

Mr. HILL. Why not have a terminal charge at Chicago? There is terminal service there.

Senator FORAKER. Chicago is a young city and has not got its growth.

Mr. HILL. I will not undertake to explain it, and never could.

Senator CULLOM. It is established at Harlem River.

Mr. HILL. What happens below Harlem River? All of you ride on railways that are kept busy running a great number of passenger trains. You always find the freight train is sidetracked to let the passenger train get by. That delay of freight trains in waiting for passenger trains to pass is an enormous addition to the expense of running freight trains. If a railroad could be built from Buffalo to New York, with two or four tracks, and not be compelled to carry passengers at all, it could afford to make a rate that would surprise you, and there would not be any occasion for spending that \$101,000,000 on the Erie Canal.

The Interstate Commerce Commission and Congress have undertaken to legislate probably as to the appliances, as to the form of coupler, air brakes, etc. They might go a little further, I think, with great advantage. Any legislation that would protect the lives of people traveling on railways would certainly be useful. Ninety per cent or more of all the railway accidents are due to nonobservance of the rules that are made as the result of experience and made for the preservation of the lives of people traveling by trains. Investigation that got at all the facts would show that the most of those accidents are caused by open violation of the rules. There are a great many good men, excellent men, employed on the railways. The public knows about most of the accidents, but it knows very little about the narrow escapes, and they are much more frequent than are the accidents. A pilot or an engineer on the smallest steamer on the smallest river must get a license; he must maintain his character as an intelligent man. That vessel has good sea room, but has not the speed, so the conditions are not so dangerous. The man hauling you 50 or 60 miles an hour has no responsibility, except that his employer can discharge him. I never heard of any other responsibility.

I think a great majority of the conductors and engineers hauling passenger trains through the country are men of high character and try to do their best. But occasionally you will find, if you observe from the rear end when another train passes on the main track, that the man with the lantern, in place of going back 15, 20, or 25 telegraph poles, will loiter with his lantern, only going back about 2 telegraph poles, expecting his train to start on in a minute or two, and then he will not have to run to catch up. Approaching stations without the engineer having his train under proper control, and the ambition of the public to make time, all these things are what cause so many accidents in our country as compared with other countries. There is no law in force to keep people from taking the chances and getting in the way of great danger. An old woman with a crutch under one arm and a little flag can anywhere in Europe stop the king on his own highway at a railroad crossing. But in this country a boy 10 years old would tell a railroad watchman to go to the devil, if he was impolite, if the watchman undertook to stop the boy from crossing the track when a train was coming and in sight. We court danger.

I do not know whether the States will ever legislate to try to prevent so many accidents. If they did, somebody might say that it would do no good to enact a law in one State for the use of some particular appliance that you could not use in another; and certainly it would not do to change cars at State lines. Consequently it seems necessary that Congress should take action to see that the railway appliances and the use of them are not such as to restrain interstate commerce.

I spoke this morning of the coal rates. Coal rates with us are low—we think they are. When we see the rates that obtain in some of the Eastern States, where the tonnage is so many times greater than ours, we feel that we might be justified in advancing our own rates. But if we did we should be accused of motives of self-interest. The question is, How is an employee going to live and take care of his family? We are charged with his prosperity wherever he may be on our lines. So we can not advance the rate. There is also the question of warmth and shelter. The man who builds his house must have the coal that heats his house during the long, cold winters of our northern latitude.

Senator FORAKER. How many coal fields have you on your line?

Mr. HILL. We take coal as far west as the mouth of the Yellowstone River, but that coal comes from West Virginia and Pennsylvania mainly.

Senator FORAKER. So you take your coal from West Virginia and Pennsylvania as far west as the mouth of the Yellowstone?

Mr. HILL. Yes; which would be on the meridian of Denver.

Senator FORAKER. Then what do you do?

Mr. HILL. In the Rocky Mountains we have an abundance of coal.

Senator FORAKER. You have abundance of coal fields there?

Mr. HILL. Yes.

Senator CULLOM. Is it anthracite or bituminous?

Mr. HILL. It is bituminous.

Senator CLAPP. In this connection I would like to have some knowledge of what the coal rate is in the West, especially on your own line.

Mr. HILL. Take coal from the head of Lake Superior to the Twin Cities, where you live, 160 miles, and that rate is 75 cents.

Senator KEAN. That is anthracite?

Mr. HILL. Yes.

The CHAIRMAN. What rate is that per ton per mile?

Mr. HILL. It is a little less than half a cent.

The CHAIRMAN. Four mills?

Mr. HILL. It is a little over 4 mills; say $4\frac{1}{2}$. But that is the rate the year round. At times we have to haul empty cars back, and there are times when we would like to make the rate that we could afford if we had return freight. But that would be an inconvenience to some people, and if we ever made such a rate they would want us to make that the permanent rate.

The CHAIRMAN. Do you ever have an established low rate on the coal that you carry?

Mr. HILL. We do.

The CHAIRMAN. What time?

Mr. HILL. After the grain begins to move, say, from the middle of September until the 1st of December. After that there is very little business going to the Lakes.

The CHAIRMAN. That is hauled in box cars?

Mr. HILL. Our transportation of coal is nearly all in box cars on the eastern end, so as to load both ways. Take the coal rates from seacoast points in New England for 50 or 100 miles inland, and I think you will find them by comparison quite high; in fact, all the rates on coal in New England are quite high as compared with ours, where they have a population of 150 to the square mile and we only have 50.

Senator CULLOM. How do you account for that?

Mr. HILL. I do not undertake to account for that; it might not look well, coming from me.

The CHAIRMAN. Yet we have not heard of any complaint from New England.

Senator CULLOM. They have been imposed upon so long that they do not know any better.

Mr. HILL. Take the rates as they exist. Suppose a man down here on the Potomac River, somewhere on the boundary line between Maryland and Virginia. If he is shipping 10 boxes of eggs to 10 different consignees every day, it is perfectly competent for him to make a complaint on each shipment. He can do that on a postal card and send it to the Interstate Commerce Commission, and under your law it is the duty of that Commission to take all of the 10 cases and investigate them, and if all of them are found to be unreasonable, to bring the matter to the attention of the carrier, and if the carrier refuses to correct it the Commission can go into court. And if the complainant is called as a witness in his own case he gets witness fees. The lawsuit is conducted by the Government. The railway company has to defend itself and has to be at all the expense of defending it. The complainant has no expense.

Do you want to go much further than that? Is not that going very far? It affords the shipper a great deal of protection. The question of the reasonableness of the rate can be tried without any expense to the shipper. All he has to do is simply to put his complaint on a postal card and direct it to the Interstate Commerce Commission. That is the law to-day.

While the railways of the country are next in value to the agricultural land of the country, is there any other property that has to fight so hard for its life as railroad property? A man may steal from the railroad company and it is an awful hard thing to convict him.

We have had a case in the State of Minnesota where we caught men in the car breaking open boxes of other people's goods, and we turned those men over to the prosecuting attorney of the county, but he let them go, saying that they had no money there to prosecute railroad cases.

Under these circumstances what do we pay taxes for? We pay the State of Minnesota \$600,000 to \$700,000 a year in taxes. We have not contaminated the air. We have not deprived them of any highway or byway they had before the railroad was built. We have not destroyed the water. We have given them better and cheaper facilities for communication than they had before. They have not put a cent of their money into it. Is there any reason why we should get a different measure of justice from any other class of property owners? It comes home to us. We feel that we are sort of outlaws.

Then we have the question of foreign commerce, and it is a leading one. We think that, as a nation, we are doing a great deal.

I was very much struck by an article I found in the *Booklovers' Magazine*, prepared by a man in the Treasury Department here. I shall not inflict a long article upon you, but I should like to read some of the points he has made.

The Federal publications show that the United States is credited with only 4.66 per cent of the great import trade of Asia—a continent that buys more merchandise abroad in a year than America does. The official account further reveals that South America buys as much merchandise abroad in one year as we sell that contingent in eight. These telltale figures find no place in the popular reviews and declamations of the hour.

Statesmen, economists, editors, and magazine contributors—equipped to translate the tabulated details of our commercial defeat in South America, Oceania, and Asia into the language of the people—have loyally refused to capitulate to the facts.

Senator FORAKER. By whom was that article written?

Mr. HILL. By Harold Bolce. I do not know him, but he is evidently speaking by the record. I know that many of his statements are entirely sound.

Our total exports of merchandise to all South America, Oceania, and Asia combined brought, in 1904, a per capita return to the people of the United States of less than 15 cents a month.

Summed up in a sentence, the situation with which we are now face to face is the rapid decrease in our exports of agricultural products and the failure of our manufactured exports to fill the resulting gap.

Hitherto we have had a surplus of farm products to sell. The nations have gladly sent their ships here to secure our agricultural supplies. Ninety-seven per cent of these cargoes has gone across the seas on foreign vessels. To-day our exports of agricultural products are decreasing at an enormous rate. The value shipped abroad in 1904 was nearly one hundred millions less than it was in 1901. We have reached a turning point in our commercial history. Our enormous and increasing home consumption is leaving a constantly dwindling surplus of farm products for export.

We shipped abroad, in fact, more breadstuffs a quarter of a century ago than we did in 1904. America withheld from export in the past year over half a billion bushels of wheat.

What we use for bread and seed with us is about $6\frac{1}{2}$ bushels per capita.

Senator FORAKER. Did we withhold it, or did we fail to export?

Mr. HILL. He says it was withheld. We needed it at home. Our crop was that much short.

It was the greatest amount ever kept in this country. It was not enough. To keep our mills grinding we had to import wheat from Canada. In the year 1880 we not only exported a hundred million more bushels of wheat than we did in the past year, but we also shipped abroad then almost double the quantity of corn we do to-day.

Our importation of articles of food and animals, not to mention agricultural raw materials for our factories, now amounts to about a quarter of a billion dollars in value per annum.

We have been blind to alluring opportunity. Official returns show that while we have been maintaining the political gospel that safeguards the autonomy of the Republics south of the Isthmus, Europe has secured their trade, and that while, with impressive dignity, we have held open the trade door of Asia, the cargoes of our competitors have been pouring through. Even our own colonial islands in the Pacific are being exploited by our trade rivals.

He gives a graphic statement showing the proportions, the black being the proportion of the United States commerce as compared with that of other countries. Again, he graphically says:

We have already seen that Asia credits us with only 4.66 per cent of its imports. Oceania, which buys more manufactures than we sell to the Old World, gets only 11.95 per cent of its total imports from us. South America credits us with 12.55 per cent. Such is the wide record of our defeat, even when we include our exports of agricultural products. Asia, Oceania, and South America in 1902 imported \$1,642,708,000 worth of merchandise. That is \$155,000,000 more than the gross value of our foreign sales in all lands in the greatest export year in our history. Beginning with the year 1897, and adding up the value of all our exports to South America for eight years—peculiarly prosperous ones at home—the grand total is found to be \$33,000,000 less than that continent buys in a single year abroad. Our total export trade with South America, which has been the theme of much American optimism, has brought during these eight years an average annual per capita revenue of less than 50 cents to the people of the United States.

The record becomes even more humiliating when we consider the exports of manufactures to individual countries. Our trade with China has been greatly exaggerated. Our open-door policy has not contributed to the sale of our general manufactures in that Empire. For many years China has been buying two articles from us—uncolored cotton cloth and mineral oil. Our other exports of manufactures to China are not only insignificant, but up to the outbreak of the war had declined steadily since 1899. Aside from oil and cotton cloth, our total export of factory goods to China has brought to the American people a per capita revenue of a trifle over 2 cents a year. Yet China is a great importer of general manufactures from other countries, and is buying bigger cargoes every year.

The plain facts regarding our trade with Japan run so counter to popular fancy that they have been totally unwelcome. There is a widespread delusion that the rise of Japan has meant the beginning of American trade ascendancy in the Orient. But official records show that our exports of manufactures to Japan were rapidly declining up to the outbreak of the war. In 1903 the value of all our manufactures sold to Japan was \$4,000,000 less than it was at the opening of the twentieth century, and more than half of our small returns from Japan was for mineral oil.

At the same time there was also a marked decline in Japan's imports from Europe. Meanwhile the imports into that Empire from Asia were vastly increasing, the bulk of the huge volume of incoming cargoes from the Asiatic continent being raw material for the manufacturing establishments of Japan. This marked transformation in the character of the commerce of new Japan may well challenge serious attention. Japan makes no secret of its aspiration to commercial supremacy in Asia and throughout the circuit of Western and Far Eastern islands. It is rapidly becoming the Great Britain of the Pacific, and is seizing the vast opportunity America has missed.

I shall not take up more of your time in reading this, but will leave it with the committee, and any portion that may be of interest the secretary can use.

The foreign commerce of our country and a portion of the domestic commerce must be considered. Take, for instance, the Canadian Pacific Railway, mainly built by Government subsidies, not only of land, but enormous subsidies in cash. We must meet their competition, and we can. But when they are not subject to the conditions imposed by the interstate-commerce law, how shall we meet their competition? There is the condition that threatens the United States.

Take the grain business going to the seaboard from north of St. Louis and as far west as grain grows in the Platte Valley, and it would not be difficult to see it leave and seek the sea by way of the St. Lawrence. If the Georgian Bay Canal were built from Georgian Bay, the eastern portion of Lake Huron, up French River, up the divide to the Ottawa system of lakes, it would involve the construction of 32 miles of canal with a depth of 20 feet of water on the sill and 22 feet in the reaches. Only 32 miles of actual canal to build, and for the remainder of the distance existing waters could be used, with some dredging in the Ottawa River. The distance from Chi-

cago or Duluth to Montreal is, I think, 15 miles shorter than it is to Buffalo, going around the State of Michigan.

If they could build that canal, grain could go from Chicago or from Duluth to deep water at Montreal for $2\frac{1}{2}$ cents a bushel. Refrigerator ships can load direct from the packing houses in Chicago and sail from there, drawing 20 feet or 19 feet of water, to any port in the world during the season of open water. The St. Lawrence is open when the Lakes are open. I have somewhere the plans and drawings of that canal. I think the estimated cost of it is \$17,000,000.

Senator FORAKER. Which canal is that?

Mr. HILL. The Georgian Bay Canal, going from the eastern limit of Lake Huron through by the Ottawa River to Montreal.

Senator CLAPP. What would be the difference in distance?

Mr. HILL. Fifteen miles.

Senator CLAPP. By what route?

Mr. HILL. By this proposed canal.

Senator CULLOM. Is that likely to be built soon?

Mr. HILL. The present government has just been returned last fall, and I think it is probably the most popular thing that they will ever have to do. For that reason I think there is no doubt of its being built. I know that the people up there are very much taken with the possibilities.

Senator CULLOM. That is my impression, but I wanted your knowledge about it.

Mr. HILL. Yes; I think it will be built, and unquestionably they think it is of vastly more importance than some other things they have in hand at the present time. They are spending from \$80,000,000 to \$85,000,000 for building a railroad from Monckton, New Brunswick, to Manitoba, north of Quebec and north of the St. Lawrence and Ottawa, and on the other side of the divide north of Lake Superior, and going into Winnipeg through country only a portion of which will support a population and a portion of which might be called very good country, up toward the Hudson Bay.

All these things can be easily taken away from us. We have not anything to spare, as it is now. We are carrying some articles upon which there has not been much expended for labor.

When it comes to an article into the cost of which labor enters to a large extent in these oriental countries, Germany especially is forging to the front very rapidly, and beats us entirely. But this country has the advantage in raw material, our rich iron ores, and close proximity to the Lakes, as well as low cost of transportation. So that a transportation problem that would be considered impossible to solve in Europe we can solve with great ease.

It is a curious thing that transportation, into the cost of which enter so much labor and material that is created by labor, is the one article that is furnished to the public at a price that is so much lower than that of any other country that there is no comparison. In the production of iron and steel, owing to our natural resources, we can compete successfully with most of them. Occasionally Belgium, owing to very low rates of labor, comes in and makes a rate that it is difficult for our people to meet. But we meet them in the Orient with nails and steel. Raw cotton is easy, and manufactured cotton started in a small way about 1897, and that has increased. American

cotton and American cotton cloth are better than the Orientals can buy anywhere else and contain less foreign substances. They like them better and pay more for them.

Senator CLAPP. Have you the figures showing the increase in the cotton trade, especially over your line and other northern lines?

Mr. HILL. I have not. I know that it started at almost nothing and ran into very large figures. I have not the figures for the present crop, but this year, I think, will exceed any of the past years. For instance, railway locomotives; we are taking 106 railway locomotives to the Orient now.

Senator FORAKER. Where were they manufactured?

Mr. HILL. Mainly in Philadelphia.

Senator FORAKER. At the Baldwin works?

Mr. HILL. At the Baldwin works; some at Dunkirk. I happened to have advices of shipments in my hand when one of our directors, who has a railway in the Southwest, came into my office, and I found that we carried those locomotives from Philadelphia to Yokohama at about the same rate that he paid for carrying them 500 miles.

Senator FORAKER. How did you do that? How did you come to do it?

Mr. HILL. Those are questions for the Interstate Commerce Commission to take up and investigate, and it would be very interesting if they would do more than to pucker up their lips and whine about their inability to make rates.

Senator FORAKER. If they investigated that, what would they find out?

Mr. HILL. They would find out that somebody was getting more than his share.

Senator FORAKER. Certainly you are not.

Mr. HILL. All right; we are satisfied with what we are getting.

Senator FORAKER. If you took those locomotives from Philadelphia for about the same amount that he got for taking them only 500 miles, it would seem that the other fellow gets more than his share?

Mr. HILL. If it were not for the fact that we work every source, that we try to bring together all the forces that we can control for the purpose of finding a load to the Pacific coast, or if it were not for the fact that we have a carload of lumber waiting to be loaded and put on the train at one terminal and taken to the other terminal and unloaded—if it were not for that we could not make any such rate, we could not begin to make the rate. You might say that we are discriminating in making that rate, but if we did not get that car out there and get a carload of lumber to move east, we could not make the rate. The whole country is much better if we have the traffic increased than it would be if the traffic were retarded—much better.

It will come back to this—and I am as confident of it as that I stand before you—that if you allow the railroad company, under the closest scrutiny of an intelligent Interstate Commerce Commission, to make the rate, and if they transgress in making the rate too high, take them promptly to the court, and if you can not prove that it is too high, they have not sinned very far. But if it is too high, punish them quickly and summarily; fine them or do anything you like with them. But leave the rate-making power with them, and subject to review by an intelligent court that can judge of all the facts, because

if you attempt to put it in the hands of a commission or take it away from the railroads, that moment you have driven every railroad in the country into a position to maintain the highest rate they can get.

It is practically what I said this morning in regard to the foreign business, or in regard to increasing our business. We have some places in Minnesota where they would like to have railroad extensions, to have new lines built. There are some places in Montana where they would like to have new lines built, and we would like to have them built. But what is the use? I go to our shareholders and ask them for money to build this line, and they say: "Mr. Hill, you are earning money enough now; you haven't any trouble in earning your dividends; why should we take that additional trouble?" So they can not get anybody to build that road any more than you can get capital to build a line from Chicago to the Atlantic seaboard in opposition to the Pennsylvania road. They have got the advantage of being in, and having the choice of terminals. How would another road get into this city, for instance? What would it cost to come into this city from Chicago and get terminals, or to go to Baltimore, Philadelphia, or New York? Why, it would cost as much to get terminals into those cities as it would to build the railroad in the first place. And besides, the Pennsylvania would eat them up. In the end, the law of the survival of the fittest will apply.

If the trunk lines do not furnish the facilities, you must not be surprised to see wheat going, as it did last winter, from Winnipeg to Great Britain by way of New Orleans, because you can not get it through the other way. It would take too long, and it might sprout on the way.

Now, Senators, I have taken a lot of your time, and I am ready to answer questions of any kind.

The CHAIRMAN. Have you any branch or lateral connecting lines owned by other companies than your own?

Mr. HILL. We have a number of branches.

The CHAIRMAN. Yes, you have; but are there branches of other lines connected with yours?

Mr. HILL. Yes.

The CHAIRMAN. Short lines?

Mr. HILL. Some. Some places we are the long line, and other places we are the short line.

The CHAIRMAN. As I understand, capital can be found for building a branch line to some through line, but it would be extremely difficult to find capital to build a trunk line now, as you said a while ago.

Mr. HILL. It would be the case between Chicago and New York, because the investment would fare badly, and it would probably take ten or fifteen years.

The CHAIRMAN. It would not be an easy matter to build another railroad from Chicago to the Pacific coast, would it?

Mr. HILL. No; it would not.

The CHAIRMAN. You think that on this side of Chicago the great trunk lines now control the financial sources of supply?

Mr. HILL. Oh, no, sir.

The CHAIRMAN. So that they could not get the money.

Mr. HILL. The man who has money is timid. If a man has the money to build a railroad, he has money enough to get along without that railroad.

The CHAIRMAN. But he might want to build another trunk line.

Mr. HILL. Take people who have only small amounts of money and want to invest and have their returns certain—to invest at 4 per cent, if you like—they would be very timid about furnishing money to go into an enterprise of building a railroad between Chicago and the Atlantic coast to any point reached by present trunk lines.

The CHAIRMAN. Could the money be found for that?

Mr. HILL. I think the Government probably could find it, and that is about the only one that could.

The CHAIRMAN. Now, Mr. Hill, the conditions being as you have stated, that the trunk lines exist, and that there probably will not be any more trunk lines built, would it not be good policy for the development of the country, and in the interest of the public, to encourage branch and lateral lines connecting with the great trunk lines?

Mr. HILL. The trouble is that a trunk line is like a river, and branches are like the little streams. If the river is overflowing its banks, I don't know any other way to help it than to deepen the channel, to lath and plaster the bottom, or something of that kind.

The CHAIRMAN. What do you mean—make more tracks?

Mr. HILL. Yes; and more terminals. The great difficulty to-day is that people think of forcing a railway company into a position where it can only use its equipment for two hours out of twenty-four, and where it has to pay all its bills and get a fair return on its investment out of that two hours.

The CHAIRMAN. What rule do you adopt in the way of making allowances for freight originating on branch lines that you do not own? Do you do it on a percentage basis of the through rate or arbitrary?

Mr. HILL. We have been very liberal with them.

The CHAIRMAN. What rule do you adopt usually?

Mr. HILL. Take their mileage, and, as a rule, we would double our mileage and then prorate on distance.

The CHAIRMAN. From 50 miles to 100 miles?

Mr. HILL. On 50 we would go up to 100.

The CHAIRMAN. Would you go up to 200 miles?

Mr. HILL. Only go up to 100. That is all our haul was in excess of theirs.

The CHAIRMAN. What would you do if you had a long haul?

Mr. HILL. If we had 500 miles, we would allow two for one.

The CHAIRMAN. Is that usual?

Mr. HILL. They usually want too many built. They are ambitious. But where men have wanted to build branch roads we have encouraged them. We say: "You are starting to build, and we will give you 2 miles for one, and we will furnish equipment besides. You grade the road and we will furnish ties and rails at low cost, and we will take a bond on your road for what you owe us."

The CHAIRMAN. You thereby develop the freight business?

Mr. HILL. If there is any money in it, we let them make it. But

often with even 2 miles for 1, it gets around to a place where they ask us to take their railroad and let them out.

The CHAIRMAN. And you are very accommodating and take it?

Mr. HILL. We ought not, but it simply shows that the general rate is so low that unless you can distribute the business over a large system it can not live. If we had the rates of twenty years ago, 2 cents per ton per mile, or $2\frac{1}{2}$ cents per ton per mile, in place of three-quarters of a cent per ton per mile, the little local road could live and make money, but it can not do it now.

The CHAIRMAN. You think the connecting branch line should have something for originating the freight and bringing it down in train loads?

Mr. HILL. We would be glad to give them the 2 miles and constructive mileage, doubling their length, and prorate, rather than for us to build the road.

The CHAIRMAN. You have said that there has been a reduction, in the last thirty years, from about 2 cents per ton per mile on freight rates to about 7.6 mills, to be accurate?

Mr. HILL. Yes.

The CHAIRMAN. That is done under the free play of forces governing transportation, railroading, and business conditions. Now, what do you think will be the probable reduction in case that same ratio of increase is kept up for the next thirty years?

Mr. HILL. If you will give them a square deal—

The CHAIRMAN. That is what the President wants us to give not only the railroads but everybody else.

Mr. HILL. Give the railroads a square deal and allow them a fair return upon their investment, and compel them to do the work that they can do and that they are designed to do, for what they can afford to do it, returning to themselves a fair income, and I think that the 7.6 mills rate would be reduced. It seems wild to say so, but I think it will be reduced to about a half a cent per ton per mile. That is the railroad rate in the United States. That would mean that some of the coarser products would be carried at, say, 2 mills, and 2 mills would ruin a canal.

The CHAIRMAN. You were talking in your statement about a safe return on investment. What would be a safe return for a railroad? For instance, one railroad is highly capitalized, and has an immense bonded debt, while another in the same territory would not have a high capitalization nor a great bonded debt, so that a safe return for the one road would not be a safe return for the other, would it? If you made 4 per cent a safe return, would not the railroad with the lowest capital and the lowest bonded indebtedness be entitled to the larger return?

Mr. HILL. That is all right, and they should.

The CHAIRMAN. The one with the lowest bonded indebtedness and the lowest capitalization would be entitled to that; but the other fellow, who is highly capitalized—and whose capital some say is watered—would he not say that was unfair?

Mr. HILL. Let us squeeze the water out.

The CHAIRMAN. But he does not want it squeezed out.

Mr. HILL. Well, let us squeeze it out anyhow for the purpose of illustration, because if he has water in his stock he clearly is not

entitled to any income on that water. But assume that I have a railroad; I build it under the law; it is built by myself and my friends; nobody compels me to build it; I build it as a business enterprise. I made a mistake; I did not get the best location; I did not get the best engineers; the road cost more than it ought; the business of the country has been killed by that of some other locality, or maybe another railroad hundreds of miles away has taken the business that this road was built to carry, because the other fellow could do it for less money. Now, tell me under what principle of justice or under what fair interpretation of law the man with the high-priced road that he built and took the business risk in building—upon what ground he can claim that the public should make good his errors and maintain him.

The CHAIRMAN. My question was, if, say, 4 per cent is a fair return on all railroad investments—I do not say that it is, but I use that for illustration—

Mr. HILL. I will answer right there. If you guaranteed 4 per cent that would be one thing, and if you limited it to 4 per cent and take only what you can get you would not have any more railroads built.

The CHAIRMAN. You stated a while ago that the changes of conditions that compel a change of rates are often so sudden that you have to act over night, as it were.

Mr. HILL. In an hour.

The CHAIRMAN. It is your judgment, that being the case and being generally the case, that the railroads ought to have the right to meet that question immediately rather than go before a commission and possibly into court in order to ascertain whether they could; and if they did go to the Commission or to the court time would be consumed and the opportunity for getting the freight would pass?

Mr. HILL. Assuredly. If you take them to court you are taking them on the assumption that they have committed an offense.

The CHAIRMAN. That the rate was too high?

Mr. HILL. Yes; that the rate was too high. If you have to apply to the Commission it comes back to where we were fifteen months ago when the Interstate Commerce Commission said: "You must publish your oriental rates and file them with us in Washington." We felt that we were carrying these commodities at a low rate, and that it was a matter of indifference to us whether we carried them or not, so far as the money was concerned. But it was helping our section of the country, and we liked to do it. They say, "File your rates;" we say, "We withdraw our rates." We do not make any, because it would be idiotic to have our agents sit in Hongkong, Shanghai, or Yokohama, and when somebody came in and asked for a rate on flour or 10,000 or 15,000 bales of cotton goods from some point in the South to Yokohama, if you please, and to have our agent say: "I will give you an answer in two weeks from to-morrow; I will have to cable to St. Paul or to Chicago, and they will have to find the rate and file it in Washington with the Interstate Commerce Commission, and then they will notify me, and you come and see me then." He goes to the representative of the German or English shippers, and they quote the rate laid down, and give it to him to-day. We simply withdrew the rate. We do not make any on the commodities we were making them upon at that time.

We do make rates to the Orient; we make them every day. To illustrate: You asked the question, Senator, and I will give you a point right here: A short while ago they wanted fifteen or eighteen thousand tons of steel of various sizes in the Orient. The competition stood between Great Britain, Germany, Belgium, and the United States. Everything being equal, the United States stood a fair chance to get it. The rate had to be made. They came to us to help them out. We hardly ever turn our back on people who are trying to extend commerce in that direction. We made them a rate, and they got it. Great Britain dropped out first, and Germany second—to the great disappointment of the Kaiser. Then the contest was between the United States and Belgium, and to-day the material goes forward from Chicago. Whatever money was spent to produce that has gone to people living in the United States; they might be on the railways, they might be in the mines, they might be in the rolling mills.

Japan wants to use American flour in the place of rice, because they find that the disease of beriberi, a sort of dropsical swelling of the limbs, is largely due to the excessive use of rice. So the Japanese tell me. The great difficulty with them is how to pay us for everything they get. Just now they can borrow the money from us and pay us. But that is not the usual way. Our traffic with those people has increased enormously, although it is limited almost to the natural productions or articles upon which there is very little labor spent.

The CHAIRMAN. I think you said there was something like 187,000,000,000 tons of freight moved 1 mile in the United States last year.

Mr. HILL. I have that article in my pocket. In 1890 it amounted to 68,000,000,000 tons 1 mile; in 1904 to 170,000,000,000 tons.

The CHAIRMAN. One gentleman stated that it had reached 187,000,000,000, and that it had doubled in the last seven years.

Mr. HILL. It has.

The mere increase from 1897 to 1904 was more than 9,000,000,000 tons greater than the total tonnage of 1890. At the same rate of increase the tonnage in the next seven years will be more than 300,000,000,000 tons as against 170,000,000,000 tons in 1904.

The CHAIRMAN. That is it. Have not the railroads, as a fact, been put to their highest strain in order to move this immense volume of freight? Has it not tested their utmost capacity?

Mr. HILL. They can not do it with any regularity. They are increasing the number of tracks and increasing the terminal facilities and trying to do away with obstruction at congested points. They are trying to do all this, but what they are doing does not enable them to keep up with the procession. They are not doing as much as will offset the yearly increase.

The CHAIRMAN. If this increase is kept up for the next seven years, what will the railroads be obliged to do in the way of increasing their facilities in order to meet the demands?

Mr. HILL. I do not think that existing railways can possibly handle it. I think they will have to find new terminals in places that are now hardly thought of.

The CHAIRMAN. They will have to make an immense outlay, I take it, in order to secure facilities of all kinds—equipment, etc.

Mr. HILL. Terminals and tracks.

The CHAIRMAN. Where will the money come from to do that? How are you going to get the money?

Mr. HILL. I will tell you how not to get it very quickly.

The CHAIRMAN. Both ways. How to get it and how not to get it.

Mr. HILL. You have already a condition of things in this country where people hesitate to put money into railroads. Some railroads have not been prosperous right along. Some are prosperous, though if you could actually look on the inside you would find that they are hanging by a very slender thread, and that thread will break, especially if you put any extra weight on it; it will break and fall to the ground. The railroads of the country have been asked to make brick without straw. They have furnished transportation at prices that are an astonishment to the rest of the world, paying a higher scale of wages, and paying more for everything, and furnishing it for nearly 40 per cent of that obtaining in the lowest country in Europe, which is Russia. If that is true, and you want them to go on furnishing the necessary facilities, they have got to get an amount of money that is appalling.

The CHAIRMAN. They will borrow it.

Mr. HILL. They have got to borrow it, and the amount will be appalling.

The CHAIRMAN. Borrow it on bonds, and the bonds have to be sold?

Mr. HILL. But you can not get the people to take them. They have got to show that they can pay the interest on those bonds.

Just think of the amount of money that has been going into terminals in the last two or three years. The courage of some of our neighbors is sublime, and it is magnificent in what they are doing.

The CHAIRMAN. They have to show to the investor that they can pay the interest on the bonds?

Mr. HILL. That they can carry the financial burden.

The CHAIRMAN. Yes; and pay the interest.

Mr. HILL. Yes, sir.

The CHAIRMAN. Would that power to borrow be impaired in any way by allowing a commission to fix the rates?

Mr. HILL. It would be destroyed. It would not be impaired; it would be destroyed. It would not exist. You could not sell your bonds at any price, because if the bonds are not worth par, or nearly par, it is because there is no certainty that the roads are going to pay what they agreed to pay; and a piece of paper that is discredited has little value.

The CHAIRMAN. Then it is your opinion that if you take away the rate-making power from the railroads in the first instance, the initiative, or disturb it materially, it will affect the ability of the railroads, in the minds of the public, at least, to such an extent that the public will not take the bonds?

Mr. HILL. Why, it will be just like a frost that would freeze the streams solid; they will not run any more.

The CHAIRMAN. Then you are face to face with the condition that you can not get the money to make these improvements if that is done?

Mr. HILL. You can not get it.

The CHAIRMAN. Very well; that is what I wanted to bring out. Now, you spoke of terminal charges. Could Congress do anything

in the way of making the terminal charges part of the through rate instead of having them, as you say, all come right at the end of the line below the Harlem River on that side, and we will say Jersey City on the other side?

Mr. HILL. Congress has conferred through the existing law an abundance of power upon the Interstate Commerce Commission whereby it can take up the question of any part of the charge and test its reasonableness, and if it is reasonable or unreasonable it is a fact that can be proven or disproven, and it can then take it before the court. And if you can show that for no service rendered except to manipulate it below the Harlem River it is worth more for a bushel of wheat to land than it is to bring that bushel of wheat from Chicago, including the Chicago terminals, to Buffalo, or from Duluth, a thousand miles, the court will say that it is a fair charge. But I think you would have great difficulty in satisfying the court that it was worth more to float it below the Harlem River than it was to bring it a thousand miles.

The CHAIRMAN. Then you think the Interstate Commerce Commission, under existing law, can inquire into these terminal charges now?

Mr. HILL. Why, certainly, sir; and it is a wonder that they have not.

The CHAIRMAN. How has that escaped attention?

Mr. HILL. Because they are busy.

The CHAIRMAN. Who is busy?

Mr. HILL. The Interstate Commerce Commission. They are busy seeing if they can not get the right to make rates and to become the five most powerful individuals on the face of the earth. Oh, the prayer, "Deliver us from temptation!"

The CHAIRMAN. You said something could be done in the way of perhaps licensing engineers and conductors, etc., or having the interstate-commerce laws provide punishments for acts or omissions that might contribute to accidents and cause loss of life. Can you specify? Can you tell us what we could do?

Mr. HILL. I think that if the open, careless violation on interstate trains of an important rule that is made to preserve life is made an offense against the law, and may be tried in a Federal court, you would not have many cases come before the court, but it would go very far to accomplish the desired end. Understand me, the great majority of these men are perfectly safe, but sometimes we find those who are not safe. What would you think of riding through the country at the rate of 50 or 60 miles an hour with the engineer asleep?

The CHAIRMAN. I think you have brought that to the attention of the committee, and to my attention particularly, in a way we should not have thought of before—that perhaps Congress can do something in the interest of saving life.

Mr. HILL. You have done that in the matter of couplings.

The CHAIRMAN. And appliances of all kinds.

Mr. HILL. And power brakes, and so on; but there is nothing to-day that compels a man to observe the rules, except that he may be dismissed for their nonobservance.

Senator NEWLANDS. Mr. Hill, right there (if you will permit me, Mr. Chairman): I was told by an engineer on one of the trans-continental lines that during the great pressure of business a year or