

NORTHERN PACIFIC COMPANY.

Regardless that the legal difficulties in the way of an arrangement between the Northern Pacific and Great Northern Companies, are so great that the entire project is considered as abandoned, the same still seems, as a matter of fact, to be pursued. That is shown by a recent report, according to which a Great Northern stockholder has begun a suit, in form, against the consolidation; but, as professedly designed to clear up all legal questions, manifestly for the real purpose of smoothing the way for the project. In favor of this view further speaks the fact, that, in America, apponents of the scheme yet regard it very necessary to oppose it. For instance, we have been informed of a communication, that Mr. E.V.Smalley sent to Dr.Siemens, as director of the Deutsche Bank, after he had published stirring articles in opposition, in two respectable New York newspapers, the "Tribune", and the "Evening Post". Whether the vigorous opposition of Mr.Smalley, as often happens, is founded upon private grounds, or personal interest, is naturally withheld from our consideration.

But Mr.Smalley is president of the Chamber of Commerce in Saint Paul, a rapidly progressing city of the northwestern part of the Union, the terminus of many large railroad systems, as well as that of the two in question. Mr.S. is likewise, from position and residence, in a situation to observe conditions and to form opinions, and he asserts his familiarity with the region tributary to both roads.

Mr.Smalley declares that he was actuated to address Mr.Director Siemens because Mr.E.D.Adams had said, or at least had not contradicted the assertion, that the scheme had been suggested to him by the Deutsche Bank, and had been approved by the bank, long before he himself had heard of it; also because, it had not been denied, that while the project, in its original form, had been abandoned, new methods were being sought for attaining the same ends.



As he claims, such a thing would violate the above-mentioned laws, and at the same time conflict with the true interests of the Northern Pacific bond and stockholders.

The communication then proceeds as follows, touching the financial situation of the Great Northern:

"She (the Great Northern Co.,) operates, under lease, "the old and profitable system of the St. Paul, Minneapolis and Manitoba Co.; also, as lessee, the lines of the Montana Central Co., which is a property of good earnings, "and also the line of the Seattle and ~~Montana~~ Northern Railroad, in the State of Washington, which runs from "Seattle, through a number of good towns, to New Westminster, in British Columbia."

"The sole proprietary line of the Great Northern "traverses the dry plains of Northern Montana, that untillable mountain district of the Rocky range, the great "desert of the Columbia basin, and the unusually difficult "Cascade range, which it at present crosses with only a "dangerous and costly temporary line. These thousand miles of road do not really earn the interest of "the bonds issued upon the same; and will not do so in "ten years to come. Besides, many millions of dollars will be needed for a tunnel through the Cascade "range, and for other necessary improvements, in order "to put the line into a really workable condition, one "as good as the Northern Pacific."

"The guaranty of Northern Pacific securities, by the "Great Northern, would, therefore, be worthless, because "it could not be enforced. I also believe, that, "you could readily be convinced, that, in spite of all "her profitable leased lines, the Great Northern Company "will shortly be forced to borrow money, and to create a "floating debt, in order to meet interest charges, and "dividends, upon her 20,000,000 of shares".

The article of Mr. Smalley in the "Evening Post" asserts, that the mere announcement of the project, has withdrawn traffic from the Northern Pacific, in favor of the Great Northern, because many shippers have hastened to put themselves on the side which would future control, and because the officers of the Great Northern, in the most positive form assert that Mr. Hill already has the Northern Pacific in his pocket.

"A number of lumber and mining companies, which, during the hard times had restricted or suspended operations, "hesitate to again resume business, because they fear that "their competitors along the Great Northern road would enjoy too great advantages, in case the project in view "should be carried out".

"Mr. Hill will act contrary to all human nature, if "he, after attaining control of the Northern Pacific, refrains from taking measures whereby the industries along "his own road should be built up, at the expense of those "along the subjugated competitor."



"To illustrate: The Rocky Mountain Coal mines, at Red Lodge, Montana, furnish coal for the locomotives and engines of nearly 1,000 miles of Northern Pacific main and branch lines. Mr. Hill owns a large personal interest in the Sand Coulee Coal mines, which are reached by a branch line of his system, from Great Falls. Should he direct that the Northern Pacific road must use coal for its engines, from his mines, then would the entire industry of the Rocky mountain coal mines, where large capital has been invested, be absolutely ruined, and the blooming town of Red Lodge be depopulated. There are great saw mills, in the State of Washington, on the Northern Pacific line, which send heavy fir timber to the East. Other great saw mills exist in the same region along the Great Northern, which now compete with those on the Northern Pacific, on an equal footing".

"Should Mr. Hill see fit, he could completely destroy these Northern Pacific industries, for the benefit of those along the Great Northern line, and secure the entire Eastern lumber trade, for his own road. The establishment of a large copper smelter at Whitehall, on the Northern Pacific Butte line, has been undertaken by the Parrott Co., of Butte. Operations on the same have stopped, because the company feared, that Mr. Hill would obtain control of the Northern Pacific, and then insist that all copper should be hauled over his Montana Central line, to the smelter in Great Falls, in which he has a large personal interest. Endless examples of this kind could be given".

According to this publication, the feeling over this project is so great, that, in Montana, where the Northern Pacific operates 1,300 miles, and the Great Northern 700 miles of road, the Governor intends calling an extra session of the legislature, in order to enforce obedience to the plain prohibition of the state constitution, against the consolidation of competing railroads.

But Chief Justice Wade, has expressed the opinion, that such procedure is unnecessary, because the provision of the constitution already suffices, to give the state courts jurisdiction, at suit of a citizen, to enforce what is desired, as well as would an express act of legislation.

In the meantime, the cable brings news, that the State of Minnesota is about to actually take steps to test the legality of a consolidation between the Northern Pacific and the Great Northern, and today, the same is reported concerning the State of Kansas. All this is surely not adapted to strengthening the scheme. For, whatever may be urged against such opposition, the uniting of both roads offers an attraction for the bondholders, simply through this, that their bonds would be enhanced in value by the absolute

guaranty of the Great Northern,\* and this enhancement will not be attained, until the legality of the guaranty is placed above doubt. Besides, the amount of the guaranty offered by the Great Northern, as before remarked, is based upon almost the smallest earning power of the Northern Pacific,\* and, considering the improving <sup>business</sup> condition of the United States, and, particularly considering the improvements in the receipts from the road, must be regarded too low. Even under the unfavorable conditions of the year 1894-5, ended June 30, the net revenue exceeds the amount of the offered guaranty.

According to a contemporaneously published report of the Receivers, the gross earnings of the year amount to \$17,434,981 (-476,095,). The net earnings, however, amount to \$6,731,528 (+735,580). Under such circumstances, the bondholders may incline to work out reorganization upon their own resources, and take greater time to test the question, how far it coincides with their own interests, to undertake a friendly enterprise with the competing Great Northern Company.