and not precede such selection. The order of the honorable Commissioner does not raise any question as to the adequacy of the proofs submitted. It simply declares that the proof, however adequate, was taken prior to the selection, and forces upon the company the expensive duty of reopening the proceedings in disproof, which are objected to not because of inadequacy, but solely on account of having been taken prior to selection.

By this ruling lists of selections long since completed were relegated to a condition of very indefinite delay as to the issue of patents. The extent to which the requirement relating to affidavits of non-mineral indication on each forty-acre tract of agricultural land within the limit of your grant will delay the future operations of the company in obtaining record title to its lands, will readily be perceived. It should be remembered that at the date of the passage of the Act, the Territory to be intersected by the line of road between the Missouri river and tide-water at the city of Sacramento was, with the exception of a small portion at the western terminus near the Missouri river, almost entirely uninhabited. The presumption was most natural that the construction of the road would be conducive to the settlement of this vast territory. At the date of the grant less than 5 per cent of the lands granted were surveyed. No applications for patents could be made with respect to lands unsurveyed, and while one-half of the costs of the survey within the limits of the grant were chargeable to the company, the other half of the costs would have to be borne by the Government itself. The grant to the entire line from the Missouri river to the Pacific ocean embraced approximately 20,000,000 acres of land, being at the date of the grant an unsurveyed and unappropriated portion of the national domain. The administrative task of surveying the lands was with the Government itself, a task which, after the lapse of a quarter of a century from the date of the granting Act, is now only partially accomplished. The hearing and determination of evidence arising out of questions as to whether lands applied for were granted or excepted out of the grant added materially to the embarrassment of procuring record evidence of title as rapidly as would meet the requirements of the company. As already noted, this embarrassment was further complicated by the exception of mineral land from the operation of the grant. There has never, therefore, been a time in the history of this transaction when the Government was able to meet the requirements of the company promptly by the issue of patents as rapidly as asked for.

GOVERNMENT UNABLE TO MEET THE DEMANDS OF THE
COMPANY.

The Government has never been at any time, and it is not now in a position to patent more than a small proportion of the land granted. The payment of the costs of surveying, selecting and conveying being a condition precedent to the issue of patents, would involve a large expenditure on the part of the company upon each list of selections made. In the aggregate a very large sum of the company's money is now tied up by these payments, and in view of the tardiness of the Governmental response to the demands of the company for patents, a delinquency which is clearly set forth in the accompanying documents, there is nothing to encourage, but rather everything to discourage activity under this head. During every period of the administration of the land department of the company it has been apparent that the augmentation of lists of selections retarded rather than promoted the issuing of patents, and the completion of these lists and their presentation to the General Land Office at Washington, involved a large expenditure of the company's money, which, while the company was deprived of its use, remained idle and useless in the Government Treasury.

The task of completing the surveys of the vast area of unsurveyed land, and the cost of making such surveys, which must be borne by the Government itself, were all difficulties which confronted the Government, and to which is referable the policy of vesting the company with the right to make demand for patent only as prompted by its own requirements, or the progress of settlement and consequent occupation and absorption of the lands granted. The provision of the granting Act herein referred to was clearly suggested to the Congressional mind in the interest of the Government itself, and exactly supplemented the rights, conveniences and interests of both the grantor and the grantee. In practice, however, it has conserved the interests of the Government more than those of the company. In all cases the delay in the issue of patents to the company has been a loss to the company's treasury. It has retarded the growth and development of the country

tributary to the line of transportation constructed, and it has subjected the settler upon lands granted to the railroad company to inconvenience and loss arising out of delay in receiving title to his land. It has delayed the payment of money to the company for the purchase of such lands, and, beyond all this, it has been the occasion of much loss by reason of the extension of the discovery of mineral within the granted limits. This latter feature deserves more than passing notice. Under the decisions of the Supreme Court lands patented to the company, and not known to be mineral at the time of the issuance of patents, pass the mineral with the title conveyed, while the discovery of valuable mineral deposits in the lands prior to the issue of patents excepts the land in which such mineral is discovered from the operation of the grant. Within a large section of the granted limits search for valuable mineral deposits has been arduous and constant. Mineral discoveries, therefore, have been constantly extending, and as they are extended, they operate to except out of the grant large quantities of valuable land which would have been patented by reason of the absence of mineral indications and mineral discoveries at the time application was made. Ascertainment of the quantity of land thus listed to the company would be a very tedious task. Approximations, however, have been made, and the result of such approximations justify the statement that at least 200,000 acres of land have been lost to the company in this way.

GOVERNMENTAL POLICY.

The policy of the Government with respect of the disposition of the even-numbered sections within the granted limits has been very injurious to the interests of your company. As soon as the granting Act was passed, the price fixed upon the even-numbered sections within the granted limits was raised to double minimum valuation, thus discouraging the operation of the preëmption laws within the granted limits. The effect of the land policy of the Government as compared with the land policy of the railroad company is clearly shown by the fact that in townships of land where patents could be obtained, and

where settlement has been made, settlement was begun and prosecuted upon railroad land alone. Recently prepared statistics concerning the disposition of the Government and railroad lands within the better settled portions of the grant show that more than twice the quantity of railroad land is being cultivated by actual settlers than of Government land within the same boundaries. Your company has addressed itself assiduously to the task of inducing settlement upon its lands, and by a liberal policy, embracing in its features low prices, long extensions of credit at low rates of interest, has largely accomplished its great mission of extending settlement and civilization along its line of road. On the contrary, the policy of the Government relating to the disposition of its lands, interspersed with the lands granted, has been rigid, and many of its requirements not adapted to the development of the country. The unwisdom of its policy is particularly noticeable in the grazing areas of the great uplifted plateau lying between the Rocky and Sierra Nevada ranges of mountains. The limitations of acquiring only 160 acres to each actual settler, applicable only to such agricultural land as by reason of fertility makes that quantity suited to the industry of a single occupant, is not applicable to grazing lands. The general result of this has already been stated. Settlement has been chiefly upon lands granted to the railroad.

A SUMMARY OF POINTS.

To summarize briefly the points herein presented, it has been clearly shown :

First—That by the terms of the granting Act itself, the cost of surveying, selecting and conveying the land was made a condition precedent to the issue of patents, and that such cost was to be paid only as a title was required by the grantee.

Second—That the company has used due diligence in the payment of the costs of surveying, selecting and conveying the lands, and that its diligence in this regard has resulted in a demand largely in excess of the response of the Government at every period in the history of this transaction.

Third—That all the apparent delay in the issue of record title to the lands granted to the Central Pacific Railroad Company is chargeable to the tardiness of the Government and not to the company.

Fourth—That the Government has at no time been in a position to grant patents conveying the title to large granted areas by reason of the absence of surveys and the unavoidable delays in determining questions of law and fact as to whether lands applied for were granted or excepted out of the grant.

Fifth—That the company has been subjected to great pecuniary loss growing out of the payment of costs of surveys and other attendant fees upon large lists of lands for which no patents have been granted, and the loss of the use of moneys which would have been paid by the purchasers of lands had the response of the Government been commensurate with the legitimate demands of the company.

Sixth—That arbitrary and obstructive rules of practice have recently been devised nullifying the efforts of the company to facilitate the completion of lists of selections and unnecessarily complicating the perfecting of such lists, whereby even greater tardiness in the response of the Government to the demands of the company than has heretofore been exhibited may be expected.

Seventh—That the delinquency of the Government and its tardiness in responding to the requirements of the company have at all times acted as discouragements to applications for patents; and

Generally. The exhibits presented prove conclusively that the grantee has been a party observant of all the duties made incumbent upon it by the terms of the grant itself, and that there has been no delinquency in contravention of the true intent and meaning of the granting Act, except such as is chargeable to the grantor.

THE GENERAL LAND OFFICE HOPELESSLY IN ARREARS WITH WORK.

This statement would be incomplete without some consideration being given to the subject as to whether the Land Depart-

ment of the Government is in position to examine the claims presented, and pass upon them with greater promptness than it has manifested in the past. The railroad division of the General Land Office is charged with the adjustment of the grants for railroads, wagon roads and canals, and with the adjudication of claims of settlers and others within the limits of the grant. Under date of October 11, 1882, Hon. N. S. McFarland, Commissioner of the General Land Office, reported to Hon. Henry M. Teller, Secretary of the Interior, for the fiscal year ending June 30, 1882, that the work of the railroad division of his department was several years in arrears. As illustrating the difficulties with which that division is beset, it may be noted in the same report that Mr. McFarland declares that during the year 1882, 5,564 cases were presented for adjustment in the way of claims of settlers and others within the limits of the grants to railroads, and of this large number but 617 cases had received attention. 3,947, therefore, constituted the accumulation of the year. In the same report Commissioner McFarland submits a supplemental estimate in which he asks for 100 additional clerks, and sufficient additional room for their accomodation.

Each successive Administration has called attention to the delinquency of the various divisions of the Land Department. The present honorable Commissioner, W. A. J. Sparks, repeats the suggestions of his predecessor, Commissioner McFarland, and urges upon the attention of the Secretary of the Interior the importance of authorizing additional clerical force in the department. The volume of business in the railroad division, and the relative capacity of the division to pass upon the lists of selections presented, and the inadequacy of the force at hand of the Commissioner of the General Land Office, are most clearly illustrated in the following exhibit :

In 1882 lists of selections presented to the railroad division for patent by the land grant railroads to the United States aggregated 1,958,392 acres. In 1883 the amount had risen to 3,070,453 acres. In 1884 the lists of selections had accumulated and aggregated in that year 11,861,608 acres. In 1885 the accumulation of business represented 14,273,057 acres. In

1886 the acres before the department awaiting its action were 16,571,299. Thus, in five years the number of acres before the department awaiting its action had risen from 2,000,000 to over 16,000,000. The foregoing statements are derived from the official reports over the signatures of the Commissioners themselves.

As more fully illustrating the extent of this incapacity of the department to examine and certify for patents lands before it for examination, the significance of the following statement will be apparent :

The railroad division of the General Land Office in 1881 examined 949,446 acres and certified that quantity for patents. In 1882 it examined and certified for patents 176,406 acres; in 1883, 477,740 acres; in 1884, 647,162 acres; in 1885, 1,153,950; in 1886, 100,823 acres. The business transacted from June 30, 1885, to June 30, 1886, was the only full year under the administration of Commissioner Sparks; with 16,570,299 acres before the railroad division under his administration awaiting examination and determination by the division, it was able to examine and certify for patents but 100,000 acres. For the six years reported, to wit, from June 30, 1881, to June 30, 1886, there were examined and certified for patents, 3,505,527 acres, being an average of 584,254 acres per annum, or in round numbers a half million acres per annum. If, therefore, no further lists of selections are presented to the department, and the average amount of business can be transacted in the railroad division in the future as in the past, as shown by the above exhibit, it will require thirty-two years to complete the examination of the land already selected by lists of selections now before the Department for examination.

ONE HUNDRED AND SIXTY YEARS.

If, however, the volume of business transacted by the Railroad Division in the year 1886, the only full year under the existing administration is to be taken as a criterion of the capacity of that department for the examination of the selections before it, 160 years will be required to examine the selections now made and submitted. The capacity of the

department under the existing administration having been tested by a full year of administrative effort, and found to be equal to the task of examining and certifying 100,000 acres per annum, the lists of selections now before the department from the Central Pacific Railroad alone will require six years in their examination should the department devote itself entirely to the business submitted by your company to the exclusion of all other lists. There is, of course, not the slightest reason to hope that the business of your company will receive this exclusive attention, and receipt of patents for lands now applied for is, therefore, relegated to the indefinite future. In the mean time settlers and occupants who have in good faith taken possession of the lands granted to your company and established homes thereon are clamorous for title. This delay with titles serves to obstruct and hinder the settlement and occupancy of the company's lands, and the result consequent is a loss on the transportation side of the account. The granting of patents upon the selections now before the department would place your company in a position to make lists of selections covering one million of acres within the next year and the sale of lands along the line of your road would augment the business of the line in the most signal manner.

THE USELESSNESS OF FURTHER SELECTIONS.

In view of the condition of things as reported by the Commissioner of the General Land Office, and of the further view of the manner in which lists of selections have been treated by the Government, the uselessness of making further lists of selections, and of devoting further sums of money to that purpose until the lists now before the Interior Department are disposed of, is altogether apparent. It is not the province of this report to you, nor within the purview of answers to the questions propounded, to suggest remedies for this state of things. It is, however, plain to the most casual glance that the Land Department of the Government is most hopelessly in arrears with its business, and to such an extent as to make it entirely beyond its power to extricate itself from existing complications. The department charged with the adjustment of these land

grants and the ultimate final adjudication is vastly inadequate. The remedy is self-suggestive. Subsidiary departments in each State and Territory wherein these land grants are located should be vested with the power of hearing and of final determination of these cases. Their position on the ground would connect their knowledge more immediately with the nature of the question in controversy, and enable them to reach final determination with greater facility, and also to reach an adjudication of the various cases more nearly in accordance with the equities involved. With 16,500,000 acres before the department at Washington for examination, and the tested capacity to hear and determine as to but 100,000 acres per annum, it may be said with reason that the progress of the adjudication is practically arrested. If it is ever to be proceeded with in a manner consistent with the rights and interests of both the grantor and grantee, it is now plainly apparent that at least one hundred times the force at the command of the Commissioner of the General Land Office will be necessary to meet the requirements under this head. It is unreasonable, if not wholly absurd, to suppose, in view of the existing state of things, that a single department of the Government, controlled and directed by a single head, can hear and determine within a reasonable time the vast number of cases submitted for its attention. In his report to the Secretary of the Interior, Commissioner Sparks declares that the number of contested cases awaiting final action at the close of the fiscal year was 6,331. Of these 1,227 had received some attention, but not final action, and 5,104 had received no attention and no action whatever. Of the *ex parte* cases before the department there remained for final action at the close of business 4,540, and of these 923 had received some attention, leaving 3,617 *ex parte* cases which had not been reached for examination.

CASES BEFORE THE DEPARTMENT.

At the close of the year, therefore, there were 8,721 cases before the department which had received no attention whatever. At the close of the business of the Administration preceding the present one, viz., June 30, 1882, the aggregate of cases which had not been reached for examination was 3,947.

In a period of four years, therefore, there has been an increase of 4,477 cases which had not been reached for examination, proving clearly that the arrears of the department under this head are constantly augmenting instead of diminishing. With the lapse of each fiscal year the reports of the Commissioner show that under every head the department is becoming more hopelessly and inextricably in arrears with its business.

In view of these facts the land department of the company is confronted with hopeless and discouraging circumstances that call loudly for remedial legislation at the hands of the national Congress.

RECENT AMENDMENTS TO THE LAW.

Frequent reference has been made in this report to Section 21 of the Act of 1864, which declared that before any land granted by the Act should be conveyed, there should first be paid into the Treasury of the United States the cost of surveying, selecting, etc., as the title should be required by the company. In the foregoing, it has been clearly set forth that, notwithstanding the right was vested in the company to pay the cost of surveys, and to make lists of selections, as the title should be required by it, yet the company has at all times importuned the Government for the issue of patents. Your attention is now called to the fact, that by an Act approved July 10, 1886, entitled "An Act to provide for taxation of railroad land grants and for other purposes," Section 21 of the Act of 1864 was amended. The amendment is found in Section 4 of the Act of July 10, 1886, and reads as follows :

"Section 4. That Section 21, Chapter 216, approved July 2, 1864, is hereby amended so that the cost of surveying, selecting and conveying therein required to be paid, shall become due and payable on demand therefor made by the Secretary of the Interior, as provided in Section 2 of this Act."

Notwithstanding the Act last above quoted was approved July 10, 1886, no demand has been made on the company by the Secretary of the Interior, and until such demand is made the company cannot be delinquent or in default with respect of the payment of costs of surveying, selecting and conveying, or the making of lists of selections.

CONCLUSION—THE LAND-GRANT MORTGAGE.

In conclusion, permit me to call your attention to the strictures that have been made upon the mortgage, or trust deed, executed by the company on the 1st day of October, 1870, upon the lands granted in aid of the construction of the line. It has been contended that the mortgage was placed upon the land in evasion of a provision found in Section 3 of the Act of 1862. That provision reads as follows:

“And all such lands so granted by this section, which shall not be sold or disposed of by the said company within three years after the entire road shall have been completed, shall be subject to settlement and pre-emption like other lands at a price not exceeding \$1 25 per acre, to be paid to said company.”

The trust deed, however, was decided by the Supreme Court of the United States to be a disposition of the land within the meaning of the grant.

But even if the trust deed above alluded to had not been executed the proceeds of the land grant would have passed to the company under the operation of this clause of Section 3, which, in effect, would have established in the company a perpetual right to receive the proceeds of the sale of the land. The lands would thus have reverted to the public domain, and the proceeds of their sale would have been payable to the company. As Government land they would necessarily have been exempt from taxation by States, counties and municipalities, but the proceeds of their sale would have been the property of the company. The execution of the trust deed, therefore, operated to create taxable property. Criticisms which have been made upon the execution of the trust deed have generally proceeded upon the theory that if such trust deed had not been executed, the lands would have reverted to the Government absolutely, and the rights of the company therein would have ceased and determined. The erroneous nature of this view is clearly shown by the words of the granting Act.

WM. H. MILLS.

STATE OF CALIFORNIA,
 City and County of San Francisco. } ss.

WM. H. MILLS, being first duly sworn, saith : That he has read the foregoing statement consisting of pages next preceding marked "Exhibit No. 6," and knows the contents thereof that the facts therein stated are true except as to those matters stated on his information or belief, and as to those he believes it to be true.

WM. H. MILLS.

Subscribed and sworn to before me this 26th day of July,
 A. D. 1887.

E. B. RYAN,

[SEAL OF NOTARY.] Notary Public in and for the City
 and County of San Francisco,
 State of California.

EXHIBIT No. 7.

Statement of J. C. STUBBS, General Traffic Manager, relative to differentials, pools, etc.

(See Ans. to Ques. No. 10 and Ques. No. 39.)

The rates of charge for freights and fares are just and reasonable. When considered in respect of circumstances and conditions affecting profit and loss, they afford the cheapest transportation service in the country. Among the circumstances and conditions affecting profit and loss are the physical characteristics of the road, such as the gradients and curvatures, which very largely determine the cost of building and also the cost of operating the road, and the volume of business which determines the earning power of the road. These and other, if not equally important, certainly very important circumstances and conditions, together with the rates of charge on the Central Pacific line when compared with similar circumstances and conditions of rates of charge on other railroad lines in the country, will inevitably lead to the conclusion that there is no cheaper transportation service in the United States.

Rates are just and reasonable.

The fare between San Jose and Sacramento (128 miles) where there is practically no competition is at the rate of 2.6 cents per mile, and between intermediate stations for short distances at the rate of 4 cents per mile.

Rates charged.

The freight charges for this line range from $1\frac{1}{2}$ cents on the lowest class, to $3\frac{3}{4}$ cents per ton per mile on the highest class.

This line crosses the Contra Costa range of mountains, rising from 88 to 740 feet above the sea level in 25 miles and has for 38 miles an average grade of 52.8 feet to the mile.

During the year 1885, the total number of passengers taken up and laid down, either or both, on this line, was at the rate of 2,410 per mile.

The freight taken up and laid down, either or both, on this line during the year 1885, was at the rate of 3,197 tons per mile.

Physical
location of
road and
traffic done.

The rate of charge for fares, between Sacramento and California State line (140 miles) is $5\frac{1}{2}$ cents per mile. The rates of charge for freights range from $1\frac{1}{8}$ cents on lumber, to 14 cents per ton per mile on the highest class.

The number of passengers taken up and laid down, either or both, on this line during the year 1885 was at the rate of 534 per mile. The number of tons of freight taken up and laid down, either or both, on this line during the year 1885 was at the rate of 1,070 per mile. On this section, the road crosses the Sierra Nevada Mountains, rising from 30 feet to over 7,000 feet above the sea level. In a distance of 87 miles (between Roseville and Summit) the rise is over 6,800 feet, the average grade being over 80 feet to the mile, the maximum being 116 feet. Over 55 per cent of the distance is curved line and about 40 miles of it is protected by snow sheds.

Between California—Nevada State line and Ogden (603 miles) the rate of fare locally for single trips is $7\frac{1}{2}$ cents per mile and for round trips $5\frac{1}{2}$ cents per mile. The freight charges range from less than 7-10 cents per ton per mile on lumber to 15 cents per ton per mile on the highest class of merchandise.

For about 499 miles this line is through the comparatively desert and sparsely populated State of Nevada, which contains 112,090 square miles of territory, and had about 62,000 inhabitants in 1880, which declined to 58,000 in 1885, being about one inhabitant to each two square miles. This area is nearly equal to that of New York and the New England States, (115,307 square miles) which in 1885 contained a population of 9,744,385, or an average of 169 inhabitants to each two square miles—a population 169 times greater than that of the State of Nevada.

The road through eastern Nevada is heavy, having frequent grades, ranging from 52 to 79 feet to the mile.

In 1885, the number of passengers taken up and laid down, either or both, within the State of Nevada, was at the rate of 77 to the mile; and the number of tons of freight was 237 to

the mile; from which it will be seen that the local travel on that line would not suffice to pay ordinary train expenses of one train per day. Except on extraordinary occasions, one train per day each way amply accommodates all the passenger travel, both through and local.

The fare between San Francisco and Sacramento (140 miles, 110 miles of which belongs to the bond-aided line) is \$3. Compare this with the rate between New York and Philadelphia (90 miles) which is \$2.50; or with the rates between Chicago and Union Grove, on the Chicago and Northwestern Railway, a distance of 128 miles, which is \$3.83; or at the rate of three cents a mile; or the fare between Chicago and Kewanee, on the Chicago, Burlington and Quincy Railroad, 131 miles, which is \$3.93, or at the rate of three cents per mile; or with the fare between Chicago and Wyandot, on the Chicago, Rock Island and Pacific Railway, 129 miles, which is \$3.74, or at the rate of 2.9 cents a mile; or with the fare between Chicago and Mt. Carroll on the Chicago, Milwaukee and St. Paul Railway, 128 miles, which is \$3.83, or at the rate of three cents a mile; or with the fare between Chicago and Columbia, on the Pittsburg, Fort Wayne and Chicago Railway, 120 miles; or between Chicago and Sturges, on the Lake Shore and Michigan Southern Road, 132 miles; or between Chicago and Mat-towa, on the Michigan Central Road, 129 miles, which was \$3.90, \$3.90 and \$3.65 respectively, or at the rate of three cents per mile.

As I have said, volume of traffic is one of the most important factors in the earning power of a road, and necessarily is a determining factor in the rate of charge. I have no means of determining the volume of traffic of the eastern roads named above in comparison with the Central Pacific line, but from various statistical authority—principally the United States census report of 1880, cyclopedias and standard geographies, I have collated the following information which bears directly on the question :

The line of the Chicago, Milwaukee and St. Paul Railway, above referred to, runs through the counties of Cook, Du Page, Kane, De Kalb, Ogle and Carroll, in Illinois.

Comparison
Passenger
rates with
those of
other roads.

Comparison
Producing
elements
on line of
various roads.

The Chicago and Northwestern Road runs through the counties of Cook, Du Page, Kane, De Kalb, Lee and Whiteside.

The Chicago, Burlington and Quincy Road runs through the counties of Cook, Du Page, Kendall, La Salle and Bureau.

The Chicago, Rock Island and Pacific Railway runs through the counties of Cook, Will, Grundy, La Salle and Bureau.

Of the counties through which the first-named (Chicago, Milwaukee and St. Paul Railway) runs—

The population is 210 per square mile;

88.49 per cent of the total area is improved land;

The value of the products in 1879 was \$4,661.44 per square mile;

The value of manufactures in 1880 was \$74,436.70 per square mile.

The counties through which the Chicago and Northern Railway runs—

The population is 188 per square mile;

84.36 per cent of land is improved;

The value of products in 1879 was \$4,220.65 per square mile;

The value of manufactures in 1880 was \$66,779.37 per square mile.

Of the counties through which the Chicago, Burlington and Quincy runs—

The population is 210 per square mile;

87.82 per cent of the land is improved;

The value of products in 1879 was \$4,479.78 per square mile;

The value of manufactures in 1880 was \$73,928.49 per square mile.

Of the counties through which the Chicago, Rock Island and Pacific runs—

The population is 188 per square mile;

88.19 per cent of the land is improved;

The value of products in 1879 was \$4,309.54 per square mile;

The value of manufactures in 1880 was \$66,053.96 per square mile.

The line between San José and Sacramento, California, runs through the counties of Alameda, San Joaquin, Santa Clara and Sacramento.

The population, per square mile, is 34;
 Percentage of improved lands, 50.19 per cent;
 Value of products in 1879, \$2,473.33;
 Value of manufactures in 1880, \$3,376.35 per square mile.

The Central Pacific line, between Sacramento and State line, runs through the counties of Nevada, Placer and Sacramento.

The population to the square mile is 20;
 The percentage of improved lands, 26.25 per cent;
 Value of products, 993.13; manufactures, \$1,517.30.

The line of the Central Pacific Road through Nevada runs through the counties of Washoe, Storey, Churchill, Humboldt, Lander, Eureka and Elko, having—

A population of $\frac{98}{100}$ per square mile;
 $\frac{74}{100}$ of one per cent of the land is improved;
 The value of products in 1879 was \$32.56;
 And the value of manufactures in 1880 was \$32.43.

The fare from San José to Reno (281½ miles), or from San Francisco to Reno (294 miles), is \$12.05. The fare between New York and Washington (236 miles), is \$6.50. The latter line is practically level, running between the metropolis and the capital of the United States, through Philadelphia and Baltimore, the tracks crowded with trains, and the trains crowded with passengers.

The through rates of fare for business between California and points in the Eastern States are regulated by competition.

For unlimited first class travel the rate is 3 cents per mile; for limited first class 2½ cents per mile, and for third class or emigrant 1¾ cents per mile.

The rate for first class travel over the great lines between Chicago and Council Bluffs is 2½ cents per mile; between Chicago and Pittsburg, 2¾ cents per mile; between Chicago and Buffalo, 2.59 cents per mile; between Chicago and New York, 2 cents per mile.

Through
 Rates
 regulated by
 competition.

The rates between San José and Ogden over the whole line range from one and a half cents on the lowest class of freight (merchandise) to five and nine-tenths cents per ton per mile on first class ; while we have taken coke from Oakland to Ogden at one-half cent per ton per mile.

The legal maximum rates for California and Nevada are ten cents per mile for passengers and fifteen cents per ton per mile for freight. Probably less than one per cent of the entire traffic has been carried at the maximum rate.

The through rates for freight between California and the Eastern states are governed by competition and at present vary from day to day.

Our freight and passenger charges in the State of California have been approved and published by the California State Board of Railroad Commissioners. In the State of Nevada, they are published and posted according to law. For inter-state traffic they have been duly published and posted in accordance with the requirements of the inter-state commerce act. They are by these means given a wider publicity and are so reasonable that it is seldom that complaints are made. As an evidence of this, I beg leave to call attention to the fact that in 1876 the Legislature of California enacted a law under which a Board of Railroad Commissioners was appointed by the Governor. This Commission was popularly regarded as representing the anti-railroad sentiment of the State. In their first report to the Legislature, dated December 1, 1877, the Commissioners say :

“ In October, 1876, we issued a circular, which was addressed to many hundred citizens in various parts of the State, whom we deemed likely to be able to furnish us with information or suggestions of value in connection with the subject of railroad transportation. A copy of it is as follows :

“ ‘ SACRAMENTO, October, 1876.

“ ‘ Among the principal objects proposed by the Legislature in creating the Board of Transportation Commissioners, is the compilation of facts and statistics connected with the building and operation of railroads in this State, and also the investigation of their management, especially as it affects the interest of their patrons.

Rates in California approved by State Board Railroad Commissioners.

Board of Railroad Commissioners approve the management.

“ It is believed that an impartial investigation of this subject will result in substantial advantage to all concerned, and to this end this board desires to receive information and suggestions and statements from all who are interested.

“ As your position has probably led you to give more than usual attention to the subject there may be matters, to which, in your opinion, the attention of the board should be called ; in which event it is requested that you will communicate them to this board in writing.

By order of the Board.

(Signed) WALTER M. PHILLIPS,
Secretary.’ ”

“ This was transmitted to Supervisors, County officers, members and ex-members of the Legislature, Judges, prominent merchants, store-keepers, editors, hotel-keepers, patrons of husbandry, etc., and it led to some valuable communications although not to contributions of public opinion or information on the subject as full or as extensive as we might have reasonably looked for.

“ We have deemed it our duty to visit and inspect, so far as such inspection can be made in transitu, every part of every railroad in the state, in order to acquaint ourselves so far as possible with the circumstances, local connections, situation and conditions of the various roads.

“ Without entering into unnecessary detail on this subject we observed that generally the railroads of the State are in good order and their management wise and economical, and conducted with a view to the public convenience.”

The communication addressed (as above stated by the Railroad Commissioners) to citizens of all classes and occupations whose position was presumed to have led them to give more than usual attention to the subject, was a bid for complaints, and resulted in a report, by a certainly not friendly Commission, that, as quoted above, generally the railroads of California were in good order, their management wise and economical, and conducted with a view to the public convenience.

Since the date of said report, the State of California has had several different boards of Railroad Commissioners to which complaints regarding the charges of this company have been rare. In nearly every case they have proved to have been without foundation or based on a misrepresentation of facts, and no case has failed of a satisfactory adjustment.

Central
Pacific
interest
in pools.

With respect to Pools: The traffic over the line between San José and Ogden, or any part of it, is not, and has not been since April 5, 1887, subject to any pooling contract. Previous to April 5th it was concerned with the Union Pacific and Denver and Rio Grande Companies in a pool of Utah traffic, the object of which was to secure uniform, reasonable and stable rates of charge for freight to and from the Territory of Utah. Conditions so necessary to successful trade as to be of equal value to both the public and the carrier. The balances received and paid under that pool were very small.

For several years previous to February, 1886, this line was also concerned with others in a pooling contract which covered through freights between points east of 97th meridian in the United States and the Pacific Coast. The association of roads concerned in this pool was termed the Transcontinental Association. The object of this association was to make and maintain reasonable rates of transportation, afford mutual protection to the interest of the associated roads, and to fairly distribute the revenue from traffic which was naturally the subject of competition between them. The pool was very beneficial to the Central Pacific line. It was discontinued December 31, 1885, with the expectation of renewing it, but the parties could not agree upon the terms, so that on or about February 18, 1886, the Transcontinental Association was dissolved.

The result was a "war in rates" that was very destructive to revenue. Had the transcontinental pool been maintained during 1886 and the same amount of tonnage carried at the rate per ton per mile earned by the associated roads in 1885 the earnings of the Central Pacific line from freight subject to that pool during 1886 would have been increased by over a million dollars. It is only fair to say, however in this connection that doubtless the very low rates that obtained in 1886 diverted traffic from the water lines which would not have been carried by rail at the rates in force in 1885, and it also doubtless moved other tonnage which would not have moved at the rates of 1885. Nevertheless a continuation of the transcontinental pool on both freight and passengers would have benefited the Central Pacific line in a very large sum.

For many years the Central Pacific line, in connection with the Union Pacific Railway, was concerned in a contract with the Pacific Mail Steamship Company, whereunder a certain amount of space in the vessels of said steamship company was purchased by the railroad companies for a given sum, which varied from time to time as the contract was amended. Under the last contract the amount of space was 1,200 tons each way per month, and the sum paid was at the rate of \$95,000 per month. This space was filled by such freight as could be obtained for California at rates made and controlled by the railroad companies. The arrangement was of the nature of a joint purse arrangement, simply for the purpose of regulating the competition between the steamship company and the railroad lines. It was beneficial to both by securing stability, and uniformity in rates, and was of great value to the public as well as to the carriers. Upon the organization of the Transcontinental Association the roads joined in that organization assumed the obligations of the said contract with the Pacific Mail Steamship Company. In March, 1886, this contract was terminated by reason of the disorganization of the Transcontinental Association, since which time there has been unrestrained competition between the steamship company and the railroads, greatly to the detriment of both.

The beneficial effects of pooling contracts to the Central Pacific interest is demonstrable by our experience and records.

No contracts to pool the earnings from traffic to which your companies have been parties since my connection with them have permitted the charging of unreasonable rates. On the other hand, they effected the minimum of discrimination, secured stability and uniformity in rates, and were of mutual benefit to the public and the carrier.

I take it that a reasonable rate is one which will, without diminution of the profits to the carrier, permit and encourage the largest increase and development of traffic; that it would be unreasonable on the part of any carrier to impose a charge for its service which would obstruct or diminish remunerative traffic; that it would be equally unreasonable to require a carrier to increase its traffic at the expense or diminution of profits. In other words, the law of supply and demand governs the

Pacific Mail
agreements

Pools are
productive
of reasonable
rates and
beneficial.

carrying trade as it rules all other commerce, and a reasonable rate is what a writer on "The Natural Laws of Business" terms a "normal" rate, which he defines as "that point above which demand falls off so rapidly that profits diminish, and below which even a great increase of business would lessen them." The problem of railroad management is to make the nearest approximation to this "normal" rate. In my judgment this has been the constant aim and effort of the officers of your companies. Rates have constantly tended downwards, and that tendency will inevitably continue.

The pooling contracts referred to have not prevented nor interrupted the downward tendency of rates. They have simply regulated it by preventing a reckless competition which would have destroyed all profits. These pooling contracts have not destroyed competition. When they were in force each carrier party thereto continued in the field its soliciting and advertising agencies as active and earnest in the pursuit of business as though it had no guaranty of revenue from the pool. Each party had its own clientage, and was as jealous of the interests of that clientage as the shippers themselves could be. All tariffs required unanimous consent, and all rates and rules were uniform. The fact that these pools did not hinder the operation of the law of supply and demand on the traffic; did not destroy the competition between the carriers, and did not diminish the traffic, is sufficient proof that they did not permit the charging of unreasonable rates.

Again : It is seldom, if ever, that two or more carriers competing for the same traffic are equal in respect to physical characteristics of the line, terminal facilities, connections or those features which determine preferences upon the part of the traveling or shipping public upon all the traffic pooled and therefore their respective taking power differs. Those carriers having few advantages to offer in these respects cannot compete with others possessing numerous advantages upon equal terms; hence their rates must be lower. The better lines will not suffer the loss of business by permitting lower rates to be made by others except there is a mutual agreement fixing the relations of the rates by the various routes. The result is the sea-saw process, the working of one

line against the other by the shipper, which causes not only constantly varying rates by the different lines but also different rates to different individuals. The pooling contract produces uniformity in the rates by all lines or fixes the degree of difference in the rates by the several lines and by so doing effectually prevents the discrimination between individuals which invariably results from independent action. This uniformity and unanimity of action in making tariffs prevents frequent changes and requires changes when made to be duly considered and simultaneously published and applied by all the carriers. It also requires a reasonable notice to the public, as each carrier, jealous of the interests of its own patrons insists upon time and opportunity to acquaint its patrons with said changes, thus securing a stability in rates which shippers as a rule regard as of the greatest value.

In relation to the "Discriminations" and "Differentials:"

"Differential" rates as commonly used by practical railroad men, are not and have not been in use on your line.

The General Passenger Agent and General Freight Agent, who are charged with the details of the passenger and freight business, respectively, report that there are no unjust discriminations in the fares and freight charges of this company. I presume it is understood that in the transportation business discriminations are as necessary as in all other business; that is to say, different rates of charge are made for different classes of passengers, and for different classes and different quantities of freight. The rates of charge on the valley portions of the road are lower than on the mountain portions. The charges upon lines through comparatively thickly settled districts are lower than those made through sparsely settled and desert territory. Such discriminations, I believe, are recognized as necessary, legitimate and judicious. Where competition is encountered, rates necessary to meet that competition are made. Where this competition is with water carriers, the charge is often lower for a longer than for a shorter and intermediate service, but in no case is a lower charge made for a longer than for a shorter haul included in the longer except where competition compels it. There are not and have not been any dis-

Discriminations and differential rates.

criminations in fares or freight charges having for their object or effect the prosperity of one locality or community against another locality or community, or the promotion of the interests of one person or any number of persons against the interests of any other person or persons.

In this connection I beg leave to quote further from the report dated December 1, 1877, of the Railroad Commissioners to the Legislature of California, namely :

“ Some few complaints of inequality or unfairness of charges and of lack of proper attention to the public convenience in the classification of goods and the charges for freight have reached us. These have, in all cases, been first referred to the companies concerned for remedy or explanation, and, in every instance, so far, the complaints have been responded to as promptly as if we possessed legal authority to command their answer or enforce redress. Some of the complaints made to us proved to be without foundation or made on a misapprehension of facts. In others, reasons for the course pursued have been adduced, not before known to the parties complaining.”

DISCRIMINATION BETWEEN INDIVIDUALS.

“ No instance of the occurrence of this abuse has been brought to our notice. There are rumors of its existence, and it is even said that the sufferers by it fear to complain lest they be punished by further and ruinous discrimination. Whilst it is possible that there may be some foundation for these suggestions, it is also probable that the instances, if they exist are of rare occurrence, and in most, if not in all cases, explainable by circumstances unknown to or sufficiently considered by the parties who have felt aggrieved.”

Upon the subject of inflexible railroad rates, the Railroad Commissioner of Michigan says : (Report, 1883.)

It is certain that no rates can be made of universal application to all roads alike without working the grossest hardship and injustice. The consideration of cost of doing the business

enters largely into the question of rates, while the condition of the road bed, gradients and character of line generally have so much influence in determining that cost on each individual road, that it is not at all certain that the interests of the public and the corporations will not best be promoted by leaving the great principle of supply and demand to regulate the price of railroad transportation the same as it does that of the commodities carried. If left to regulate itself as does the question of rates on the high seas, only restricted by such reasonable limitations to maximum charges as are incident to the fact that a railroad is a public use and the company that operates it in its corporate capacity derives its franchises upon such conditions as the Legislature may impose, I have no doubt that railroad tariffs would soon become as uniform and rates as low throughout the country as the cost of building and operating, coupled with the amount of tonnage to be carried would justify, commensurate with a fair return upon the capital invested in the road.

So far as the productive industries in this State are concerned, it can in truth be said that as between production and transportation there is little if any friction and that but for the fact of the question being a potent factor in politics we should hear no complaint from the consumers, who after all pay all freight charges on what is consumed.

STATE OF CALIFORNIA,
City and County of San Francisco. } ss.

J. C. STUBBS, being first duly sworn, saith : That he has read the foregoing statement consisting of the pages next preceding, marked "Exhibit No. 7," and knows the contents thereof; that the facts therein stated are true except as to those matters stated on his information or belief, and as to those he believes it to be true.

J. C. STUBBS.

Subscribed and sworn to before me this 26th day of July,
A. D. 1887.

E. B. RYAN,

[SEAL OF NOTARY.]

Notary Public in and for said
City and County.

EXHIBIT No. 8.

Statement of L. M. CLEMENT, Civil Engineer, relative to cost of construction.

SAN FRANCISCO, July 21, 1887.

(See Ans. to
Ques. No. 51.)

HON. LELAND STANFORD,

President Central Pacific Railroad Co.

DEAR SIR: At the beginning of the construction, the company knowing the political and commercial necessities demanding the rapid completion of the railroad, determined that nothing which was in their power to prevent, should for a single day arrest its progress.

With this determination in view all energies were bent, fully realizing the physical obstacles and financial difficulties to be overcome.

The financial difficulties were not lessened by the opinions circulated to the effect that the obstacles were insurmountable, that the railroads then constructed in Europe were as bagatelles compared with the difficulties to be met in constructing the Central Pacific Railroad, and failure was clearly written on the rocky sides of the cañons and the bold granite walls of the Sierra Nevada Mountains.

Not only was it impossible to construct a railroad across the Sierras via Donner Pass, but owing to the great depth of snow, some years reaching an aggregate fall of nearly fifty feet would be impracticable to operate, and if built must be closed to traffic in the winter months, which would have been the case had not the road been protected at great cost by snow sheds.

Against these utterances from men of railroad experience the company had to battle in financial circles, forcing them to show that they were not attempting an impossibility, though always realizing the great difficulties.

As soon as the company went into the American market for rail, for they were shut out from the other markets of the world by their charter, the prices raised 80%, from \$41¾ to \$76¾ per ton, nearly three (3) times the price of steel rails two years ago.

It must not be forgotten in discussing these questions that the Central Pacific Railroad was begun a quarter of a century ago and has been completed over eighteen (48) years. We should consider the state of affairs, circumstances and conditions then existing. The average price of American iron rail during the building of the road, no steel rail was then made and think none till the last year of its construction, was \$91.70 per ton at the rolling mills.

This rail had to be transported to San Francisco via Cape Horn or the Isthmus of Panama, and lightered for transportation to Sacramento, California, the initial point of the Central Pacific Railroad.

Shipments via the Isthmus, as late as the year 1868, cost, for transportation alone on rail, \$51.97 per ton, the rail costing, delivered at Sacramento, \$143.67, not including charges for transfer from ships at San Francisco to the lighter, nor for transportation up the Sacramento river. Delays and losses of ships and their cargo of railroad material via Cape Horn and unforeseen emergencies made it necessary to frequently use the Isthmus route that there should be no detention in the progress of the railroad eastward.

During construction, by reason of high war risks, transportation rates advanced 275 per cent. per ton.

Via the Isthmus, for freight alone, there was paid as high as \$8,100 for one locomotive.

On a shipment by the latter route of eighteen locomotives the transportation charges were \$84,466.80, or \$4,692.50 each.

For two engines, twenty-two years ago, there was paid \$70,752 in the currency of the United States. This was an extreme case, but the power was absolutely necessary to supply materials needed for construction; without these engines there would be delay.

The first ten engines purchased by the C. P. R. R. Co. cost upwards of \$191,000; the second ten upwards of \$215,000.

The demand for power after the first twenty-five miles of road were constructed was great, as then were met the high mountain gradients.

The freight via Cape Horn to San Francisco only, on the first locomotive purchased by the company was \$2,282.25.

Not only was all the material for railroad construction commanding high prices, labor also shared in the advance in price. California's laborers were mainly miners, accustomed to work in placer mines or not, as it suited them. Mining was more to their liking than the discipline of railroad work. They were indifferent, independent, and their labor high-priced, and to these difficulties the excitement of the great Comstock lode was upon us, where any able-bodied man commanded four or more dollars per diem.

Labor sufficient for the rapid construction of the Central Pacific Railroad was not then on the coast, and the labor as it existed could not be depended upon—the first mining excitement meant a complete stampede of every man, and a consequent abandonment of all work. This labor question, as well as others, were serious ones. Each day brought up propositions which must be solved without delay; the construction must advance.

As the snow line was reached the snow increasing in depth toward the summit, from a few inches to over 15 feet on a level, from actual measurements. The ground was kept bare for the graders by shoveling, upwards of one-half of the labor and after storms the entire grading force being expended in removing snow. Not only was it necessary to remove the snow to permit excavation, but the space to be occupied by the embankments was cleared and kept clear of snow, otherwise the melting of the snow under the broad bases of the high embankments would have caused serious settlements which on ascending gradients already of 105 and 116 feet per mile, would in cases increase the gradient beyond the tractive power of the engine. There was a limit to this snow shoveling as the altitude increased and this limit was reached when it required an army of men to clear away and keep clear after each storm, for a small gang of laborers. As we neared the summit of the Sierras winter was again upon us, granite tunnels to bore, deep rock cuttings to make and retaining walls to construct.

Rock cutting could not be carried on under snow drifts varying in depth from twenty to one hundred feet. It was decided no matter what the cost, that the remaining tunnels should be bored during the winter. To reach the faces of the tunnels the

snow drifts were tunneled and through these snow tunnels all rock was removed. Retaining walls in the cañons were built in domes excavated in the snow—the wall stones raised or lowered to their places into the dome through a shaft in the snow.

All the force numbering thousands could not be worked in the tunnels and on the retaining walls. The surplus men with their tools, luggage, etc., were hauled beyond the summit, skipping the line now covered with deep snow, and active work begun in the cañons of the Truckee river.

That no delay, even here, should result from the unfinished gap, twenty miles of rails with their fastenings, a locomotive and cars sufficient for working were, by oxen and horses, hauled over the summit and down into the cañon of the Truckee river.

It was deemed important to reduce some of the work in the lower mountains crossed by the railroad in Utah so that when the track reached those points there should be no delay. About one car-load of tools and material was wagoned from Wadsworth to the Promontory mountains, at a cost of \$5,400. Everything was expensive; barley and oats ranged from \$200 to \$280 per ton; hay, \$120. All other supplies in Utah in the same ratio. Along the Humboldt river much of the line was constructed during the winter. Earthy material that could ordinarily be excavated by the pick and shovel was frozen to such a depth as to require blasting. This frozen material made expensive embankments, requiring constant attention when the frost was leaving it to maintain the roadway in a condition for the transportation of material to the front. As early as it was possible in the beginning of the following year to again attack the work in the heavy snow belt region, the forces were returned to the granite cliffs and cañons. This army of men shoveled off the snow to gain time, miles of line were thus made ready for the drill and powder—\$67,500 worth of powder in a single month being used, a sum sufficient to construct and equip three miles of ordinary railroad at the present day. During the winter months there was constant danger from avalanches, and many laborers lost their lives. Where it was possible to reach the threatening combs of great masses of com-

pact snow leaning over the granite bluffs, they were removed by powder. To reach the overhanging snow required courage and determination, and the call for volunteers for this daring undertaking was always answered. When the forces were concentrated the progress in the solid granite ledges was slow but certain. The track was kept close up to the grading forces and never lagged when it was possible to provide track material, power or rolling stock either by steamships or sailing vessels.

For many days owing to the hardness of the rock in the vicinity of Cisco, it seemed impossible to drill into it a sufficient depth for blasting purposes, shot after shot fired as if from a cannon. Perseverance alone conquered. That was before the powerful explosives were invented and many other improvements made for railroad construction purposes in the last twenty years. The company at the summit of the Sierras, Donner Pass, manufactured nitro-glycerine but it was too dangerous for general use. Transportation of material, tools, etc., was then an important factor in construction, there were then no such powerful engines as of the present day—which could haul two of the *then* most powerful ones and their loads—no cars to carry 50,000 pounds of load.

All material for construction excepting timber, the greater portion of which came from the Sierra Nevadas and some from the coast counties of California and from Oregon, must come from the Atlantic States via the Isthmus or Cape Horn to San Francisco, there lightered for ascending the Sacramento river to Sacramento and thence hauled over the Central Pacific so far as completed and when needed wagoned beyond the end of the track. The trains returned empty—no return loads; there was not one inhabitant to ten miles between the last crossing of the Truckee river and Bear river in Utah.

With the exception of a few cords of stunted pine and juniper trees, all the fuel was hauled from the Sierra Nevada mountains, not a coal bed on the line of the Central was then known and the only one yet discovered is a poor quality of brown lignite.

Water was scarce after leaving the Truckee and Humboldt rivers, and during the entire construction was hauled for steam and general use of the grading forces.

Thousands of dollars without result were expended in well boring, tunnels were bored into the mountains east of Wadsworth to develop small springs and when water was found it was carefully protected and conveyed in some cases over eight miles in pipes to the line of the road.

There was not a tree that would make a board on over five hundred miles of the route, no satisfactory quality of building stone. The country afforded nothing entering into the construction of the superstructure of a railroad which could be made available. The maximum haul for ties was 600 miles, and of rails and other material and supplies, the entire length of the Central Pacific Railroad or 740 miles.

Cars were transported on ship, in pieces, to San Francisco, and lightered for Sacramento, and there put together.

California had no means for manufacturing for railroads. Only fourteen years prior to the beginning of the construction of this railroad was any considerable emigration directed to this coast, either by wagon, requiring as many months as now days from the Missouri river, by sailing vessels via Cape Horn, a long and tedious voyage of months, or by steamship. Twenty-two days was a quick trip. It was a country new, and only known as a mining region. A quarter of a century has made great changes. Once the possibility of constructing a railroad across the mountain ranges and deserts proven and emigration started west, capital was less timid of the probable future of railroad enterprises, and means were furnished for constructing other transcontinental roads. By the aid of machinery, powerful explosives and experience, can now be constructed at comparatively light cost.

It is probable that had the road been constructed during the five years preceding it would not have cost more than 66 per cent of what it actually did cost.

The principal elements—material, transportation and labor—were very much cheaper. Rails averaged 51 per cent less; transportation, 63 per cent less. Every element, excepting labor, was a large percentage less.

If constructed five years subsequent, it would have cost about 75 per cent of the actual cost. Had the whole time allowed for construction of the C. P. R. been used, it is not an easy

problem to determine for how much less the road could have been built.

Advantage of the markets could then have been taken; contractors would have been willing to undertake the work, if a reasonable time for completion were allowed, so that they would not be required to perform any of the work during the winter months where mercury freezes, and in deep snows; in fact, all the advantages of seven additional years.

Respectfully yours,

LEWIS M. CLEMENT.

STATE OF CALIFORNIA, }
 City and County of San Francisco. } ss.

L. M. CLEMENT, being first duly sworn, saith: That he has read the foregoing statement, consisting of the pages next preceding, marked "Exhibit No. 8," and knows the contents thereof; that the facts therein stated are true, except as to those matters stated on his information or belief, and as to those he believes it to be true.

LEWIS M. CLEMENT.

Subscribed and sworn to before me, this 26th day of July,
 A. D. 1887.

E. B. RYAN,

[SEAL OF NOTARY.]

Notary Public in and for the
 City and County of San Francisco,
 State of California.

EXHIBIT No. 9.

Statement of WM. HOOD, Chief Engineer, relative to cost of construction.

SAN FRANCISCO, CAL., July 23, 1887.

HON. LELAND STANFORD,

(See Ans. to
Ques. No. 51.)

President Central Pacific Railroad Co.

SIR: Referring to your letter of recent date in regard to the Central Pacific Railroad:

I was an assistant engineer on the road during the greater part of its construction, and have been Chief Engineer since October 10, 1883, and am familiar with its construction and subsequent operation.

The entire road was completed in May, 1869, or about seven years sooner than was required to comply with the Act of Congress under which it was built.

This early completion of the railroad was accomplished only in the face of obstacles of the most formidable nature and such as were perhaps unprecedented in railroad construction. The Sierra Nevadas have a snowfall on the higher portions and a rainfall nearer their basis such as would seem incredible to those not acquainted with the facts; and these climatic features were enough to have caused the suspension of the work each winter had attention been paid to cheapness of construction or to any considerations except the completion of the road in the least possible time and in the most substantial manner practicable with the available materials. Below the snow line in the winter of 1865 and 1866 the roads were practically impassable for wagons; and the large construction force was supplied

mostly by pack trains, employing large numbers of animals to transport supplies of all kinds to the required points on the work.

The winter of 1866 and 1867 and the winter of 1867 and 1868 were long remembered as having had a snowfall heavier than has since been known on the mountains, and it was during these seasons that the railroad was built above the snow belt and over the summit. The annual snowfall was about forty feet, which gave as much as eighteen feet of snow on a level near the summit of the railroad pass, and as late as March, 1867, the average level depth of snow in Summit valley was between fifteen and sixteen feet. These depths of snow, with the frequent storms, made any work except in tunnels impracticable during the winters in the region of the summit, and it was decided to send the force not engaged on tunnel work to build railroad in advance in Truckee river cañon, where the less depth of snow rendered grading work possible. The supplying of this force in the Truckee cañon, by means of sleds over the summit, through deep snows and blinding storms was exceedingly expensive, as was also the transportation by the same means of track material for forty miles of road so built in Truckee cañon and three locomotives and forty cars. In this way, by working tunnel force in winter and moving back the remainder to do the outside work in summer, the summit work was finished, an incidental expense being the moving of from ten to twelve feet of packed snow from the sites of the cuts and banks before grading could begin in the spring. When the road over the summit to Truckee was done, the rapid progress across the deserts began.

About three thousand men were sent a distance of three hundred miles in advance of the track, to Palisade cañon, and supplied by teams over the deserts, the haul without water being as much as forty miles in places, and the remaining force brought up the work in advance of the track. Ties were hauled from the Sierra Nevadas hundreds of miles into the deserts. Rails for the rapid progress were brought by sail around Cape Horn, and when any delay was possible through non-arrival of ships, track material was sent at heavy expense by the quicker route via the Isthmus of Panama and steamers.

In the winter of 1868 and 1869 the weather was most severe, and the earth was often frozen so deeply that it was blasted and handled as if rock, at considerable expense.

During the entire construction of this railroad all supplies were very high priced. Rails were nearly three times as expensive as they were a few years afterwards and freights via Cape Horn were high; and after reaching San Francisco all track material had to be re-handled and sent up the river to Sacramento before it could be loaded on the cars for the front. The same was true of all rolling stock. With all these causes of extra expense to increase cost of building the road, it is my opinion that with more time spent in building, with entirely legitimate reduction of force in winter and in general with ordinary speed of construction, the entire road could have been built for fully seventy-five per cent (75%) less than its actual cost; but in that case it would not have been open for traffic for a long time after its actual date of completion.

The road was finished to Newcastle at less speed than afterward ruled. From Newcastle to Wadsworth was built between February 1865, and July 1868, with a force averaging fully eleven thousand (11,000) men and more than three years time was required for this one hundred and fifty-seven (157) miles. From Wadsworth to Ogden was built between July 1868, and May 1869, with a force averaging five thousand (5,000) men and between nine and ten months was required only to build this five hundred and fifty-five (555) miles. The work of building from Wadsworth to Ogden is about comparable on an average to that from Ogden to Omaha; and the work of building the Central Pacific Railroad from Newcastle to Wadsworth, only one hundred and fifty-seven miles, would have easily built the entire road far east of Omaha, had this 157 miles been of the same average cost as the road from Wadsworth to Omaha.

Respectfully submitted,

WILLIAM HOOD.

STATE OF CALIFORNIA, }
City and County of San Francisco. } ss.

WM. HOOD, being duly sworn, says, he has read the foregoing statement; that the matters and things are true of his own knowledge except as to matters on his information and belief, and as to those he believes them to be true.

WM. HOOD.

Subscribed and sworn to before me this 25th day of July,
A. D. 1887.

[SEAL OF NOTARY.]

E. B. RYAN,
Notary Public, in and for
said City and County.

EXHIBIT No. 10.

Statement of J. H. STROBRIDGE, Superintendent of Construction, relative to the cost of construction.

SAN FRANCISCO, CAL., July 23, 1887.

(See Ans. to
Ques. No. 51.)

HON. LELAND STANFORD,
President Central Pacific Railroad Co.

SIR: Referring to your letter of recent date, in regard to the construction of the Central Pacific Railroad; I was Superintendent of Construction during the building of the road. The work was pushed with the utmost vigor; all the men were hired that could be found, and no effort or expense was spared to complete the road as quickly as possible. In this way it was finished and in operation from Sacramento, California, to Ogden, Utah, about seven years sooner than was required by Act of Congress. During construction very high prices were paid for powder and all tools and supplies used on the work, and nothing was spared that would hasten its completion, and the work was pushed regardless of the season. The winter of 1865 and 1866 was a very wet one, making the roads on the clay soils of the foot-hills nearly impassable for vehicles. Large numbers of pack animals had to be brought into use, and on them were carried nearly all supplies, even hay and grain, over steep mountain trails, to the construction camps. As illustrating the impassibility of the roads, the stage running from end of track to Virginia City was stuck in the mud and left standing in the street at Gold Run for six weeks, the passengers being carried in the meantime by saddle train from the railroad at Colfax to Dutch Flat. The building of the railroad during this time was prosecuted with energy, but at much greater cost than would have been the case in the dry season. During the winter of 1866 and 1867, and the following winter of 1867 and 1868, there were unusually heavy snow falls in the

upper Sierra Nevadas, where the road was then under construction. The tunnels were got under way with as large a force as could be used on them; and the remainder of the force was sent to the Truckee Cañon on the east slope of the Sierras, where the snowfall was not so great as to entirely prevent grading during the winter; the total force being about thirteen thousand five hundred men at this time. The snows were so deep that it was impossible to keep the tunnel approaches clear; and we were compelled to make tunnels through the snow from the dump to the tunnel entrances. Snow tunnels were also required to get into camp. In many instances our camps were carried away by snowslides and men were buried and many of them were not found until the snow melted the next summer. In the spring of each year the men were taken back from the Truckee into the mountains and an average depth of ten or twelve feet of snow was cleared away before grading could be commenced. The total snowfall of the season was about forty feet; and the depth of hard, settled snow in midwinter was eighteen feet on a level in Summit Valley and Donner Pass; over which we hauled on sleds, track material for forty miles of railroad, three locomotives and forty cars from Cisco to Donner Lake, where all was reloaded on wagons and hauled over miry roads to Truckee, a total distance of twenty-eight miles; at enormous cost. In this way the road was forced to the east slope of the Sierra Nevadas. In crossing the deserts eastward from the Truckee river, water for men and animals was hauled at times forty miles. It was necessary to have the heavy work in Palisade cañon done in advance of the main force; and three thousand men with four hundred horses and carts were sent to that point, a distance of three hundred miles, in advance of the track. Hay, grain and all supplies for the men and horses had to be hauled by teams over the deserts for that great distance, there being no supplies to be obtained on the entire route. The winter of 1868 and 1869 was one of severe cold. The construction was in progress in the upper Humboldt Valley, where the ground was often frozen to a depth of two and three feet and material required blasting and treatment like rock; which could have been cheaply moved in a more favorable time. The entire cost of the railroad had it been built with less speed and

as such railroads are usually constructed, would have been fully seventy per cent (70%) less than its actual cost, as it was built with rapidity of construction, and without regard to any outlay that could hasten its completion. The railroad from Newcastle on the west slope of the Sierras to Wadsworth at the beginning of the Nevada deserts, 157 miles, was built between February, 1865, and July, 1868, more than three years, with a force averaging eleven thousand five hundred men.

The railroad from Wadsworth to Ogden, about 555 miles, was built between July, 1868, and May, 1869, about ten months, with a force averaging five thousand men. If the country between Newcastle and Wadsworth had been of the same average difficulty as that between Wadsworth and Ogden and between Ogden and Omaha, the labor that was out upon the Central Pacific Railroad would have built it to a point far to the eastward of Omaha in the same time, the work from the east slope of the Sierra Nevadas to Ogden being more than an average of that from Ogden to Omaha.

Very respectfully,

J. H. STROBRIDGE.

STATE OF CALIFORNIA, }
City and County of San Francisco. } ss.

J. H. STROBRIDGE, being duly sworn, says, he has read the foregoing statement; that the matters and things therein stated are true of his own knowledge, except as to matters on his information and belief, and as to those he believes them to be true.

J. H. STROBRIDGE.

Subscribed and sworn to before me, this 25th day of July,
A. D. 1887.

E. B. RYAN,

[SEAL OF NOTARY.]

Notary Public in and for
said City and County.

EXHIBIT No. 11.

Statement of ARTHUR BROWN, Superintendent of Bridges and Buildings, relative to cost of construction.

WEST OAKLAND, CAL., July 25, 1887.

HON. LELAND STANFORD,

President Central Pacific Railroad Co.

(See Ans. to
Ques. No. 51.)

DEAR SIR: In reply to your letter of the 23d inst. I herewith submit a brief outline of the construction of the snow sheds over the Sierra Nevada mountains, on the line of the Central Pacific Railroad as well as the conditions which made them a necessity.

As Superintendent of Bridges and Buildings, the work of constructing those sheds was assigned to myself. The excessive snow belt where the road crosses the Sierra Nevada mountains, extends from a point near Blue cañon on the western slope, to Cold Stream cañon on the east, a distance of about forty miles, having its maximum depth near the summit. The snowfall for the season has been known from actual measurement to be nearly fifty feet.

In the fall of 1866 the road was opened to Cisco. The experience in keeping the road open through the following winter led to the construction of the snow sheds. Although every known appliance was used to keep the road clear from snow that winter, including the largest and best snow plows then known, it was found impossible to keep it open over half the time, and that mostly by the means of men and shovels, which required an army of men on hand all the time at great expense.

It became evident from our experience then, that the snow problem had become serious, and it was decided, after various discussions on the subject by the directors of the company that the only positive means of protecting the road, was by snow sheds and galleries, although the expense of building a shed nearly forty miles in length was almost appalling, and unpre-

cedented in railroad construction, yet there seemed to be no alternative but build the sheds. I was therefore instructed to make preparations and plans for such sheds as was deemed best, from our limited experience at that time.

In the summer of 1867 we built some experimental sheds, which we had to modify considerably. The snow shed building in the spring of 1868 was commenced in earnest. Owing to the short season in which the work had to be done (less than five months), it was decided to cover all the cuts, and the points where the road crossed the great avalanches beyond the summit, with the idea that the high embankments on the road could be kept clear of snow.

As the road was then rapidly progressing up the valley of the Humboldt it became a matter of the most vital importance that the sheds should be so far finished that the supplies and building materials for construction ahead should not be interrupted, as the connection was to be made in the spring of 1869. We therefore had to gather men from all quarters and pay high wages; carpenters \$4.00 per day, and suitable laborers about \$2.50 to \$3.00. We employed about 2,500 men, with six trains with locomotives distributing material.

The expense was considerably increased by the fact that we had to keep the road clear for the traffic, which was great, owing to the large amount of building material forwarded to the front, and to avoid accident, which consumed about thirty per cent of the time, consequently increasing the cost in that proportion; besides, we had, by commencing early in the spring, to shovel from six to eight feet of snow before we could put in foundations for sheds.

In the fall we continued until the snow stopped us entirely, although we had been shoveling snow for nearly two months. The expense from the amount of snow that had to be shoveled, spring and fall, and the difficulty of getting men at reasonable wages to remain on the work owing to snow, bad weather, etc., added very much to the cost. As there were not enough saw-mills to supply the necessary material, we had to resort to round and hewn timber, which had to be got from the woods and brought to the track at great expense, as suitable men for that purpose were very scarce.

The galleries are built along the side of the mountains, where the slope of the roof conforms with that of the mountain, so the snow can pass over easily. Some of those galleries run back on the slope of the mountain several hundred feet from the center line of the road. In other places massive masonry walls were built across ravines to prevent the snow from striking the sheds at right angles. The snow sheds and galleries were finished in the fall of 1869. In them was used 65,000,000 feet, B. M., of timber, and 900 tons of bolts and spikes, etc. The total length of sheds and galleries, when finished, was about thirty-seven miles, at a cost of over \$2,000,000.

For several years the loss from fires was considerable, as several miles were burned down and had to be rebuilt, and at the present time water trains are constantly kept on hand for sprinkling down the sheds twice a week, thus preventing their destruction by fire. A number of the tunnels through the same mountains had to be timbered at a great expense, as most of it had to be got out in the winter time, and as it was impossible to keep the roads open, we had to employ men, and bring timber to the tunnels on hand sleds.

I am quite familiar with the extraordinary exertions put forth in all departments of this work, as I was constantly on the ground during all this construction, and especially the almost superhuman effort put forth by Mr. J. H. Strobridge, Superintendent of Construction, in keeping the men at work on the rock work and tunnels, and shoveling snow at great depth during the fall and winter, and contending against mud and snow in getting supplies to the ground at great expense.

I consider, from my experience, that if time could have been spared to take advantage of the proper seasons it could probably be duplicated now for less than forty per cent of its original cost.

Very respectfully,

ARTHUR BROWN,
Supt. B. and B. Dept.

STATE OF CALIFORNIA,
 City and County of San Francisco. } ss.

ARTHUR BROWN, being first duly sworn, deposes and saith:
 That he has read the foregoing statement, and knows the con-
 tents thereof; that the same is true, except as to matters there-
 in stated on his information or belief, and as to those he
 believes it to be true.

ARTHUR BROWN.

Subscribed and sworn to before me, this 26th day of July,
 A. D. 1887.

E. B. RYAN,

[SEAL OF NOTARY.]

Notary Public in and for
 said City and County.

EXHIBIT No. 11½.

BY E. H. MILLER, JR., SECRETARY.

(This Exhibit
refers to
Questions
Nos. 47, 48,
49 and 52.)

Statement showing from official records, the saving to the United States in transportation of mails, troops, munitions of war, supplies, etc., by the construction of the Central-Union Pacific Railroad.

The Act of Congress authorizing an investigation of the books, accounts and methods of railroads which have received aid from the United States (in bonds), and for other purposes, approved March 3, 1887, requires, among other information the following :

“ The average cost per annum of Government transportation in the region now traversed by the Pacific railroads between the year 1850 and the completion of said roads, and also the average cost per annum since such completion, and what additional facilities have been furnished to the Government and the people by said roads.”

“ Also to inquire whether or not the Pacific railroad was completed in less time than was allowed by the law ; and, if so, how much less time, and if the United States was benefited thereby.”

It is for the purpose of furnishing this information that the figures and facts stated in the following pages have been collated. All the statements made are taken from official sources, and reference in each case is made to the authority.

Inquiry is made :

First, as to the rates and cost of Government transportation prior to the construction of the railroad, the rates and cost of service after its completion, and the difference, being the saving in transportation charges resulting from the operation of the road to the present time. This inquiry includes a comparison of the facilities furnished the Government and the people before and after the construction of the road; and furnishes the figures upon which the statements made in the subsequent inquiries are based.

Second, as to the benefit to the Government resulting from the construction of the road in less time than was allowed by the law.

Third, inquiry is made as to the debt and interest at maturity of the bonds, less the amounts applied as a credit thereon by transportation services and cash payments under the existing laws; and the saving by the United States in transportation services to the same time.

A comparison of the charges for transportation prior and subsequent to the construction of the road, can best be obtained by separating the subject of inquiry into the headings of Freight Transportation, including supplies, munitions of war, etc., passengers and troops, and transportation of United States mails; summarizing these headings in conclusion.

UNITED STATES FREIGHT.

The greatest item of saving to the Government was in army transportation. The cost of this at former rates was an item in the expense of the army causing frequent comment; and one of the chief causes which led the Government to grant the loan of subsidy bonds was that this expenditure might be reduced. In arriving at a comparison between these charges

before and after the completion of the road, it has been found that more accurate results can be attained by considering separately the charges on freight from these on passengers and troops. The following refers to freight traffic.

Prior to the construction of the road, supplies for the posts on the plains and in the mountains were regularly carried by wagons. Contracts for this service were made by routes, and abstracts of these contracts have been stated from time to time in the reports of the Quartermaster-General. Most of the data for the following rates is taken from these reports. The army first seems to have availed itself of the road in 1867. From that time the services rendered by the road became greater year by year as the line was constructed from each end; and as the roads were extended the wagon routes were shortened and finally abandoned. A general idea of the former condition of affairs, the routes and rates, may be gained from the following references :

Army transportation prior to railroad.

War reports as to rates.

The Quartermaster-General of the Army in his report to the Secretary of War for 1867, says: "The Department has, during the fiscal year, for the first time been able to avail itself of the Union Pacific Railroad in forwarding its supplies to posts on the plains west of the Missouri river. At the close of the fiscal year the Omaha branch of this road transported the military stores as far as Fort Sedgwick, the branch from Kansas City as far as Fort Harker—thus saving in the former case 398 miles, in the latter 215 miles of wagon transportation. After inviting by public advertisement, proposals for the transportation of military stores by wagon transportation on the western frontier, the usual annual contracts were awarded as follows: April 4th, on route No. 1, from the Omaha branch of the Union Pacific Railroad and certain other named points, to posts and depots in Nebraska, west of longitude 102°; in Montana, south of latitude 46°; in Dakota, west of longitude 104°; in Idaho, south of latitude 44°; and east of longitude 114°; and in the Territories of Utah and Colorado, north of latitude 40°, to Wells, Fargo and Co., at the following rates: From April 1st, to August 31, 1867, inclusive, at \$1.64 per 100 pounds per 100 miles; from September 1st, to December 31, 1867, inclusive, at \$1.99 per 100 pounds per 100 miles; and from January 1st, to March 31, 1868, inclusive, at \$2.50 per 100 pounds per 100 miles." (Rep. Secy. of War, 1867-8, Vol. 1, p. 533).

Again, Quartermaster-General Dana, in his report dated October 10, 1868, of the rates paid for transportation on the plains, says: "The field for the operation of wagon transportation lies almost exclusively beyond the Mississippi river. Supplies are conveyed to various posts on the plains by this means in connection with the Pacific railroads. The principal routes are as follows, and contracts for the transportation of supplies, etc., on these routes, entered into for the year ending March 31, 1869, are now in force:

"Route No. 1. From Fort D. A. Russell, D. T., or such other posts as may be determined upon during the year, on the Omaha Branch of the Union Pacific Railroad west of Fort D. A. Russell, or at Fort Laramie, D. T., to posts in the State of Nebraska, Territories of Montana and Idaho, that part of the Territory of Dakota west of the Missouri river and the northern part of Colorado.

"The contractors on this route are Samuel Black, Richard Kitchen and William A. Martin, all of the City of Leavenworth, Kansas, composing the firm of Black, Kitchen & Martin. The following are the rates per 100 pounds per 100 miles, viz: For April, 1868, \$1.90; May, 1868, \$1.75; June, July and August, 1868, \$1.60; for September and October, 1868, \$1.75; for November, 1868, \$1.90; for December, 1868, \$2.00; for January and February, 1869, \$2.50; and for March, 1869, \$3.00; and on an average, are for the entire year the same as for the year previous." (Report Secy. of War, 1868, part 1, p. 829.

The next year the Quartermaster-General reports: "The completion of the Pacific railroads has diminished the quantity and cost of wagon and stage transportation, some of the important posts and depots being upon the line of railroad. The posts north and south are supplied by wagon routes extending into the wilderness. The extension of the Pacific Railroad has occupied the route No. 1, which has been supplied for many years by wagon transports, and no contract has been made on this route for the year ending March 31, 1870." (Rep. Secy. of War, 1869-70, Vol. 1, p. 213).

These statements show the rates in force from the commencement of the Pacific Railroad to its completion, on the wagon route, which was replaced by the railroad. The highest rate given is \$3.00 per 100 pounds per 100 miles, equal to sixty cents per ton per mile; and the lowest rate is \$1.60 per 100 pounds per 100 miles, or thirty-two cents per ton per mile. The

Freight rates prior to railroad from 60 cents to 32 cents per ton per mile.

difference in the rate depending chiefly on the difference in the seasons; the lowest rates being in the summer and the highest in the winter or early spring. The rates stated are about those in force for year after year, just prior to the completion of the road on the plains between the Missouri river and the Rocky mountains. But west of the Rocky mountains, between the Great Salt Lake and the Pacific Ocean, a greater cost was required for the service.

Higher rates west of Salt Lake.

Of the rates on this Pacific coast teaming, it is difficult to get any fair estimate, as the transportation was chiefly performed by Government teams. Quartermaster-General Meiggs (Report Secretary of War, 1866-7. page 58), in October, 1866, says :

“ There are some very costly routes in the military division of the Pacific west of the Rocky mountains and in Arizona, by which supplies are transported from the Pacific coast. Most of this work is done by United States trains, and its actual cost is not reported. The expenses of the troops on that coast, in consequence of the difficulty and cost of transportation are very heavy.”

Lowest rate taken for these calculations.

If then, in making an estimate of the saving to the Government in transportation by the construction of the Pacific Railroads, we take as an average for the rate formerly paid by the United States, the lowest of those given, we shall certainly err, if at all, on the side of the Government. The actual average must of course be somewhat higher than the lowest rate; but on the other hand it is to be remembered that the greater amount of transportation was performed at the summer or low rates, and a comparatively small amount at the higher or winter and spring rates. We will use then, as an average wagon rate, the lowest named above, \$1.60 per 100 pounds per 100 miles, or thirty-two cents per ton per mile.

The wagon rates on routes remaining in operation on either side of the Pacific railroad after its completion were reduced somewhat, compared to the wagon rates in force formerly, but that reduction was the result doubtless, of the settlement and increased security of the country from Indian depredations

consequent upon the construction of the railroad. This reduction is an additional saving in money to the Government by the construction of the road, which is not shown in the following calculation, as it is not possible to make an estimate of its amount which would be satisfactory.

The average rate of freight charged the Government by the Pacific Railroads has not been ascertained for each of the years under consideration, but the average rate charged on all freight carried, including Government and commercial, is shown in the following table :

CENTRAL AND UNION PACIFIC RAILROADS.

Average rate per ton per mile charged on all freight transported the several years shown :

Year	Central Pacific	Union Pacific	Freight rates on Union and Central Pacific.
1870	5.95*	4.26	
1871	3.80*	2.70	
1872	3.66	2.67	
1873	3.60	2.47	
1874	2.85	2.16	
1875	3.14	2.47	
1876	2.96	2.50	
1877	2.78	2.27	
1878	2.75	2.27	
1879	2.78	1.99	
1880	2.34	2.06	
1881	2.14	1.99	
1882	1.81	1.89	
1883	1.92	1.73	
1884	1.96	1.51	
1885	1.83	1.49	

*Estimated.

Rates
charged
United
States.

By the Pacific Railroad Act of 1862 it is provided (Sec. 6) that the railroad companies shall at all times, whenever required to do so, transport mails, troops, munitions of war, supplies and public stores for the Government "at fair and reasonable rates of compensation, not to exceed the rates paid by private parties for the same kind of service." (12 Stat., 489.) From this it would seem that the average rate charged by the Pacific railroads on all traffic would be a fair one to apply as an average on the traffic for the United States. This view seems also to be corroborated by the Quartermaster-General of the army. In his report to the Secretary of War, dated September 30, 1884 (Rep. Secy. of War, 1884-5, p. 444), he states, in reply to charges, that lower rates for army transportation on railroads might be secured by special contracts, instead of accepting the regular rates; that a thorough investigation of the subject matter had been made, and the result shown was that, "as a matter of fact, the Quartermaster's Department secures as low, if not lower, rates of transportation than any other shipper, and as an evidence thereof, attention is invited to the comparatively small expenditure of money involved in the large movements incident to the exchanges of stations of regiments hereinafter referred to." An important consideration, however, prevents our accepting the average rate on all traffic as an average rate on *United States* traffic, namely, the different character of the freight. On wagon transportation there is but one rate on all classes of freight, so that is the average for all. But with railroads different classes take different rates, and the average is reduced by the large shipments in carloads of commodities carried at the lowest rates, as for instance, lumber, coal, grain, etc. The Government freight has not as large a proportion of these low classes as is the case with commercial freight. As a result, the average rate on the Government freight is somewhat higher than the average for all. For a portion of the period under review we have actual figures for Government rates, which prove to be in accord with the above expectation. The Union Pacific Railroad Company, for the three years from 1872 to 1874 inclusive, has figured out the exact rates charged on the transportation of Government freight.

This shows the average rate per ton per mile to be: For 1872, 3.68 cents; for 1873, 3.20 cents; for 1874, 3.13 cents. (Annual Reports, Union Pacific R. R., 1873, 1874.) These show the average for the Government freight to be .371 per cent in excess of the average on all traffic of the railroad. Applying this percentage throughout the period shown, we have finally a very close approximation to the average rate for Government freight for each year.

The application of the foregoing data gives the result shown in the following tables:

CENTRAL AND UNION PACIFIC RAILROADS.
*Statement Showing Charges to United States Government for Transportation of Freight, and the
 Cost of the Same Service at Rates Paid before the Construction of the Railroads:*

YEAR	CENTRAL PACIFIC RAILROAD.				UNION PACIFIC RAILROAD.			
	FREIGHT CHARGES TO UNITED STATES.	RATE PER TON PER MILE.	TONS CARRIED ONE MILE.	COST OF SAME SERVICE AT RATES FORMERLY PAID.	FREIGHT CHARGES TO UNITED STATES.	RATE PER TON PER MILE.	TONS CARRIED ONE MILE.	COST OF SAME SERVICE AT RATES FORMERLY PAID.
1870	\$19,355	5.42	357,103	\$114,273	\$26,320	5.84	4,507,190	\$1,442,301
1871	13,250	5.21	254,319	81,382	213,585	3.70	5,772,568	1,847,222
1872	25,257	5.02	503,127	161,000	170,158	3.68	4,623,859	1,479,635
1873	19,127	4.94	387,186	123,900	219,939	3.20	6,873,094	2,199,390
1874	32,396	3.91	828,542	265,133	316,840	3.13	10,122,684	3,239,259
1875	55,067	4.30	1,280,628	409,801	234,596	3.39	6,920,236	2,214,476
1876	47,145	4.06	1,161,207	371,586	374,387	3.43	10,915,073	3,492,823
1877	94,317	3.81	2,475,511	792,164	362,208	3.11	11,646,559	3,726,899
1878	41,719	3.77	1,106,605	354,114	294,414	3.11	9,466,688	3,029,340
1879	118,139	3.81	3,100,761	992,244	401,947	2.73	14,723,333	4,711,467
1880	166,185	3.21	5,177,103	1,656,673	383,147	2.82	13,586,773	4,347,767
1881	251,918	2.93	8,597,884	2,751,323	390,836	2.73	14,316,337	4,581,228
1882	59,929	2.48	2,416,492	773,277	313,853	2.59	12,117,876	3,877,720
1883	47,840	2.63	1,819,011	582,083	338,375	2.37	14,277,426	4,568,776
1884	75,334	2.69	2,800,520	896,166	206,115	2.07	9,957,246	3,186,319
1885	31,069	2.51	1,237,809	396,099	159,086	2.04	7,798,333	2,495,467
Total	\$1,098,047	.....	33,503,808	\$10,721,218	\$4,642,706	.....	157,625,275	\$50,440,089

SUMMARY, SHOWING SAVING TO UNITED STATES IN FREIGHT TRANSPORTATION.

Sixteen Years, from 1870 to 1885, inclusive.

YEAR.	FREIGHT CHARGES BY RAILROADS.			COST AT RATES FORMERLY PAID BY UNITED STATES.	SAVING TO U. S. BY CONSTRUCTION OF RAILROADS.
	CENTRAL PACIFIC.	UNION PACIFIC.	TOTAL.		
1870	\$19,355	\$263,220	\$282,575	\$1,556,574	\$1,273,999
1871	13,250	213,585	226,835	1,928,004	1,701,799
1872	25,257	170,158	195,415	1,640,635	1,445,220
1873	19,127	219,939	239,066	2,323,290	2,084,224
1874	32,396	316,840	349,236	3,594,392	3,155,156
1875	55,007	234,596	289,603	2,624,277	2,334,614
1876	47,145	374,387	421,532	3,864,409	3,442,877
1877	94,317	362,208	456,525	4,519,063	4,062,538
1878	41,719	294,414	336,133	3,383,454	3,047,321
1879	118,139	401,947	520,086	5,703,711	5,183,625
1880	166,185	383,147	549,332	6,004,440	5,455,108
1881	251,918	390,836	642,754	7,332,551	6,689,797
1882	59,929	313,853	373,782	4,650,997	4,277,215
1883	47,840	338,375	386,215	5,150,859	4,764,644
1884	75,334	206,115	281,449	4,082,485	3,801,036
1885	31,069	159,086	190,155	2,891,566	2,701,411
	\$1,098,047	\$4,642,706	\$5,740,753	\$61,161,307	\$55,420,554

It will be noticed that the tables include the years from 1870 to 1885 inclusive. The line was opened through May 10, 1869, and prior to this date, as extensions were made from the Missouri and Sacramento rivers towards the center of the continent, the Government availed itself of such extensions, and profited by their use. To bring the statement down to date, the year 1886 should also be added to the table. The proper statistics, however, for the periods prior to 1870 and for 1886 are not now at hand, so that for that time the statements fail to express the benefit to the Government. There was a considerable amount saved by the use of the roads as they were extended from point to point, and a further amount for the use of the line after its completion thus omitted from the table. This should be taken into consideration in any mental estimate which may be made of the case. With the exception of these omissions, the tables show the following result:

Saving to
U. S. in
Freight
Charges,
\$55,000,000.

Transportation charges on Central-Union Pacific line for United States supplies, munitions of war, etc., to January 1, 1886	\$5,740,753
Same service would have cost at rates prior to rail- road	61,161,307
	\$55,420,554
Saving to Government in transportation charges on freight for period	\$55,420,554

Saving
estimated
by Col. Poe
U. S. Engin-
eers.

The result arrived at from the foregoing review of the items in detail receives complete corroboration in an estimate made by probably the most thoroughly informed of official authorities, and by profession and experience perhaps one of the best fitted to form an intelligent and impartial opinion on the subject. By instructions from General Sherman a history of the Pacific Railroads, in their relation to the army, was prepared by Colonel O. M. Poe, U. S. Engineers, and printed in the last report made by General Sherman as General of the army. (Report, 1883, p. 213 *et seq.*)

After a careful consideration of the question of a saving to the United States in the army transportation by the construction of the railroads, Col. Poe concludes as follows :

“ Taking the route from Fort Leavenworth to Fort Union for example, the average cost by wagon per 100 pounds per 100 miles for the sixteen years from 1855 to 1870, both inclusive, was \$1.77, whilst by rail it is now *less than a tenth of that amount. This represents the relative cost of wagon and railway transportation*, bearing in mind that any variation is always such as to show more strongly the advantage of railway transportation. In some cases transportation by wagon is twenty times more costly than by railway.”

It will be noticed that the charges for freight transportation to the United States by the railroads shown in the above table is about nine and one-half per cent of the cost at the rates formerly paid. This is the result shown from the carefully detailed figures. Col. Poe's estimate, after a thorough review of the subject, but without going into the same summary of details, is that the relative cost of the railway and wagon transportation is as one to ten. The uniformity of these results is additional evidence of the fairness of the foregoing conclusions, if any further evidence than the facts already presented were needed.

UNITED STATES TROOPS AND PASSENGERS.

The cost to the United States for the transportation of troops before the completion of the Pacific railroad, compared with the cost after completion is more difficult to ascertain than in the case of freight. Before the road was built troops were in a few cases carried by stages, but commonly were marched; a journey which is now accomplished in a few days then requiring as many months. The cost of marching troops in this way, through a country with few inhabitants save hostile Indians, and with no supplies obtainable save those brought from long distances, must of necessity have been very great. Some idea of the differences between the old order of affairs and the new may be gained from the following facts :

Troops and
passengers.

Quartermaster-General Meiggs, in his report dated November 8, 1865 (Report Secy. of War, 1865-6, Vol. 1, p. 113), commenting on the cost of transportation over the plains, shows that a bushel of corn cost,

Cost of
military
transportat'n
prior to
railroad.

\$2.79 at Fort Riley.
 \$9.44 at Fort Union.
 \$5.03 at Fort Kearney.
 \$9.26 at Fort Laramie.
 \$10.05 at Denver ; and
 \$17.00 at Salt Lake City.

He then states that the cost of transportation for military stores westward across the plains, by contract during the fiscal year ending June 30, 1865, amounted to \$6,388,856.37.

“ This expenditure,” the Quartermaster-General continues, “ would be reduced by the opening of railroads, by a sum “ which would aid materially in paying interest upon the cost “ of their construction.”

At the same time, the cost of transportation of a pound of corn, hay, clothing, subsistence, lumber, or any other necessary of the troops, from the base of supply at Fort Leavenworth was as follows :

To Fort Riley, per lb.	2.46	cents.
To Fort Union	14.35	“
To Fort Kearney	6.44	“
To Fort Laramie	14.10	“
To Denver, Col.	15.43	“
To Salt Lake City	27.84	“

(Ibid. p. 113.)

Supplies in those days had to be carried with the troops ; they could not be obtained on the line of march. The maintenance of marching bodies of men was thus greatly increased as they continued westward. The settlement and development of the west, consequent upon the completion of the railroad, gradually enabled the army to purchase its supplies near at hand at a cost in which transportation bore no material part. The cost for the transportation of grain alone used by the army on the plains in 1865, was \$3,223,829.37. (See Report Col. S. L. Brown, Div. of Regular Supplies, in Report Secy. of War, 1865, Vol. 1, 251.)

The troops maintained on the plains were mostly cavalry, as this arm of the service was much better adapted for following bands of marauding Indians and moving from place to place in the protection of immigrant trains and isolated settlements. The cost of forage for the horses was thus a necessary part of the expense of the transportation of the troops. The Quartermaster-General in his report for 1866 (p. 302), states on this subject that, "The supply of the posts on the plains with forage has always imposed a heavy financial burden upon this department. The Missouri river has for years marked the limit of the cereal producing region of the West, and grain transported from that point when it reached the garrisons stationed near the Rocky mountains, had reached an enormous price; the cost of foraging one horse equaled the cost of feeding a dozen animals in the States."

It has appeared above that the regular movement of supplies between posts was affected by contractors. But all the transportation was not done by contract. It was necessary for the army to maintain a large number of trains, with their accompanying wagons, mules and horses, teamsters, blacksmiths and mechanics. The Quartermaster-General tells us that "trains must be kept up at the principal posts to meet emergencies, and to accompany marching bodies of troops." (Rep. 1866, p. 57). The expense of these wagon trains forms a part of the cost of transportation of troops as performed before they were transported by railroad. The construction of the railroad canceled this item of expense for the territory covered by it.

U. S. wagon
trains.

Another item of economy to the United States in the cost of supplies for troops, caused by the building of the Pacific Railroad, is mentioned by the Commissary-General of Subsistence in his report for 1867. (Rep. Secy. of War, 1867-8, Vol. 1, p. 576). Before the era of railroad transportation the supplies for military posts on the plains had to be carried in the summer months when the roads were to be depended on; and a supply sufficient for all possible wants for the coming year was laid in at that time. Many of the supplies were of a nature that deteriorated or were destroyed altogether by storage for so long a time, and much was stored in many cases in excess of what was found to be the subsequent need, and was therefore wasted, as it could not be kept for another season. In 1867 the Com-

Saving in
supplies for
the army.

missary-General says: "The completed sections of the Pacific
 "railroads already afford such facilities for reaching several of
 "the occupied posts as to make it unnecessary to place and
 "keep thereat such large quantities of stores as were requisite
 "when they could be supplied only by trains of wagons dis-
 "patched at special seasons."

General
 Grant's
 views.

The expense of maintaining troops on the plains, and the great cost of their transportation was a subject of constant comment by officers of the army. Every effort was made and every plan tried to reduce the expense within reasonable limits. But until the advent of the locomotive all efforts were of little affect. General Grant, when Acting-Secretary of War in 1867, says:

"During the last summer and summer before, I caused in-
 "spections to be made of the various routes of travel and sup-
 "ply, through the territory between the Missouri river and the
 "Pacific Coast. The cost of maintaining troops in that sec-
 "tion was so enormous that I desired if possible to reduce it.
 "This I have been enabled to do to some extent from the
 "information obtained by these inspections; but for the present
 "the military establishment between the lines designated must
 "be maintained at a great cost per man. The completion of
 "the railroads to the Pacific will materially reduce this cost, as
 "well as the number of men to be kept there. The completion
 "of these roads will also go far toward a permanent settlement
 "of our Indian difficulties. There is good reason to hope that
 "negotiations now going on with the hostile tribes of Indians
 "will result, if not in permanent peace, at least a suspension of
 "hostilities until the railroads are pushed through that portion
 "of the Indian territory where they are giving the most trouble."
 (Rep. Secy. of War, 1867-8, Vol. 1., p. 3.)

Relative
 saving in
 transporting
 troops
 greater than
 with freight.

From the foregoing facts it is clear that the cost to the United States in the movement of troops by marching or by stages, before the construction of the railroad, bore a greater proportion to the cost of their transportation after its construction than the transportation of freight before the railroad, bore to its cost afterwards. Probably a greater part of the expense of marching troops in former times was the cost of carrying forage and rations. But in addition to the transportation of these supplies there was the original cost of the supplies, or

that part of them consumed during the excess of time taken to march troops over the time taken to move them by rail; and there was also the whole pay and expense of maintaining them for the same excess of time. The average movement by rail may be taken at about 20 miles an hour, or say 500 miles a day. Troops would not march for many consecutive days at a greater average rate than 20 miles a day, or about 500 miles a month. But suppose they doubled this rate and marched 40 miles a day, the ratio of time would be still 500 to 40, or over twelve to one. The saving to the Government in favor of the railroad as compared to wagons has been shown above to be as about one to ten.*

Thus the saving in passenger transportation by the construction of the railroad considered in any light, is in as great or greater ratio than in the case of freight. Applying then as an estimate, the same proportion of cost for the movement of troops as we have shown existed in the transportation of freight, the result is as appears in the following table.

*General Sherman says: "These roads enable us to send soldiers to threatened points at the rate of 500 miles a day, thus overcoming the space in one day which used to require a full month of painful marching." (Report 1883, p. 46.)

CENTRAL AND UNION PACIFIC RAILROADS.

Statement Showing Charges to United States Government for Transportation of Troops and Passengers, and the Cost of Same Service at Rates Paid before the Construction of the Railroads.

YEARS.	CENTRAL PACIFIC.	UNION PACIFIC.	TOTAL.	ESTIMATED COST AT RATES FORMERLY PAID.	SAVING.
1870	\$41,735	\$289,770	\$331,505	.....	.....
1871	79,586	227,904	307,490	.....	.....
1872	107,368	303,154	410,522	.....	.....
1873	112,334	248,118	360,452	.....	.....
1874	47,612	250,702	298,314	.....	.....
1875	132,831	176,243	309,074	.....	.....
1876	66,265	223,614	289,879	.....	.....
1877	67,173	293,251	360,424	.....	.....
1878	61,232	223,865	285,097	.....	.....
1879	135,002	150,965	285,967	.....	.....
1880	128,597	215,635	344,232	.....	.....
1881	261,674	185,373	447,047	.....	.....
1882	35,988	133,161	169,149	.....	.....
1883	35,117	109,654	144,771	.....	.....
1884	98,605	94,479	193,084	.....	.....
1885	12,990	66,056	79,046	.....	.....
Total,	\$1,424,109	\$3,191,944	\$4,616,053	\$49,178,967	\$44,562,914

The result shown is that the United States has saved in the transportation of passengers and troops by the construction of the Pacific Railroad, up to the end of 1885, the sum of \$44,562,914—forty-four and a half million dollars.

Saving in charges for Troops, \$44,500,000.

FREIGHT AND PASSENGERS.

The foregoing statements show the saving to the Government in transportation charges by the construction of the Pacific Railroad, from the commencement to January 1, 1886, to be in round sums :

Saving on freight and troops by U. S. to 1886, \$100,000,000.

On Freight	\$55,500,000
On Troops and Passengers	44,500,000
	<hr/>
Total, Freight and Passengers	\$100,000,000

In these statements it has been assumed that an equal amount of traffic would have been carried by wagons, or troops to an equal number would have been marched had not the railroad been built. The basis of the calculation is the service which has been performed by the railroad since its completion, and the charge for this service is compared with what the *same service* would have cost at former rates. It is not, however, a fair assumption that the same service has since been rendered for the army as would have been necessary had not the road been built. The transportation formerly necessary was much greater than since the construction of the road.

The Indian wars have been practically ended, thus precluding the necessity of the frequent movement of troops on the plains from place to place, to protect the scattered settlements and follow marauding bands of hostile Indians. As the Indians have fled into the British possessions on the north and into Mexico on the south, or have been placed on reservations, the military posts have been abandoned and the troops have been concentrated at general points, from which they can be rapidly sent to any place required. Their supplies, which formerly were hauled long distances in teams, are now procured near at hand at a price in which transportation forms at most an unimportant factor.

Ending of Indian wars.

The movement of troops and the teaming of supplies and munitions of war have thus been greatly lessened by the building of the road, and the actual saving in this respect would be more closely shown by deducting from the amounts formerly paid for services on the plains the amount subsequently charged by the railroad. The amounts formerly paid varied greatly, as Indians were hostile or friendly at many or few points, and the actual cost for the country contiguous to the Pacific Railroad is not now wholly obtainable, the cost covering not only teaming done by contract, but by Government trains, and the movement of marching troops. An idea of the former cost of this service is given in the report of the Pacific Railroad Committee of the Senate, dated February 19, 1869, in which it is stated that the Indian wars for the past thirty-seven years have cost the nation 20,000 lives and \$750,000,000, or about \$20,000,000 a year. In the years 1864 and 1865 the Quartermaster's Department spent \$28,574,228 for military services against the Indians. (40 Congress, 3d Session, Senate Rep. Com., 219.)

Indian wars formerly cost over \$20,000,000 a year.

The cost of transportation of military stores westward across the plains, paid to contractors alone, was over \$6,000,000 annually. This amount stated for the year ending June 30, 1865, amounted to \$6,388,856.37. (Report Secy. War, 1865-6, Vol. I, p. 113.) Using this last amount as the annual cost for freight transportation which the Government would have been required to pay from 1869 to 1885 had not the railroad been built—

Transportation of Stores alone prior to railroad, over \$6,000,000 a year.

The sum for the sixteen years would have been \$102,221,702
 The charges made for freight transportation by
 the railroad for the same period amounted to 5,740,753

Showing a saving of \$96,480,949
 Compared with saving shown by foregoing table of 55,420,554

\$100,000,000 a year saved on freight and troops is less than real sum.

From these considerations it will be seen that the result of the foregoing tables, showing a saving to the Government in freight and passenger transportation charges by the Pacific Railroad to January 1, 1886, of \$100,000,000, as great as the amount may seem, fails to fully state the actual sum. It cer-

tainly represents less than the amount saved in any point of view from which the subject may be considered; but it is preferably used in these pages to prevent any charge of exaggeration, which the least of these sums would be likely to suggest to one not familiar with the facts.

UNITED STATES MAILS.

All of the following facts as to the weights and rates of mails are taken from the annual reports of the Postmaster-General for the several years:

United States
mails.

The rates paid just before the completion of the railroad are shown in the report for 1868 (pp. 7 and 8). The department advertised March 9, 1868, inviting proposals for conveying the mails from October, 1868, to June 30, 1870: "On Route No. 16,635, from Cheyenne, Dakota, or that point on the Union Pacific Railroad, to which the mails might be conveyed when this service should go into operation, to Virginia City, Nev., 1,095 miles, and back, daily, the trip to be performed in nine days each way in summer, and twelve days in winter." Five bids on this route were received in response to the advertisement. The lowest was accepted, but soon failed. The others then successively failed or refused to undertake the service. Finally, the Postmaster-General, with the Second Assistant Postmaster-General, repaired to New York City, and consulted with Senators Morgan and Cole, Horace Greeley, Isaac Sherman, Postmaster Kelly, and other leading citizens, and under their advice accepted a proposition of Wells, Fargo & Co. to carry the mails between the termini of the Union Pacific and the Central Pacific Railroads daily for the term of one year, at the rate of one and three-quarter million dollars (\$1,750,000) annually, subject to a reduction pro rata for every section of fifty miles of railroad completed and reported to the department ready to carry the mails. In his report for 1869 (p. 9), the Postmaster-General makes the following statement concerning the operation of this agreement:

Overland
mails prior
to R. R.,
\$1,750,000
a year.

“ The contract of agreement entered into on the 21st of October, 1868, between the Post Office Department and Messrs. Wells, Fargo & Co., for the transportation of the United States mails between the western terminus of the Union Pacific Railroad and the eastern terminus of the Central Pacific, for the term of one year from October 1, 1868, or until the two railroads should meet, at the rate of \$1,750,000.00 per annum, subject to reduction pro rata for every section of fifty miles of railroad completed and reported to the Department ready to carry the mails, expired on the 9th of May, 1869, the railroads having effected a junction, and reported ready to carry mails through on the 10th. When the contract was entered into, it was estimated that the junction would not be formed before the 31st for July, it being supposed that the severity of the weather would compel a suspension of work on the railroads during the months of January, February and March ; and it was further estimated that the cost of the mail service under Wells, Fargo & Co.'s contract would amount to \$670,144. The weather proving unusually mild, however, and the progress of the roads being uninterrupted, their completion was accelerated nearly three months, and hence the cost of the service under the contract with Wells, Fargo & Co. was reduced \$214,339.36 below the estimate.”

Former average weight of mails, 1,000 pounds.

From this we get the contract rate formerly paid for mail transportation. This rate was for the mails which were then carried. The weight of these is stated by the Postmaster-General in a communication to the House of Representatives, in answer to a resolution of inquiry of that body (quoted in Report Govt. Directors U. P. R. R. 1875), who says :

“ The average amount of mail matter conveyed in the mails overland before the completion of the railroads was less than 1,000 pounds daily.”

From these facts we have the following : Annual amount paid for carrying mails before the completion of the railroad \$1,750,000 ; distance carried 1,095 miles ; average daily weight 1,000 pounds ; rate \$1,598.17 per mile per annum. After the completion of the railroads the mails were largely increased in weight and the service was equally improved in “ certainty, celerity and security.” By substituting a railway postal car

with all conveniences for agents in charge and appliances for the distribution of mails en route, in place of the stage coach formerly used, the accomodations were increased in value in excess of the increase of the weight of the mails.

Each of these items is allowed to be a fair consideration for the increase of pay by the laws and the rules of the Post Office Department. But as the stage service cannot be compared with the railroad service as to certainty, celerity and security or accomodations, I will not attempt to place a moneyed price on the difference of values. Weight is the principal basis of the law fixing the compensation to railroads for carrying the mails, and the weights carried by rail are more than twenty times greater than those which were carried by stage. But as it may with truth be said that had no railroad been built, an equal amount of mail matter would not have been sent, and if sent would not have been carried by stage, as it would require several large stages daily each way to haul the matter, we also omit from our estimate any allowance for the difference in the weights.

The rates, weights and amounts allowed by the Postmaster-General since the construction of the railroad are shown in the following table :

Weight
increased 20
times.

Increased
weights and
improved
service not
taken into
this calcula-
tion.

Statement Showing Weights, Rates and Amounts for Transportation of UNITED STATES MAILS on Overland Route, from July 1st, 1869, to December 31st, 1885, as taken from Reports of Postmaster-General for the several years:

	CENTRAL PACIFIC.				UNION PACIFIC.				CENTRAL AND UNION PACIFIC.
	Allowed by Postmaster-General.				Postmaster-General.				
	Average Daily Weight.	Miles of Road.	Rate per Year.	Amount Allowed.	Average Daily Weight.	Miles of Road.	Rate per Year.	Amount Allowed.	
Year ending June 30th, 1870	5,368	150.00	\$300 00	\$193,125 00	6,376	150.00	\$300 00	\$265,550 00	\$458,675 00
Year ending June 30th, 1870	5,368	150.00	250 00	35,775 00	6,376	882.20	250 00	283,855 00	35,775 00
Year ending June 30th, 1870	3,554	138.00	250 00	241,312 50	6,376	1,032.20	275 00	283,855 00	523,167 50
Year ending June 30th, 1871	5,368	877.50	275 00	241,312 50	6,376	1,032.20	275 00	283,855 00	523,167 50
Year ending June 30th, 1872	5,368	877.50	275 00	241,312 50	6,376	1,032.20	275 00	283,855 00	523,167 50
Year ending June 30th, 1873	5,368	877.50	275 00	241,312 50	6,376	1,032.20	275 00	283,855 00	523,167 50
Year ending June 30th, 1874	5,296	877.50	233 00	204,457 50	10,963	1,032.20	315 00	325,143 00	529,600 50
Year ending June 30th, 1875	5,296	877.50	233 00	204,457 50	10,963	1,032.20	315 00	325,143 00	529,600 50
July 1st, 1875, to January 14th, 1876	5,296	877.50	233 00	127,785 93	10,963	1,032.40	315 00	203,253 75	331,039 68
January 15th, 1876, to June 30th, 1876	11,434	886.96	295 00	97,456 19	15,348	1,032.40	340 00	131,631 00	229,087 19
Year ending June 30th, 1877	11,434	886.96	269 50	237,418 72	15,348	1,032.40	310 00	320,912 00	538,330 72
Year ending June 30th, 1878	11,434	884.23	269 50	238,299 94	15,348	1,035.20	310 00	320,912 00	559,211 98
Year ending June 30th, 1879	15,017	895.64	377 88	293,662 44	19,369	1,035.20	364 05	376,864 56	679,527 00
July 1st, to December 27th, 1879	15,017	895.64	377 88	144,462 97	19,369	1,035.20	364 05	186,714 56	144,462 97
Dec. 28th, 1879, to June 30th, 1880	19,827	834.24	379 18	166,714 56	19,369	1,035.20	374 05	397,216 56	166,714 56
Year ending June 30th, 1880	19,827	802.07	379 18	317,131 37	24,833	1,035.20	432 19	447,403 08	397,216 56
Year ending June 30th, 1881	19,827	802.07	404 18	317,131 37	24,833	1,035.20	432 19	447,403 08	764,584 45
Year ending June 30th, 1882	19,827	802.07	404 18	317,131 37	24,833	684.20	432 19	456,678 08	764,584 45
Year ending June 30th, 1883	19,827	802.07	404 18	317,131 37	24,833	684.20	432 19	456,678 08	773,809 45
Year ending June 30th, 1884	22,818	801.86	410 81	171,716 05	29,665	689.66	434 34	555,103 40	773,809 45
July 1st to December 31st, 1884	22,818	801.86	410 81	171,716 05	29,665	689.66	434 34	555,103 40	426,819 45
Year ending June 30th, 1885	22,818	801.86	410 81	171,716 05	29,665	689.66	434 34	555,103 40	426,819 45
January 1st, 1885, to June 30th, 1885	22,818	801.86	410 81	171,716 05	29,665	689.66	434 34	555,103 40	426,819 45
Year ending June 30th, 1886	21,802	804.41	428 54	337,826 80	29,665	689.66	434 34	510,206 80	426,819 45
Year ending June 30th, 1887	21,802	804.41	428 54	337,826 80	29,665	689.66	434 34	510,206 80	848,033 60
Year ending June 30th, 1888	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1889	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1890	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1891	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1892	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1893	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1894	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1895	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1896	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1897	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1898	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1899	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1900	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1901	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1902	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1903	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1904	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1905	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1906	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1907	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1908	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1909	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1910	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1911	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1912	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1913	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1914	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1915	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1916	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1917	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1918	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1919	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1920	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1921	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1922	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1923	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1924	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1925	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1926	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1927	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1928	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1929	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1930	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1931	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1932	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1933	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1934	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1935	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1936	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1937	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1938	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1939	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1940	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1941	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1942	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1943	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60
Year ending June 30th, 1944	18,754	804.41	387 74	319,642 86	28,446	734.46	434 34	494,514 64	848,033 60

The table shows that the amount allowed the railroad by the Postmaster-General for carrying the mails from July 1, 1869, to December 31, 1885—a period of sixteen and a half years—was \$10,606,507.22. This was for carrying the average daily weight at the commencement of the period of about 5,000 pounds, which at the close of the period had increased to about 30,000 pounds. The stage rate, we have seen, was \$1,598.17 per mile. This for the 1,895 miles of aided road, and for the sixteen and a half years would amount to the sum of \$49,970,780.47. The difference representing the amount saved by the Government in the transportation charges on United States mails is \$39,364,273.25.

Saving in
mail trans-
portation,
\$40,000,000.

An idea of the improvement in the service and a suggestion as to its value to the Government and to the people may be gained from the following remarks relating to the subject, made by the Postmaster-General at the end of the old régime and the beginning of the new. In his report for 1867 (p. 8), the Postmaster-General says:

Improve-
ment in the
service.

“ No changes have been made in the overland California
“ mail since the last annual report, at which time the depart-
“ ment was having daily service from the ends of the railroad
“ by both the Smoky Hill and Platte routes as far as Denver,
“ where the lines united and formed a single daily route via Salt
“ Lake City and Virginia City to the Central Pacific Railroad
“ connection. During the spring and summer months the
“ complaints as to the manner in which the service was being
“ performed, and the great delay in the arrival of mail from
“ the east at Denver and Salt Lake, were more numerous and
“ pressing than at any time since the present route has been
“ in operation. It was charged that the Indian troubles com-
“ plained of by the contractor, and given by his agents as an ex-
“ cuse for non-performance of service, were a pretense, and that
“ there was no reason why the mails should not be conveyed
“ regularly and within schedule time. The official reports,
“ however, of General Sherman and other officers of the army,
“ referred by the Secretary of War to this department, prove
“ conclusively that the most serious troubles did exist on
“ the plains, and that there was no safety for either passen-
“ gers or mails except under ample military escort, which
“ could not be furnished daily. A special agent of the depart-
“ ment lately sent over the route for the express purpose of

" reporting as to the manner in which the service had been
 " performed during the summer, and also as to its present con-
 " dition, has, under date November 4, 1867, made his report,
 " which is accompanied by the affidavits of the Postmasters
 " at the principal offices on the route, and also by statements
 " of several officers commanding military stations on the
 " line. The burden of this proof is summed up as well,
 " perhaps, in the affidavit of the postmaster at Denver as in
 " other papers submitted. He says: 'On that portion of the
 " route from Denver to Omaha City, or terminus of railroad,
 " Indian troubles of a serious nature commenced as early as
 " February 16th, and notwithstanding the contractor, sup-
 " ported by the military, put forth every effort in his power to
 " clear the road and keep it open, no mail was received at
 " this office over that route from February 23d to March 2d.
 " During the month of March our registers show eighteen fail-
 " ures. From June 8th to September 1st regular trips were
 " made on alternate days, and from that date to the present
 " we have had daily service. I am reliably informed
 " that the delay was in many instances caused by loss of
 " stock driven off by hostile Indians at points where it was
 " impossible to replace it without prolonged delay. This
 " was more especially the case on the route from Denver to
 " to Salt Lake City. Late in the winter the Union Pacific
 " Railroad was blockaded by snow, followed soon by high
 " water, which caused another delay of three weeks and the
 " diversion of the mail from the Platte to the Smoky Hill line.
 " ' From the best information I can obtain the cause of all
 " ' the detentions and irregularities complained of were un-
 " ' avoidable on the part of the contractor, and of such a char-
 " ' acter as to have precluded the possibility of any man or set
 " ' of men making regular trips over the route unless securely
 " ' guarded by an armed force of considerable magnitude.'
 " ' From papers submitted by the contractor to the inspection
 " ' division it would appear that from April 1st, to August 15,
 " ' 1867, the Indians robbed him of three hundred and fifty head
 " ' of stage stock, burned twelve of his stage stations with large
 " ' amounts of grain and hay, destroyed three coaches and
 " ' express wagons, severely wounded several of his passengers,
 " ' and killed outright thirteen of his most reliable employes.'

In contrast to this state of affairs, we find the condition of
 the service the first year after the Pacific railroad was opened
 for through traffic, stated by the Postmaster-General in his
 report for 1870, as follows: (p. 12.)

“ The through mail tables herewith submitted make a favorable exhibit as to the average speed and regularity with which the mails have been conveyed over the line 3,307 miles long—between New York and San Francisco, during the year ending with the month of September, 1870. * * * The average time going west was 175 hours 52 minutes, or seven days, seven hours and 52 minutes; going east, 172 hours, 44 minutes, or seven days, four hours and 44 minutes. The records from which these tables are compiled show that generally three mails a day are dispatched from New York for San Francisco, one in the morning and two in the afternoon; the average schedule time of the afternoon mails being nearly seven days, and of the morning mails nearly seven and a half days, a single train a day being run west of the Missouri river, the departure of which is arranged to connect with the train making the latest afternoon departure from New York. From San Francisco but a single mail a day is dispatched for New York, of which the average schedule time, allowing for the intermission of Sunday service east of the Missouri river, is about seven days three and a half hours only one hour and fourteen minutes less than the average time actually attained.”

Although the value of this improved condition of affairs is not stated in money in the foregoing comparisons of rates and amounts, it should be borne in mind in connection therewith. And it strengthens the force of the argument made by the figures, that the construction of this line has saved the United States in the transportation of mails during the sixteen and a half years, ending December 31, 1885, over \$39,000,000.00.

SUMMARY—FREIGHT, TROOPS AND MAILS.

A summary of the foregoing shows the following result to January, 1886:

Saving in
freight,
troops and
mails,
\$140,000,000.

	U. S. TRANSPORTATION CHARGES ON CENTRAL-UNION PACIFIC.	COST AT RATES PAID PRIOR TO RAILROADS. .	SAVING TO U. S.
Freight	\$5,740,753.00	\$61,161,307.00	\$55,420,554.00
Troops, etc.,	4,616,053.00	49,178,967.00	44,562,914.00
Mails	10,606,507.22	49,970,780.47	39,364,273.25
Total,	\$20,963,313.22	\$160,311,054.47	\$139,347,741.25

A saving in the expense of the Government of nearly one hundred and forty millions up to the end of 1885, in the item of transportation seems enormous to one not accustomed to deal with accounts of Government expenditure. Yet it no doubt falls short of expressing the actual saving in this time ; for many items (of which some have been noticed) cannot be satisfactory valued in money, and have been entirely omitted from the calculations. A single Indian war has cost more than the whole amount of bonds issued to the Pacific railroads. The Pacific Railroad Committee of the Senate, in a report dated February 19, 1869, make the following statement on this subject:

“ What is the cost of our Indian wars as compared with the cost of the Pacific railways, which will speedily end the Indian wars? A compilation from the official records of the Government shows that these wars for the last 37 years, have cost the nation 20,000 lives and more than \$750,000,000. In the years 1864 and 1865, the Quartermaster's department spent \$28,374,228 for military service against the Indians. * * * The Chairman of the House Committee on Indian affairs, estimated recently that the present current expenses of our warfare with the Indians was \$1,000,000 a week—\$144,000 a day.” (40 Congress, 3d Session, Senate Rep. Com. 219).

Views of
General
Sherman.

The effect of the Pacific Railroads in ending the Indian wars is thus commented upon by General Sherman in his last report as General of the Army : (Report 1883, p. 5, *et seq.*)

“ I now regard the Indians as substantially eliminated from the problem of the army. There may be spasmodic and temporary alarms, but such Indian wars as have hitherto disturbed the public peace and tranquility are not probable. The army has been a large factor in producing this result, but it is not the only one. Immigration and the occupation, by industrious farmers and miners, of lands vacated by the aborigines have been largely instrumental to that end; but the *railroad* (the italics are the general's), which used to follow in the rear, now goes forward with the picket line in the great battle of civilization with barbarism, and has become the *greater* cause. I have in former reports for the past fifteen years treated of this matter, and now on the eve of withdrawing from active participation in public affairs, I beg

“ to emphasize much which I have spoken and written here-
 “ tofore. The recent completion of the last of the four great
 “ transcontinental lines of railway has settled forever the
 “ Indian question, the army question, and many others which
 “ have heretofore troubled the country. * * * I
 “ regard the building of these roads as the most important
 “ event of modern times, and believe that they account fully
 “ for the peace and good order which now prevail throughout
 “ our country. * * * A vast domain equal to two-
 “ thirds of the whole surface of the United States has thus
 “ been made accessible to the immigrant, and in a military
 “ sense, our troops may be assembled at strategic points and
 “ sent promptly to the places of disturbance, checking disor-
 “ ders in the bud.” * * *

The saving to the Government in mere money, which directly resulted from the aid granted for the construction of the Central-Union Pacific Railroad up to January 1, 1886, may then be fairly stated as \$139,347,741, nearly one hundred and forty million of dollars. Such is the return received by the Government in the item of transportation. As an offset to this are the bonds issued by the United States with interest accrued thereon, less the amount of such interest which has been repaid by transportation charges withheld in the Treasury Department and cash paid under the law. The statement and balance of this account to December 31, 1885, is shown as follows :

TO JANUARY 1, 1886.

Bonds issued by United States:

Union Pacific Railroad	\$27,236,512 00
Central and Western Pacific Railroads	27,855,680 00
	<hr/>
Total Bonds	\$55,092,192 00

Interest accrued to January 1, 1886:

Union Pacific	\$29,043,327 21
Central and Western Pacific Railroads	29,299,156 21
	<hr/>
	\$58,342,483 42
Carried forward	\$113,434,675 42

Brought forward \$113,434,675.42

Transportation charges and cash:

UNION PACIFIC—

- (a) Trans. to June 30, 1885, \$10,647,579 36
- (b) Cash " " 5% 283,162 99
- (c) Interest payment 1885 . 560,017 05
- (d) Sinking Fund in U. S.
Treasury 6,006,033 73

Total Union Pacific payments on bonded
line (not including Kansas Pacific), \$17,496,793.13

CENTRAL AND WESTERN PACIFIC—

- (e) Transp. charges and cash \$ 9,251,974.43

Total transp. charges on aided
line and cash paid \$26,748,767.56
Balance accrued on debt to date
(due in 1898) \$86,685,907.86

Saving by U. S. three times the cash value of the debt and interest.

This balance will not be payable till the maturity of the bonds at the average date of say January 1, 1898. The present cash value of this sum, calculated at six per cent interest payable semi-annually—the same rate as borne by the bonds—is \$42,647,795. The saving in money to the Government in transportation charges to the same date amounts to \$139,347,741.25.

COMPLETION OF THE RAILROAD IN LESS TIME THAN ALLOWED BY THE LAW.

Early completion of road.

The last spike was driven in the Pacific Railroad at Promontory Point on May 10, 1869. From that date the Union and Central Pacific Companies, forming a through line between the Missouri River and the navigable waters of the Sacramento River in California, have been in continuous use and operation for the transportation of passengers, freight and mails. By Sec. 17 of the Act of Congress of July 1, 1862 (12 U. S. Stat. 489), the railroad companies were required to complete the

(a) U. S. Com. R. R. Rep. 1885, p. 1. (b) Ibid. (c) Ibid. Rep. 1886, p. 6. (d) Annual Report U. P. Ry. 1885, p. 78. (e) Rep. C. F. R. R. 1885, p. 4.

line, ready for use in a reasonable time, and it was provided that if it were not so completed by the first day of July, 1876, their properties should be forfeited to the United States, upon which Congress might pass any act to insure their speedy completion.

The through line of railroad was thus actually opened for traffic over seven years before the limit of time allowed by the law.

Everything necessary to the construction of a railroad; capital, labor and materials, cost the Companies much more on account of this early completion of the road, than they would have cost had the companies consumed the full time allowed. But the Government and the people were benefited by all the direct and incidental advantages connected with railroads as compared with the slower and more expensive methods of transportation. To the public the saving in transportation has been many times what it was to the Government; and it has given to them all the material benefits implied by the use of half the continent for seven years.

The direct saving in money to the Government is easily abstracted from the foregoing statements. In addition to this there was a benefit probably to an equal or greater amount by the ending of Indian wars and the abandonment of many military posts which the former frequent hostilities made necessary.

The amount saved to the Government by the use of the road for these seven years ending June 30, 1876, is as shown by the following tables, as follows :

SEVEN YEARS TO JUNE 30, 1876.

TRAFFIC.	U. S. TRANSPORTATION CHARGES ON CENTRAL-UNION PACIFIC.	COST TO U. S. AT RATES PAID PRIOR TO RAILROAD.	SAVING TO U. S. TO JUNE 30, 1876.
Freight	\$1,793,556	\$15,509,977	\$13,716,421
Troops, etc	2,162,296	18,698,671	16,536,375
Mails	3,689,343	21,199,725	17,510,382
Total	\$7,645,195	\$55,408,373	\$47,763,178

Cost of road increased by early completion.

Saving for first seven years, \$47,760,000.

The debt to the same date was as follows :

Bonds:

Union Pacific	\$27,236,512	
Central & Western Pacific	27,855,680	
		\$55,092,192

**Interest accrued less credits:*

Union Pacific	\$ 9,438,810	
Central-Western Pacific	12,180,838	
		\$21,619,648

Balance of debt, due at maturity of bonds in 1898, \$76,711,840

*Public debt statement, June 30, 1876.

The cash value of this debt on June 30, 1876, discounted at the same rate of interest borne by the bonds, was \$21,522,274.

The amount saved by the Government for that period was, as above, \$47,763,178.

Saving by U. S. in seven years greater than the value of debt and interest.

So that in transportation charges alone, the Government benefited by the use of the road for seven years for which time it was finished before the limit allowed by the law, the amount of \$26,240,904 in excess of the cash value of the debt and interest to that date.

DEBT AND INTEREST AT MATURITY COMPARED WITH SAVING
IN TRANSPORTATION CHARGES TO SAME DATE.

Saving to maturity of bonds.

The United States Commissioner of Railroads, in his report for 1883, (p. 13) estimates the balance to become due on the debt of Central-Union Pacific line at maturity as \$71,000,000. Subsequent experience has shown that the balance will be greater than this sum, as since the Commissioner's estimate several competing transcontinental roads have been completed, thus reducing the net earnings of the original line, and reducing also thereby the amounts of the annual payments to the Government on account of the debt. In the following estimate the annual payments from 1886 to 1897, are based upon the requirements ascertained under the law since 1883.

ESTIMATE OF DEBT AND INTEREST AT MATURITY.

Bonds, Central-Union Pacific line	\$55,092,192
Interest, 30 years at six per cent	99,165,945
	<hr/>
Total, bonds and interest	\$154,258,137

PAYMENTS ON DEBT BY COMPANIES.

CENTRAL-WESTERN PACIFIC.

(a) Transportation charges and cash to January 1, 1886	\$9,251,974
(b) Payments 1886 to 1897, estimated on average rate 1883-1886, \$478,- 000 per annum	5,736,000
	<hr/>
	\$14,987,974

UNION PACIFIC RAILROAD.

(c) Credits to January 1, 1886	\$17,496,793
(d) Payments 1886 to 1897, estimated on average rate of 1883-1885, \$1,- 448,000 per annum	17,376,000
	<hr/>
	\$34,872,793
Total payments	<hr/>
	\$49,860,767
Balance on debt at maturity	<hr/>
	\$104,397,370

As an offset to this balance the saving in transportation charges may be cited, as that is a direct pecuniary benefit to the Government. The foregoing statements show this saving up to January, 1886, to have been \$139,347,741. Assuming this saving to continue to the maturity of the debt at the same annual rate as it has been in the past, the result would be as follows:

(a) Annual Report C. P. R. R., 1885, p. 4. (b) Rep. U. S. Com. R. Rs., 1886, p. 35. (c) See preceding statement of January 1, 1886. (d) Rep. U. S. Com. R. Rs., 1886, p. 35.

**SAVING TO GOVERNMENT IN TRANSPORTATION CHARGES TO
MATURITY OF THE DEBT.**

KIND OF SERVICE.	Average Yearly Amount Saved by Government.	Amount Saved in 30 Years to Maturity Debt.
Freight	\$3,463,785	\$103,913,550
Troops, etc	2,785,182	83,555,460
Mails	2,385,714	71,571,420
Total	\$8,634,681	\$259,040,430

Balance on debt estimated to be due at maturity
as above \$104,397,370

Saving to Government in transportation charges
to same time 259,040,430

Surplus saved \$154,643,060

The total debt stated above, with interest at maturity, with-
out any deductions for payments by the companies, amounts
to—

Principal of bonds \$55,092,192

Interest at 6 per cent 99,165,945

Total \$154,258,137

Deducting this amount from the sum saved above, leaves \$104,782,293 as the amount of benefit which would have been realized by the Government in excess of the whole amount of bonds and interest, had they been a donation instead of a loan at interest. At the time the granting acts were passed it was frequently stated in Congress that in case the loan could never be directly repaid the saving to the Government in transportation charges would more than equal the bonds and interest, and thus directly offset the debt. The foregoing statements show that these predictions have been more than realized.

STATE OF CALIFORNIA, }
 City and County of San Francisco. } ss.

E. H. MILLER, JR., being first duly sworn, saith: That he has read the foregoing statement consisting of the pages next preceding, marked "Exhibit No. 11½" and knows the contents thereof; that the facts therein stated are true except as to those matters stated on his information or belief, and as to those he believes it to be true.

E. H. MILLER, JR.

Subscribed and sworn to before me this 26th day of July,
 A. D., 1887.

E. B. RYAN,

[SEAL OF NOTARY.]

Notary Public in and for the City
 and County of San Francisco,
 State of California.

EXHIBIT No. 12.

*Relative to Competing Roads Aided by Congress, by J. C. STUBBS,
General Traffic Manager.*

(See answer
to question
No. 54.)

There are now eight (8) transcontinental railroad lines in addition to the original Union and Central Pacific line—that is to say, there are eight other lines, each of which competes in whole or in part with the original Union and Central Pacific line for the traffic interchanged between the Pacific Coast and the territory of the United States and Canadas east of the Rocky Mountains. They are as follows :

1. The original Union and Central Pacific line, opened for through traffic in May, 1869.
2. The 32d parallel route, or Atchison, Topeka & Santa Fe and Southern Pacific line via Deming, opened in March, 1881.
3. The 32d parallel route or Southern Pacific and Texas & Pacific line via El Paso, Texas, opened in January, 1882.
4. The 32d parallel route, or Galveston, Harrisburg & San Antonio Ry. and Southern Pacific via El Paso, Texas, opened in February, 1883.
5. The Burlington & Missouri River R. R. and Denver & Rio Grande in connection with Central Pacific, opened in May, 1883.
6. The Northern Pacific R. R. opened in September, 1883.
7. The Atlantic & Pacific in connection with the Southern Pacific, opened in October, 1883.
8. The Oregon Short line, the date of whose opening for business I am unable to give.
9. The Canadian Pacific, opened for business in July or August, 1886.

All of these roads except the Canadian Pacific are in United States Territory.

In the report of the United States Commissioner of Railroads for 1884, pages 226 and 227, will be found a list of grants made by the United States in aid of the construction of railroads which gives the date of the act of Congress making the grants, etc. By reference to the list it will be found that at least a portion of each of the transcontinental lines above described, except the Canadian Pacific (which was heavily subsidized in land and money by the Dominion Government) was aided by the United States Government, and I am informed, (not having searched the matter myself) that in each of said cases there was a larger grant of land made than that to the Union and Central Pacific line; that the grant to the latter line was for 12,800 acres per mile, less mineral lands and lands for which there were prior claims, while the grants to the other lines were usually at the rate of 12,800 acres per mile in the States, and 25,600 acres per mile in the Territories. It is supposed that the lands granted to the Texas and Pacific, Atlantic and Pacific, Atchison, Topeka & Santa Fé, and Northern Pacific companies caused their construction; certainly no one will deny that they hastened their completion. Without the land grants the roads would not have been built and without these roads the traffic which has been carried by them in competition with the Central and Union Pacific line would have gone over the Central and Union Pacific lines, and contributed by so much to the earnings of the Central and Union Pacific companies.

To illustrate the extent to which the earning capacity of the Central and Union Pacific companies has been impaired by the completion of these roads I have caused to be prepared and beg to hand you herewith the following exhibits:

EXHIBIT A.

Comparative Statement showing Freight Tonnage and Charges on Through

PERIOD.	Direction.	Via Central Pacific and Union Pacific.		Via Central Pacific and Denver & Rio Grande.		Via South'n Pac. and Atlantic & Pacific.		Via South'n Pac. and A. T. & S. F.	
		Pounds.	Charges.	Pounds.	Charges.	Pounds.	Charges.	Pounds.	Charges.
Jan. 1, 1874, to Mar. 31, 1881 Per cent	East	940,363,990	\$12,565,250 30	.....	.....	.....	.....	.....	.....
	West	1,647,899,888	29,991,892 90	.....	.....	.....	.....	.....	.....
.....	.....	2,588,263,878 100	42,557,143 20 100	.....	.....	.....	.....	.....	.....
Apr. 1, 1881, to Dec. 31, 1881 Per cent	East	143,303,150	1,928,977 40	.....	.....	.....	.....	21,362,350	\$305,546 7
	West	272,455,990	4,234,726 90	.....	.....	.....	.....	2,663,060	53,068 5
.....	.....	415,759,140 94-54	6,163,704 30 94-50	.....	.....	.....	.....	24,025,410 5-46	358,615 2 5-50
Jan. 1, 1882, to Jan. 31, 1883 Per cent	East	127,141,720	1,650,253 30	.....	.....	.....	.....	56,393,500	721,230 00
	West	358,452,510	5,285,101 90	.....	.....	.....	.....	54,278,820	766,021 46
.....	.....	485,594,230 69-23	6,935,355 20 72-37	.....	.....	.....	.....	110,672,320 15-78	1,487,251 46 15-52
Feb. 1, 1883, to May 31, 1883 Per cent	East	21,447,710	281,229 20	.....	.....	.....	.....	12,847,600	172,954 7
	West	107,563,550	1,473,145 00	58,730	\$ 1,298 10	.....	.....	49,494,060	641,752 2
.....	.....	129,011,260 57-77	1,754,374 20 57-45	58,730 .03	1,298 10 .04	.....	.....	62,341,660 27-92	814,706 94 26-67
June 1, 1883 to Sept. 30, 1883 Per cent	East	56,751,140	808,742 50	7,842,280	112,246 10	.....	.....	13,792,950	178,392 90
	West	79,403,880	1,156,336 70	16,396,820	214,107 00	.....	.....	30,100,000	374,613 46
.....	.....	136,155,020 48-76	1,965,079 20 49-71	24,239,100 8-68	326,353 10 8-26	.....	.....	43,892,950 15-71	553,006 30 13-99
Oct. 1, 1883, to Sept. 30, 1884 Per cent	East	118,244,380	1,478,543 10	25,158,880	314,268 60	22,695,450	\$258,794 10	17,916,560	215,477 30
	West	204,365,320	2,827,834 30	33,015,840	440,416 70	43,151,750	577,067 90	48,184,820	505,712 10
.....	.....	322,609,700 42-45	4,306,377 40 43-23	58,174,720 7-65	754,685 30 7-57	65,847,200 8-66	835,862 00 8-39	66,101,380 8-69	721,189 40 7-24
Oct. 1, 1884, to Dec. 31, 1885 Per cent	East	160,939,860	1,920,418 10	34,340,150	436,440 70	62,647,870	699,411 80	7,396,900	93,884 50
	West	173,124,650	2,353,273 00	22,632,530	284,530 70	129,909,200	1,559,200 40	254,730	4,406 20
.....	.....	334,064,510 35-29	4,273,691 10 35-65	56,972,680 6-02	720,971 40 6-01	192,557,070 20-34	2,258,612 20 18-84	7,651,630 .81	98,290 70 .82
Jan. 1, 1886, to Dec. 31, 1886 Per cent	East	175,783,490	1,492,955 00	40,745,090	331,624 40	59,254,850	462,541 10	769,200	8,000 70
	West	193,459,600	1,338,468 60	52,001,960	319,472 80	99,820,590	989,241 10	41,310	586 50
.....	.....	369,243,090 31-18	2,831,423 60 32-36	92,747,050 7-83	651,097 20 7-44	159,075,440 13-43	1,451,782 20 16-59	810,510 .07	8,587 20 .10
Total, 5 yrs. 9 Per cent	mos.	2,192,427,950 48-35	\$28,230,005 00 52-46	232,192,280 5-12	\$2,454,495 10 4-56	417,479,710 9-20	\$4,546,256 40 8-45	315,495,860 6-95	\$4,041,647 10 7-51

EXHIBIT B.

each route for periods as noted; also percentage of said Traffic done by each route, & R. G., shown separately).

G. are included in Central and Union Pacific Lines.

Via South'n Pac. and Texas & Pacific.		Via South'n Pac. and G. H. & S. A.		Via North'n Pac. and O. R. & N. Co.		Via Oregon Short Line.		Total Via All Routes.	
Pounds.	Charges.	Pounds.	Charges.	Pounds.	Charges.	Pounds.	Charges.	Pounds.	Charges.
								2,588,263,878	\$42,557,143 20
								439,784,550	\$6,522,319 50
1,534,360 3,223,860	\$921,285 60 234,795 40	420,360	4,501 50						
4,758,220 14.93	1,156,082 00 12.06	420,360 0.06	4,501 50 0.05					701,445,130	9,583,190 10
8,611,810 7,055,760	118,460 80 122,695 60	5,147,610 11,093,760	64,839 40 177,622 20						
5,667,570 7.01	241,156 40 7.90	16,241,370 7.27	242,461 60 7.94					223,320,590	3,053,997 20
2,704,710 8,113,380	164,930 40 120,022 10	22,477,880 31,663,130	261,766 40 561,700 70						
0,818,090 7.46	284,061 50 7.21	54,141,010 19.39	823,467 10 20.83					279,246,170	3,952,867 20
5,293,160 3,104,060	410,467 10 459,110 80	35,460,850 56,874,990	454,253 40 983,714 00						
3,397,220 9.66	869,577 90 8.73	92,335,840 12.14	1,437,967 40 14.43	81,645,044 10.75	1,036,776 08 10.41			760,111,104	9,962,435 48
6,437,990 4,649,270	424,778 20 287,921 10	62,363,790 102,173,370	712,758 58 1,610,103 60						
1,087,260 6.46	712,699 30 5.95	164,537,160 17.39	2,322,862 10 19.38	91,065,847 9.62	1,143,128 66 9.53	38,513,114 4.07	458,160 71 3.82	946,449,271	11,988,416 17
4,625,300 3,132,570	303,160 30 184,238 00	152,680,040 191,969,440	895,459 20 1,288,154 20						
7,757,870 4.88	487,398 30 5.58	344,649,480 29.09	2,183,613 40 24.96	90,666,060 7.66	756,457 08 8.65	69,481,740 5.86	378,222 80 4.32	1,184,423,140	8,748,581 78
3,486,230 7.36	\$3,751,875 40 6.97	672,325,220 14.83	\$7,014,873 10 13.03	263,377,851 5.81	\$2,936,361 82 5.46	107,994,854 2.38	\$836,383 51 1.56	4,534,779,955	\$53,811,807 43

EXHIBIT C.

Statement showing Tonnage and Charges lost to Central and Union Pacific on Through Freight Traffic for periods noted,

PERIOD.	Total Tonnage and Charges via all Lines.		Tonnage and Charges via Central and Union Pacific.		Loss of Tonnage and Charges to Central and Union Pacific.	
	Tons.	Charges.	Tons.	Charges.	Tons.	Charges.
Jan. 1, '74, to Mch. 31, '81.	1,294,131 ⁸⁸⁸	\$42,557,143 20	1,294,131 ⁸⁸⁸	\$42,557,143 20	.....	.....
Apr. 1, '81, to Dec. 31, '81.	219,892 ⁸⁷⁸	6,522,319 50	207,879 ⁸⁷⁰	6,163,704 30	12,012 ⁷⁸⁸	\$ 358,615 20
Jan. 1, '82, to Jan. 31, '83.	350,722 ⁸⁸⁸	9,583,190 10	242,797 ¹¹⁸	6,935,355 20	107,925 ⁸⁸⁰	2,647,834 90
Feb. 1, '83, to May 31, '83.	111,660 ⁸⁸⁸	3,053,997 20	64,534 ⁸⁸⁸	1,755,072 80	47,125 ⁸⁸⁰	1,298,924 40
June 1, '83, to Sep. 30, '83.	139,623 ⁸⁸⁸	3,952,867 20	80,197 ⁸⁸⁰	2,123,231 30	59,426 ⁸⁸⁸	1,829,635 90
Oct. 1, '83, to Sep. 30, '84.	380,055 ⁸⁸²	9,962,435 48	190,392 ²¹⁰	4,673,192 00	189,663 ⁸⁸⁸	5,289,243 48
Oct. 1, '84, to Dec. 31, '85.	473,224 ⁸⁸⁸	11,988,416 17	195,518 ⁸⁸⁸	4,628,666 60	277,706 ⁸⁸⁰	7,359,749 57
Jan. 1, '86, to Dec. 31, '86.	592,211 ⁸⁷⁰	8,748,581 78	230,990 ⁸⁷⁰	3,149,504 40	361,221	5,599,077 38
Total 5 years 9 months.	2,267,389 ⁸⁷⁷	\$53,811,807 43	1,212,310 ¹¹⁸	\$29,428,726 60	1,055,079 ⁸⁸⁸	\$24,383,080 83

The total loss (5 years 9 months) to Central and Union Pacific

Of which the Central Pacific proportion is 46 %

Of which the Union Pacific proportion is 54 %

EXHIBIT C.

*Lines (including Central Pacific Tonnage and Charges via D. & R. G.),
on account of the opening of new Lines.*

REDUCED TO ANNUAL RATES.							
Total via All Lines.			Via Central and Union Pacific.			Loss annually to Central and Union Pacific.	
Annual Tons.	Annual Av. Rate.	Annual Charges.	Annual Tons.	Annual Av. Rate.	Annual Charges.	Annual Tons.	Annual Charges.
178,500 ¹⁸⁸	\$3,288 ⁸	\$5,869,950 84	178,500 ¹⁸⁸	\$3,288 ⁸	\$5,869,950 84	.....	.....
293,189 ⁷⁰⁸	2,966	8,696,426 04	277,172 ⁷⁰⁸	2,965	8,218,272 36	16,016 ¹⁸⁸	\$ 478,153 68
323,743 ⁸⁰⁰	2,732 ⁴	8,846,021 64	224,120 ⁴⁰⁰	2,856 ⁴	6,401,866 32	99,623 ⁸⁰⁰	2,444,155 32
334,980 ⁸⁰⁰	2,735	9,161,991 60	193,604 ⁸⁰⁰	2,716 ⁸	5,259,218 40	141,375 ⁸⁰⁰	3,902,773 20
418,869 ⁸⁸⁸	2,831 ¹	11,858,601 60	240,591 ¹⁰⁰	2,647 ⁸	6,369,693 84	178,278 ⁸⁷⁸	5,488,907 76
380,055 ⁸⁸⁸	2,621 ⁸	9,962,435 48	190,392 ⁸¹⁰	2,454 ⁸	4,673,192 00	189,663 ⁸⁴⁸	5,289,243 48
378,579 ⁷⁰⁰	2,532 ⁸	9,590,732,88	156,414 ⁸⁷⁰	2,367 ⁸	3,702,933 24	222,164 ⁸⁸⁸	5,887,799 64
592,211 ⁸⁷⁰	1,477 ⁸	8,748,581 78	230,990 ⁸⁷⁰	1,363 ⁸	3,149,504 40	311,064 ⁸⁸⁰	4,204,757 49
394,328 ¹⁸⁸	\$2,373 ⁸	\$9,358,575 24	210,836 ¹⁸⁸	\$2,427	\$5,118,039 36	183,492 ¹⁸⁸	\$4,240,535 88

Line = \$24,383,080 83, or an annual loss of \$4,240,535 88.

. . = \$11,216,217 18, or an annual loss of \$1,950,646 50.

. . = \$13,166,863 65, or an annual loss of \$2,289,889 38.

Exhibit C shows the tonnage and charges of all the lines compared with the tonnage and charges as given on Exhibit B for the Central and Union Pacific line and the difference in tons and dollars; that is to say, according to Exhibit C the loss in tonnage to the Central and Union Pacific line by the diversion to other lines from April 1, 1881, to December 31, 1886, was 1,055,079 tons and \$24,383,080.

Exhibit C also shows the charges and tonnage of each of the several periods reduced to an annual basis; that is, if for each of the several periods the tons carried and charges made had been at the same rate for twelve months, it shows what the annual tonnage, charges and loss would have been.

For example:

Take the second period, from April 1 to December 31, 1881, being nine months. The tons carried during that nine months via all lines were 219,892 tons, which at the same rate for twelve months would be 293,189 tons. The charges or earnings for the nine months by all lines were \$6,522,319, and for twelve months at the same rate would have been \$8,696,426. The tonnage and charges of the Central and Union Pacific line for the nine months, at the same rate, would have been 277,172 tons and \$8,218,272. The actual loss for the period to the Central and Union Pacific line is represented by 12,012 tons, on which the charges were \$358,615. For twelve months, at the same rate, the loss would have been, 16,016 and \$478,153.

Exhibit C also totals the several periods beginning April 1, 1881, and ending December 31, 1886 (five years, nine months), with the following result:

Total tonnage and charges via all lines 2,267,389 tons and \$53,811,807.

The tonnage and charges via the Central and Union Pacific for the same period were 1,212,310 tons and \$29,428,726.

The loss in tonnage and charges to the Central and Union Pacific line, being the difference between the tonnage and charges via all lines and the tonnage and charges via the Central and Union Pacific line as shown above, were 1,055,079 tons, and charges \$24,383,080, which reduced

to an annual basis shows the loss for this period at the annual rate of 183,492 tons and \$4,240,535.

Exhibit C also shows the average annual rate per ton charged for freight. During the first period when there was but one line, (Union and Central Pacific line) from January 1, 1874, to March 31, 1881, you will note that the average annual rate per ton was \$32.88. By following down through the several subsequent periods you will notice a gradual reduction in the annual rate per ton until in 1886 the rate was reduced to \$14.77 per ton. Some of this difference in rate was chargeable to the opening of competing lines; in other words, take for example the year 1886; while it is not reasonable to suppose that at the annual average rate which obtained in 1885 (25.32 per ton) the same tonnage would have been moved as was moved in 1886 at a lower average rate (\$14.77 per ton). Yet it is true that the same tonnage would have been moved at a higher rate than the average earning during 1886. It is impossible to say what would be the maximum rate at which the same tonnage would have moved.

It is a matter of public knowledge that during a portion of that year, 1886, rates were unnecessarily low. I should estimate that an average rate of \$20 per ton, being a reduction of a little more than twenty per cent from the average rate prevailing from October 1, 1884, to December 31, 1885, would have given all needed stimulus to the movement of traffic, and the difference between \$14.77 and \$20—\$5.23 per ton, would be a reasonable estimate of the effect of unreasonable competition between the railroads, which would fall below rather than above the real measure of the influence of that competition. Accordingly 311,064 tons, extended at a rate of \$5.23 per ton would represent a further loss to the Central and Union Pacific line by reason of the diversion of traffic to other lines and the competition inaugurated by said other lines of \$1,626,864.

For all the competitive periods shown on Exhibit C the charges are extended at the annual average rate. The effect of the competition of the other lines was something more in each period than the mere diversion of traffic. It reduced rates; that is to say, had the other lines not been built, not only the entire traffic would have been carried by the Union and Cen-

EXHIBIT D.

Comparative Statement showing Number of Passengers carried by each route on Through periods as noted, also percent-

The earnings via Northern Pacific, O. R. & N. Co. and Oregon Short

PERIOD.	Direction.	Via Ogden and Union Pacific.			Via Ogden and Denver and Rio Grande.			Via Mojave and Atlantic Pacific.			Via Deming and A. T. & S. F.		
		No.	Earnings.	%	No.	Earnings.	%	No.	Earnings.	%	No.	Earnings.	%
			Dolla. Cts.		Dolla. Cts.			Dolla. Cts.		Dolla. Cts.		Dolla. Cts.	
n. l. '74, to Mar. 31, '81.	East West	207,717 359,116	5,948,323 94 9,688,287 38	..	..	..	..	..	..	..	..	..	..
		566,833	15,636,611 32	100									
n. l. '81, to Dec. 31, '81.	East	20,574	573,384 51	..	..	..	..	..	..	..	5,354	169,114 89	..
	West	32,854	856,946 57	..	..	..	..	..	..	..	8,652	252,201 40	..
		53,428	1,430,331 08	77 ⁸⁸							14,006	421,316 29	22 ⁷⁸
n. l. '82, to Jan. 31, '83.	East	24,321	683,809 28	..	..	..	..	..	..	..	9,640	296,874 80	..
	West	41,170	1,059,765 89	..	..	..	..	..	..	..	17,967	518,021 11	..
		65,491	1,743,575 17	63 ⁸⁸							27,607	814,895 91	29 ⁹⁰
n. l. '83, to May 31, '83.	East	6,781	190,925 36	..	436	14,837 22	..	..	..	..	3,105	94,837 93	..
	West	16,445	384,796 17	..	352	7,318 18	..	..	..	..	8,918	238,434 46	..
		23,226	575,721 53	53 ⁷⁸	788	22,155 40	2 ⁹⁷				12,023	333,272 39	31 ¹⁴
n. l. '83, to Sep. 30, '83.	East	9,445	228,731 93	..	3,464	92,478 71	..	..	..	..	2,088	61,171 33	..
	West	17,183	419,683 73	..	2,676	61,957 72	..	..	..	..	4,187	108,174 12	..
		26,628	648,415 66	61 ¹⁰	6,140	154,436 43	14 ⁸⁸				6,275	169,345 45	15 ⁹⁸
n. l. '83, to Sep. 30, '84.	East	19,271	484,051 58	..	5,886	165,289 34	..	2,463	42,580 18	..	4,126	120,244 54	..
	West	29,033	708,192 05	..	4,839	128,064 45	..	4,789	82,246 20	..	11,989	314,304 28	..
		48,304	1,192,243 63	42 ⁴⁸	10,725	293,353 79	10 ⁴⁴	7,252	124,826 38	4 ⁴⁴	16,115	434,608 82	15 ⁸⁸
n. l. '84, to Dec. 31, '85.	East	21,014	519,642 79	..	9,574	251,742 18	..	6,796	60,945 85	..	3,763	107,969 87	..
	West	33,304	745,564 18	..	5,546	143,394 40	..	16,849	130,807 15	..	9,900	254,417 34	..
		54,318	1,265,206 97	41 ⁸⁸	15,120	395,136 58	12 ⁸⁸	23,645	191,753 00	6 ⁸⁸	13,663	362,387 21	11 ⁸¹
n. l. '86, to Dec. 31, '86.	East	30,157	375,253 90	..	18,804	250,893 45	..	8,262	42,462 85	..	1,136	21,214 25	..
	West	38,768	510,028 26	..	15,213	189,547 59	..	22,210	123,839 29	..	3,160	57,134 49	..
		68,925	885,282 16	38 ⁸¹	34,017	440,441 04	19 ¹⁸	30,472	166,301 64	7 ⁸⁸	4,296	78,348 74	3 ⁴¹
total 5 years 9 months.		340,320	7,740,776 20	51 ⁸¹	66,790	1,305,523 24	8 ⁷⁸	61,369	482,881 02	3 ⁸¹	93,985	2,614,174 81	17 ⁸⁸

tral Pacific lines, but it would have been carried at higher rates. Hence the earnings upon the total traffic, if carried by the Union and Central Pacific line without the competition of the other lines would have been greater than the earnings made by all the lines from the same traffic, so that the real loss in freight earnings resulting from the building of other lines, if the exact facts could be ascertained, would prove to be much more than \$24,383,080, as shown on Exhibit C.

Exhibits A, B and C relate only to freight traffic, I also enclose herewith Exhibits D and E.

Exhibit D shows the number of through passengers carried by each route, and the earnings accruing therefrom west of Ogden, Mojave, Deming and El Paso, the termini of the Southern Pacific system.

Ogden is the terminus of the Central Pacific road.

Mojave is the point of junction of the Atlantic and Pacific with the Southern Pacific.

Deming is the junction of the Atchison, Topeka & Santa Fé R. R. with the Southern Pacific.

El Paso is the junction point of the Southern Pacific, Texas and Pacific, and Galveston, Harrisburg & San Antonio railroads, respectively.

Exhibit D and the other passenger statements, show the earnings west of these respective termini.

In the case of passengers our records do not show the earnings of the connecting lines as in the case of freight.

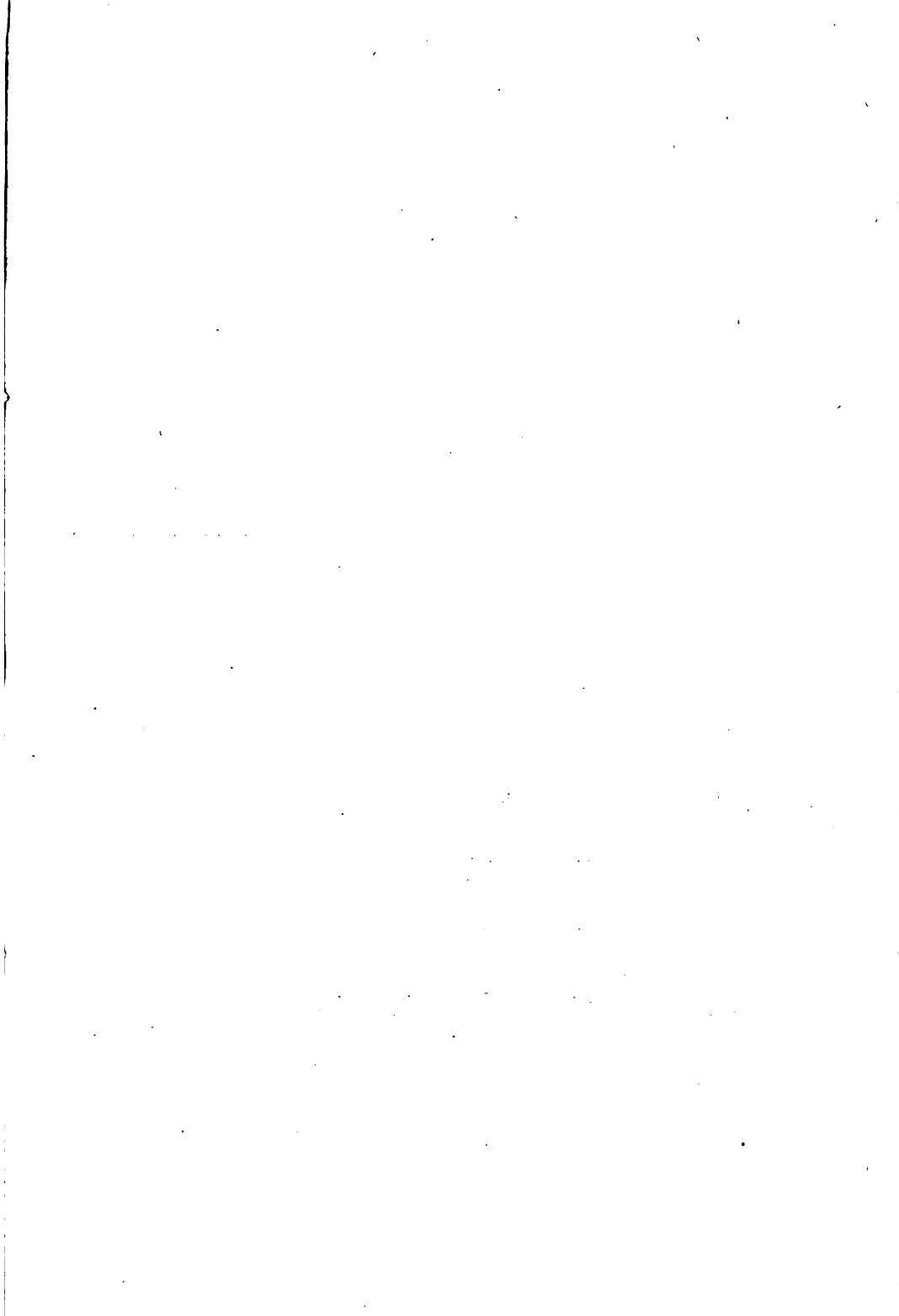


EXHIBIT E.

Statement showing Number of Passengers (Through), and Revenue also showing average Rate per Passenger earned

PERIOD.	Total via all Routes West of C. P. and S. P. Terminals.		Total C. P. Via Ogden, including via D. R. G.		Loss to Central Pacific via Ogden.		
	No.	Earnings.	No.	Earnings.	No.	Earnings.	Per Cent.
Jan 1, '74 to March 31, '81. Average Rate per Passenger.	566,833	\$15,636,611 32 27 59	566,833	\$15,636,611 33 27 59	0	0	0
April 1, '81 to Dec. 31, '81. Average Rate per Passenger.	67,434	1,851,647 37 27 46	53,428	1,430,331 08 26 77	14,006	421,316 29 30 08	22 75
Jan. 1, '82 to Jan. 31, '83. Average Rate per Passenger.	99,941	2,753,373 58 27 55	65,491	1,743,573 17 26 62	34,450	1,009,798 41 29 02	36 68
Feb. 1, '83 to May 31, '83. Average Rate per Passenger.	41,028	1,070,431 89 26 09	24,014	597,876 93 24 89	17,014	472,554 96 27 77	44 14
June 1, '83 to Sept. 30, '83. Average Rate per Passenger.	42,331	1,061,277 79 25 07	32,768	802,852 09 24 50	9,563	258,425 70 27 02	24 35
Oct. 1, '83 to Sept. 30, '84. Average Rate per Passenger.	111,877	2,809,258 35 25 11	59,029	1,485,597 42 25 17	52,848	1,323,660 93 25 05	47 12
Oct. 1, '84 to Dec. 31, '85. Average Rate per Passenger.	141,918	3,066,579 02 21 60	69,438	1,660,343 55 23 77	72,480	1,406,235 47 19 40	45 85
Jan. 1, '86 to Dec. 31, '86. Average Rate per Passenger.	180,210	2,298,395 73 12 75	102,942	1,325,723 20 12 88	77,268	972,672 53 12 60	42 32
Total 5 years 9 months .	684,739	14,910,963 73	407,110	9,146,299 44	277,629	5,864,664 29	39 33

NOTE.—From April 1, 1881, to December 31, 1886, (5 years 9 months), during which time other total loss of Revenue amounting to \$5,864,664.29, or 39.33 per cent of the Total Through has sustained a proportionate loss of \$6,884,605.90, making total loss for C. P. and U. P. Line \$1,019,942.04, and to the Union Pacific \$1,197,323.26, or a total for the Through Line of

EXHIBIT E.

*Lost to Central Pacific Road on account of opening of new Lines;
and Loss annually for the periods as noted.*

REDUCED TO AN ANNUAL BASIS.						
Total via all Routes.		Total via Ogden.		Annual Loss to Central Pacific.		
No.	Earnings.	No.	Earnings.	No.	Earnings.	Per Cent.
78,180	\$2,156,773 92	78,180	\$2,156,773 92	0	0	0
89,912	2,468,863 16	71,237	1,907,108 11	18,675	\$561,755 05	22 75
92,256	2,541,575 52	60,456	1,609,453 92	31,800	932,121 60	36 68
123,084	3,211,295 64	72,048	1,793,630 76	51,036	1,417,664 88	44 14
126,993	3,183,833 37	98,304	2,408,556 27	28,689	775,277 10	24 35
111,877	2,809,258 35	59,029	1,485,597 42	52,848	1,323,660 93	47 12
121,644	2,628,496 32	59,508	1,423,151 64	62,136	1,205,344 68	45 85
180,210	2,298,395 73	102,942	1,325,723 20	77,268	972,672 53	42 32
119,076	2,593,211 40	70,800	1,573,269 36	48,276	1,019,942 04	39 33

Lines competed with the Central and Union Pacific Line, the Central Pacific Road suffered a Passenger Traffic. Assuming this loss based on 46 per cent of total through, the Union Pacific of \$12,749,270.19. Reducing this to an Annual Basis, the loss annually to the Central Pacific is \$2,217,265.30.

Exhibit E is the same for passengers, as Exhibit C for freight.

Both of the exhibits relating to the passenger traffic in the matter of division into periods are the same as the exhibits for freight.

Exhibit D will show the number of through passengers forwarded by the original Union and Central Pacific line from January 1, 1874, to March 31, 1881, amounting to 556,833, from which the Central Pacific earned \$15,636,611 which represented 100 per cent.

For the period (from April 1, 1881, to December 31, 1881) this percentage was reduced to 77.25 per cent.

For the third period (Jan. 1, 1882, to January 31, 1883) it was reduced to 63.32 per cent.

For the fourth period (February 1, 1883, to May 31, 1883) it was reduced to 53.78 per cent.

For the fifth period (June 1, 1883, to September 30, 1883) the reduction was only to 61.10 per cent; that is to say, the opening of the Denver and Rio Grande and Burlington and Mo. River line contributed temporarily something to the earning power of the Central Pacific, probably owing to the scenic attractions which the new route would offer.

But in the sixth period (October 1, 1883, to September, 1884) the percentage fell off to 42.43 per cent.

For the seventh period (October 1, 1884, to December 31, 1885) it was reduced to 41.25 per cent.

For the last period (January 1, 1886, to December 31, 1886) it was reduced to 38.51 per cent.

As in the case of freight it will be observed with respect to passengers that the opening of each new line, with the single exception of the short period immediately succeeding the opening of the D. & R. G. road, the Central Pacific line suffered a loss; and that loss resulted from no other cause than the opening of these new lines.

Exhibit E shows the number of passengers carried by all routes and the Central Pacific charges therein with the loss in

charges to the Central Pacific by diversion to other routes for each period reduced to an annual basis.

The total loss to the Central Pacific by diversion for the period from April 1, 1881, to December 31, 1886 (five years, nine months), is shown to be 277,629 passengers and \$5,864,664, or an average annual rate of 48,276 passengers and \$1,019,942.

It will be observed also that the average rate on passengers for each period shows a less percentage of reduction than in the case of freight, though in the year 1886 the average rate fell to \$12.75 against an average rate of \$27.59 during the first period, from January 1, 1874, to March 31, 1881.

From October 1, 1884, to December 31, 1885, the average annual rate by all routes was \$21.60, and the number of passengers carried was at the rate of 121,644 per annum, as against a rate of \$12.75 for the year 1886 and 180,210 passengers.

The large reduction in rate was incident to the war in rates which followed the dissolution of the Transcontinental pool. It was not compensated by increased traffic, as all the rail lines earned less from the increased traffic than they earned the year previous on a less amount of traffic. The conclusion necessarily follows that while Exhibit E shows a loss for the year 1886 to the Central Pacific by diversion of 77,268 passengers and \$972,672, it does not show the entire loss resulting to the Central Pacific by reason of the competition of the other lines. The same number of passengers could have been moved by the Central Pacific at a higher average rate than was earned by all lines.

As has been explained, the passenger exhibits show only the earnings west of the Eastern termini of the Southern Pacific and Central Pacific Railroads, and show for the entire period from April 1, 1881, to December 31, 1886, a total loss in revenue to the Central Pacific Road of \$5,864,664, or 39.33 per cent of the total through passenger traffic.

In my judgment it is fair to assume that the loss of the Central Pacific represents 46 per cent of the loss to the Central and Union Pacific line, that being not only the Central Pacific

road's proportion of mileage, but also its percentage of the Central and Union Pacific "line" rates. This is a very close approximation of what an inquiry for the purpose of ascertaining the exact loss would show. It is rather under than over the loss. If we assume that the loss to the Central Pacific road is 46 per cent of the loss of the Central and Union Pacific line, we have a loss in revenue to the U. P. and C. P. line of \$12,749,270.19. Reducing this list to an annual basis, the loss of revenue annually for the line would be \$2,217,265. This estimate will govern Exhibit F, which combines the showings made by Exhibit C and Exhibit E for freight and passengers respectively.

EXHIBIT F.

Recapitulation of Exhibits E and C, showing combination of Passenger and Freight Traffic Lost to the Central and Union Pacific Line for the period April 1, 1881, to Dec. 31, 1886; assuming that the results shown in Exhibit E (Passenger) represent 46 per cent of the through line earnings, the remaining 54 per cent is added, showing total loss to Central and Union Pacific line, as below:

	Total Earnings via All Routes.	Earnings via Central and Union Pacific.	Loss to Central and Union Pacific.	Per Cent of Total	REDUCED TO AN ANNUAL BASIS.			
					Annual Earnings All Routes.	Annual Earnings Central and Union Pac.	Annual Loss of Earnings to C. P. & U. P.	Per Cent Lost Annually
Passenger	\$32,415,138 54	\$19,665,868 35	\$12,749,270 19	39%	\$5,637,416 10	\$3,420,159 80	\$2,217,256 30	39%
Freight	53,811,807 43	29,428,726 60	24,383,080 83	45%	9,358,575 24	5,118,039 36	4,240,535 88	45%
	\$86,226,945 97	\$49,094,594 95	\$37,132,351 02	43%	\$14,995,991 34	\$8,538,199 16	\$6,457,801 18	43%

The Total Loss on Passengers and Freight (five years, nine months) to Central and Union Pacific Line \$37,132,351 02, or an Annual Loss of \$6,457,801 18

Of which the Central Pacific's proportion is 46% = 17,080,881 47, " " " " 2,970,588 54

" " Union Pacific's " " " " 54% = 20,051,469 55, " " " " 3,487,212 64

Exhibit F is a recapitulation of Exhibit E and Exhibit C, and shows that the total earnings for the entire period from April 1, 1881, to December 31, 1886 (five years, 9 months), of all routes from through freight and passengers were \$86,226,945.97; that the earnings of the Central and Union Pacific line, ascertained as above explained, for the same period were \$49,094,594.95. The loss resulting to the Central and Union Pacific line by diversion of traffic to other lines being the difference between the above amounts, was \$37,132,351.02, or 43 per cent of the total business. This reduced to an annual basis shows an annual loss to the Central and Union Pacific line (since April 1, 1881, the date of the opening of the first competing line), \$6,457,801.18, forty-six (46) per cent of which, or \$2,970,588.54, represents the loss of the Central Pacific Company.

There can be no question that the traffic carried by all routes during this period could have been carried by the Union and Central Pacific lines. I do not think there can be any doubt that had there been but one line, and that line had offered the same rates (and these comparisons are based upon the rates actually charged), the same amount of traffic would have been carried, and the earnings from it would have been covered into the treasuries of the Central and Union Pacific Companies. Not only is this true, but the same amount of traffic could have been carried, and doubtless would have been carried, at an average rate of charge something higher than was actually obtained, so that while the average annual loss to the Central and Union Pacific line is shown by these statements to have been less than six and one-half million dollars, I believe that the actual damage to the Union and Central Pacific line, caused by the building of the other lines, is not less than seven million dollars per annum, or a total loss of over forty million dollars, for the period between April 1, 1881, and December 31, 1886, forty-six (46) per cent of which represents the loss to the Central Pacific Railroad Company.

The facts and figures set forth in the enclosed exhibits are derived from our own records; first, being abstracts made from impression copies of the original way bills covering the freight carried, and from the original tickets collected from the passengers; and, second, for the Oregon Short Line and Northern

Pacific Roads, which are not connections of either the Central or Southern Pacific, from the records of the Transcontinental Association for the period from October 1, 1883, to January 1, 1886, and for the year 1886, from the records of the Northern Pacific and Union Pacific Companies respectively.

In giving the dates of the opening of the several lines, I have not been governed by the historical dates, but by the dates of the first billing or ticketing of through business done by those lines.

Respectfully submitted.

J. C. STUBBS.

STATE OF CALIFORNIA, }
City and County of San Francisco. } ss.

J. C. STUBBS, being first duly sworn, saith : That he has read the foregoing statement consisting of the pages next preceding marked "Exhibit No. 12," and knows the contents thereof that the facts therein stated are true except as to those matters stated on his information or belief, and as to those he believes it to be true.

J. C. STUBBS.

Subscribed and sworn to before me this 26th day of July,
A. D. 1887.

E. B. RYAN,

[SEAL OF NOTARY.]

Notary Public in and for
said City and County.

EXHIBIT No. 13.

Statement of E. H. MILLER, JR., Secretary, relative to amounts due from the United States, for transportation on non-aided roads.

(See answer to question No. 55.)

The Central Pacific Railroad Company controlled by lease a number of branch lines prior to April 1, 1885, from which date the lines were leased to the Southern Pacific Company. Mails were carried by these lines for the United States under the rules and orders of the Post-office Department. No payments have been made for such service since 1883, at which time but partial payments were made. The payments were withheld prior to April 1, 1885, because the Central Pacific Railroad Company leased the lines; and they have been withheld since that date because the Central Pacific Railroad Company had formerly leased the lines.

The United States Supreme Court decided in *U. S. vs. C. P. R. R. Co.*, October term 1885, that compensation for transportation on non-aided and leased lines was due the Company in cash. (See U. S. Com. R. Rs. 1886, p. 27.)

To show the amount of this service for which payments have been withheld, statements are submitted herewith as follows:

(A). Mail transportation from January 1, 1882, to March 31, 1885, showing amounts as allowed by Post-office Department \$1,814,384.96, of which non-aided and leased lines' proportion is \$806,923.27; cash paid is \$300,623.46; balance due and unpaid \$501,299.81.

Due for mail service in cash and remaining unpaid, \$960,544.78.

(B). Mail transportation from April 1, 1885, to December 31, 1886, showing amounts as allowed by Post-office Department, \$989,037.54, of which non-aided and leased lines' proportion is \$459,244.97, all of which latter sum remains due and unpaid.

The total amount thus remaining due and unpaid for transportation of mails to December 31, 1886, on such non-aided and leased roads is \$960,544.78.

The transportation charges on non-aided lines were applied in settlement of the annual requirements of the company under the provisions of the Thurman Act. After such applications there remained a balance due the Government on December

31, 1881, of \$79,149.91. This balance was paid by the company in cash October 23, 1882, thus settling the accounts to the end of 1881. Of this the U. S. Commissioner of Railroads in his report for 1882, (p. 26) says :

“ Under the Act of May 7, 1878, the bookkeeper of this office checked the books and accounts of the Company in San Francisco, with a view to the ascertainment of ‘25 per cent of the net earnings’ for the year ending December 31, 1881. Twenty-five per cent of the net earnings of the subsidized portion of the road was found to amount to \$1,038,935.24. The transportation for the Government during the year amounts to \$959,785.33, leaving a balance due the United States of \$79,149.91. Statement was rendered and payment demanded October 20, 1882. A check for the amount was sent to the Treasurer of the United States by the Vice-President of the Company, October 23, 1882. *The company has therefore paid to the Government all of its accrued indebtedness to date.*”

From and including the year 1882 to the present time there has been annually a balance due the non-aided lines for transportation services performed. The amount thus due from the Government in cash, in excess of all requirements of the law, to December 31, 1886, is \$1,853,323.15. This appears from statement C herewith, the further details of which appear in the annual reports of U. S. Commissioner of Railroads for the several years named.

Cash due for
all transpor-
tation ser-
vices unpaid,
\$1,853,323.15.

The United States by failing to pay for such mail service and other transportation, has caused an expenditure to the Central Pacific Railroad Company of amounts equal to interest on the sums retained at the rate of six per cent per annum; that being the rate of interest paid during the period on floating debt of the Company, which debt would have been decreased by the payment of the sums due from the United States.

The annual interest on this balance due the roads in cash to December 31, 1886, of \$1,853,323.15, at six per cent, is \$111,199.39. This is the present annual injury to the roads by the Government on account of the item of transportation charges unpaid. The current charges also, in excess of the requirements, amount, as shown by the foregoing statement, to about \$450,000 a year. This amount with the interest on the balance make the accruing annual sum of \$560,000 due for transportation on non-aided lines and remaining unpaid.

STATEMENT B.

Southern Pacific Company.—Earnings from Mail Transportation, on lines formerly operated by the Central Pacific Railroad Company, from April 1, 1885, to December 31, 1886, and settlement thereof by the United States.

P. O. Route.	TERMINI.	COMPENSATION DUE.			DISTRIBUTION OVER AIDED AND NON-AIDED.		GOVERNMENT SETTLEMENT.		GOVERNMENT SETTLEMENT.
		Amount.	Less Deductions by P. O. Dept.	Amount Allowed by P. O. Dept.	Aided.	Non-Aided.	Credit.	Cash.	
						Credited to Interest & Sinking F'd 5% Account.	Credited to Account.		
39005	Deming.....	\$ 10,428 83		\$ 10,428 83	\$ 10,428 83				
40001	Yuma.....	117,510 74		117,510 74	117,510 27				
40001	San Francisco.....	597,184 46		597,184 46	63,533 31			\$171,462 49	
40003	Roseville.....	46,337 86		46,337 86	46,337 86				
40007	Swainville.....	1,116 83		1,116 83	1,116 83				
40007	Woodland.....	1,116 83		1,116 83	1,116 83				
40007	Napa Junction.....	737 84		737 84	737 84				
40010	Vallejo Junc.....	5,862 85		5,862 85	5,862 85				
40010	Castro.....	45,866 97		45,866 97	45,866 97				
40012	Lathrop.....	3,524 67		3,524 67	3,524 67				
40013	Stockton.....	3,524 67		3,524 67	3,524 67				
40013	Los Angeles.....	108,525 33		108,525 33	108,525 33				
40017	Goshen.....	1,779 53		1,779 53	1,779 53				
40020	Yuma.....	1,464 58		1,464 58	1,464 58				
40020	Santa Ana.....	17,601 83		17,601 83	17,601 83				
40022	Los Angeles.....	17,601 83		17,601 83	17,601 83				
40022	Tejama.....	3,913 42		3,913 42	3,913 42				
40023	Calif.....	422 23		422 23	422 23				
40023	West Oakland.....	422 23		422 23	422 23				
40024	Berkeley.....	959 25		959 25	959 25				
40028	San Francisco.....	28,664 86		28,664 86	28,664 86				
40028	Niles.....	1,541 52		1,541 52	1,541 52				
40032	Port Costa.....	19,482 64		19,482 64	19,482 64				
40035	Peters.....	1,433 07		1,433 07	1,433 07				
40038	Coshen.....	1,293 62		1,293 62	1,293 62				
		\$989,037 54		\$989,037 54	\$529,792 57	\$459,244 97	\$373,100 65	\$186,550 30	

STATEMENT C.

Statement showing amounts due from U. S. Government in cash to Dec, 31, 1886, for Transportation on Non-Aided and Leased Lines.

YEAR.	Requirement Under Thurman Act.	UNITED STATES TRANSPORTATION.				[Balance Due and Unpaid.
		Aided Lines.	Non-Aided Lines.	Cash Paid.	Total Trans. less Cash.	
1882	\$792,920 24	\$403,754 26	\$648,108 20	\$122,754 64	\$929,107 82	\$136,187 58
1883	661,539 69	403,241 26	515,237 00	183,564 93	734,913 33	73,382 64
1884	538,851 52	478,225 20	481,395 51	.....	959,620 71	420,769 19
1885	386,118 83	342,941 39	514,242 16	.....	857,183 55	471,064 72
1886	418,271 56	344,694 45	594,343 41	.....	849,037 86	430,766 30
	\$2,797,692 84	\$1,972,856 56	\$2,663,326 28	\$306,319 57	\$4,339,863 27	\$1,532,170 43
<p>The requirements from July 1, 1878, to December 31, 1884, were originally stated and settled as above, but they have since been restated in conformity with the decision of the Court of Claims (see U. S. Com. of R. R., 1885, p. 7), that new construction and equipment on the aided line are proper deductions in ascertaining the net earnings. These deductions, since made, make the annual requirements less than the amounts on which settlements were currently effected, by the sum of \$321,152.72. This amount is therefore due the Company in addition to the sum stated above</p>						\$321,152 72
<p>Making balance of cash due and unpaid for transportation on non-aided roads to December 31, 1886</p>						\$1,853,323 15

STATE OF CALIFORNIA,
 City and County of San Francisco. } ss.

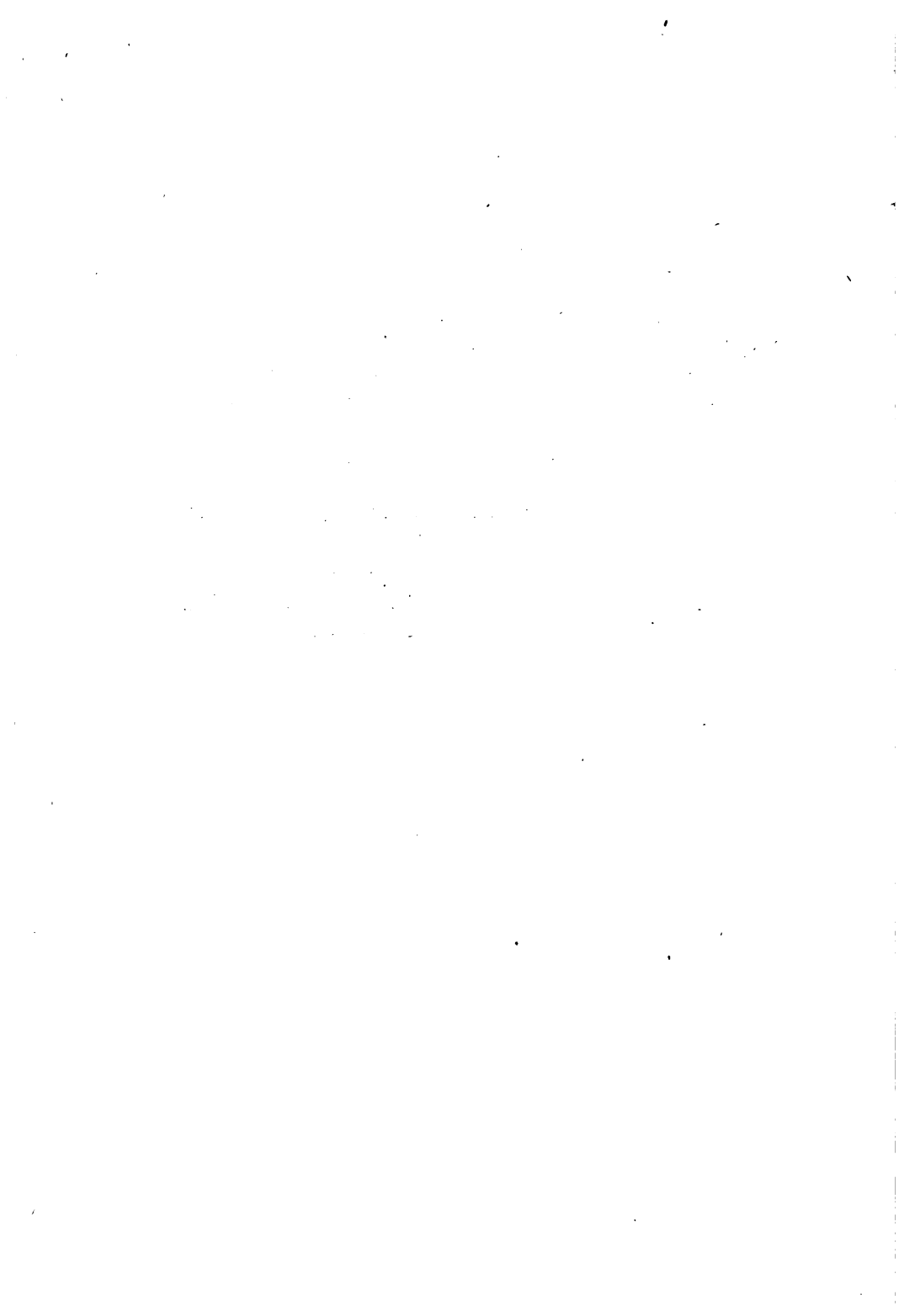
E. H. MILLER, JR., being duly sworn, says: he has read the foregoing statement; that the matters and things therein stated are true of his own knowledge, except as to matters stated on his information and belief, and as to those he believes it to be true.

E. H. MILLER, JR.

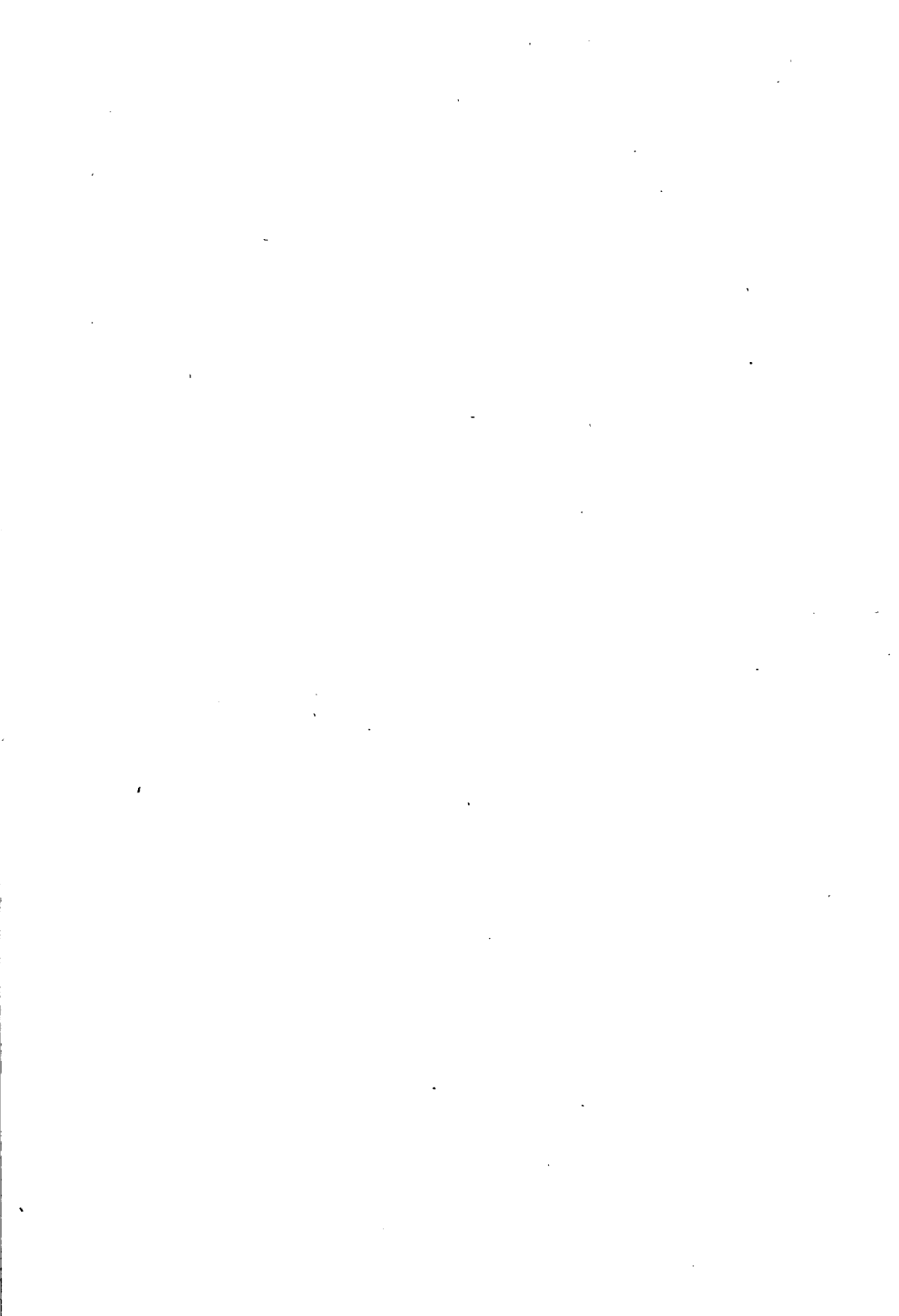
Subscribed and sworn to before me this 20th day of July, 1887.

[SEAL OF NOTARY.]

E. B. RYAN,
 Notary Public in and for
 said City and County.



INDEX OF SUBJECTS.



INDEX.

A

	Page
ACCOUNTS. See Books and Accounts.	
ASSETS OF COMPANY—	
Invested in other Companies	55
Not Subject to U. S. lien	47, 88
Total assets	46

B

BENEFITS OF RAILROADS—	
Views of prominent Citizens	65
BENEFITS TO UNITED STATES. See United States.	
BONDS ISSUED BY UNITED STATES—	
Discount lost by Company	95
Invested in Sinking Fund by U. S.	98
BONDS OF COMPANY—	
Discount lost by early completion of road	99
Issued according to law.	50
BONUSES AND DONATIONS	64
BOOKS AND ACCOUNTS—	
How kept as to Earnings of aided road	26
Mistaken or erroneous accounts	44

C

CENTRAL PACIFIC RAILROAD COMPANY—	
Business from Nevada mines	13
Consolidations	58
History of the enterprise	12, 16
Leased lines	58
Organization of	11

COMMISSION OF INVESTIGATION—

Circular, letter of	3
To examine as to roads aided by bonds	21
To report to the President	92

COMMUNITIES THROUGH WHICH THE ROAD RUNS—

As affected by settlement for debt	87, 108
Relations of, to Railroads	64

COMPETING LINES AIDED BY UNITED STATES 105

Diversion of business to, Statement—

By A. N. Towne, General Manager	115
By J. C. Stubbs, General Traffic Manager	238
Earnings aided line reduced by	29, 259
Injury to Central Pacific from	19, 259
Not expected when Contract was made	19

COMPLETION OF ROAD IN LESS TIME THAN ALLOWED BY LAW, 16, 101, 232

Benefits to United States from	20, 204, 232
Extra cost by. See Construction.	
Loss by discount on bonds from	99

COMPLIANCE WITH OBLIGATIONS. See Obligations.

CONSOLIDATIONS OF C. P. R. R. CO 58

CONSTRUCTION, COST OF—

Extra cost by early completion	17, 100
Statement as to—	
By L. M. Clement, Assistant Engineer	186
By Wm. Hood, Chief Engineer	193
By J. H. Strobbridge, Superintendent of Construction	197
By Arthur Brown, Supt. of Bridges and Buildings	200

CONSTRUCTIVE MILEAGE ALLOWANCES—

Aided line earnings as affected by	32
Allowance to aided roads by connections	40
Beneficial to aided road	33, 38
Usual custom as to	39

D

DEBT TO THE UNITED STATES—

Assets subject to lien for	47, 88
Discharged by counter claims of Company	20, 109, 234
Debt and Interest to maturity, compared with saving by U. S. in transportation	234

DEBT TO THE UNITED STATES—Continued.

Equities to be considered in settlement of	11, 88, 109
Extension of time for payment	88
Further security for	91
Plan of settlement as affecting communities	87, 108
Plan of settlement to consider financial ability of road and public service	88
Security for	47, 88
DIRECTORS, OFFICERS AND EMPLOYEES—	
Interest of, in leased roads, etc.	50
DISCOUNT ON BONDS. See Bonds.	
DISCRIMINATIONS IN RATES—	
Against aided roads	43
In fares and freights	87
Statement as to, by J. C. Stubbs, General Traffic Manager . . .	183
DIVERTED—	
Earnings. See Earnings.	
Traffic. See Traffic.	
Trust-funds. See Trust-funds.	
DIVIDENDS—	
Declared and paid	48, 49
Statement as to, by E. H. Miller, Jr., Secretary	129
Surplus available for	129

E**EARNINGS OF AIDED ROAD—**

As shown by books	26
Beginning to June 30, 1878	27
July 1, 1878 to December 31, 1886	30
Diversion to non-aided roads	32, 45
Statement as to diversion—	
By A. N. Towne, General Manager	115
By J. A. Fillmore, General Superintendent	126
By J. C. Stubbs, General Traffic Manager	238
Diversion to wrongful purposes	42
Deductions from, by rebates, pools, etc	45, 173
Earnings from Nevada business.	13, 109, 122
Reduced by competing aided lines	19, 29, 105, 238

EQUITIES—

To be considered in settlement for debt	11
Statement of some of the	88, 109

EXAMINATION BY COMMISSION—

Company consents to	12
Possible only by consent	11

EXHIBITS, TABLE OF 113**EXPENSE OF OPERATING MOUNTAIN DIVISIONS 124, 126****F**

FACILITIES AND ACCOMMODATIONS FURNISHED	87
Compared with those prior to railroad	93
Views of prominent citizens	65, 227

G

GOVERNMENT. See United States.

I

INVESTIGATION BY COMMISSION. See Examination.

INVESTMENTS IN RAILROADS AND OTHER COMPANIES	55
By directors, officers and employés	50
Extent and character of	55
In auxiliary roads	57

L**LANDS—**

Competing lines aided by	19, 29, 105, 115
Delays in U. S. General Land Office	154
Discouraging requirements of Land Office	158
Due diligence of company as to patents	155
Exhibit No. 6, by Wm. H. Mills, Land Agent	145
Government fails to make surveys	157
Government obstructions as to patents	159
Government unable to meet demands of company	162
Land Office of U. S. hopelessly behind	165

LANDS—Continued.

Land mortgage of Company	171
Patents—Delays in, by U. S.	86
Patents urged by Company	148
Recent amendments to law	170
Selections filed by Company	153
Taxes on lands. See Taxes.	
Uselessness of further selections	168
LEASED LINES—List of	58
LEGAL EXPENSES—Payments under head of	64
LEGISLATION—	
Antagonistic to roads	104
Have companies influenced	54
LOANS—	
Money or credit loaned to others	52
Money or credit loaned from others	53

M

MAILS. See United States Mails.

O

OBLIGATIONS TO UNITED STATES—

Fully complied with by Company	22, 107
Statement as to, by E. H. Miller, Jr., Secretary	114

OFFICERS. See Directors, Officers and Employés.

P

POOLS—

Deductions from gross earnings by	45
Freight and passenger	87
Statement as to, by J. C. Stubbs, General Traffic Manager.	180

R

RAILROADS—

Investments in. See investments.	
Interest in auxiliary roads	57
Relations of communities to	64
To be examined by Commission	21

RATES—

California Railroad Commission on	178
Comparison with other roads	173
Fare and freight charged	87
Statement as to, by J. C. Stubbs, General Traffic Manager	173

REBATES—

Deductions from earnings by	45
Statement by J. C. Stubbs, General Traffic Manager	173

S**SALARIES—**

Of \$5,000 a year, or over	61
Names of persons receiving	62, 64

SETTLEMENT FOR DEBT—

To United States. See Debt.	
Sinking Fund in U. S. Treasury established by Thurman Act	18, 98
Injury to Company by investment	18, 98

SNOW SHEDS—

Statement as to cost of	200
-----------------------------------	-----

STOCK OF COMPANY—

Held in trust	60
Issued in accordance with law.	50
Increase of.	61
Total amount of	60

STOCKHOLDERS—

Consideration paid by each	59
Date each became such	60
Exhibit as to, by E. H. Miller, Jr., Secretary	135
Names of, and amount held, each year	59

T**TAXABLE PROPERTY INCREASED BY RAILROAD 70****TAXES—**

History of Tax Litigation in California	71
Lands—Statement of Taxes paid on	80
Questions concerning	71
Taxes paid by Company	78

TRAFFIC—

Diversion from aided lines	45
Statement as to—	
By A. N. Towne, General Manager	115
By J. A. Fillmore, General Superintendent	126
By J. C. Stubbs, General Traffic Manager	238
TRUST FUNDS, APPLICATION OF BY COMPANY	50

U

UNION PACIFIC RAILWAY, CONSOLIDATION, ETC.	54
--	----

UNITED STATES—

Benefitted by early completion of road	20, 101, 204, 232
Cash due Company from	21, 44, 106
Debt to and Settlement. See Debt.	
Nothing due to from erroneous accounts, etc.	44

UNITED STATES TRANSPORTATION—

Additional facilities furnished by road	93, 204
Cash due roads for	21, 44, 106, 262
Cost of, prior to railroad	13, 93, 204
Cost of, since completion of railroad	93, 204
Freight charges prior to road	205
Freight charges saved by United States	213
Mail service on branch lines due and unpaid	106, 107, 262
Mail service, low rates fixed by Government	14, 223
Mail service, saving in by Government	227
Saving by Government—	
To July 1, 1876	20, 104, 233
To January 1, 1886	93, 104, 229
To maturity of debt	104, 234
Troops, rates paid prior to road	215
Troops, amount saved by Government	220

V

VOUCHERS—Without details	53
------------------------------------	----

CENTRAL PACIFIC RAILROAD CO.

*Supplementary Statement by LELAND STANFORD, President,
to United States Pacific Railway Commission.*

At the meeting of the Commission held in San Francisco, August 2, 1887, Leland Stanford, president of the Central Pacific Railroad Co., presented the following statement, which he read :

*Statement of the relations between the Central Pacific Railroad
Co. and the United States as to the indebtedness of
the Company to the Government.*

I infer from the remarks made by some of the Commissioners about the time of adjournment last Friday, that it was supposed the Central Pacific Railroad Company did not occupy towards the Government the position of an independent contracting party, but was in some way an agent acting in a fiduciary capacity. The Federal Courts have, in several cases, construed the Pacific Railroad Acts, and have determined what are the property rights of the Company under the Acts of Congress. It has been repeatedly held by these Courts that the grants of lands and bonds made in aid of the construction of the road became the property of the Company upon compliance with the conditions named in the acts. Several actions have been prosecuted by the United States upon the theory that the Government could compel an accounting with the directors of the corporation constructing the Pacific Railroad, for the disposition they made of the bonds issued by the

United States. The case of the *United States vs. The Union Pacific R. R. Co.*, in the Circuit Court of Connecticut, was the first of this character of suit. (See 2 Blatchford, 404.) The case was appealed to the Supreme Court and affirmed. Mr. Justice Hunt in delivering the opinion of the Circuit Court, said: "The grants of land and the issuing of bonds are to be considered gratuitous, voluntary contributions to aid in the construction of works which it was supposed would develop the resources of the country, advance civilization and improvement, and upon which the mails and munitions of war could be transported. When given and accepted the power of the donor is at an end, and the absolute ownership is in the corporation."

It was upon the theory that the bonds issued by the Government were the private property of the Company, that the Court refused to order an accounting of what disposition was made of them by the Directors.

A case involving similar questions and of the same title, was commenced in the Court of Claims and appealed to the Supreme Court. (See 1st Otto, 72.) Mr. Justice Davis in delivering the opinion of the Court, said: "The Act itself (Pacific Railroad Act) was an experiment. It must be considered in the nature of a proposal to enterprising men to engage in the work, for with the untried obstacles in the way there was no security that capital could be enlisted; if enlisted at all it could only be on conditions which would insure in case of success, remuneration proportionate to the risk incurred. The proffered aid was in lands and interest-bearing bonds of the United States."

The Court in this case affirmed the same doctrine that was maintained in the case previously cited. No contrary view has been expressed by the Supreme Court. In construing the Thurman Act it was assumed throughout by the Supreme Court that the aid granted by the Government to the roads was private property. (See 9 Otto, 700 to 769.) Nor was it decided that Congress had power to change the contract, but it was argued by the Court that the provision for a Sinking Fund did not interfere with the rights of the Company, or require payment from it before maturity of the bonds.

Cost of the Road.

It is unnecessary to examine in detail the expenditures of the Company in the construction of the road. The aggregated expenditure for all purposes can be readily ascertained. The following is a list of all the available resources, with the exception of those originally contributed by the promoters to inaugurate the enterprise :

Central and Western Pacific Railroads. Memorandum regarding receipts from all sources, to December 31, 1869.

	PAR VALUE	APPROXIMATE REALIZED.
United States Bonds Central & Western Pacific	\$27,855,680	\$20,735,000
Central & Western Pacific Rail- road Co's. bonds of equal amount	27,853,000	20,750,000
Central Pacific Railroad Co.:		
Convertible bonds	1,483,000	830,000
State aid bonds	1,500,000	980,000
County Bonds :		
San Francisco to Cen. Pac.	400,000	300,000
Sacramento to Cen. Pac. .	300,000	190,000
Placer to Cen. Pac.	250,000	160,000
San Fran to Western Pacific	250,000	175,000
San Joaquin to West. Pac.	250,000	125,000
Santa Clara to Western Pac.	150,000	100,000
Land Sales Balance C. P. R. R.		107,000
Profit and Loss, Balance Jan. 1, 1870		1,610,000
		<hr/>
		\$46,062,000
Company owed C. & F. Co.		1,827,000.
		<hr/>
		\$47,889,000

The Government had no interest in the money contributed for the construction of the road in addition to the grants of Congress. The bonds granted by the United States together

with the First Mortgage Bonds of the Company, authorized by the Acts of Congress, produced in the aggregate the net amount of \$41,485,000. If no other money but the bonds issued and authorized by the Government had been used in the construction of the road, it could not have cost more than \$48,200 per mile, for that was the full amount realized from the Government aid and the First Mortgage Bonds.

It will not be denied that the Company was authorized to use the entire grant of the Government in the construction of the road, and if it could be completed with the bonds issued and authorized to be issued by the Government without other funds, the Company was not called upon to appropriate additional money. In other words, the Government offered to the Company the grants named in the Act, upon condition that the Company should build the road and perform for the Government the services required. If the road could have been built for one-half, or any other fraction of the amount granted by the United States, the amount saved would have been the property of the Company, and not of the United States. The Government named its conditions, the Company accepted them and is entitled to whatever benefits may result, from the contract. This position is in accordance with the decisions of the Supreme Court of the United States. Does any one suppose that the road would have been built, if it had been understood that if the Company was successful the Government would take the profits, and if unsuccessful the stockholders would have to make up the loss? But, strange as it may seem, that is the position assumed by those who, at the completion of the work, demand an accounting from the Company for the moneys received from the Government without regard to the terms and conditions of the contract.

But suppose that we assume, for the sake of argument, that the Company occupies toward the Government the position of an agent or employé, and that it must account to the Government for the moneys received, and must pay over to the United States every dollar over and above reasonable compensation for the construction of the road, we submit with the utmost confidence that the \$48,200 per mile, which the Company obtained from the bonds issued by the United States, and

its own First Mortgage Bonds, authorized by the Act of Congress, was less than the reasonable cost of the road, and that without other aid the road would not have been constructed at that time and under those circumstances, so that so far as the original amount paid for the construction of the road is concerned, we say :

First. No money or aid from the United States was used which was not granted to the Company on condition that it construct the road, and when the road was constructed and the conditions complied with that the United States had no right to inquire what disposition was made of the bonds granted for its construction.

Second. That if the Company is bound to account to the Government as a faithful agent in the construction of the road, that the aid granted by the United States was insufficient for its construction, and that upon this basis the Government ought to make good the deficiency.

I shall be pleased, at the proper time, to offer further evidence as to what was a reasonable compensation for the construction of the road.

LELAND STANFORD.

