

# JAMES J. HILL

Hill, James Jerome, railroad president and financier, son of James and Anne Dunbar Hill, is of Scotch and Irish descent, and was born near Guelph, Wellington Co., Ontario, Canada, Sept. 16, 1838. From his seventh to his fifteenth year he attended Rockwood Academy, a Quaker school, where he was carefully instructed in mathematics and Latin. The death of his father in 1853 prevented his studying for the medical profession, as had been intended, and he secured employment in a country store. Early in 1856 he made a tour of the United States, from Maine to Minnesota, and decided to settle in St. Paul, in the latter state. Here he engaged as shipping clerk with J. W. Bass & Co., agents for the Dubuque & St. Paul Packet Co.'s line of Mississippi River steamboats, and used the opportunity afforded him by this position to carefully study all subjects relating to river transportation; especially that of fuel. In 1865 he took the agency of the Northwestern Packet Co.'s line of Mississippi River steamboats; and when this line was merged with the Davidson line, in 1867, he engaged in a general transportation and fuel business. In the meantime, the First Division of the St. Paul & Pacific Railroad Company had built and put into operation a portion of its railroad, beginning near the steamboat landing in St. Paul and running westward, through Minneapolis, to the prairie region beyond, with a branch up the Mississippi River toward St. Cloud, and Mr. Hill had become its station agent at St. Paul. In this way his career as a railroad man began. In 1869 he formed the fuel and warehousing firm of Hill, Griggs & Co., and in 1870 the Red River Transportation Co., for operating a line of steamboats on the Red River of the North, between points in the United States and the province of Manitoba. Mr. Hill was the first to place mineral coal on the market at St. Paul. In 1872 the first regular through transportation service between St. Paul and Winnipeg—then Fort Carry—was established by him. In 1875, together with E. N. Saunders, C. W.

Griggs, and Wm. Rhodes, he formed the Northwestern Fuel Co.; but three years later sold all his interests in the fuel and steamboat companies. In 1877-1879, in association with Messrs. George Stephen, now Lord Mount Stephen, Donald A. Smith, now Lord Strathcona, and Mr. Norman W. Kittson, he acquired all but a small fraction of the stocks and bonds of the St. Paul & Pacific Railroad Co., and the First Division of the St. Paul & Pacific Railroad Co., which together owned, at that time, in the aggregate about 420 miles of completed railroad, of which about 100 miles were disconnected from the remainder. The companies had become bankrupt in 1873, and besides owing debts to the amount of \$33,000,000, which they found themselves unable to pay, were completely discredited both here and abroad.

In 1879 Mr. Hill and his associates reorganized the properties under the name St. Paul, Minneapolis and Manitoba Railway Co., Mr. Hill taking the position of general manager. He became vice president in 1882, and president in 1883. With keen business sagacity and far-sighted judgment, he was first to propose a railway from the Grout Lakes to the Pacific Coast, through the great region lying between the International boundary line on the North and the Northern Pacific Railroad on the South, notwithstanding that region was then virtually unknown and such a road would parallel two existing lines: the Northern Pacific, built at large cost and with Government aid, and the Canadian Pacific, the most difficult and expensive parts of which had been built by the Canadian Government and donated outright to the company, and the remainder of which had been subsidized by that Government, with large grants both of money and lands. The extension of the Hill lines toward the Pacific Coast began in 1880; and by 1893 they had reached Puget's Sound, with a branch starting from the main line in Central Montana and running Southwest, through Great Falls and Helena, to Butte. The St. P. M. & M. organization being deemed inadequate for an extensive transcontinental and international transportation system, in 1890 the railway and properties of that company were taken over by the Great Northern Railway Co., which has since operated or controlled them; Mr. Hill all that time having been its president.

The Great Northern system of railways—as since 1890 it has been called—comprises about 6,000 miles of main track, and about 1,200 miles of side and spur tracks, with extensive terminals at either end of and at all prominent points on the system; and an equipment of high class, in respect both to quantity

and quality. For the better handling of the Asiatic trade, a line of steamships, under the name Great Northern Steamship Co., has been established, for which have been constructed, in an American yard, two of the largest and most capacious steamships ever planned up to this time. One, the "Minnesota," is in commission, and her consort, the "Dakota," approaches completion. The system also has two large sized and swift passenger steamers on the Great Lakes, connecting Duluth and Chicago with the lake Erie ports.

With the exception of small land grants covering about 600 miles in the state of Minnesota, the creation of the rail and water lines of the Great Northern system has not been aided by Government in any form. The magnitude of Mr. Hill's efforts and responsibility in connection with their creation, appear from the fact that for the whole period of fifteen years, from the beginning of 1870 to the end of 1893, on the average a mile of railroad was built and equipped each working day—all under his immediate direction. His efforts at economy in construction have been crowned with such extraordinary success that the stocks and bonds on the system, held by the public, aggregate but about \$150,000,000 of the former and \$100,000,000 of the latter. All the great services which Mr. Hill has devoted to these properties have been given without salary or commission, or even repayment of personal expenses incurred in company business. His reward has been limited to his returns as a holder of the corporate securities on a parity with all other holders, and to the increase in value of his investment resulting from the development of population and business. While the foresight, courage and efforts of Mr. Hill and his associates have resulted in large fortunes for some of them individually, the people inhabiting the region served by the Great Northern system have, in the aggregate, profited by them a thousand fold more. The increase in real estate value alone, directly traceable to these causes, would be modestly estimated at \$1,000,000,000. Reductions in transportation rates, voluntarily made, have directly saved to patrons over \$600,000,000, yet in face of this, around \$50,000,000 have been distributed among stockholders.

After reorganization of the Northern Pacific railway, in 1896, Mr. Hill and some of his associates made investments in the stock of the reorganized property, considerable in aggregate amount, but forming only a small fraction of the total. Movements in the transportation business of the country then in progress, and

yearly becoming more pronounced, convinced Mr. Hill that the progress of the country located on the North Pacific Coast, and running back eastward from there, would be dependent upon the ability of the two railway systems serving it, to command reliable rail connection with the southern and middle sections of the country, including; the large lumber consuming district to the westward of the Mississippi. Acting on this view, Mr. Hill, in conjunction with the interests then controlling the Northern Pacific railway, in the spring of 1901, negotiated the purchase in equal moieties, by the Great Northern and Northern Pacific Railway Companies, of nearly the entire capital stock of the Chicago, Burlington & Quincy Railroad Company at the price of \$200 per share, payable in the joint twenty-year 4 per cent, bonds of the two purchasers. The Chicago, Burlington & Quincy Railroad system comprises nearly 9,000 miles of main track, and reaches Chicago and St. Louis, and nearly every other prominent point on the Mississippi and Missouri rivers above St. Louis, besides spreading over the states of Iowa, Nebraska, and the northern part of Kansas, and stretching away into Northern Colorado, Wyoming, and the Black Hills mineral country.

The total Burlington stock is around \$110,000,000, of which something over \$107,000,000 were acquired by Great Northern and Northern Pacific by issuance of around \$215,000,000 of their joint bonds. During the progress of these purchases a majority of the stock of the Northern Pacific Railway Co. was acquired by the Union Pacific Railway system, for the evident purpose of securing not only control of the Northern Pacific Company itself, but also, through it, control over the Burlington. The stock of the Northern Pacific Co. then consisted of \$75,000,000 preferred, and \$80,000,000 common; the former being subject to retirement, at par, on the first of January of any year up to 1917. The acquisitions of "Union Pacific comprised \$41,000,000 preferred and \$37,000,000 common. When, in April, 1901, Mr. Hill and those then in control of Northern Pacific learned of Union Pacific's move, they held, in the aggregate, about \$24,000,000 of Northern Pacific common, and to fortify themselves against Union Pacific's project, acquired enough more of the common, by purchase in the open market, to bring their holdings of common up to something more than \$41,000,000; thus to a majority of all the common. The purchases by the two interests stripped the New York market of Northern Pacific common available for deliveries; so that some short sellers of common were unable to make delivery. This

condition produced the extraordinary prices for this stock, and resulting panic, of May 9, 1901.

The holding by Mr. Hill, and those acting with him, of a majority of Northern Pacific common stock, gave them the advantageous position, that if the Northern Pacific Company should exercise its right to retire the preferred stock, and should raise the necessary funds by an issue of new common stock, sold to holders of the existing common, ratably to their holdings, Union Pacific would thereby become a minority holder. For some years prior to 1901, Mr. Hill and a few of his associates in Great Northern had been considering the advantage of keeping their holdings together, where all would receive like care and treatment, and had reached the conclusion that the purpose could best be met by selling them to some corporation with appropriate legal powers, which should pay for them in its own stock or other form of security. The events of the spring of 1901 naturally accelerated the maturing of this plan. As nearly or quite all the party individually also held shares in Northern Pacific, it seemed that these latter might advantageously be treated in the same way; especially in view of the recent efforts, so nearly successful, of rival interests to obtain control of the Northern Pacific property.

It was decided that the proposed holding company should extend the opportunity of selling to it Great Northern and Northern Pacific stock to all owners of those stocks, large and small, upon identical terms. November 13, 1901, a Certificate of Incorporation under the name Northern Securities Company was filed in the state of New Jersey. The authorized capital stock was fixed at \$400,000,000, and the company was empowered to buy, sell, own and manage the stocks and securities of any other corporation.

By mere coincidence, and without any designed connection between the two transactions, on the same day the Board of Directors of the Northern Pacific Railway Company adopted resolutions retiring the company's preferred stock, from and after Jan. 1, 1902, at par, for cash, and providing for raising the needed funds by issue and sale to holders of old common stock, ratably, at par, of \$75,000,000 of new common. The restriction to holders of old common, of the right to buy the new common, conformed with the plan of Northern Pacific re-organization in 1896, which created the right of retirement of the preferred stock solely for the benefit of the common, as the preferred mainly represented bonds of the old company, and, in the re-organization, the

common had been subjected to a large cash assessment. Soon after the legal formalities of its incorporation had been completed, the Northern Securities Company began business, and its Board of Directors adopted general resolutions empowering its officers to purchase for it all Great Northern stock offered at the price of \$180 per share of \$100, payable in its own stock, at par, and all Northern Pacific common stock offered it at the price of \$115 per share of \$100, payable in like manner. This price for Great Northern was considerably below the average market cash price for some months previous, or since.

Shortly after commencement by Northern Pacific of the proceedings for retirement of its preferred stock, the Union Pacific interests offered to the Northern Securities Company their entire holdings of both preferred and common, aggregating \$78,108,000 par value, for the lump sum of \$91,407,500, payable, as to \$82,491,971, in the stock of the Securities Company, at par, and the remainder, \$8,915,629, in cash. The offer was accepted, and the transaction closed on November 18, 1901. The retirement of the preferred was completed, on June 1, 1902, and its legality, disputed by some parties at the time, has since been sustained by the courts. "Weidenfield vs. Northern Pacific Ry. Co., 129 Fed. Rep., p. 305.

Mr. Hill and his associates supposed these transactions to be entirely free from objection, either under federal or state laws: hut they were soon surprised by reading in the newspapers, a manifesto of the then Governor of the State of Minnesota, asserting the illegality of their enterprise under Minnesota statutes, and announcing that the state would institute legal proceedings to stop it. This announcement was followed, within a few weeks, by formal application of the state to the Supreme Court of the United States for leave to begin an original suit, in that court, against the Northern Securities Company. The application was denied on jurisdictional grounds. 184 U. S., p. 199.

Efforts by the Governor and other persons largely interested in rival railroad systems of this and a foreign country, to induce the President of the United States to direct institution of proceedings under the Act of Congress commonly called the Sherman Act, were successful, and, in March, 1902, the Government brought suit, under that act against the Northern Securities Company, in the Circuit Court of the United States, for the Minnesota District. In March of the following year the suit was heard at St Louis, before a bench of four Circuit Judges of

the United States: with the result that a decree was entered adjudging that all the Great Northern and Northern Pacific shares held by the Securities Company had been acquired and were being held by it in violation of the Sherman Act, and enjoining further voting or receiving dividends upon the shares. 120 Federal Reporter, p. 721,

The Northern Securities Company appealed from this decree to the Supreme Court of the United States, where the case was heard before the full bench of nine judges, in January, 1904. In March, 1904, the case was decided; the court being divided in opinion. The Chief Justice and three Justices were for reversal, four other Justices were for affirmation upon grounds stated in an opinion by one of them; and the remaining Justice was also for affirmance upon different grounds stated in a separate opinion by himself. 191 U. S., p. 155.

Shortly after rejection of its suit by the Supreme Court of the United States, the State of Minnesota began one of a similar nature, in one of its own courts, against the Securities Company and the two railway companies. Immediately after its commencement this suit was removed into the Circuit Court of the United States for the District of Minnesota, where, in June, 1903, it was heard on substantially the same evidence as that in that Government suit, and decided in favor of the defendants on all points. The state appealed to the Supreme Court of the United States, where, without expression of opinion on the merits, the suit was ordered to be remanded to the state court for want of jurisdiction in the Federal Courts. 194 U. S., p. 48.

Immediately after announcement of the decision of the Supreme Court in the Government suit, the Northern Securities Company took steps for a reduction of its capital stock, from \$395,400,000, the amount issued in course of its business, to \$3,954,000, and for a ratable distribution among all its stockholders of its entire holdings of the railway stocks—\$118,124,200 Great Northern and \$153,759,400 Northern Pacific, par values—as resultant surplus. At a special meeting of the stockholders of the Securities Company, convened for the purpose on April 21, 1904, this reduction of stock and distribution of assets were ordered by the votes of about three-fourths of its stock.

The expectations of Mr. Hill and his associates from acquisition by Great Northern and Northern Pacific of Burlington stock have been amply realized. The arrangement has been followed by a large development of trade along and upon each of the three

railways; by a great expansion in the volume of traffic of each; and, notwithstanding considerable reduction in tariff rates, voluntarily made, by very substantial gains in the revenues of each. For promotion of foreign and domestic trade of the country, and especially for development of the tier of states running along, the International boundary line, from the Great Lakes to the Pacific Coast, the Burlington purchase will beyond question prove to have been an event of the first magnitude. It promises also to be largely profitable to the purchasers. Mr. Hill has been a pioneer in the devising and adoption of standards for railway location, construction and operation, which have revolutionized the industry of rail transportation, and reduced its cost to a level much below that which any foreign country has been able to reach. He preached the gospel of low grades, heavy power, large capacity cars and big trainloads at a period when, to most railway men, those expressions were meaningless or even visionary. His theory has always been, that movement of large volumes of traffic at low rates is most profitable to railways as well as to patrons. His chief ambition has been to haul upon his railways a bigger traffic, at lower rates, and yet with profit to his companies, than any of his competitors could on theirs.

Mr. Hill is a man of much reading, on serious subjects, and none is better informed on those in any way concerned with trade or transportation. He is a lover and connoisseur of the arts. As a collector of fine pictures and precious stones he is surpassed by few, if any, of his countrymen. His gallery of paintings of the modern French school, in his St. Paul residence, is one of the most important in that class on either continent. He has been a frequent and large giver of money for educational and charitable purposes. St. Paul Seminary, in St. Paul, an institution for the complete training, in this country, of young men for the Roman Catholic priesthood, was wholly built and endowed by him, although not himself professing that faith. Other institutions of learning in the Northwest have also benefited largely by his munificence, notably Hamline University, also at St. Paul.