

SPEECH,  
OF  
MR. JAMES J. HILL,

DELIVERED BEFORE THE  
RAILROAD COMMITTEE  
OF THE  
HOUSE OF REPRESENTATIVES,

ST. PAUL, MINN., JAN. 28, 1885.

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GENTLEMEN:

The railroad commissioners, their last report, say that "the most skillful and successful managers of railroads, while flattering themselves that the subject to which they have devoted a life-time has at last become familiar and easy, will almost any day meet a new question as difficult of proper solution as though they had no experience in such matters. It cannot be expected in reason that difficulties of this character will ever be removed. They must be met daily and hourly, and the mistakes of yesterday must be corrected today. The qualities required for their proper correction are candor, mutual forbearance and a clear perception of right." Gentlemen. I ask your committee to consider this question, that is of vital importance to over \$160,000,000 of capital invested in railroads in the State of Minnesota, "in a spirit of candor, with mutual forbearance and a clear perception of right." Let us take the question up and discuss it in -that way and we cannot fail to agree.

## BASIS OF CONSTRUCTION OF A RAILWAY TARIFF.

In making a tariff a railroad company has to consider the amount of money to be raised to enable it to pay interest and dividend on the capital invested in its railroad, and to provide a reasonable fund for renewals and repairs; also to provide such additional equipment, terminal facilities, side tracks, etc., as its business may demand. The railroad company has no other means from which to supply this money except from its traffic revenue. The railroad company has transportation to sell, and it must sell its transportation at such rates as will enable it to provide a sum over and above the actual operating expenses sufficient to meet these requirements. In making up its tariff of rates it is necessary, in order to arrive at the best results, to distribute the burden in such a manner that every person desiring to use the railway shall pay a fair portion, and no more, of this burden. It is the interest of the railroad to make its tariff so as to increase the number of tons over which to distribute the amounts to be collected, and in a State like ours a wise policy could not fail to use the best means to open up the agricultural interests along the line of the railways, and to develop them to their

greatest extent. In doing this they increase more than in any other way. number of tons over which to distribute the amount of revenue required by the company. The practice is much the same as in levying a tax by a local tax board. The greater number of people who can contribute their share of the tax, the lighter this tax must be *per capita*. Again, the railroad company must so conduct its affairs as to enable whoever occupies the lands along the line of its road to increase his business, and in that manner increase the business of the railroad company. Every railroad in the State, wherever it is located, is in partnership with the man, whoever he may be, who occupies land along said line. Any particular farmer may sell out and move away, but someone else takes his place, and, for the time, the railroad is in partnership with him. Railways may change owners, but the road remains, and the facts I have stated are not in any way changed. In making a railway tariff it is necessary to discriminate, and to discriminate wisely. The cost of hauling a train load of tea is no more to the railroad company than the cost of hauling the same amount of wheat or coal; but if the railroad company should charge a uniform rate on all its freight, the tea would pay the same as the wheat, and the consequence would be there could be no wheat raised except in the immediate vicinity of large cities, and it would be impossible to open up and develop the new country beyond. Our State law applicable to the building of railroads provides that any set of men may—at any time, by filing articles of incorporation, if they have the money—go on and build a railway wherever they please. This makes the property of existing railroads more hazardous.

## INDISCRIMINATE BUILDING FORBIDDEN.

In Massachusetts, after long experience, the State has decided not to allow the indiscriminate building of railroads, but rather to make the railroads, when they are once built into a section of country, do the work for which they were designed to their full capacity, at such rates as will afford reasonable returns on the investment, and no more. They reason, and wisely, that one railroad can do the work cheaper than two. In many instances, in our own State, the people have voted bonds to aid some particular line of railroads, expecting

to get the benefit of competing rates. I think I am safe in saying there is not an instance in the entire State where the competing lines so built have not been bought up by the stronger roads, in self-defense or an agreement to maintain rates made by both parties. In the nature of thing this could not be otherwise. Were it not so, railroads would go on and destroy each other and the owners would soon be bankrupt. If the State of Minnesota, believes that the railroads within its borders are getting higher rates and a larger return on their investment than they deserve, I believe that every railroad in the State—and I will speak for the Manitoba road, which I represent—would be willing that the State make any rates it sees fit, provided the State will guarantee the roads 6 per cent on their actual cost and provide fund for maintenance, renewal and other necessary expenditures. The present depression in agricultural pursuits finds a corresponding depression in all other branches of business. While the income of the farmer is greatly reduced, The income of the railroad suffers also, and I have no doubt that merchants and business men throughout the State find their income correspondingly less. The real cause of the present depression is, I will undertake to show, not attributable in any way to the rates of transportation charged by the railroads in this State; and I will show further that the rates in Minnesota are lower on grain than they are, considering the service, in any other Western state. The entire grain producing areas of the world were favored during the last year with an unusually large crop. Russia, Australia, New Zealand and India all have large surpluses, and the surplus in the United States is nearly 200,000,000 bushels of wheat alone. There are more bushels of wheat than there are mouths to feed. This is not the fault of the railroad. The farmers in Minnesota, and especially in the northern part of Minnesota, are undertaking to do what has been undertaken and which has failed in every case in all the states from the Atlantic ocean to the Missouri River. They are undertaking to make one crop—wheat—their sole source of income.

CAN'T LIVE BY WORKING FOUR MONTHS.

In Northern Minnesota a farmer cultivating wheat can work from four to tour and one-half months, and no longer, on his wheat crop, and he expects that four and one-half months' work will give him sufficient income to support himself and his family and the necessary teams to do his

work for twelve months. I know of no country outside of the tropics where any man has a right to expect a living from the soil for twelve months on four months' work. We must have better farming. We must have more intelligent methods. Our farmers, in place of relying on one crop—as the people of the South did in cotton, until they and their lands were impoverished—must diversify their industry. They must find some means of employing their time for the entire year. Experience has shown that there is no way in which they can do this so well as by raising cattle, pigs and horses, and dairying.

Thirty years ago the Genesee Valley In New York was the favorite wheat area of this continent, and the mills at Rochester were the largest in the country. To-day those mills are dismantled and the buildings used as manufactories for straw hats, boots and shoes, paper collars and other like industries, and the lands in the Gene-see Valley, that were worth \$75 an acre thirty years ago for wheat farms are to-day worth \$150 an acre for dairy farming. If our farmers throughout the West will raise more cattle they will reduce the surplus that now alarms the nations of Europe and they will supply themselves with all the necessities of life, butter, beef, pork, etc., for which they now pay the highest retail prices or go without.

I think I am safe in saying that there is not one farmer in five in the northern part of this State who raises his own meat or makes his own butter. We are constantly hauling supplies of that kind over our road the same as if the entire northern part of the State was a mining camp and it was impossible to raise a cow, an ox or a pig within its borders. The older parts of our State—Southern Minnesota—went through this experience fifteen years ago, and to-day they are comparatively independent, owing to the fact that they have changed their method and diversified their farming.

The railroad commissioner in his report says: "Complaints have been constantly in the increase, and never more so than at present. They refer to all manner of questions connected with transportation rates, transit rates, discrimination, facilities for shipping grain, and many matters of a kindred character."

If these complaints have come to his office, and I have no doubt they have, it would have seemed proper that he should have given the substance of these complaints to the railroads. Speaking for one railroad, I can say that I have seen the

commissioner many times, in 'my own office and out of it, and while I have discussed with him the practice adopted by our road in regard to the size of grain warehouses, and 'he has admitted its advantages, he has always opposed the position taken by our company on the ground that it interferes with somebody's rights, and on no other ground. I have endeavored to show him that our plan was for the greatest good to the greatest number, and to that position the commissioner has never been able to furnish a satisfactory reply.

He has made no other complaints in our office that I am aware of. except one where a shipper claimed to have lost ten bales of twine, and investigation showed that the company had delivered the twine and held the party's receipt for same.

#### CASE OF A PRIVATE ELEVATOR-

Five years ago last July, when I took charge of the road, among the first matters that pressed themselves on my attention was that of an elevator case at Litchfield. in this State. A man had rented an elevator and by offers of lower rates of storage, had induced the farmers and others to store wheat with him. He shipped this wheat and sold it: put the money in his pocket and ran away, and has not been seen since. I undertook to devise some better plan. After consulting with those who had experience on other lines, we concluded that the State should provide a standard of inspection and establish such laws as were necessary to give it effect, and hoping that that would be done we got up a form of lease. and exacted from every elevator occupying our line a contract in terms following:

That the lessee covenants and agrees "to erect and finish with all due diligence, and thereafter to maintain and operate during the term of tins lease, upon said leased premises, a good, substantial elevator or grain warehouse, with a capacity of not less than thirty thousand (30,000) bushels, and that he will operate said elevator or grain warehouse and perform the business for which the same is intended and designed at fair and reasonable rates with all persons requiring the services of said elevator or grain warehouse, without discrimination or preference in favor of any person or corporation whatsoever, in a prompt and efficient manner, and so that the interests of the party of the first part and of all persons doing business through or with said elevator or grain house shall be justly and fully subserved, and that he will comply with all provisions of the laws of this State applicable to the management and

operation of elevators and grain warehouses therein: and it is further agreed by and between the parties as follows.: That should the said party of the second part (the lessee), his heirs, executors, administrators or assigns, fail to make the above mentioned payments as herein specified, or fail to fulfill any of the covenants or provisions of this lease in regard to the management and operation of said elevator or Train warehouse, or otherwise, then and in that case it shall be lawful for the said party of the first part, its successors or assigns, upon thirty days' notice of its intention so to do, to declare this lease at an end, and to re-enter and take full and absolute possession of the above rented premises, and hold and enjoy the same fully and absolutely, without such re-entering working a forfeiture of the rents to be paid and the covenants to be performed by the said party of the second part, his heirs, executors, administrators or assigns, for the full term of this lease."

Now, if there is no law, and if during the five years during which these contracts have existed there has been no law applicable to the handling of grain in warehouses that would regulate them and prevent any oppression, it is not the fault of the railroads. Our object in putting the minimum capacity of grain warehouses at 30,000 bushels was simply to provide a warehouse of sufficient size to enable the warehousemen to separate and grade grain of the different grades under a state law. I think any practical man will say that it is impossible to receive and liable grain, keeping the grain separate and furnishing a reasonable amount of storage, with a less rapacity. A warehouse that should be able to take in from the farmers their grain as it is hauled, and furnish at least two or three days' storage, is not a unreasonable requirement. We have on our line of road four stations that, in the month of November, received from the farmers 1,300,000 bushels of wheat, or an average for each elevator of about 10,000 bushels a day. In the event of anything that would prevent the railroad company from furnishing cars to such elevator, this storage alone would enable the farmer to deliver his wheat and go to his home. Without it men coming ten to fifteen miles from back in the country, when they arrived at the station would find the elevator full and would be compelled to either pile their grain up in sacks and go home and leave them, or remain camped out under their wagons until such time as the elevator could be relieved. I think that

any intelligent commissioner will say that the size of the elevator is as small as is consistent with the proper handling of the grain. The expense of such an elevator, if built with bins of plank, as elevators are usually, would be \$3,000, and for a flat warehouse at present prices, not to exceed \$2,000. I am now, and always have been, ready to build these houses for anyone at the prices stated, so that if my prices are too low they do not suffer.

#### A WORD ABOUT NEWSPAPERS.

It has been the fashion for such newspapers as think they are making public opinion to do everything in their power to create prejudices in the minds of the farmers against the railways. To such an extent has this been carried that everything connected with the grading and handling of grain has been charged directly to the railways. The railways have no more, and should have DO more, to do with the grading and inspection of grain than they have to do with the milling of grain or the cultivation of the grain. Their business is purely and simply that of transportation, and any law that may be enacted by the legislature that does not consider this fact, and act upon it as a ruling principle, will fail of its object. Conditions that apply in the older part of this State, or of any state where the farmers have had time to surround themselves with granaries and barns, do not apply to the frontier portion of the State, a large portion of which is served by a line of the railroad which I represent. I think I am safe to say that not one farmer in ten in Northern Minnesota has a granary. In passing through that portion of the country I have found the farmers compelled to thresh when the threshing machine was in their neighborhood, and in their extremity to protect the grain from the earth I have known them to take the clothes from their beds and spread them upon the stubble upon which to lay their grain, and when threshed, to cover their grain with straw. When these men, living remote from the railway station, find a load of wheat to an elevator it cannot be otherwise than dirty. They may have first-class No. 1 wheat, but for want of facilities to clean it their wheat is dirty, and this is one source of great abuse. The elevator man has the advantage of being the sole umpire as to how much should be deducted for dirt, and that this works a great hardship on the farmer cannot be denied. The Territory of Dakota, two years ago, appointed a board of grain inspectors, but, through the want of care in preparing their law, they have no standard fixed by which

to judge the grain of the Territory. This commission devoted its entire time to visiting, I believe, every elevator in the Territory and making personal examinations, hearing complaints, and doing everything that could be done to gain knowledge as to the situation. It made a report on the first of the present month to the governor and legislature of Dakota.

On page 13 of that report the committee say:

"But neither the most liberal policy that might be inaugurated by the railroad companies, nor the privilege of shipment by the Individual farmer, will give relief to the great mass of those who cannot thus ship, nor determine the point upon which rests finally all, or nearly all, the trouble.

"We refer to the question of grades. It is of no kind of use for this board or any other tribunal to declare what shall constitute No. 1 hard wheat unless some tribunal exists, to whom disputes arising as to whether a certain lot of wheat offered for sale be a certain grade or not. In other words, to determine whose judgment, that of buyer or seller (if either) is correct. Grading wheat must necessarily be largely a matter of individual judgment, and where the elevator agent refuses to receive wheat at the grade the producer believes it to be entitled, the necessities of the farmer will generally govern him in selling at a grade below what he honestly believes he should receive. We may perhaps be pardoned for here suggesting that a remedy exists for this in the creation of *some* tribunal to whom this matter might be referred. Pending the appeal, the wheat to be received by the elevator, a ticket, stating date of receipt, number of bushels, etc., to be given to the seller. Sample to be carried before the board of appeals whose judgment to be final, and wheat to be paid for at price paid for grade determined, on day of warehousing.

"We may suggest further in this connection, that the interests of our neighboring State of Minnesota are almost identical with ours in this matter, and that any action taken by Dakota, looking to more fully protecting and fostering the various interests involved herein, ought to be in line with that of our neighbor.

"One prolific source of complaint, and, in our judgment a just one, is the prevailing practice of docking wheat some number of pounds to the bushel for dirt. We found the practice to be general. At some elevators an arbitrary rule was enforced to dock two pounds per bushel whether wheat was cleaned or uncleaned. We saw at one

elevator some three thousand bushels of No. 1 hard wheat that had been cleaned by the farmer by three times running it through a fanning mill. Yet two pounds per bushel had been docked for dirt. We characterized this as a swindle. No doubt most of the wheat offered for sale is un-cleaned, but no arbitrary rule should fix the amount of dockage. We saw wheat at various elevators in the Territory that in our judgment contained from eight to ten rounds of dirt, oats, buckwheat and seeds of weeds, per bushel."

#### REMEDIES FOR THESE DEFECTS.

An intelligent law can remedy all these difficulties. In the first place an elevator should be provided with a cleaning apparatus that will clean, say, 300 to 500 bushels per hour. This will cost from \$75 to \$125. This cleaning apparatus should be so situated that when the farmer drives his team down the driveway to the elevator the elevator man will determine whether he is ready to grade the grain on its merits or whether it is to be docked for any foul substance or dirt. If the farmer and warehouseman cannot agree, the law should provide that the elevator shall clean the farmer's wheat at a price, say, one-half cent per bushel, which would be twenty cents for a load of forty bushels, and the grain when cleaned shall be graded on its merits. In order to remove any temptation on the part of any elevator employee to take more from the wheat than the dirt, or to take out any merchantable grain that he might afterward run through the mill and separate for his own benefit, all the tailings shall be blown into a space of, say, 0 by 8 feet, and should be the property of the farmer, which he might fill into his empty sacks and take home to feed to his pigs and chickens.

#### WHEAT GRADING AND INSPECTION.

All grain should be weighed on scales sealed by a State inspector of weights and measures, and it should be the duty of every county treasurer to appoint at each railway station where there is a public elevator a deputy inspector of weights and measures whose duty it should be to inspect once in a year, or once in three months, each scale used in the elevator, and in case any farmer felt that the scales were not right and that he was not receiving honest weight, it should be within his power to bring this inspector, who should live convenient to the elevator, and have him examine and test the scale under the law; the fee to be paid by the owner of the scales, if found incorrect, and by the farmer if the scales were found correct, and in case any warehouseman should continue to use

scales that were not properly balanced and sealed he should be fined, or imprisoned, or both. When you have provided against unreasonable dockage for dirt and have correct weighing, the next thing is the grade.

The warehouse commissioners of the State should establish State grades fixed upon the basis of the value of the wheat. All elevators should be compelled to keep samples, under glass and under seal, of the different grades of wheat established by the State board. All wheat should be graded according to these standards and a warehouse receipt given for the number of pounds and of the quality delivered by the farmer, and this receipt should provide that on its return to the warehouseman the same kind and the same quality of grain should be delivered to the owner. The receipt should pass ownership by proper indorsement. With a law covering these provisions and providing for such a receipt the farmer can deposit his grain and have it graded and its value established as well as he can take his money to the bank and deposit it and get a certificate, of deposit payable to his order. The State commissioners cannot fix the price, but they can fix the grade, and the grade will determine the price. With such a law every farmer in the State of Minnesota, however remote from market, would have not only the benefit that might arise from competition between local merchants but will have the further advantage of every market in the State, for if he is not disposed to accept the figures of his local market he can sell his receipts to a dealer in Winona, Rochester, Minneapolis, St. Paul or Duluth, and whoever buys these receipts has a law of the State behind him that will enable him to demand and receive the amount and quality of grain stated on the face of the receipt as fixed by the State board of warehouse commissioners.

Under such a law there is an absolutely free and open market: and under no other law can a free and open market be maintained. You may increase the number of elevators by allowing everyone to build small houses, but the market is not increased beyond the limited number of these small houses, while, under this law, as I said before, the market is open to every person within or without the State who desires to buy wheat at that point. Every person operating an elevator, whether for himself or as an employee of others, should once in every year go before the State commission or some tribunal designated by it, and pass an examination as to his ability to grade wheat under the standard fixed by

the State commission, and lie should receive from the commission a certificate certifying that he had passed such an examination and was entitled to do this work in any elevator in the State. This certificate should be posted within the elevator where the man is employed, and should be revocable by the commission for any act of misconduct on the part of the warehouseman.

State inspectors should be appointed at all points where there are large transactions in grain: that is, at all ultimate markets, and these inspectors should inspect all grain received and offered for sale at such markets. A reasonable fee per car would cover the entire expense of such inspection, and all elevators could then with certainty guarantee weight and grade in these ultimate markets—say Duluth, Minneapolis, St. Paul, Winona and other points. It may be urged that it is impossible for men to grade grain alike, that there is so much difference of opinion this cannot be done. I heard it urged a few days ago that any system of inspection must be very imperfect. Since that time I found that in the city of Chicago, where they have state inspection, nearly 85,000,000 bushels of grain had been inspected and 84 appeals were taken from the award of the State inspector. Of these 84 appeals the action of the State inspector was sustained in 56 cases, and 28 cases reversed—and these 28 cases covered less than 20,000 bushels in the enormous amount of 85,000,000 bushels. The wheat crop in the State of Minnesota to be sold through elevators amounts to between 25,000,000 and 30,000,000 bushels or one-third of the amount inspected in Chicago. Now, we might on this basis assume fairly that 10,000 bushels would be the outside limit of cases in which the State inspector's decision would be reversed; and supposing that on 10,000 bushels the finding of the State inspector was reduced in value 10 or 15 cents per bushel, it would amount to but \$1,000 or \$1,500 in the entire State, while, the sum received by the elevators for taking care of this grain and handling it would on 25,000,000 bushels amount to \$500,000. Certainly the risk is not great. I speak of this to show you that an intelligent warehouse law, that will provide for an intelligent standard of grades and proper restrictions in the handling of grain, will confer a great benefit on the State, and at the same time you need not fear to enact such a law because it does work in other places and it will work here.

#### RAILWAY RATES.

In looking over the report of the rail-

road commissioner for the year just ended, I find that he shows—although he makes no mention of the fact—very large reductions in the rates received by the railroads since the legislature was in session two years ago. According to the railroad commissioner's report the average rate per ton per mile for 1882 was 2.51 cents, and it was thought at that time, considering the service performed, the rate was low enough. By referring to the commissioner's report for 1883, page 269, you will find that the Manitoba road carried 841,539,907 tons one mile. The average rate for 1883 per ton per mile was 1.95 cents; the Manitoba railroad received for the transportation of this freight \$6,687,934.96. At the rate of the previous year they would have received \$8,599,977.12, or \$1,912,042.16 more than they actually received. For the year 1884—see commissioner's report, page 273—the Manitoba road carried 340,347,879 tons one mile: for this they received, at the rate of 1.79 cents per ton per mile, \$6,114,459.51. At the rate of 1882, when the legislature was last in session, this business would have amounted to \$8,569,959.59. They received \$2,455,500.08 less than the rates of 1882. For the two years intervening since the legislature has been in session, the commissioner's report shows that the Manitoba road has received \$4,367,542.24 less from the people who used its transportation than it would have received at the rate enforced two years ago. This statement ends on the thirtieth of June, 1884; since that time the Manitoba road has made a still further reduction. These reductions in rates have been brought about owing, principally, to an increase in the tonnage carried. About the fifteenth of August I urged upon our stockholders that the prices of grain, owing to an unusually large crop throughout the world, were lower than ever before known, and that the interests of the railroad and the interest of the farmer were so identical that I believed it the part of wisdom for the railroad at this time to so far divide the burden incident to low prices with the farmers along the line of its road, that we should make a reduction of ten per cent on the rate of grain from all stations on our railroad. To do this it was necessary to reduce our dividend, and our stockholders replied that our rates on grain were already lower than those of any railroad in the Northwest. To this I answered that the prosperity of the farmer was necessary to our prosperity, and that our work of peopling the new country served by our lines would be greatly retarded unless the farmers were

able to mate a fair living. We did not want those whom we had induced to come to Minnesota and settle on our lands to write back that they could not support themselves or families in Minnesota. Our board at that time approved the tariff making a reduction of ten per cent on the grain rates from every station on the road. We did not wait until the first of January until the legislature was about to convene: we did not wait until three quarters of the grain had moved out of the State, but before one bushel had moved and so that every man raising grain the past year should get the benefit of such action, on the twentieth of August we issued this tariff. This reduction of ten per cent on the gross rate is equal to twenty per cent on the net rate, because our expenses have not been in anywise reduced. And to show you what this reduction means. I have had figures prepared in our office, and these figures are open to your committee at any time for verification, representing the amount of freight hauled during the month of November. Our heaviest business was in October, and November might be taken as an average month. During the month of November, last year, we hauled 48,065,312 tons one mile. We received for this the rate of 1.48 cents per ton per mile, against an average rate last year of 1.79 cents per ton per mile; the amount collected was \$711,366.61. At the rate of the previous year. 1.95 cents, we would have received \$937,273.48. The reduction for the month of November, as compared with the rate for 1883, amounts to \$225,906.87. This reduction has been brought about not by the railroad commissioner, not by any compulsion on the part of the legislature, because there was no legislature in session, but from the natural laws that governed the situation—the interest of the railroad and the interest of the people along its lines. These figures are official, and as I shall deal somewhat largely in figures this evening, all the figures I give I am prepared to show that they are correct in form and substance; that they are absolutely true and your committee must satisfy yourselves as to their truth or falsity, and if they are true, and if they teach you that your views and the views of the public are wrong as to the real results of railroad management in Minnesota, it is only the part of fairness that you will modify your action to meet such views.

I want to compare the rates in effect on the "Manitoba" road with the rates for some distances at points in other states. The following table shows the rates of two leading lines from St. Louis west to Kansas.

and of the Union Pacific Railroad from Council Bluffs west to Kansas and Nebraska:

| St. Paul, Minneapolis & Manitoba R'y.<br>grain rates to St. Paul,<br>Minn. Tariff No. 22,<br>Aug. 15, 1884.                    |                   |                   | Missouri Pacific Rail-<br>road grain rates to<br>St. Louis, Mo. Tariff<br>2S3, Feb. 18, 1884, as per<br>Missouri state law. |                 |                   |
|--|-------------------|-------------------|---|-----------------|-------------------|
| Miles  | Stations.         | lbs. cts. Per 100 | Miles   | Stations.       | lbs. cts. Per 100 |
| 10   | Minneapolis . .   | 4                 | 10  | Webster, Mo..   | 6                 |
| 24   | Wayzata . . . .   | 5                 | 24  | St. Paul, Mo.   | 6                 |
| 53   | Howard Lake, .    | 8                 | 52  | So. Point, Mo.  | 11                |
| 103  | Willmar . . . .   | 13                | 100   | Chambers, Mo.   | 15                |
| 200  | Campbell . . . .  | 20                | 201   | La Monte, Mo.   | 22                |
| 299  | Crookston . . . . | 23                | 300   | State Law       | 24                |
| 390  | St. Vincent . . . | 25                | 400   | State Law       | 26                |
| St. Louis & San Francisco<br>Railway grain rates to St.<br>Louis, Mo. Tariff 63,<br>Jan. 1, 1884, as per<br>Missouri state law |                   |                   | Union Pacific Railway<br>grain rates to Council<br>Bluffs, Iowa, Tariff 416,<br>Oct. 1, 1884.                               |                 |                   |
| Miles  | Stations          | lbs. cts. Per 100 | Miles   | Stations.       | lbs. cts. Per 100 |
| 10   | South Webster     | 6                 | 13  | Cilmore, Neb.   | 8                 |
| 25   | Crescent, Mo..    | 6                 | 24  | Millard, Neb.   | 12                |
| 52   | St. Claire, Mo.   | 11                | 50  | Fremont, Neb.   | 11                |
| 100  | St. James, Mo.    | 15                | 102   | Dunean, Neb.    | 17½               |
| 207  | Niangua, Mo.      | 22½               | 204   | Stevenson, Neb. | 20½               |
| 302  | Granby, Mo.       | 24½               |   |                 |                   |
| 400  | "State Law"       | 26                |   |                 |                   |

It will be seen from the above that the rates of the Manitoba Railroad are lower than those of the largest roads doing the heaviest traffic out of St. Louis.

The following is a comparison of the rates of the Manitoba Railroad with the rates charged from Iowa points to Chicago:

| St. Paul, Minneapolis &<br>Manitoba railway grain<br>rates to Duluth. Tariff<br>23, Sept. 15, 1884. |                     |                   | Grain rates from Iowa<br>to Chicago. Tariff<br>519, Oct. 16, 1884. |                  |                   |
|---|---------------------|-------------------|--|------------------|-------------------|
| Miles   | Stations            | lbs. cts. Per 100 | Miles  | Stations         | lbs. cts. Per 100 |
| 157   | Collegeve. Minn.    | 18                | 157  | Dewitt, Iowa .   | 13                |
| 175   | Freeport, Minn..    | 18                | 177  | Lowden, Iowa.    | 18                |
| 203   | Osakis, Minn....    | 19                | 203  | Mt. Vernon, Ia.  | 19¾               |
| 220   | Garfield, Minn. .   | 19                | 220  | CedarRap's Ia.   | 19                |
| 255   | Fergus Falls, Minn. | 21                | 254  | Belle Plain, Ia. | 23                |
| 276   | Hothsav, Minn..     | 21                | 277  | Montour, Ia. .   | 24½               |
| 298   | Downer Minn         | 23                | 206  | Lamaille Ia .    | 25                |
| 337   | Ada Minn            | 23                | 335  | Midway Iowa      | 25                |
| 349   | Rolette, Minn....   | 23                | 345  | Moingona Ia.     | 26                |
| 371   | Crookston Minn      | 23                | 378  | Scranton Ia      | 30                |
| 393   | Angus, Minn. ....   | 24                | 365  | Carroll, Iowa.   | 30                |
| 420   | Steenpen, Minn. .   | 24                | 423  | Denison, Ia. .   | 30                |
| 448   | Northnote, Minn.    | 25                | 450  | Woodbine, Ia.    | 30                |
| 462   | St. Vincent, Minn.  | 25                | 467  | Mo. ValleyJet.   | 30                |

It must be borne in mind that the rates on the Minneapolis & Manitoba Railroad to Alexandria and points between Sank Centre and Fergus Falls are higher relatively than at other points on this line, and



these rates will be reduced by the next tariff issued by the company. The rates on the Hastings & Dakota division of the Milwaukee in Minnesota are lower than the rates charged in Wisconsin on the La Crosse division between Milwaukee and La Crosse. I have not the tariff of the Hastings & Dakota division with me, but their rates are substantially the same as those of the Minneapolis & Manitoba Railroad between Minneapolis and Breckenridge, and I will compare the stations between Minneapolis and Breckenridge and rates with the rates between Milwaukee and La Crosse.

RATES IN EFFECT JAN. 20, 1885.

| Distances. | St. Paul, Minn. & Man. R. R. Gr'n Rates to St. Paul or Minneapolis Tariff 22, Aug. 15, 1884. | Per 100 lbs. | Distances. | Chicago, M. & St. P. Grain Rates to Milwaukee, Tariff 736, May 20, 1884. | Per 100 lbs. |
|------------|--|--------------|------------|--|--------------|
| 20         | St. Albans   | 4            | 19         | Pewaukee   | 7            |
| 24         | Wayzata  | 5            | 24         | Hartland   | 7 1/2        |
| 27         | Long Lake  | 6            | 27         | Nashotah   | 8            |
| 32         | Maple Plain  | 7            | 31         | Oconomowoc   | 8            |
| 39         | Delano   | 7            | 38         | Ixonia   | 10           |
| 46         | Montrose   | 8            | 44         | Watertown  | 11           |
| 48         | Waverly  | 8            | 49         | Richwood   | 11           |
| 53         | Howard Lake  | 8            | ...        | ...  | ...          |
| 56         | Smith Lake   | 8            | 55         | ...  | 12           |
| 59         | Cokato   | 9            | 64         | Reeseville   | 13           |
| 65         | Dassel   | 9            | 73         | Columbus   | 14           |
| 71         | Darwin   | 10           | 48         | Doylestown   | 14 1/2       |
| 77         | Litchfield   | 11           | 83         | Rio  | 15           |
| 84         | Grove City   | 11           | 92         | Wycocena   | 16           |
| 89         | Atwater  | 12           | 100        | Portage  | 16           |
| 97         | Kandiyohi  | 13           | ...        | Lewiston   | ...          |
| 103        | Willmar  | 13           | 109        | ...  | 16 1/2       |
| 109        | St. Johns  | 14           | 117        | ...  | 17           |
| 117        | Kerkhoven  | 15           | 125        | Kilbourne City   | ...          |
| 121        | Murdock  | 16           | 135        | Lyndon   | 18           |
| 126        | De Graff   | 17           | 139        | ...  | 19           |
| 133        | Benson   | 17           | 148        | ...  | 20           |
| 139        | Clontarf   | 18           | 157        | Lemonweir  | 20           |
| 149        | Hanck  | 18           | 164        | Lisbon   | 20           |
| 157        | Morris   | 19           | 170        | Orange   | 20           |
| 166        | Donnelly   | 19           | 177        | Oakdale  | 20           |
| 172        | Moose Island   | 19           | 181        | Tunnel City  | 20           |
| 177        | Herman   | 19           | 192        | Lafayette  | 20           |
| 181        | Nocross  | 20           | ...        | Sparta   | 20           |
| 193        | Tintah   | 20           | ...        | Rockland   | 20           |
| 200        | Campbell   | 20           | ...        | Bangor   | 20           |
| 207        | Doran  | 21           | ...        | Winona Junction  | 20           |
| 215        | Breckenridge   | 21           | ...        | ...  | ...          |

Here the comparison ceases for we have got to the end of the La Crosse division.

I quote from an article written by an eminent railway authority :

"With the threat of governmental interference in the control of railroad tariffs there is a new element introduced which largely adds to the uncertainties that exist to a greater or less extent under the natural conditions. The capital to be invested in railroad undertakings, therefore, demands the promise of a larger return than would otherwise be required. Such

interference, when it is exercised for any oilier purpose than to redress wrongs and prevent injustice, must always discourage the investment of capital in new lines which would afford further competition; and a higher rate of interest will be demanded on all the capital invested in railroads before a new line will venture in the same field. Thus the competition of capital, though an indirect, is yet a powerful element in determining the rates charged by railroads. Capital is eager to locate itself where is the fairest promise of return, but if attacked or threatened it sees from the place, and only the strongest inducement or most earnest promise can again lure it back to the distrusted locality."

In the State of Iowa when they passed the so-called granger laws, railroad building was absolutely, arrested for five years, and I believe I am right in saying that during those five years there were but twenty miles of railroad built within the borders of the State. How was it in our own State? I read from the railroad commissioner's report, page five, for the year 1881 ; "I came into office when railroad enterprise was paralyzed, and the general prosperity of the State at a low ebb. When there was great animosity among the people towards the railroads I felt it my duty to do everything I could to allay irritation and keep the peace between the people and the railroad corporations to the end that our large agricultural territory might get more roads. After an almost total suspension of railway construction in the Western and Northwestern states for three years— 1874-1876—Minnesota was the first to resume building roads, and kept in the lead for several years, until we had substantially a complete system of trunk lines. There is to-day hardly a cultivated farm in the State from which the farmer cannot drive to a railway station and return in a day. I believe that the avoidance of legislative interference with rates and the administration of this office in a way to encourage the further investment of capital in railways in this State has had an appreciable influence in this progress and development. Now that we have so many powerful corporations competing for business- we are assured that branches and cross lines almost indefinite will be constructed, giving in a few years to every locality the benefits of active competition and the lowest practicable rates." How eminently true do we find the words of the commissioner. As I have shown you, our rates are lower than those of any of the other roads in any state between the international boundary

line and St. Louis. Comparing the rates of Minnesota with the rates of Massachusetts, I find that of the seven leading roads their average rate is 2.224 per ton per mile, while the average of the roads of Minnesota for 1888 is 1.535 cents per ton per mile, the difference being over two-thirds of a cent per ton per mile in favor of Minnesota. The necessary rates to be charged by any railroad to meet its obligations is entirely controlled by the amount of business it has to do. In 1875 the Pittsburgh, Fort Wayne & Chicago railroad carried 491,283,889 tons at an average rate of 1.11 cents per ton per mile, and earned net \$2,058,566. In 1880, five years later, the same railroad carried 806,257,399 tons, at .90 cents per ton per mile, and their profits on the same number of miles of railroad was \$3,290,355, or over 50 per cent more profit on the same amount of road, with the rate reduced 20 per cent. The Union Pacific Railroad, in 1877, carried 358,982,037 tons at an average rate of 2.71 cents per ton per mile. Their revenue from the above amounted to \$9,738,099. In 1882 they carried 902,981,309 tons at an average rate of 1.81 cents per ton per mile, for which they received \$16,302,882. Which shows that the increased tonnage is the element that will enable a road to reduce its rates beyond any other single cause.

#### AN ILLUSTRATION.

I will give you an illustration of what the Minneapolis & Manitoba Railroad did last year and what they might have done. Last year we carried 340,347,879 tons, and received \$6,114,459.51 at the rate of 1.79 cents per ton per mile. At the rate of 1.19 cents per ton per mile, with twice the tonnage, we would have received nearly \$2,000,000 more money: and if you will treble the tonnage of the Manitoba road, you can cut the rates to one cent per ton per mile, and we will make them that figure voluntarily.

To quote further from the same writer: "There is an incidental result which is important to note. The greatest traffic is possible in those things which are produced in the largest quantities and for which the demand is practically unlimited. These, therefore, have the lowest rates. They constitute primarily the necessities of life, which are consumed by all and secondarily the cheaper articles which are the common comforts of the poorer classes. As commodities become more and more expensive, they become confined to a smaller class. Their consumption becomes, therefore, more restricted, and the incentive to the railroad to carry them at

lower rates is reduced in the same degree. These natural principles affect the rates of transportation exactly as similar laws of competition in trade affect prices. They tend constantly to cheapen first, the necessities of life; second, the comforts, and last and least, the luxuries.

Does not this result in the "greatest good for the greatest number"? This result, which is recognized by the railroad commissioners of Iowa, is seen everywhere.

"Our people," they say, "are directly the beneficiaries of a steadily and continually falling rate. This reduction of rates is not confined to the through traffic. It applies—in a somewhat smaller ratio it is true—to the local traffic as well, which is demonstrated in tables further on, prepared from reliable data by the commissioners. What it is that has produced these reductions in charges is a question rather for the economist. It suffices to be able to point them out and to know that they are welcome tidings alike to producer and consumer."

At same time I have shown you that the railroads in Minnesota are carrying grain corresponding distances to your markets at lower rates than, are paid by the farmers in other states.

"The railroad cannot lessen its traffic without reducing its profits: it cannot restrict development of its traffic without limiting its profits. To injure the shipper or interfere with his interest the railroad must equally injure itself. Is it not then safer and better to leave the regulation, classification and establishment of rates with the proprietors, under the control of these natural forces, than to delegate it to a legislature or commission, whose interests in its proper execution are relatively slight, and whose information, at the best, cannot be compared to that of those who make it the business of their lives? This leaves great power with the corporation, it is true, but the power is in the property. To shift the control from owners to commissioners, only shifts it from the responsible and interested to the irresponsible and non-interested. It does not remove it; that can only be done by removing the road. The interests of the community and of the railroad equally require the greatest possible extension of trade, the greatest possible movement and exchange of commodities. The control of trade by the State, through directing the management and fixing the rates of railroads, must result as similar efforts have resulted in the past, in interference; in restriction instead of extension: in an injury instead of a benefit. The best possible results to all will follow

where there is the freest operation of the natural forces of competition." And the report of the commissioner of the State of Iowa, the advance sheets of which have just been published, confirms most fully the views of the eminent authority from whom I have just quoted.

If by any legislation the State curtails the reasonable income of the railroads the people will be made to suffer in a corresponding degree with the roads in the character of the service which the latter will be able to perform.

The commissioners of Iowa, in their report just received, say that during the year they had 119 complaints; that they have adjusted 115 of these complaints up 10 Dec. 1, 1884, leaving four pending on that date. The number of cases in which the railways failed to comply with the committee's recommendation for the year was two, and these they reported were questions in regard to the interpretation of the law, and the cases were referred to the courts.

On page 6 the commissioners say :

"Another inherent difficulty peculiar to the State is her distance from market, coupled with the peculiar character of her agricultural products. Iowa is the outermost Western state which must market all or nearly all her agricultural products on the eastern coast. Speaking upon another subject, the commissioners in their report for JS80 say: *'There is no state that can as ill afford the system of prorating per mile as Iowa.* Kansas and Nebraska are further from the sea board but they have a limited market for their products is the mining regions west of them, and hence that advantage. Her products, corn, wheat, oats and other small grains, are not capable of paying the cost of long hauls except under favorable auspices. Hence, when times of depression come, when prices for such products are very low, almost any attainable rate of transportation hears an apparent undue proportion to the prime cost of the article produced. When the product is gathered, hauled to the station, and transportation rates paid, the amount left (or the farmer is so small as to furnish no sufficient return for the labor done and capital invested. At once a demand arises for reduced rates of transportation on the part of shippers, while stockholders view such a movement with alarm, seeing in its consummation smaller dividends and reduced incomes. Discussion rarely continues long before accusation and counter accusation is made. Passions are aroused and a situation alarming and distressing in the extreme loses the benefit of that

calm, thoughtful and moderate consideration which it so much needs. On the one hand it may be properly urged that the roads should recognize the fact that their interests are or should be closely identified with the prosperity of those who depend upon them for transportation and furnish them their business. On the other hand it may be truthfully urged that capital is the product and representative of labor ; that there is and should be no conflict between them and that it should not be deprived of its legitimate earnings. The constant temptation to shippers, is to decide the question entirely with reference to the undue cost of transportation as compared with the market price of the article to be transported. The constant temptation to carriers is to decide the question with entire reference to profitable returns upon capital invested. At this writing the State is witnessing just such a state of affairs as has been, described. The difficulty is inherent and unavoidable. The most that can be hoped is that a more thorough and intelligent knowledge of the facts and surroundings will lead all parties concerned to a just and moderate course of action and to mutual forbearance, as the interdependence of carrier and shipper must ever continue."

How truly do we find these remarks apply to the situation in Minnesota.

FROM IOWA REPORT:

"Since writing the above the commissioners have received additional information which they deem it proper to make public. Eleven of the railroads of Iowa which carry the bulk of the grain to market, in answer to our inquiries, report there has been no increase of rates, and the commissioners are satisfied that rates have not been raised for several years and that the roads are generally carrying at or below the rates agreed upon with the commissioners in 1878 which was a slight reduction below rates prescribed in what is commonly known as the 'granger law.' "

Here they pride themselves that the rates have not been raised since 1878. while in Minnesota I have shown you that your rates have been reduced until they are to-day lower than those of any other Western state, and this without any fixing of rates on the part of the State.

The Iowa commissioners addressed a letter to Mr. Perkins, president of the Chi-cago, Burlington & Quincy Railroad Company, the object of which was to ask the railroads to consider a reduction of their rates on grain from western Iowa to Chi-cago. Mr. Perkins, on the twenty-fourth of December, replied:

"The railroads have *so* vital an interest in the welfare of the community that they can, sometimes afford to lose money temporarily, if "necessary, to help tide over bad times. Railroad prices, like all other prices, ought to be adjusted by experience —by feeling our way. Entertaining these views, I believe the managers of the roads west of Chicago would have reduced the grain rate before this, if they felt that they could do so with safety to the properties they have in their keeping, but they reason in this way: they say experience shows that when a rate is once made it can never be raised without exciting public clamor. They say it is somewhat uncertain just; now whether it is the railroad tariff or something else which is chiefly operating to keep back the shipments of corn; whether any practicable reduction of the freight charge would bring the corn to market. They say, further, that even if we can move the present crop by making low rates, we may never get those rates up again, in the face of a popular belief that the lowest rates ever voluntarily made by railroads should be insisted upon as a permanent basis, and with these doubts we hesitate to try an experiment which may, in the end, cost us a great deal of money. We recognize, they say, the wisdom of meeting the market—feeling our way by a gradual reduction in the rates, but what we are afraid of is, that when we get the rates down, in order to move corn at the present low price, the farmers will never let us put the rates back again, no matter what corn is worth.

The present situation, it seems to me, illustrates very clearly the evil consequences of a mistaken public opinion upon so important a question as this one of transportation.

I remember two or three years ago, when corn was selling at a very high price, the freight rates were advanced on a certain railroad, two cents per hundred pounds. The farmers were receiving good prices and could well afford to pay this increase in the freight charge, but said it was an outrage. *They said the railroad could just as well afford to carry at the old rate then, as it could the year before, when corn was not so high.* They said it cost the railroad no more to carry corn when it was worth forty or fifty cents a bushel, than when it was worth fifteen or twenty cents a bushel, and argued that the cost of the service, rather than its value, must be taken as the basis of its charge.

That is just what the railroads west of Chicago are afraid of to-day. If this fear

could be removed, I do not believe there is a doubt they would immediately make a reduction in the rate. They would reason that the best way to find out how much of a reduction is necessary, what is the real value of the service, is to try the experiment; but, being afraid, they do not reason in this way. They say the experiment is too dangerous for us to try, at all events until we are perfectly sure what the value is, and that there is no possibility of moving the crop unless we do make a reduction. They know, if the public does not, that the expression "what the traffic will bear" means: that they cannot charge more than the traffic will reasonably bear. It takes time to ascertain what is the value of the service. We know that the present rate is not one at which the railroads can make much profit and we must move with great caution, lest we make a mistake, because the public will take advantage of any mistake we make, and insist next year, or the year after, if prices are better, that nevertheless the railroads shall not make any advance in their prices.

On calling attention to Mr. Perkins' statements, the commissioners say:

"Attention is called to Mr. Perkins' statement that a few years ago when one of the railroad companies sought to advance rates on account of high prices of grain it was claimed by the public that the 'railroad could just as well afford to carry at the old rate then as it could the year before when corn was not so high,' and to his statement that the officials of the railway fear that if the rates are now reduced they could never without trouble be raised even under changed circumstances. Those who argue that the price of carriage should be reduced on account of low price of products, without reference to other circumstances, would seem to be logically driven to concede that when prices advanced rates should also advance."

"A proper rate is neither more or less than a reasonable rate, and when all controlling circumstances are considered, the real value of the service rendered constitutes a reasonable rate. A consideration of all the circumstances is a task extremely difficult, but not impossible."

If anything further was required to show the benefit of a policy allowing the natural laws of competition, of supply and demand, of the effort of capital to seek profitable employment and to develop the business in which it is engaged, to operate without interference. I think here is an argument in favor of such a course.

The railroads in Iowa today are hesitating

about reducing their rates: are hesitating because they are afraid of State interference; and I say to you now that the history of rates in the State of Minnesota for the past five years shows a greater reduction, and a greater percentage of reduction on the amount of business tarried, than that of any state where the rates are fixed by a commission, and, in fact greater. I believe, than those of any state in the Union. The moment you establish a commission to fix these rates, the railroads are put on the defensive. In place of seeing how they can reduce their rates and increase their tonnage to supply the necessary revenue, they will at once be placed in a position where their whole efforts will be to maintain rates as against a commission who have no responsibility and no ownership or interest in the property or in its development.

I have undertaken to show you that rates in Minnesota were lower on grain than in older states south and east of us. I want to show you that the expenses in Minnesota are higher than those of the railroads with whose rates we have made comparison.

#### EXPENSES PER TRAIN MILE.

|   |       |        |
|---|-------|--------|
| (From railroad commissioner's report for 1884, page 73, table V.) St. Paul, Minn. & Man. Ry ..... |       | \$1.26 |
| Northern Pacific.....   | 1. 19 |        |
| Chicago & Northwestern (see Iowa report) .....  | 92    |        |
| Chicago, Burlington & Quincy (see Iowa report)*.....  | 92    |        |
| Chicago, Milwaukee & St. Paul (see Iowa report) .....   | 92    |        |
| Chicago, Rock Island & Pacific (see Iowa report) .....  | 94    |        |

The St. P. M. & M. Ry. expenses are equal to 36.21 per cent more than the aver-

age of last four named roads. The Northern Pacific—28.64 per cent.

On the item of expense chargeable to locomotives it costs the Manitoba road 28.33 cents per mile. It costs the Rock Island, 16.83, a difference of 11½ cents on every mile run by the locomotives on either road. On the mileage of the Rock Island road the difference in cost between the rates paid by the Manitoba and the rates of the Rock Island would have amounted to \$1,150,-150.42, in favor of the Manitoba road and tor proof of this see their last annual report and make the comparison.

The item of coal alone costs three times as much, delivered on the tender of the average road in Minnesota, as the same coal costs on the Rock Island or Chicago and Northwestern Railroad, and the amount of coal consumed is largely increased owing to the severe weather, while, on the other hand, the haul of the other roads is greatly reduced.

Several bills have been introduced regulating railroad rates, but all these bills would increase the rate of transportation at more stations than would be benefited by a reduction, and one of the bills would shut out the entire northern part of this State from a market at Duluth, or compel the shipper to pay five cents per bushel more to that point than has been the rate heretofore. I will not late your time further on these matters, but will cheerfully lend you my aid to clear up all of these questions, and to endeavor to put whatever legislation you have on an intelligent and fair basis, and to that end we should discuss the subject "with candor, mutual forbearance and a clear perception of right."