

two ago, when the men were oftentimes kept continuously at work for ten or fifteen hours, he had been asleep himself, and he had known others who would go to sleep, and wake up and find the train going. Have not some of these accidents been due to overpressure of traffic of that kind?

Mr. HILL. No, sir; no, sir. I do not know of a railroad where there is not a rule forbidding a man to work when he has not had proper rest. The only exception is in case he is out on the road when an accident or something delays him. Then he must bring his train to some place of safety. But the men, in their anxiety to make overtime—they are paid a day's wages for a hundred miles—frequently do so much that we pay three days in one.

Senator NEWLANDS. Does that mean that one man will work for twenty-four hours?

Mr. HILL. Oh, no, no, no! He will go 300 miles in eight hours and get three days' pay—thirty hours' pay. He has done the work in eight hours.

The CHAIRMAN. Mr. Hill, are our arrangements with foreign lines satisfactory—for instance, the Canadian lines and the Mexican lines?

Mr. HILL. I can speak for the Canadian lines. On the whole, we have to put up with them. They have advantages in that they are not compelled to observe the law as we are.

The CHAIRMAN. Should we not, in the interest of our American roads, provide that things should be equalized as nearly as possible, and that the Canadian Pacific and other foreign lines should not have advantages over our roads and our people?

Mr. HILL. The Canadian Pacific can now come into the United States and hire five men to organize a railroad, and under their names build railroads anywhere, under the general law.

The CHAIRMAN. Yes.

Mr. HILL. But if you want to go into their country you have to get a special charter.

The CHAIRMAN. That is as to the law; but I mean as to through rates, and so on. Do they not have advantages? They are not subjected to our interstate-commerce law, as we are.

Mr. HILL. No, sir.

The CHAIRMAN. Ought we not to do something along that line? Ought not Congress to do something to protect our people and our lines as against the advantages, if you please (if you want to call them that), that they have and enjoy?

Mr. HILL. They ought not to be permitted to pay a rebate of 25 or 50 cents a ton where we can not pay any. We may reduce the rate 50 cents a ton to meet their rebate, but then, the next turn their rebate is in effect.

The CHAIRMAN. In order to enforce a law that we might pass, what suggestion would you make as to equalizing conditions—what kind of a law?

Mr. HILL. I would be willing, Senator, to let us work that out among ourselves.

The CHAIRMAN. The railroads?

Mr. HILL. The railroads. If you will just give us a fair start, and not handicap us by putting a millstone around our necks, we will be all right.

The CHAIRMAN. Tell me what millstone we are liable to put around your necks?

Mr. HILL. Why, making rates and making conditions that we can not comply with, or force us—

The CHAIRMAN. As things exist now, you can overcome the inequalities? For instance, the Canadian laws allow them to give rebates?

Mr. HILL. I think that before we are through with them they will cease giving rebates.

The CHAIRMAN. I do know that it is a fact that from Akron, Ohio, the Canadian Pacific takes freight—

Mr. HILL. To Port Arthur, up on Lake Superior?

The CHAIRMAN. To Vancouver, if you please, and ships it by water to San Francisco cheaper than any of our lines can do it.

Mr. HILL. Why, it was only a few years ago that the Canadian Pacific got a couple of old steamers and started them from Vancouver to San Francisco, and made a very low rate from New York by water up to New London, and then over their lines and down to San Francisco. They published a rate, and the Transcontinental Association started to meet it, but as quick as they met it the Canadian Pacific dropped it again. The shippers in San Francisco said: "Why, here, we can do thus and so by the Canadian Pacific; now you must give us the same rate." "Well, but that is no fair competition; it is a water route over to New London, and then up through Canada, and you get your freight started in the summer and get it some time in the fall." "Oh, well, they can make the rate;" and they did make the rate.

What did the Transcontinental Association do? They met them and asked them what they would take to get out. The reply was, a half a million dollars a year. It was a very profitable thing. I suppose these two old hulls together cost them \$40,000, or perhaps \$75,000, and they ran them for a few weeks and then settled. The way I came to know about it was that we had a portion of the transcontinental line running to Butte at that time, and they assessed us, I think, three or four thousand dollars as our proportion of it—which I did not pay.

The CHAIRMAN. How long did they pay that \$500,000? How many years?

Mr. HILL. I think they paid it two years.

The CHAIRMAN. And then stopped?

Mr. HILL. And then stopped.

The CHAIRMAN. How are you going to protect American roads against just this thing?

Mr. HILL. They claimed a differential.

The CHAIRMAN. They will take it to St. Louis by way of Canada, and over to San Francisco cheaper—

Mr. HILL. Well, we will not let them.

The CHAIRMAN. But you do it now. I know about the rate from Akron, Ohio, because the Government needed some machinery at the Mare Island Navy Yard, and they invited bids, and the Canadian Pacific took the contract for this Government work from the other Pacific railroads—from yours and all of them.

Mr. HILL. Why; certainly.

The CHAIRMAN. How did they do it? I would like to know how they put that rate down.

Mr. HILL. They simply made the rate; that is all. They made the rate, and you say that it is wrong for us to do the same; that if we make the rate once we have got to make it again—practically we have got to make it for everybody.

The Canadian Pacific, a few years ago, claimed a differential. They claimed, as against all the American lines, that they were entitled to it, especially on passengers—they wanted \$5 on passengers. I told Mr. Newman, who was our traffic manager and who is now president of the New York Central, to make our rate \$5, and then let them put their differential in force. They would carry them for nothing; that is all. I told him to do that, and to keep it there until they were ready to quit.

The CHAIRMAN. Mr. Hill, what is the amount of your through freight as compared with your local freight?

Senator NEWLANDS. Do you mean interstate as compared with State?

The CHAIRMAN. Yes, but he runs through so many States. Take the through freight from Chicago, Milwaukee, and St. Paul to the coast as compared with your local freight.

Mr. HILL. The local freight would be 70 per cent of the whole.

The CHAIRMAN. And there would be 30 per cent of the other?

Mr. HILL. Yes, sir; but a great deal of that local freight becomes through freight. For instance, we haul copper from Montana, or lead, or some classes of ores; or we haul wool, or we haul hides, or we haul lumber from Montana; and we send these things, if you please, all over Ohio, or to Indianapolis. One mill that I have in mind sends its entire cut to Oshkosh, Wis. That mill is situated in Montana, west of the Rocky Mountains.

Senator NEWLANDS. You call that local traffic?

Mr. HILL. It is local in one sense, because it originates on a local point; but it is through when it is delivered.

The CHAIRMAN. I thought the reason of your ability to make the low rates you spoke of was due, in a large measure, to your enjoying a longer haul as compared with eastern roads. Is that so, or not?

Mr. HILL. There is an advantage in the long haul in this: That a 20-mile haul covers the same terminal service that a 2,000-mile haul covers.

The CHAIRMAN. Yes.

Mr. HILL. And the cost of solicitation, the cost of getting the freight together, and the cost of maintaining the different departments of the service, the legal department, and the traffic department, and the mechanical department, and all that sort of thing, are the same in either case; as far as the car is concerned the terminal service is as much as if the car traveled a long distance.

Say, for instance, that we would send a car 2,000 miles to the coast and bring it back again, loaded; and we do that in four weeks. We take a car out 25 miles and have it loaded, and if we get it back in a week we have no right to complain, everybody has been pretty smart. That is about the way it goes. In one case we would get ten or fifteen dollars, and in the other case we would get from \$160 to \$200 for the car. Now, take an ordinary city lot and cover it with railway tracks, as a terminal; take a lot that is worth \$5,000 or \$6,000

and put your tracks on it and fill it up, and you will find that you have \$8,000 or \$9,000 represented; and it will hold five cars, on an average, for working purposes. You have to have a little extra car room or track room to handle your cars in the yard, and even if you pack the cars in well you can not handle more than five to an ordinary city lot, 50 by 150. If you figure that up you will find that the interest is not far from \$75 a year for the ground that the car uses—just the bare rent of the ground.

Senator NEWLANDS. For each car?

Mr. HILL. For each car; and when you get into large cities it is four or five times as much.

The CHAIRMAN. That is all I wish to ask. Mr. Kean, you are next in order.

Senator KEAN. Mr. Hill, will you state the capitalization of your road?

Mr. HILL. The capitalization of the company covers all its properties. It covers lands, timber lands, coal mines, coal properties, and various things—ships, elevators, and all that sort of thing. It amounts to about \$35,000 a mile.

Senator KEAN. Just state the total amount; that is all I wish.

Mr. HILL. The total amount is about \$220,000,000. I am speaking in round figures.

Senator KEAN. And the mileage?

Mr. HILL. About 6,000 miles.

Senator KEAN. The Great Northern road has its own refrigerator cars, has it not, Mr. Hill?

Mr. HILL. Yes, sir; it has.

Senator KEAN. It has no private car lines of any kind?

Mr. HILL. No, sir. We have no private car lines; but suppose that a meat packer, dealing in fresh meats, wants to send his cars to Puget Sound or to some other point on our road. We have got to choose between taking his car, or refusing the freight unless he puts it in our car; and somebody else is ready to take it in his. Sometimes it may work one way and sometimes the other; sometimes we would refuse it.

Senator KEAN. The Great Northern road has no private car lines of any kind, either passenger or any other?

Mr. HILL. Passenger or sleeping cars or anything else.

Senator KEAN. Or express cars?

Mr. HILL. It never has had.

Senator KEAN. Everything belongs to the stockholders of the Great Northern road?

Mr. HILL. That is right, sir; everything belongs to the stockholders.

Senator NEWLANDS. Does that include sleeping cars?

Mr. HILL. Everything.

Senator KEAN. So that your railroad is a complete railroad in itself?

Mr. HILL. I have made one rule—that if anybody working for the company can buy or use anything that is in any way connected with the company with a profit for himself, he can make the profit for the company; and we will not have divided service.

Senator FORAKER. When you do take a private car already loaded, how do you charge for the service rendered?



Mr. HILL. We charge just the same, whatever the tariff rate is; but they charge mileage on their car. They furnish a car, and they want mileage on it.

Senator FORAKER. That is, they charge the shipper mileage, do you mean?

Mr. HILL. No, no; they are the shippers.

Senator FORAKER. I understand.

Mr. HILL. The goods are their own goods, but they want us to pay them mileage. If we take another railway company's car, we pay 20 cents a day for it for the time we have had it, and we are in a hurry to get it back; and we load the other man's car back if we have anything to put in it. That is always understood. But they do not want anything put in their cars. They say: "Hurry it back; get it around quickly, and pay us, in place of 20 cents a day, three-fourths of a cent a mile." They used to ask a cent a mile, but I think that has been abandoned.

Senator FORAKER. I understand you to say that you charge the regular rates of freight?

Mr. HILL. Yes, sir; but they get the advantage by compelling us to either take it in their car and hire their car and pay them for the use of it while our own cars stand on the side track, or else some other road gets the business.

Senator NEWLANDS. How much does that amount to a day, say at the rate of a cent a mile?

Mr. HILL. If they got a cent a mile and we hurried that car through to the coast, we would take it about 300 miles a day, so that they would get about \$3 a day for the car.

Senator NEWLANDS. So that in the one case you pay 20 cents?

Mr. HILL. And in the other we pay \$3.

Senator NEWLANDS. And the private car lines you pay \$3?

Mr. HILL. Yes—well, \$3 would be the extreme figure. We will say \$2.50.

Senator FORAKER. I understood you to say that you thought the correct basis for fixing rates was a fair return on the cost of the road and its equipment?

Mr. HILL. Yes, sir.

Senator FORAKER. And that in cases where there were—

Mr. HILL. Instead of the cost, I should have said the value.

Senator FORAKER. A fair return on the value?

Mr. HILL. Yes, sir; because a road might have cost more than it is worth; and, on the other hand, we have many places where we have built up from a wild, unoccupied country, through the terminals, etc., a town of fifteen or twenty thousand people, and the value of the property is enhanced greatly. So that, taking the safe line, it is its value.

Senator FORAKER. The value of the road as it is at the time of using it?

Mr. HILL. A fair compensation for the value.

Senator FORAKER. I understood you to say that in a case where there were two competing roads the value of the least valuable road should be taken as the standard?

Mr. HILL. I think so.

Senator FORAKER. On which to fix the rate?

Mr. HILL. I think so. Every other business has to take the business risk, and why not the railroad?

Senator FORAKER. You gave as an illustration this suggestion—that a road might be built improvidently as to its location, etc.?

Mr. HILL. Yes, sir; yes, sir.

Senator FORAKER. Take the city where I live—Cincinnati: We have a road called the “Chesapeake and Ohio,” by which we can reach New York; another, the Baltimore and Ohio, by which we can reach New York; another, the Pennsylvania; and another, the New York Central, by way of Cleveland; the Lake Shore, and so on.

Mr. HILL. Yes, sir.

Senator FORAKER. I do not know how many other routes there are; but all those roads seem to be wisely provided so far as location is concerned. At the same time, however, there is, no doubt, a very great difference both in the original cost and in the present value of those roads. Would you, in a case like that, take the least valuable road as the basis and allow only a fair return on that valuation? If so, what would happen to the other roads, which are quite necessary to the communities through which they pass and very valuable to the terminus of Cincinnati because of the competition they afford and the reduction occasioned by reason of that competition in rates of freight from New York?

Mr. HILL. I think if you allowed them a fair return on the value of the property you would have to consider the property as a whole—not the property as doing business in Cincinnati and nowhere else; but you must consider it as a whole. The court would do that.

Senator FORAKER. I assume that you mean the value of the property from Cincinnati to New York in each case?

Mr. HILL. Well, if it was one ownership.

Senator FORAKER. But I am assuming a case where there are four distinct ownerships, although, perhaps, they are not very distinct ownerships now.

Mr. HILL. I should say one line; you might take the Baltimore and Ohio, to illustrate.

Senator FORAKER. Yes.

Mr. HILL. If the Baltimore and Ohio was the shortest line and could make the lowest rate, the fact that its affiliations with the Pennsylvania road might be more or less intimate would cut no figure.

Senator FORAKER. No; I want you to eliminate that and treat them as separate and distinct properties.

Mr. HILL. I want to just come down and say, “Here is this property; allow us a fair return on the investment, taking into consideration what it earns on all its business between its terminal points.”

Senator FORAKER. Yes. Now, take the Baltimore and Ohio, too. Suppose you were to take the Chesapeake and Ohio and find that its present value was 25 per cent more than the present value of the Baltimore and Ohio as a connecting line and a competing line between Cincinnati and New York. Would you think it would be fair to the Chesapeake and Ohio to compel it to accept (as it would have to if it wanted to compete) the same rate that you prescribed for the Baltimore and Ohio?

Mr. HILL. It would have to in any event, because it could not get a higher rate. If the Baltimore and Ohio voluntarily or through

compulsion publishes a tariff rate the other roads have to accept that tariff.

Senator FORAKER. That is true; but I am speaking of a case where somebody fixes the rate as the result of a legal provision that compels the road to accept the rate that is fixed—as, for instance, the judgment of a court or the action of the Interstate Commerce Commission, if we should confer upon it this rate-making power. It seems to me, in order that I may give to you the benefit of what is in my mind, that it might work a very gross injustice to the more valuable road if you took the least valuable and then said, “Your rate shall be just such and no more as will yield 5 per cent or 6 per cent,” or your rate of 7 per cent.

Mr. HILL. If you do not adopt that rule, that the shortest line will make the rate and the others have the privilege of meeting it or not as they see fit, I do not know where you will land. I think that you are compelled to adopt that rule; and if the Chesapeake and Ohio (for purposes of illustration) could not compete successfully in the New York business, it would simply mean that the people living along the line of the Chesapeake and Ohio would pay a little higher rate for their business.

Senator FORAKER. For their local business?

Mr. HILL. For their local business—for New York. New York could get the service from another source than theirs for less money, and you ought not to take that advantage away from the man living in New York or the shipper in New York. The fact that conditions along the line of the Chesapeake and Ohio are such that men living 100 or 200 or 500 miles away can take advantage of those conditions is no reason why they should be transferred down to the Chesapeake and Ohio locally.

Senator FORAKER. Let us take another basis that is sometimes discussed by gentlemen who want to establish some fair way of making rates—the distance rate. Suppose there are four roads, as there are, between Cincinnati and New York. They are not all of equal length. I do not know which is the shortest of the four roads; but suppose, for the sake of illustration, that the Chesapeake and Ohio route is a hundred miles shorter between Cincinnati and New York than the Baltimore and Ohio route.

Mr. HILL. Yes, sir.

Senator FORAKER. And 200 miles shorter than the New York Central and Lake Shore route. Would the distance basis be a fair one in that sort of a case?

Mr. HILL. The distance basis has been the practice almost uniformly—that the shortest line shall make the rate.

Senator FORAKER. Yes.

Mr. HILL. There are other conditions that have come in. Take, for instance, freight traffic. We will say that the distance from Cincinnati to New York is 800 miles, and that they haul 800 tons behind one locomotive on 1 per cent ruling grades. Now, somebody else builds a road with a three-tenths grade, and he can haul 2,000 tons, twice and a half the amount; but that line is 200 miles longer. You can see readily that to move a given number of tons the second road runs less than half the train miles; so that the farthest way round is the nearest way home in that case.

Senator FORAKER. Yes.

Mr. HILL. The question of the low grade is of as much importance to the public as the other question, because it fixes the ability of a railroad to make a low rate. It is of as much importance to the public as the depth of water in the channel approaching a harbor is to a steamship company.

Senator FORAKER. At any rate, the most that any rate-making authority could do for the public in the matter of rates would be to take the shortest line or the least valuable line and make the rate in accordance with the one basis or the other, and make the other roads conform to that in competition?

Mr. HILL. The best way. They have got to conform to the lowest rate or else let the goods go.

Senator FORAKER. And that they do already, do they not?

Mr. HILL. Yes, sir; always.

Senator FORAKER. And that is a natural law?

Mr. HILL. That is a natural law that you can not interfere with.

Senator FORAKER. That is to say, if you have four roads between two given points competing with one another, the road that is best situated to handle the freight will get it?

Mr. HILL. In the end.

Senator FORAKER. Unless the others compete with it by meeting its rates.

Mr. HILL. But they will get it in the end, because they will go on putting that rate down, down, down, until finally they will make the other fellow drop the bundle. And the more they get, the more tonnage they move, the cheaper they can move it.

Senator FORAKER. What I want to know is, is not that a universal law without any legislation on the subject?

Mr. HILL. Assuredly; there is no exception to it. You will see that if one road will make the rate, the others will have to accept that rate and to meet it, or go out of that business.

Senator FORAKER. And the road that is most favored by natural conditions, or by length of line, or by cost, will——

Mr. HILL. Will make that rate.

Senator FORAKER. Will make the rate?

Mr. HILL. Yes, sir. Some road that had not the natural conditions in its favor might temporarily make a rate, but only temporarily. When it is losing money it will very soon drop it, and the road that can do it will do it in the end.

Senator FORAKER. That is enough about that. There is a more important matter that you have touched on that I want to ask you a few questions about, and that is the foreign or export trade. The Cullom Act as it was originally passed, and as it still stands, applies in all its provisions to the transportation of freight originating in the United States and going to foreign countries.

Mr. HILL. Yes, sir.

Senator FORAKER. I understood you to say this morning, in giving us your own experience, that you started out to build up a foreign trade, and then abandoned the idea, for some reason or other. The reason, so far as I gathered any from your statement, was that the Interstate Commerce Commissioners, proceeding under that act, required you to publish your rates, and to state in that publication how much of the through rate from St. Paul, or wherever your freight originated, to Yokohama, was railroad rate, and how much of it



was ocean rate. Now, I wish you would tell us a little more fully, in regard to that, what your experience was.

Mr. HILL. Yes, sir; exactly. A year ago last winter there was a plentiful crop of wheat in the northwest and all along our lines.

Senator FORAKER. That was in 1903?

Mr. HILL. Yes, sir; the crop of 1903. We made a reduction on wheat rates of 10 per cent, locally. We found that in the eastern part of the State of Washington grain had been sold as low as 40 cents a bushel, because there was only one market, a few people down at the seaboard buying it, and compelling it to go to Europe; or else there was some locally ground into flour for export.

Senator FORAKER. Do you mean at the Atlantic seaboard?

Mr. HILL. No; I mean at the Pacific seaboard.

Senator FORAKER. Oh, yes.

Mr. HILL. Now, that white Walla Walla wheat is particularly adapted to other uses than the making of flour; it makes the best quality of Quaker Oats and other materials that are extensively sold, breakfast foods, etc.; and we introduced some new customers, and the result was to advance the price of wheat from 20 to 25 cents a bushel.

Senator FORAKER. Because you were providing a market?

Mr. HILL. We had to; as I said this morning, we are charged with providing those people with a market, helping them out.

Senator FORAKER. Yes.

Mr. HILL. And you take the same thing on the east end. They wanted wheat in Australia, and flour; they wanted wheat and flour in Hongkong, and in other of the oriental ports. We made rates from Minneapolis and from points in Minnesota and North Dakota through to these distant communities that would carry that flour, and we carried somewhere between 35,000 and 40,000 tons. When they asked us to file that rate—

Senator FORAKER. That is, the Interstate Commerce Commissioners asked you?

Mr. HILL. Yes, sir; we put the question fairly before them and argued it. We have the greatest respect for their good intentions; but they felt that they could not permit us, under the law, to forego filing that rate. We said: "Very well, if we are violating the law, sue us. We do not think we are, but sue us; and in any event we will not violate the law for Minnesota," and we withdrew the rate. We do not make it, because it would put our representatives in a sorry position over in those places to say, "Why, we can cable and get a rate," when everybody else on the ground is ready to make it from day to day. You see the disadvantage we would be at if, after we had made the rate, we could not change it for ten days or two weeks. We could not do anything to change the rate, while the other people would be making their arrangements and have the stuff under way. Under these conditions we can not build up American foreign trade.

Senator FORAKER. You appealed to the Commissioners not to require you to publish these rates, did you?

Mr. HILL. Yes, sir.

Senator FORAKER. And they held that they had no discretion under the act?

Mr. HILL. I think so; that is my recollection.

Senator FORAKER. The act specifically provides, in sections 5 and 6, that they shall require, in cases of joint rates, "a publication of the same in so far as may in the judgment of the Commissioners be deemed practicable, and said Commission shall from time to time prescribe the measure of publicity which shall be given to such rates, fares, and charges, or to such part of them as it may deem it practicable for such common carriers to publish, and the places in which they shall be published." This was a case of joint rates over a continuous line, a part of which line was water transportation, however?

Mr. HILL. Yes; but when we get to the water we use any ship that is sailing to take the proportion.

Senator FORAKER. Yes; but when a shipment originates the through rate is then fixed, is it not?

Mr. HILL. Certainly, sir.

Senator FORAKER. And you agree upon an apportionment?

Mr. HILL. Yes, sir.

Senator FORAKER. So much for the railroad and so much for the ship?

Mr. HILL. It is practically divided equally.

Senator FORAKER. And if the Interstate Commerce Commissioners had taken the view I should have thought they might feel at liberty to take under the clause I have just read, they could have excused you from publishing those rates?

Mr. HILL. We thought so.

Senator FORAKER. If you had been excused from publishing the rates, you could have continued in that business?

Mr. HILL. Yes, sir.

Senator FORAKER. I want to get into this record the reason why you could not afford to publish the rate. I think I know; but will you state it in your own way?

Mr. HILL. The reason why we could not afford to publish the rates was that we would serve notice on our competitors that that was our rate, and our hands would be bound, and we could not change them for so long a time; and they would have that time in which to make a contract and take the traffic.

Senator FORAKER. To whom do you refer when you speak of your competitors in that case?

Mr. HILL. The merchants and the lines of transportation—the steamer lines—and they largely go together. The English lines are represented by a few houses, and the German lines.

Senator FORAKER. Where is the western terminus of your railroad; at what point on the coast?

Mr. HILL. Seattle is the principal one.

Senator FORAKER. At Seattle?

Mr. HILL. Yes, sir.

Senator FORAKER. How many shipping lines are engaged in the transportation business from there to the Orient? The Japanese have a line there, have they not?

Mr. HILL. A very large one.

Senator FORAKER. And that is a heavily subsidized line, is it not?

Mr. HILL. The subsidy is almost equal to the cost of operation.

Senator FORAKER. Almost equal to the cost of operation?

Mr. HILL. Yes, sir.

Senator FORAKER. So that they, in competition with you, can give a very low rate and still not lose any money?

Mr. HILL. Yes, sir.

Senator FORAKER. And what other lines are there now?

Mr. HILL. There is the Boston Line, the Windsor Line, and then there is the Chinese Mutual.

Senator FORAKER. The Chinese Mutual?

Mr. HILL. That is an English line.

Senator FORAKER. Yes. Is this Chinese Mutual Line, which you say is an English line, also subsidized?

Mr. HILL. No, sir.

Senator FORAKER. It is free from subsidy?

Mr. HILL. I think it has no subsidy at all.

Senator FORAKER. No line from Seattle is subsidized except the Japanese line?

Mr. HILL. I think that that is all.

Senator FORAKER. Now, you have mentioned only three lines—the Boston Line—

Mr. HILL. Then there is our own line.

Senator FORAKER. Yes; your own line. What do you call it?

Mr. HILL. Ours is the Northern Steamship Company.

Senator FORAKER. How many ships have you?

Mr. HILL. Two.

Senator FORAKER. Only two? Those are two very large ships, put in recently for that particular trade?

Mr. HILL. Yes, sir; the two largest freight carriers in the world.

Senator FORAKER. And so, rather than publish your rates and enter into what you regarded as a hopeless competition with these competing lines you simply withdrew from that undertaking so far as flour was concerned?

Mr. HILL. Rather than put ourselves in a position where we would be helpless, where we would give them ten days' start, we simply withdrew.

Senator FORAKER. That is to say, under this interstate-commerce law, if it is to be applied to you, having once fixed a rate you could not change it up or down except upon ten days' notice?

Mr. HILL. We could put it down on three days' notice, but it would take us the other seven days to get the word over and back, and that is why I said ten.

Senator FORAKER. Yes.

Mr. HILL. But if we wanted to raise it, it would take ten days' notice plus the seven; it would take seventeen days.

Senator FORAKER. It would take seventeen days to raise it?

Mr. HILL. And ten days to reduce it.

Senator FORAKER. And about ten days to reduce it?

Mr. HILL. Yes, sir.

Senator FORAKER. And when you speak of that length of time being necessary you refer to business originating at Hongkong to come to this country?

Mr. HILL. No; the business over there.

Senator FORAKER. Oh, yes; I understand.

Mr. HILL. They want to know what it will cost.

Senator FORAKER. That is, a man in Hongkong importing from this country would want to know what his freight was to cost him—what rates he could get?

Mr. HILL. He figures on a bale of so many yards of a certain class of goods.

Senator FORAKER. Yes; I understand.

Mr. HILL. He can be furnished with it from England for so much, from Germany for so much, or from France for so much, and from the United States for so much.

Senator FORAKER. Yes.

Mr. HILL. And the insurance and the interest on the time the goods are in transit—all these things are taken into consideration; and as small an amount as 40 or 50 cents a bale will turn it one way or the other.

Senator FORAKER. Divert the business?

Mr. HILL. Yes, sir.

Senator FORAKER. Now, Mr. Hill, the difficulty that you encountered there is a difficulty that is encountered with respect to all attempts to engage in foreign commerce across the ocean, is it not?

Mr. HILL. Quite, sir.

Senator FORAKER. Just the same thing?

Mr. HILL. Quite.

Senator FORAKER. I want to know, if that be true, whether you think it wise that the interstate-commerce act should apply (as, in accordance with the provisions I have called attention to, it does apply) to business originating in this country with foreign countries not contiguous to us—across the ocean?

Mr. HILL. It is barely possible, but I think not at all probable, that the right to discriminate in favor of this export business would be abused. It is possible that it might be, but I think it is very improbable. But even if it is abused, the railway company simply carries it at a lower rate; and the question is whether the discrimination hurts any local interest whatever. Now, the railroad company is not going to willfully lose money for the sake of doing business; but if there is some profit in it, let the railroad company earn that profit, and for that reason it can afford to make a lower rate on its local business. I think I am quite free to say that I know of no reason why any local interest should suffer on account of our finding a new market for any of our goods.

Senator FORAKER. Let me ask you this question: Is it possible for any American interest to suffer if foreign commerce, the importation from other countries into this, or the exportation of goods, merchandise, from this country into other countries, should be exempted from the publicity that this law requires, in view of the fact that you can not, the minute you touch the water, escape competition with these lines that are—

Mr. HILL. That are not under our governmental control? You come in competition with forces that are not under the control of our interstate-commerce law at all.

Senator FORAKER. Yes; not under any control at all. You are at every disadvantage, are you not?

Mr. HILL. Yes, sir.

Senator FORAKER. Is not the effect of placing our foreign commerce, in other words, under the interstate-commerce law, simply tying



our hands while we are compelled to engage in competition with those whose hands are entirely free?

Mr. HILL. There is absolutely no question as to that.

Senator FORAKER. And if that be true, and if they can navigate their ships cheaper than we do anyhow, how would it be possible, if the law did not apply, for any injury to be done to any American interest?

Mr. HILL. There is not any possible way of injuring any American interest—nobody is going to suffer—by giving us as far as may be, without placing any burden upon anybody else, a fair opportunity to meet the other fellow on his own ground.

Senator FORAKER. Yes; that has no application at all to what is done on the mainland, by rail?

Mr. HILL. No; oh, no.

Senator FORAKER. But simply to the water transportation, where that commences. Now, in view of all that, I want the benefit of your opinion as to whether or not we should not amend this original interstate-commerce act by striking out of its first section, which is a definition of the carriers and commerce and transportation to which the law shall apply, the following—"and also to the transportation in like manner of property shipped from any place in the United States to a foreign country and carried from such place to a port of transshipment, or shipped from a foreign country to any place in the United States and carried to such place from a port of entry either in the United States or an adjacent foreign country."

Mr. HILL. I would limit that to a foreign country, if you please, at least a thousand miles distant.

Senator FORAKER. Well, it is already limited.

Mr. HILL. Because if you made it apply to Canada we might buy a railroad over in Canada and get around interstate commerce from the West in that way.

Senator FORAKER. By the question I asked you a moment ago I eliminated that very idea.

Mr. HILL. Yes, sir.

Senator FORAKER. That is, adjacent countries.

Mr. HILL. Yes, sir.

Senator FORAKER. I think I used the expression "contiguous foreign countries." The language of this section is as follows—I will read it all, because I want to get a flat-footed answer to that proposition.

Mr. HILL. I will give it to you, Senator, if I can.

Senator FORAKER. "Be it enacted," etc., "that the provisions of this act shall apply to any common carrier or carriers engaged in transportation of passengers or property wholly by railroad or partly by railroad and partly by water when both are used under a common control, management, or arrangement for a continuous carriage or shipment from one State or Territory of the United States or the District of Columbia to any other State or Territory of the United States or the District of Columbia, or from any place in the United States to an adjacent foreign country, or from any place in the United States through a foreign country to any other place in the United States"—evidently intended to—

Mr. HILL. To cover Mexico or Canada.

Senator FORAKER. To cover Mexico and Canada. Now, imme-

diately after that there follows the clause that I called your attention to and as to which I asked you if, in your opinion, in view of what you have said, it should not be stricken out of this law, or there should be a statute which would exempt it from application. Further the clause reads as follows: "And also to the transportation in like manner of property shipped from any place in the United States to a foreign country and carried from such place to a port of transshipment, or shipped from a foreign country to any place in the United States and carried to such place from a port of entry either in the United States or an adjacent foreign country."

Mr. HILL. I think that if that expression "foreign country," in the first clause, was made to read "distant a thousand miles from the territory of the United States," you would be perfectly safe.

Senator FORAKER. In other words, eliminating the thousand miles (which you have a particular purpose in your mind in putting in) from the statement, your idea is that it should be stricken out so far as its application goes to foreign countries not contiguous?

Mr. HILL. To Europe, or Africa, or Asia, or Oceania—yes, sir; all that. It is simply a handicap that can do no good, and is susceptible of doing a great deal of harm.

Senator FORAKER. And does not do any good whatever?

Mr. HILL. It can not, in the nature of things, do any good.

Senator FORAKER. Is it not true that the chief complaint about rates, to the effect that they are extortionate, is based on the fact that through rates on foreign commerce are necessarily so low, by reason of this competition with foreign steamship companies, that it attracts attention and a feeling of criticism for our domestic rates because of the apparent unfairness as between the through rates and the local rates?

Mr. HILL. Of the proportion of the through rates to the local rates.

Senator FORAKER. Yes. Now, you told us a while ago—that brings me to it—that you had occasion to ship 500 locomotives from Philadelphia to Yokohama?

Mr. HILL. One hundred and six.

Senator FORAKER. Oh, yes; it was 106 locomotives. And you took them at a rate not exceeding a rate that some other railroad charged for a like shipment for a distance of only 500 miles?

Mr. HILL. Yes, sir.

Senator FORAKER. You made some remark in that connection about that being a good place for the Interstate Commerce Commissioners to do some investigating. Did you mean to have us understand by that that your rate was as high as it ought to be made in order to yield a fair return, or that it was so low by reason of competition that it appeared excessively high as compared with the other? What I want to get at is whether or not you meant that the rate for the 500-mile shipment was an extortionate rate. I do not know what road it was on or anything about it.

Mr. HILL. I think the 500-mile rate was practically double what it ought to be.

Senator FORAKER. Yes.

Mr. HILL. Now, take our rate. The car goes like a ship. A ship, for instance, might be going from here to Liverpool; but we do not expect that that ship is going to stay in Liverpool. We expect that