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THE GREAT NORTHERN  
AND THE  
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JAMES J. HILL'S  
LETTER TO THE STOCKHOLDERS ON  
RETIRING FROM THE CHAIRMAN-  
SHIP OF THE BOARD OF DIRECTORS.

July 1, 1912.

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With my resignation today of the Chairmanship of the Board of Directors ends my active official participation in the conduct of the Great Northern Railway Company. The work begun nearly forty years ago has been substantially accomplished; though its results have been extended far beyond the foresight of any one at that time. I hope that I have earned the leisure which every man looks for who has borne the burden and heat of life's day. The property whose fortunes I have directed for so many years has become an organic growth. Its future will be shaped more by the forces that govern the development of the natural resources of the country than by individual initiative. The present is a favorable time for making the change from an active part in the affairs of the Company. I will remain a member of the Executive Committee of the Board, and any services it may need from me will

always be at its command. But it seems wise to begin the process of adjustment to other hands at this time, when all the outlook is fair and every change may be weighed with deliberation in the light of what is for the best interest of the property. My natural regret in relaxing the closeness of a relation covering the lifetime of a generation and closely interwoven with my own is relieved by the knowledge that the property remains in competent and able hands, and is so well fortified against possible mischance that its future must be as stable as its past.

It seems fitting to give, at this time, to those associated with me in the management of the property, to the many thousands who have invested in it and to such part of the public as may be interested, some brief story of the creation and progress of the Great Northern Railway System as it exists today. This is historically not unimportant as a chapter in the growth of the Northwest and of our common country. A record of events still near and vivid in my memory will serve as a note of cheer and a word of farewell.

Nearly forty years ago the thought of a possible railway enterprise in the Northwest began to occupy my mind. It was born of experience in Northwestern transportation problems that had occupied most of my early business life, of faith in the productive powers and material resources of this part of the country, and of railroad conditions at that time. The feverish activity in securing railroad concessions in land and cash that marked the sixth decade of the last century had

been followed by collapse. Doomed as these enterprises were to ultimate failure by their lack of commercial foundation and financial soundness, they were suddenly wrecked by the panic of 1873. Aside from the Northern Pacific property, the lines in the State of Minnesota most important and available if converted into real assets for the development of the Northwest were the fragments of the old St. Paul & Pacific Company. Following the panic of 1873 these were in the hands of a receiver. The holders of their securities in Holland were more anxious to recover what they could from the wreck than to put more money into its completion and improvements that must be made if the properties were to continue to be operated at all. Their value lay to some extent in what was left of a land grant, which would be valuable as soon as the country should be opened, but chiefly in the possibilities of traffic from the millions of productive acres in the Northwest to be opened to settlement by transportation facilities. Yet so great seemed the task and so uncertain the reward, in the general opinion, that any plan of acquiring and reorganizing the property was regarded as visionary in those days by most holders of capital and most men of affairs.

After long and close study of the situation the slender beginning was made on which we risked our all. Failure would be immediate and final disaster. My associates were George Stephen, now Lord Mount Stephen, Donald A. Smith, now Lord Strathcona, and Norman W. Kittson. We bought the defaulted bonds



of these properties from the Dutch holders. The agreement with the Dutch committee was executed March 13, 1878, and practically all outstanding indebtedness was subsequently secured. The mortgages were afterwards foreclosed and the property was bought in. For those days it seemed a formidable financial undertaking. The stock of these companies aggregated \$6,500,000, and their bonded indebtedness with past due interest nearly \$33,000,000, aside from floating obligations. These had to be purchased at prices above those for which they had previously been offered in the open market. The total capitalization and indebtedness at that time of the companies taken over was approximately \$44,000,000.

The property secured consisted of completed lines from St. Paul via St. Anthony to Melrose, a distance of 104 miles, and from Minneapolis to Breckenridge, a distance of 207 miles; and of two projected lines, one from Sauk Rapids to Brainerd and one from Melrose to the Red River at St. Vincent on the international boundary line. On these latter some grading had been done and about 75 miles of track had been laid. There were gaps between Melrose and Barnesville, Crookston and St. Vincent, that must be filled quickly. In themselves, had it not been for the promise of the future, these were scattered tracks in a country just being settled, out of which to construct a railway system and on which to base the financing of their purchase and development.

We advanced the money to build the Red River

Valley Railroad, fourteen miles of track from Crookston to Fisher's Landing, on the Red River, making a through route by steamboat from that point to Winnipeg. While negotiations were pending and also after they were concluded but before possession could be secured through the foreclosure of mortgages, an immense amount of work had to be done. The extension from Melrose to Barnesville must be pushed, and was carried thirty-three miles, as far as Alexandria; and ninety miles were built in the Red River Valley to reach the Canadian boundary. The former was necessary to save the land grant, whose time limit, already extended, was about to expire. The latter was in addition to connect with a railroad projected by the Canadian government from Winnipeg south. As the properties were still in the hands of a receiver, an order had to be obtained from the court for the completion of the work in Minnesota with funds furnished by us. Money had to be raised to build these lines and to furnish equipment necessary for their operation.

In May, 1879, the St. Paul, Minneapolis & Manitoba Railway Company was organized to take over all these properties, whose bonds had been largely purchased, whose stocks had been secured and whose assets were to be bought in under foreclosure. It had an authorized capital stock of \$15,000,000, limited by its charter to \$20,000,000, and made two mortgages of \$8,000,000 each. George Stephen was made first President of the Company, Richard B. Angus, Vice Pre-

sident, and I was chosen General Manager. This placed upon me the practical conduct of the enterprise from its formal inception.

The lines of the new system turned over to our possession on June 23, 1879, comprised a mileage of 667 miles, of which 565 were completed and 102 under construction. From the beginning its business fulfilled the expectations of its founders. The annual report for 1880 showed an increase in earning of 54 per cent, and land sales amounting to \$1,200,000. And now began the long task of building up the country. No sooner was a mile of road finished than the need of building other miles became apparent. Before Minnesota had filled up, the tide of immigration was passing even the famous Red River Valley country and flowing into Dakota. By 1880 it had become necessary to add a line down the Dakota side of the Red River, to plan for many extensions and branches, and two local companies, building lines in western Minnesota, were purchased.

Only a detailed history of the railroad could follow step by step the progress of track extension and the financial arrangements by which capital was furnished for these constant and always growing demands from this time on. In a brief review such as this, I can call attention only to what may fairly be called points of historic interest in the growth of what is now the Great Northern System. One of these was the provision of an eastern outlet by way of the Great Lakes. An interest was obtained in the St. Paul & Duluth

Railroad Company in 1881. This, with the building of the link from St. Cloud to Hinckley, gave the necessary access to the Great Lakes, until the organization of the Eastern Minnesota in 1887 as a subsidiary company furnished a permanent outlet and terminals. I was made Vice President of the Company November 1, 1881, and on August 21, 1882, succeeded to the Presidency, a position whose duties I was to discharge for a quarter of a century. Mr. John S. Kennedy, who had joined our party after the organization of the Company, was elected Vice President. At no time have I accepted any salary for my services as President or Chairman of the Board of Directors, since I have felt that I was sufficiently compensated by the increase in the value of the property in which my interest has always been large.

Business now grew more and more rapidly, the Northern Pacific was about completed and the Canadian Pacific was building toward the Coast. The St. Paul & Pacific Railroad was originally, as its name implied, intended as a transcontinental line. The route to be traversed was rich in fertile soils and abundance of mineral and forest resources. Quite as important, perhaps, was the fact that it admitted of the construction of a line with grades so low and curves so moderate as to make possible cheaper overland carriage than had ever been previously considered. Montana was beginning a large development of her own; while the active growth of the North Pacific Coast, though only in embryo, could be foreseen. In 1887



the lines of the Manitoba were extended to a connection with the Montana Central. This latter company had been incorporated early in January, 1886. Realizing the importance of occupying a field in Montana which was essential to the future trans-continental line, valuable in itself and one which others were already preparing to secure, we had, with some friends, organized the company under the laws of Montana. Work was begun at once, the surveys being made in the coldest winter weather. Construction was rushed. The track was completed to Helena in 1887 and to Butte by the middle of 1888. A branch to Sand Coulee opened up the coal mines of that region, furnishing fuel for use on the Montana and Dakota divisions of the line, and for the development of the mining interests in Montana which had been obliged up to that time to bring in their coal from Wyoming. The work of extending the Manitoba line to connect with the Montana Central launched this Company upon the most active period of construction ever known in this country.

Five hundred continuous miles were graded between April and September, 1887, and by November 18, 643 miles of track had been laid, an average rate of construction of  $3\frac{1}{4}$  miles for each working day. The annual report for that year said: "The new mileage under construction within the period covered by the fiscal year ending June 30 and the residue of the calendar year 1887 . . . amounts to the relatively large quantity of 1,443.97 miles, or 95.5 per cent.