

## STATEMENT OF MR. JAMES J. HILL.

The CHAIRMAN. Mr. Hill, please state your full name, your occupation, and your place of residence.

Mr. HILL. My name is James J. Hill; residence, St. Paul, Minn.; I am president of the Great Northern Railway.

I shall undertake, in as brief a way as I can, to discuss the question of interstate commerce and the reasonableness of rates as applied in a broad way to the business of the country, and I shall occupy as little of your time as I can.

In the first place, there is only one safe basis upon which low rates can be made, and that is a low cost of producing the transportation. It is not and never can be a safe basis for the business of the country to be built upon that the one party to the transaction, the party that furnishes the transportation, must furnish it at a loss. Under such conditions, sooner or later that enterprise falls to the ground—it is destroyed. The only basis for low rates is a low cost of producing the rate.

There is another view of it. It is taken generally throughout the country that a rate once made is always a rate that is compulsory; that if a railway voluntarily makes a rate from one point to another on shipments of any commodity it follows that that rate, which is voluntarily made, is a fair and compensatory rate as far as the railway is concerned; and it would be a very difficult thing to convince a judge or a jury that the railway could not make that rate under all conditions.

The conditions under which rates are made vary almost daily. If a railway company had a lot of empty cars moving in one direction, it goes without saying that they could afford to make a lower rate to fill those cars than if they had to send the cars out with that load and bring them back empty. But what do you find? Hard and fast, the railway is up against the proposition that if you ever make a rate that rate must stand for all time against you. And that alone goes further to hold up rates than anything else. You must make a rate always assuming that you have to bring the car back empty, because you are called upon when you have empty cars going out. You are called upon to send a car out with this load and there is nothing to bring back. That in itself, in my opinion—and I have watched it closely—goes further to hold rates up than almost anything else.

There is but one true basis for determining the reasonableness of a rate; there never can be but one; and that is the value of the service, and that is determined by the density of traffic. If I have \$100,000 profit to raise and 100,000 tons of freight it is very easy; I must make a profit of \$1 a ton. Now, if you will give me 200,000 tons of freight 50 cents a ton will be sufficient, and if you will give me 400,000 tons 25 cents a ton profit gives me the amount I want. The density of traffic must determine the rate. The cost varies on different districts of a railway. Among sixteen districts on the Great Northern Railway we find some places where the cost is over three times as much as it is in other places. If the average rate or the average cost

of the Great Northern for a year were applied to some divisions the rate would be prohibitory, almost; and in others it would result in a loss to the company. We have divisions where the amount that it costs us for transporting a ton of freight 100 miles is 20 per cent higher than the average rate that we receive from the public for the whole road.

Rates vary with conditions. They vary from day to day, almost. I was much struck by some of the questions that were asked a few moments ago of the gentleman who preceded me in addressing the committee as to the difficulty in fixing what is a reasonable rate, by law. You are dealing with the questions that exist to-day. Can you apply the conditions that exist to-day to to-morrow or next week or next month? It is absolutely impossible. It can not be done. For that reason you have to deal with the question and the conditions and the facts that are shown in this particular case.

You will pardon my reference to our own road, as I am more familiar with the conditions upon it than I am with those affecting other roads. We have built up trade to a greater extent, possibly, than it has ever been built in the same time. For instance, three-quarters of our mileage to-day lies in a country that twenty years ago was unoccupied, and the number of tons moved 1 mile, or the density of traffic, has passed the figure established by roads that are in older countries and have been in existence twice as long as we have. There are not to exceed 15 people to the square mile for the entire length of our road, and still our tonnage, our density of traffic, is as great as the average of the State of Illinois, where the density of population is much greater. Our average rates will compare favorably with the rates of any lines west from Chicago.

In making these rates we have to take into consideration what the country produces. You build a railroad into a country. Can you choose what you are going to carry? By no means. You must carry whatever the natural resources of that country produce or develop, and you must carry the goods to a market. You must enable the man who lives on the farm or works in the forest or in the mine to carry on his work with a profit or he will cease to work, and your investment becomes worthless—it is gone. You must make up your mind, in building a road into a country, that all you can carry is what that country produces, and you are charged with the prosperity of every man on the line of the road, if he works.

You might say that there shall be no discrimination. That condition will never exist. If there were no discrimination the people would come down here in great throngs and ask you to authorize discriminations. We have to discriminate against ourselves. For instance, we built a line to the Pacific coast, and when I went out there before the line was built and looked it over there was nothing there to carry east except lumber—the most magnificent forests on the continent or anywhere that I know anything about. They did not think of shipping lumber east. There were 40,000,000 or 50,000,000 people north of the Ohio River and east of the Rocky Mountains using more lumber and with more money to pay for lumber than the same number of people anywhere else on the face of the earth, but they were getting their lumber from our own more eastern States, rapidly cutting it off, and buying up in Canada, going finally to the South, and bringing up southern lumber. Now, I called the people together—

the mill men. All the trade they had was what went out by the sea. I called them together and I asked them what rate they could pay. I said: "You are paying 90 cents a hundred to Lake Superior or to the Twin Cities." They said if we could make it 65, which was a reduction of 25 cents a hundred, that would be perfectly satisfactory. I knew they could not ship anything at that rate, and we made them a rate of 40 cents a hundred on fir. That is the lowest lumber rate that has ever been made in the world. It is a rate of 4 mills a ton a mile. We discriminated against the lumber on the eastern end of our own road. But to-day the trees on the eastern end are all counted, and in fifteen years—theoretically in ten years—they will all be cut.

I went there in 1890, and the road was finished in 1893. In 1897 we were carrying about four trains a week eastward over the Cascade Mountains. We are now carrying four trains a day, and the people in the East and the lumbermen in the East have not suffered. We had to discriminate against them, because if you can not carry to market what the country produces, whether it is coal or iron or lumber or corn or cotton, if you can not carry it to market and find a place where the man who produces it can sell it, you will have nothing else to carry. That is all that that road is built for.

Senator FORAKER. Was that lumber rate profitable?

Mr. HILL. Certainly.

Senator FORAKER. Standing alone, by itself?

Mr. HILL. No, sir; not if we had had to haul empty cars out; but I will carry it a little further: It was to load back the cars that went out there with merchandise. There had theretofore been nothing with which to load them back.

Senator FORAKER. You took back lumber rather than take the cars back empty?

Mr. HILL. Yes, sir; and it was so successful that in a short time the lumber increased so that they were calling for empty cars; and if the people of the State of Washington did nothing but devote their entire energies to destroying different classes of goods and all their capital they could not furnish the empties to carry the lumber east. And that drove us on to the sea. That drove us to look beyond—to look to Asia for our loading west. Now the trade is nearly balanced. Before we had to bring cars back.

Senator CULLOM. What do you ship west now, especially?

Mr. HILL. Going to the Orient?

Senator CULLOM. No; going to the Pacific coast, on your road?

Mr. HILL. General merchandise for the Pacific coast points, and for the foreign trade there are a few things that we can carry. We can carry raw material. A year ago we were carrying flour from Minnesota to Australia and to China and Japan; but the Interstate Commerce Commission came in and affixed a condition that compelled us to stop carrying the trade.

Senator FORAKER. What was that condition?

Mr. HILL. They said: "You must file with us your through rate, and your proportion as between your ship—whether it is your ship or anybody else's—with us in Washington." We said: "If we file that rate, it is a public rate, and the German ship or the British ship or the Dutch ship or the Norwegian ship or the Italian ship is under no such obligation; we can not change it after we have filed it with

you without notifying you." Our agent in Hongkong, at \$2.50 a word, could cable and get a rate, and we could telegraph to Washington, and in the course of time—we might get the rate back in seven or eight or ten days to Hongkong—but in the meantime the other fellow has contracted for the stuff, and we do not carry it.

Senator FORAKER. You mean that he would cut to a lower rate?

Mr. HILL. He knows what our rate is.

Senator FORAKER. I say, as soon as your rate would be public, he would cut to a lower rate and take the business?

Mr. HILL. We can not change it for seven or eight days, and he can change it in a minute.

Senator FORAKER. I understand.

Mr. HILL. So that we simply withdrew the rates. Now, we do not carry any of that business from Minnesota at all.

Senator FORAKER. What did that amount to?

Mr. HILL. Last year to about 40,000 tons.

The CHAIRMAN. Forty thousand tons of flour?

Mr. HILL. Of flour; yes, sir.

Senator FORAKER. Who is carrying that now?

Mr. HILL. Nobody.

Senator CLAPP. While you are on that question, state the rate that you put into effect for the flour going west.

Mr. HILL. The rate was 45 cents.

Senator CLAPP. For what distance?

Mr. HILL. To Hongkong.

Senator CLAPP. From the Twin Cities?

Mr. HILL. Yes.

The CHAIRMAN. Forty-five cents a hundred?

Mr. HILL. Yes, sir.

The CHAIRMAN. If you had not had this interruption by the Commission, if you might call it that, you would be shipping this flour now, and this cotton?

Mr. HILL. We carried 73 per cent of the cotton. We started the first cotton by guaranteeing the Japanese that if there was a loss in mixing our long-staple cotton with the short-staple India cotton we would stand the loss if they took 2 or 3 carloads; and it resulted in a very large amount of business. It was the same way with American iron and steel. It was a little contest. A railroad is not entirely, in my experience, a charitable institution. It is carried on for the purpose of getting a return on the investment. But we get our return very easily; and if we did not carry a ton of oriental business in twenty years our shareholders would not know the difference; and if we had not any ship on the high seas it would not affect our dividends; and if we did not build a mile of new road it would not affect our dividends.

Senator FORAKER. Then why do you have these ship lines?

Mr. HILL. Why?

Senator FORAKER. I want to get it on the record.

Mr. HILL. All right. I shall be very glad to answer any questions. We thought at one time that it was an advantage to everybody—to the country and the railroad and to the people of our section—to have the additional markets and to extend our trade.

Senator CULLOM. Have you given that idea up?

Mr. HILL. It has been qualified a good deal. Sometimes it may be held that it is against the law. You ask me a question. I find it is against the law to have the power to restrain trade; and it is a greater power to carry it on. The power to carry it on is necessarily greater than the power to restrain it; and we have had a severe lesson.

The CHAIRMAN. And if you had been left to act for yourselves, without this requirement of filing the rate at Washington, you would still be shipping these 40,000 tons of flour and more cotton to the Orient?

Mr. HILL. We are carrying a great deal of cotton now; but during the last year, owing to the short crop, wheat found markets at home. We did not have the usual shipments from the United States of from 100,000,000 to 125,000,000 bushels a year of wheat to be exported.

The CHAIRMAN. If you had had it, and there had been a surplus, then would it have gone?

Mr. HILL. We had not the surplus. Wheat was 110 or 112 cents in Chicago, Minneapolis, or Duluth. Now, with the promise of more wheat and better crops and normal conditions, the market is about 85 cents; so that the oriental market would be a great advantage to our people.

Senator FORAKER. I would like to understand you in this matter. Are we to understand that you think there is no advantage in having foreign markets?

Mr. HILL. I think there is a decided advantage—

Senator FORAKER. And having ships in which to get to them with our products?

Mr. HILL. Where would the advantage be to us if we take all the responsibility and care, and we are dividing 7 per cent? That is enough. We ought not to increase it, and we make it every day; and we do not have to go abroad to make it.

Senator FORAKER. I am not talking about your being satisfied with 7 per cent. Maybe that is more than we will let you take after we get through with this legislation; but what I want to know is whether or not you, one of the most prominent business men of the United States, want to be understood as telling this committee that there is really no advantage in having foreign trade and foreign markets?

Mr. HILL. There is a decided advantage to the country, but I fail to see where the advantage is to us.

Senator FORAKER. I want to get at just what you mean to tell us; that is all.

Mr. HILL. Yes, sir; I shall be very glad to answer any questions.

Senator FORAKER. I want to know whether you gave up that trade, for which you made extensive preparations, to the extent that you may have surrendered it—we understand you to say that you have abandoned it to a certain extent—because you did not find it profitable or of any advantage to yourself or the country, or whether the restrictions put upon you by the law, which we might have something to do with removing if they were prejudicial, led you to do it.

Mr. HILL. To answer your question, the difficulty of carrying it on is so great as under ordinary conditions to make it not worth our while, unless it would bring some pecuniary advantage. The shareholders of our road would find fault with me for asking them to put

their money into enterprises that are not going to bring them any return.

Senator FORAKER. Is that the fault of the Commission or the law, or whose fault is it? That is what I want to get at.

Mr. HILL. I will come to that. I think I will make that plain.

Senator CULLOM. That is what I wanted to inquire.

The CHAIRMAN. Proceed, Mr. Hill.

Mr. HILL. I think I will make that plain.

Now, take the rates in the United States and compare them with the rates in Europe. I tried to get the present rates in Europe, but the best I could do was to get them from Mulhall, and they are eighteen months old. The average rate in Great Britain for hauling a ton of freight a hundred miles is \$2.35. That covers the delivery of small packages—the cartage in many cases; in some cases it does not. The rate in France is \$2.02, about. In Austria it is \$1.88; in Germany, \$1.76; in Russia, where the haul is long and the conditions are more like those in our own country, the rate is \$1.70; in the United States it is 76 cents.

If in the United States everything in the way of wages and material for the maintenance of the railway is higher than it is in Europe, and labor is from three to five times as high, and the rate is about 40 per cent of the average of Europe, our system of transportation has made a prima facie case that the rate is a low one. It is the lowest rate in the world, and it is a wonder to a great many of the railway men abroad how it is done. Every year we have two or three delegations from abroad. The under secretary for home affairs in India last year came out and spent two or three days in our country. They have grain to transport long distances, as we have, and he made his report. It is a published report.

With an average rate throughout the country that is only 40 per cent of the average rate of Europe, we are not, I think, claiming too much when we claim that we have accomplished a great deal in the way of transportation; and, starting with that, it is a low rate. The conditions under which these rates are made vary constantly. Take one instance: Coal is being carried to market in large quantities. It would look on its face as if the conditions would be permanent; but they are not. The seasons vary, and the consumption of coal varies with the season. The equipment necessary to supply the demand for coal in the winter months is very much greater than it is in the summer months, and railroads are expected to be able to furnish the equipment when it is called for. So that the conditions are varying to such an extent as to greatly affect the cost of producing the transportation; and therein is, to my mind, the great difficulty of fixing a future rate where you do not know what the future conditions will be.

The rates in this country for fifteen years, you might say, have been in a condition of evolution. If there is reasonable latitude given to the railway companies, allowing those that are able to do the work at a low rate to do it, I think the rates will go lower.

I will give you briefly the official reports for the different years. In 1882 the Great Northern had 1,000 miles of railway and it moved 1,007,000 tons. In 1903, twenty-one years later, it had 5,598 miles of railway and moved 16,148,000. The increase in twenty-one years was over 1,600 per cent.

Senator FORAKER. There is nearly five times as much road, though?

Mr. HILL. Yes, sir; but the increase of tonnage was over three times as great as the increase in mileage.

Senator FORAKER. Yes.

Mr. HILL. And that mileage was built in a country that in 1882 was unoccupied. Now, the rate. In 1882 the rate per hundred miles was \$2.518, or nearly 2.52 cents per ton per mile. The rate twenty-one years later was 85.7 cents per hundred miles, or 0.857 cent per ton per mile, one-third of what it was twenty-one years before. Now, to bring that to dollars and cents. Had the company received the same average rate per ton per mile in 1903 as it did in 1882 it would have collected \$90,820,000 as freight earnings, while the actual collections were \$30,915,000, a decrease through the reduction in freight rates of \$59,904,000 in one year; and these figures are from the published reports of the Railway Commission.

The CHAIRMAN. Just hand those figures in to accompany your statement.

Mr. HILL. Yes, sir. I will leave them because they furnish an example of the result of an unrestricted power to make rates. We had to build the country up; we had to drag the settlers into the country and we had to find a market for everything they could produce. In some cases we had to take seed to them; but now they are able to buy their own seed. To illustrate: The greatest growth I have known has been in North Dakota. Take our own State of Minnesota. I have lived in it forty-nine years. It has advantages certainly equal to those of North Dakota, and it has more fresh water and more timber; but for some unaccountable reason they have not grown as the other people have. We have, outside of the terminals, probably 15 towns and cities in Minnesota where the railway company's business is \$100,000 a year or more, and we have 38 in North Dakota; and portions of Minnesota were settled when North Dakota was wild.

There is a desire on the part of the people of North Dakota to cooperate. Go in among them and propose anything that is for the benefit of their locality and they are ready to work with you. We have a greater interest in building up the people on the line of the road, whether it is in Minnesota, Dakota, or Washington, or Montana, than anybody else; because unless we build them up we will not be built up ourselves. They must prosper in order that we shall prosper, and if they are poor we will be poor with them. You can not separate them. The man may move away, the railway man may move away, but the railway and the land are there, and they will prosper together or be poor together; and if a man does not realize that, he is far from home.

I was surprised yesterday when I found the traffic of the United States tabulated in 1894. The total number of tons carried 1 mile in 1894 was 68,000,000,000; in 1904 it was 170,000,000,000.

The CHAIRMAN. That increase was in seven years?

Mr. HILL. In ten years; the increase in ten years is 50 per cent more than the entire tons carried 1 mile with all the development and growth of the country from its early settlement up to 1894. The increase is 150 per cent in ten years.

Take the facilities the railways have for hauling that business and consider them. The railway facilities have barely increased. They

have not, for some reason, kept pace with the growing demands. Maybe they have lacked courage, but they do not provide adequate terminal facilities. There is another reason: The public has got in the habit of making warehouses of cars. The average car movement in the United States per diem per annum is about 24 or 25 miles. If the trains run an average of 12 miles an hour, the equipment is used two hours out of twenty-four. It is very difficult to find any other business where the use of its facilities for two hours out of twenty-four will be charged with the maintenance of the property and a return on the capital invested. And if the average shipper can not let a car stand until he is ready to unload it, he feels injured; greatly injured. That is one reason why the traffic lines are compelled during a great part of the year to give up the attempt to move the business from the West. A year ago last December I know of a case where freight was delivered in carloads at Peoria to go to New York in early December, and on the 22d day of February those cars were standing in Peoria.

Senator CULLOM. Whose fault was that?

Mr. HILL. There was no place to put them when you got them East. It was jammed tight full, and the cup would not hold any more. Now, the Pennsylvania Railroad is spending, oh, how many millions for terminals, increasing their terminals; but they will not increase their terminals as fast as the business increases. And in regard to this business that is going to the Gulf, remember that the Gulf labors under a great disadvantage. It costs more to ship from New Orleans or Galveston, to charter a ship to any port in Europe, than it does from Baltimore or Philadelphia or New York; but, because they are not so crowded, you can get the business through; and with this enormous increase in the tonnage of the country—I want to put it fairly before you—I want to ask you to be most careful not to cripple a business that is as important as the railway business is to the country; not because it is ours—we will take care of ourselves. Before you would get down to where we live there would be a great many corpses lying around the country.

It would be very easy to imagine a condition where the business of the country would be absolutely tied up, manacled, because there would be no way to handle it. We have Minneapolis, the largest flour-producing center in the world. Usually it is impossible for them to sell 10,000 or 20,000 barrels of flour for shipment, for export, to get anybody to agree to deliver it in New York in thirty days. If a man has engaged room on a ship he wants to know that he can get his flour from Minneapolis to New York in thirty days. We can send it from Minneapolis to Chicago in thirty-six hours; but Heaven only knows—and it won't tell—when it will leave Chicago.

Senator FORAKER. That is because of the congested condition?

Mr. HILL. You have not built any trunk lines lately.

Senator FORAKER. No.

Mr. HILL. And nobody wants to invest in them. Let somebody go and buy the Erie road. There is a trunk line, one of the oldest, and with a little money spent on it and a good three-tenths grade from Chicago to New York—

Senator FORAKER. Why is it not prospering at this time?

Mr. HILL. It was not built right.

Senator FORAKER. It did not run in the right direction?

Mr. HILL. It was built at a time when guns were muzzle-loaders and flintlocks; and there are some muzzle-loading and flintlock railways in this country.

Senator FORAKER. Could it not be remodeled and reconstructed?

Mr. HILL. Yes, sir. The capital has laid idle for a great many years, and I suppose the loss of interest has made conditions at this time so that the Erie road ought to be——

Senator CULLOM. What is your suggestion as to the way out of this situation, so that produce can be shipped when it is ready to start?

Mr. HILL. Well, now, Senator, I am a firm believer in all natural laws where we have demonstrated that they are laws, and the law of the survival of the fittest is a natural law that we can safely adopt. I think I would let a railway company consider the investment; I would protect the property as I would any other property, and I would hold them for their good behavior, as I would everybody else. If the railway company can make the rate and can do it profitably, give them an opportunity to do it. Do not say, "You must make good this man's mistakes." If I build a factory to-day, or buy one that is out of date, with machinery 25 or 30 years old, and my neighbor comes in and builds a factory with modern machinery and he can produce the cloth for 10 or 15 per cent less than I can produce it for, would I not look strange to go and ask him to divide his profit with me? That is what a great many railways ask, and a great many people think it would be an advantage to the country to allow the railways to make pools. My theory is: Hold them to a strict observance of the law and enforce it, and let them have room according to their heft. Let them have room to see what they can do, what they will do; nothing else ever brought our rates down.

Senator FORAKER. You have said somebody ought to go and buy the Erie Railroad. That was your expression?

Mr. HILL. I said somebody could.

Senator FORAKER. Then, if somebody were to go and buy it, it would be necessary to make a trunk line out of it?

Mr. HILL. It is a trunk line. It could be improved.

Senator FORAKER. You say it is a "flintlock" road——

Mr. HILL. Well, it could be improved.

Senator FORAKER (continuing). And a muzzle-loader?

Mr. HILL. It could be improved.

Senator FORAKER. I am using your expressions.

Mr. HILL. I say it could be improved.

Senator FORAKER. And you would expect it to be?

Mr. HILL. Yes, sir.

Senator FORAKER (continuing). If anybody should buy it who wanted to do business in competition?

Mr. HILL. Yes. It would take some money. But, you see, there is the point: Who will put the money in, when every dollar that is invested is threatened with having the control of it taken away and handed over to some sort of a commission, whom we know, who have to deal with them, are absolutely incompetent? With all due deference to the men on that Commission—I have a high regard for many of them—what position could they fill on a railway? I do not know any. We pay traffic men thirty to forty thousand, and as high as \$50,000 a year, because they are worth it.

Senator FORAKER. To make rates and to get business?

Mr. HILL. They understand the business of the country. A good traffic man commences at the bottom, and he studies the natural conditions, and undertakes to make a rate that will move whatever that country has to move to market.

It is not a question of a low rate. Take coal: A modern car carrying 50 tons of coal for the same distance pays more than the United States is paying for its mail car hauled on a passenger train.

The CHAIRMAN. What is that? I did not understand that.

Mr. HILL. I say a modern coal car with 50 tons of coal in it will pay the company as much revenue as it receives for carrying the United States railway post-office the same distance; and it has got to heat and light and bed and take care of the railway post-office, and carry it on a fast passenger train.

The CHAIRMAN. And what is the relative cost of carrying those cars?

Mr. HILL. Oh, the cost of carrying the coal car is very much less than the cost of carrying the mail car.

The CHAIRMAN. I know it is very much less, but how much?

Mr. HILL. Say one-third.

The CHAIRMAN. One-third less?

Mr. HILL. No; one-third of the amount; 33 per cent of the cost of carrying the mail car.

Senator FORAKER. It costs three times as much to carry the mail car as it does to carry the coal car?

Mr. HILL. Yes.

The CHAIRMAN. Who fixes the price of the mail car?

Mr. HILL. The Postmaster-General.

The CHAIRMAN. The Government?

Mr. HILL. Yes. They do not, in many cases, pay at all.

Senator FORAKER. He fixes it by contract with the road, does he not?

Mr. HILL. He does when he gets ready. We have carried railway post-offices for a great many years without any pay at all. We get up within 800 miles of the coast, and we carry them from Assiniboine, or Pacific Junction, 830 miles, to the coast; and if we did not furnish a railway post-office possibly the business people would not get the mail within twelve hours of the time they do get it, and the condition would be unsatisfactory.

Senator FORAKER. It is some advantage to the road to carry the mail, is it not?

Mr. HILL. It is an advantage to the people along the road to have the mail, and to us, and for everybody; and there is no other way they could get it. We carry that mail in railway post-offices at the same rate that the Government pays for pouch mail service.

Senator FORAKER. Nobody is allowed to stop the mail car, and they might stop the coal car.

Mr. HILL. That is an advantage that I had not thought of.

Senator FORAKER. You do not expect us to believe that you had not thought of that?

Mr. HILL. The effect upon the business of the country of the inability of the railways to handle what has to be handled, or what is waiting to be handled, and this enormous increase is going to call for tremendous investments; and what are the roads compelled to do?

I tell you frankly I see no other way than higher rates east to Chicago, and I think they are altogether too high now.

Senator CULLOM. They are too high already?

Mr. HILL. Yes; but they have got to get them higher.

Senator CULLOM. In order to get more facilities—

Mr. HILL. In order to get more facilities.

Senator CULLOM (continuing). For transporting property?

Mr. HILL. Yes. There are these questions of terminals and arbitraries, and so on. I have been through this business, and we have given up more things than a portion of the foreign trade. Take the case of grain going from Chicago to Buffalo: A few years ago it cost a cent and a quarter a bushel for elevating grain in Buffalo, and I thought that it was next to robbery. The Buffalo elevator pool had control of the situation, and the stock sold at six or seven hundred. We built a steel elevator there with a capacity of nearly 3,000,000 bushels and put the rate down to half a cent. It was a new responsibility. We were attacked in Buffalo and we were attacked everywhere, and after a few years interested parties came along and said: "We will give you so much." I think they gave us \$300,000 more than it cost, and we let them have it, because this taking all the burden of all the people on your shoulders, in place of getting help from them, sometimes does not pay.

Senator FORAKER. Then what happened to the rates?

Mr. HILL. Three-quarters of a cent a bushel—

Senator FORAKER. They put them up to that?

Mr. HILL. Three-quarters of a cent a bushel on 200,000,000 bushels in Buffalo was a very respectable amount. I might say they got a cent and a half, because they got a quarter of a cent a bushel additional for the use of a patent shovel that they owned, and it amounted to \$2,000,000 a year. Our elevator cost \$800,000, and the ground it was on about four. We sold it for about a million and a half and retired from Buffalo; and the boys have it entirely in their own hands to make any rate they see fit, and I have no right to find fault.

Senator FORAKER. What rate did they make then?

Mr. HILL. What rate are they making now?

Senator FORAKER. Yes.

Mr. HILL. Well, sir, I have not followed that up.

Senator FORAKER. It was a cent and a half before you put in your elevator?

Mr. HILL. I think now that it is three-quarters of a cent.

Senator FORAKER. Did they come down to half a cent?

Mr. HILL. They did; yes, sir. They had to.

Senator FORAKER. They met your rate?

The CHAIRMAN. Do you not think that these elevator people ought to be put under the interstate-commerce law, and some restraint placed on them?

Mr. HILL. There are a good many things that should be done, and that is one of them, if you can get the Interstate Commerce Commission to enforce the law; but up to the present time—

The CHAIRMAN. At any rate, do you not think we should make the law first in respect to elevators?

Mr. HILL. You will be quite safe in doing that. It will do no harm, and if they will enforce the law it may do great good.

Senator FORAKER. That elevator, then, does enter into the through rate that has to be fixed at the originating point?

Mr. HILL. Certainly. The man who raises the grain out on the prairie takes what is left. The reduction in the rate does not go to the man on the prairie.

Senator CULLOM. Who is he? Who is the man that gets it?

Senator FORAKER. He is the common people.

Mr. HILL. I will bring it right home.

Senator CULLOM. Yes; get down to facts.

Mr. HILL. Suppose you want a load of something you could find in Chicago—fire brick. You get the cost in Chicago. You are buying it, and you get the cost of freight to your own station where you are going to unload it. So that it is the buyer that gets the rate, except when it comes to the final question of competition between an American wheat field and an Argentine wheat field. Then the thing comes down to the survival of the fittest. There is no statute law that fixes it. All the laws that you can put upon the books for that will amount to nothing. You have got to face the cold fact, then, and your man who is receiving the material on your railroad must be able to beat the other man or he will stop and you will stop carrying it. The railroads are not getting any such returns as is supposed by some people. If you take the returns on the actual investment of the railroads in the country it is very low. For the purpose of illustration: To move a ton of freight 10 miles in a day and a team to get back would be a good day's work for a farmer's team; and he would want \$3 and think he was not overpaid. Now, a difference of a copper cent in moving a ton of freight 10 miles on the Great Northern Railway would make \$3,600,000 in a year, and on the Pennsylvania system about \$13,000,000. Does anybody think he can sit down and with a wave of the hand, or that a court or anybody in the world, is competent to fix a rate that is adjusted as finely as that is?

Senator FORAKER. That is a difference of a cent a ton for the whole distance?

Mr. HILL. No, sir; that is a difference of a mill a ton a mile.

Senator FORAKER. One mill per ton per mile would make that difference?

Mr. HILL. Yes, sir; a cent for 10 miles.

Senator FORAKER. Yes.

Mr. HILL. That is what would ordinarily, before the railroad was there, constitute a day's work.

Senator CULLOM. For a man and his team?

Mr. HILL. Yes, sir. Now, a rate that may be a reasonable rate to-day, the next day or next month may be absolutely unreasonable. That, I think, is apparent. The important thing in any section of the country is to make a low rate on the natural products of that country. Mr. Chairman, a low rate on coal and on hard-wood lumber from West Virginia will help West Virginia more than anything else.

The CHAIRMAN. Certainly.

Mr. HILL. A low rate in Texas on cotton, and up in Minnesota and Dakota on grain will help them more than anything else. To illustrate: Let a man have 40 acres of wheat, with a yield of 20 bushels to the acre. That would give him 800 bushels, 48,000 pounds, or 24 tons. A reduction of 5 cents a hundred would be \$1 a ton on

24 tons, and would give him \$24 on his crop. Now, suppose that this man goes to the country store and brings away not salt or nails or lumber or coal—they are carried at special low rates—but what we call shelf goods, merchandise; that he brings away 50 pounds once a week. He would bring 2,600 pounds in a year. Suppose his merchandise that he brings away costs an average of 50 cents a hundred. The entire amount that the railway company would receive on that 2,600 pounds would be \$13. If you cut the rate in two it would be \$6.50. What difference would that make to that farmer? Would he get a pair of shoes for less, whether they carried it at one rate or the other? But it does make a difference of \$24 to him whether his wheat is carried at the higher or the lower rate. Twenty-four dollars is probably more than the railway company receives, twice over, on his entire consumption of shelf goods—general goods.

Now, if we did not make the rate so as to encourage the production of that wheat in a wheat country where there is nothing else, what would become of the merchandise? There would not be any. There would not be any churches or schoolhouses or doctors or school-teachers or clergymen; there would not be any town there. It would return to what it was twenty-five or thirty or forty years ago—an unoccupied wilderness. And so it is not an unfair discrimination to make the low rate for the man who is cultivating the soil, or digging in the mine, or working in the forest, because upon his product depends the growth of the entire section of the country, and you must build it up; if you do not the railroad is not worth a cent.

Take the question of maximum rates: The very moment that you get a maximum rate it becomes the minimum rate. Whenever you give the power to make a rate the railway company expects that its own sins and everybody else's sins are going to be visited on its head, and the rates will be down; and they find every reason in the world for maintaining that rate—the maximum rate. It is a legal rate then, fixed by law.

(Thereupon the committee took its usual noon recess.)

#### AFTER RECESS.

The CHAIRMAN. Now, Mr. Hill, you can proceed.

Mr. HILL. We left off, I think, where I undertook to show that it was to the advantage of the country served by a railway line that the natural products of that country should have whatever preference might be given by the low rate, for the reason that if the natural products of the country are not able to find a market the country goes back; there will be no passenger business and no high-class freight traffic.

As to the question of maximum rates, once a rate is made by law the railway company is invariably afraid to cut loose and make a lower rate than that. So that drives us to this position: If the Interstate Commerce Commission will insist that the railway company shall carry all the traffic that it is capable of carrying at a rate that will afford it a fair return on the investment you will get rates down that way quicker than in any other way. There is no question as to the reasonableness of a rate when the company is receiving a fair return on its investment. Beyond that the rate is unreasonable. There is no defense that the most ingenious lawyer can set up that the prop-

erty is being confiscated when he is getting upon it a return of 7 per cent per annum. So that if you make the railway company transact business at prices that will pay it a fair return on the investment you will get your rates reduced more quickly than you will in any other way. Give them the authority, let them go on and make the rate, and see that the rate is not too high.

The question of a rate being high or low is a question of fact. As I am not a lawyer I shall not attempt to take up any of your time in discussing a legal proposition. It is a difficult matter to determine on a statement of facts what is a fair rate. But the courts can determine that question. The courts go much further than that in the matter of exercising the right of eminent domain for a corporation. They will fix the price of your house; they will take your property, appoint a commission, fix the price; but it is the price of that particular house. It is not the fixing of a rate that is to be applied to the traffic of the country this week or next week or next month or next year. The conditions are not the same. The facts found by the court are not the same.

So that, for that reason, if you are ever to attempt to give any power to a commission or a court or any other body to fix future rates for future conditions you will establish that rate, and it will not go down, no matter what you say. You have the authority of the court to fall back upon, and you would arrest the progress of the commerce of the whole country.

I can not imagine a greater misfortune than to attempt to fix these rates by law, because one way or another the railroads have the advantage in showing the facts, they are more familiar with it, and the courts have got to try it on the facts as shown.

How many times has the Interstate Commerce Commission been reversed? Almost invariably when it comes to the question of making rates; almost invariably the courts, on the presentation of the facts, are compelled to set the Commission's finding aside.

As to the question of discriminations by private cars and terminal side tracks that they call railroads, as a device for getting rebates, all those things are abundantly provided for. If the present law is enforced, not one of them could exist a moment. There are many conditions that illustrate that.

Take, for instance, the grain moved by lake from Duluth to Chicago or Buffalo at  $1\frac{1}{4}$  cents or  $1\frac{1}{2}$  cents per bushel—carried a thousand miles. When that grain gets to the city of New York or to the Harlem River it pays an arbitrary charge of 3 cents a hundred pounds—I was about to call it a fine for coming to New York. That is a cent and eight mills, or more than it has cost to bring it from Duluth to Buffalo.

There is something that would be well worthy the attention of the Interstate Commerce Commission.

Senator FORAKER. Is that the rate from Buffalo to Harlem?

Mr. HILL. No, sir. It is an arbitrary when it comes to Harlem.

Senator CULLOM. On what ground was that arbitrary established there?

Mr. HILL. I could never find out. It is a terminal charge.

The CHAIRMAN. I have always supposed it was for the expense to the railroad of getting into the city.