

Personal.

August 19th 1898.

C.H.Coster Esq.

Messrs J.P.Morgan & Co.,

New York City.

My dear Mr.Coster:-

I was very glad to receive your letter of the 16th instant, and to learn that the trip has been a benefit to you. I hope you will receive still further benefit from the rest as I am sure you will need it.

In regard to the Northern Pacific leasing the Chicago, Milwaukee, and St Paul Railway between Fargo and Ortonville, I beg to say that Mr.Hallen mentioned the matter to me a short time ago and I told him at once that this line had a very light traffic and would not be of any use to the Northern Pacific, and I supposed the matter would be dropped. As a line to Minneapolis and St Paul via the H.& D. Division of the St Paul Company from Ortonville, it would have more traffic than as a line from Ortonville North to Wahpeton or Fargo where it could connect with the Northern Pacific for Lake Superior. However, we can get at its value by referring to Page 390, R.R.Commissioners' Report North Dakota for 1897, which shows all its earnings and expenses for the whole line from Ortonville to Fargo as follows:-

Gross Earnings from operation	\$114,202.89
Less Operating Expenses, excluding taxes	69,695.64
Income from Operation	\$ 44,507.25

[Aug. 19, 1898]

C.H.C. - 2 -

Earnings from passengers per mile	\$	307.98
Earnings from freight per mile		650.63
Operating Expenses per mile, excluding taxes,		589.59
Operating Expenses per train mile		.71

Assuming its taxes at the low rate of \$60. per mile, about \$7,200.

Let us consider the low rate of operation, as reported, 71¢ per train mile.

The total train miles run is given as 97,745, which would be equal to an average service of 312 miles per day for 313 days, or equal to about one and one-quarter trains per day. They probably run a passenger train during the busy three Fall months, and a mixed train the balance of the time.

The expenses of the Northern Pacific per train mile in North Dakota are \$1.19, and for the entire road \$1.16; while on the Great Northern they are \$1.17 for the entire line. The operating expenses on a line with so light a train service as is shown on the Fargo Southern are always heavier than on the main lines which run more trains. Our operating expenses on our branch from Campbell to Aberdeen ^{which crosses this line} are \$2.02 per train mile.

The amount shown on the C.M. & St P. report, \$589.59, for annual expenses per mile of road, shows conclusively one of two things, viz., they have either failed to charge the lines expenses correctly, or they have totally neglected the property. Putting this property on

C.H.C. - 3 -

the same basis of cost as the balance of the Northern Pacific in North Dakota, \$1.19 per train mile, the expenses would be for,

97,745 miles, at \$1.19, \$115,716.55

which would leave a loss from operation of \$1,513.66, to which add taxes, \$7,200., leaving a loss of \$8,713.66 on operation.

The above shows that the property has no value for the Northern Pacific, and after what I said to Mr. Mellen I certainly am surprised that he did not look the matter up and advise you as to the real condition of the property. The Northern Pacific was wrecked by the acquisition of a lot of worthless branches, and it is apparently making efforts to repeat its former experience. As a large holder of its stocks and bonds, I most earnestly and sincerely protest against the consideration of any such projects, and at the same time ask you to impress upon whoever is responsible for such efforts the necessity of greater care and discretion in the interest of the property. The Northern Pacific has already greater burdens to bear than the present Company can carry. While it is directed by the Voting Trust, it is especially important that it does not undertake the purchase of properties which have no value whatever.

Now, there is another side to this question. I have a contract with your firm on behalf of the Northern Pacific that we would do nothing to prevent that Company from securing its leased branch lines, &c., after the re-organization. We have carried out this contract in

[Aug. 19, 1898]

C.H.C. - 4 -

every particular and you are bound to us to see that the Northern Pacific Company does not build into country tributary to our lines. Kindly look at the map and see the location of the Fargo Southern and see how its purchase or lease could be reconciled with your contract.

The Spokane Falls was the first and this is the second time I have had to thank you for advising me in regard to these matters, but they seem to have a particular attraction for Mr. Mellen, who is the President of the Company and who certainly should know enough of the policy which should be pursued in these matters.

While I wish to sincerely thank you for your letter of the 16th, I feel it is best that I should be entirely frank with you, and to that end I will only say that I am always ready to do everything in my power that will be of real benefit to the Northern Pacific Railway; and on the other hand, my duty to the Great Northern will at all times lead me to take such steps as will protect its property to the very fullest extent in every place wherever its lines run.

In closing I have to express the hope that you will always construe what I say as intended to give you the plain facts as they are, to the end that we may work together for the good of all concerned, and not for any other purpose or reason. I am about writing Mr. Morgan on some other matters, which will reach him in a few days. I am,

Yours very truly,

[Aug. 19, 1898]

~~Reft~~ In regard to the Northern Pacific
leasing the C M & St Paul Ry between
Fargo and Antonville. I beg to say that
Mr Mellen ~~spoke of~~ mentioned the
matter to me ~~some~~ a short time ago and
I told him at ~~once~~ that this line ~~would~~ had
a very light traffic and would not
~~be~~ be of any use to the Northern Pacific
and I supposed the matter would be dropped
as a line to Minneapolis & St Paul ^{by the} ~~line~~
H & D Division of the St Paul Company from
Antonville it would have more traffic than

as a line from Ottumville north to
 Wapeton or Fargo where it could connect
 with the Northern Pacific for Lake
 Superior. ~~Therefore we can estimate its~~
~~value very closely by taking its savings~~
~~in North Dakota from Sarnmont to Fargo~~
~~which is the best part of the line, as a~~
~~basis of the whole -~~ The total length of
 the line is 118 miles of which sixty two
 miles are in North Dakota.

Now we can get at its value by referring
 to pag - 390 R.R. Commissioners Report

[Aug. 19, 1898]

3

North Dakota for 1899 which shows all
its Earnings and Expenses for the whole
line from Ottumville to Fargo as follows

Gross Earnings from ~~Passenger~~ ^{Freight} 114,302.89

Less operating ~~expenses~~ ^{including Taxes} 69,695.64

Income from operations \$44,507.25

Earnings from ~~Passenger~~ ^{Freight}

" " Freight

" "

\$307.98
650.63

Operating Expenses

including Taxes

Train mile

\$389.59

Operating Expenses per mile

\$1.71

Assuming its ~~tax~~ is at the ~~lowest~~ rate
of \$60.⁰⁰ per mile about \$7200.

Let us consider the ~~the~~ low rate of operation
as reported 71¢ per ^{train} mile
The total train miles is given as 97,745
which would be ^{about} equal to an average
service 312 ^{days} per day for 313 days
or Equal to ^{about} one and a quarter ~~trains~~ per day
They probably run a passenger train
during the ~~busy~~ ^{full} months and a
mixed train the balance of the time

[Aug. 19, 1898]

5

The Expenses of the Northern Pacific
per train mile in North Dakota are
\$1.19 and for the entire road \$1.16 which
on the St Northern they are ~~respectively~~
\$1.17 for the entire line. The operating
expenses on a line with so high a
train service as is shown on the Fargo
Northern is always heavier than on the
main line which run more trains
are operating. Expenses on our branch
from Campbell to Aberdeen are

202 per train mile

The amount shown on the C & N W
P. Report \$589.52 per Annual expense
per mile of road. It seems conclusively
one of two things. They have either
failed to charge the line's expenses
correctly or they have totally neglected
the property. Putting this property
on the same ~~cost~~ basis of cost per
mile as the balance of the Northern Pacific in
North Dakota 149. per train mile

[Aug. 19, 1898]

7
The expenses would be for

97745 miles @ 119 = 115,716.55
which would leave a loss of from
operation of \$1,533.66 to which
add taxes 73.90 = leave a loss
of \$8413.66 in operation

The above shows that the property has
no value for the Northern Pacific and
after what I said to Mr Mellum I ~~would~~
certainly ~~should~~ am surprised that he did
not take the matter up and advise you

[Aug. 19, 1898]

8

as to the real condition of the property
The Northern Pacific was wrecked by
the acquisition of a lot of worthless
branches and it ~~has~~ apparently ~~been~~
making efforts to ~~reimburse~~ its former
Experiences. As a large holder of its
stocks and bonds I must earnestly
and sincerely ~~ask you to impress~~
~~upon the board~~ protest against the
consideration of any such projects
and at the same time ask you to

[Aug. 19, 1898]

9

imposed upon a man is no promise
for such efforts. The necessity of greater
care and ~~more discretion~~ in the
interest of the property. The Northern
Pacific has already greater burdens
to bear than the present Company
can carry ~~and it is~~ which it
~~is managed~~ is directed by the voting
trust. It is especially important
that it does not undertake the purchase
of properties which have no value.

[Aug. 19, 1895]

10

Whatever, Now there is another
side to this question - ~~the~~ I have
a contract with your firm on behalf
of the Northern Pacific that we would
~~not interfere and do nothing to interfere with~~
~~that Company in any way to prevent that~~
Company from securing its leased domain
lines ~~and~~ After the reorganization, ~~then~~
we have carried this contract in every part
and you are bound to us to see that that
the N. P. & C. does not build into
country tributary to our lines. Kindly

[Aug. 19, 1898]

11

Look at the map and see the location
of the Fargo Donation and see
how its purchase or lease could
be reconciled with your contract.

As I spoke of this was the first
and this is the second time I
have had to thank you for advising
me, in regard to this matter, but
they seem to have a particular
attraction for Mr. Wellman and

[Aug. 19, 1898]

12

Who is the President of the Company
and who certainly should know
enough of the Policy which should
be pursued in these matters.
While I wish to sincerely thank
you for your letter of the 16th I
feel it is best that I should be
entirely frank with you and to that
end I ~~will~~ only to say that I am
always ready to do everything in my

from that will be of real benefit
to the Northern Pacific Ry and
on the other hand ~~is~~ duty to the
Great Northern Ry at all times
lead me to take such steps as
will protect its property even if it
~~should be necessary to represent~~
~~the expenses of 1893 to the~~
very fullest extent in every place
wherever its lines run.

[Aug. 19, 1898]

~~The last time I met you~~
In closing I have to express the hope
that you will always construe what
I say as intended to give you
the plain facts as they are, and to the
ends that we may work together for
the good of all concerned, and not
for any other purpose or reason.
~~I am~~ I am about writing Mr
Morgan on some other matters
which will reach him in a
few days - I am yours any time