

CIRCUIT COURT OF THE UNITED STATES ,  
FOR THE EASTERN DISTRICT OF WISCONSIN.

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Farmers' Loan and Trust Company,		)
Complainant,		)
vs.		)
		)
Northern Pacific Railroad Company		)
at al.,		)
Defendants.		)
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Report of the Receivers of  
the Northern Pacific Railroad  
Co.

To the Honorable the Judges of said Court:

On the 22nd day of June, 1895, this Honorable Court made the following order in this cause, being similar to orders entered by it in all pending cases wherein Receivers of Railroad Companies had been appointed, viz.:

"The Receivers have been in possession and operation of the railway and its several branches and of the property of the Northern Pacific Railroad Company since August 15th, 1893, but have made no report to the Court respecting their management of the Trust Estate and of its condition, except so far as it has appeared by applications touching special subjects made to the Court in the course of operation, and from monthly reports of receipts and disbursements. There has been, however, no general report covering the entire management of the property, and the physical and financial condition of the estate, which would enable the Court and those interested in the operation of the estate to readily ascertain its present status. It is therefore ordered that so soon



The total revenue train mileage for the year was 10,296,705 miles a decrease of 584,271 miles as compared with previous years.

The total car mileage for the year was 183,325,913 miles, an increase of 5,970,202 miles, made up as follows:

Freight, loaded, increase .....	8,664,163
Freight, empty, increase .....	2,618,423
Passenger, decrease .....	5,164,722

The average of freight cars per train was 22.53 against 21.26 during the previous year.

The average freight car miles per day was 24.5 miles, against 22.07 miles for the previous year.

#### TRAFFIC.

The revenues of the road have been affected by the reduction of rates incident to the completion of the Great Northern Railway to the Pacific Coast on February 15th, 1893. It passes through Spokane, a point on the Northern Pacific Railroad, and terminates in Seattle, Wash. The Great Northern Company put into effect reduced rates which were generally about 15 per cent lower than those which governed in the transportation of the same class of business in January, 1893, and prior to that date, thus seriously unsettling transcontinental and interior rates. To counteract this, the Atchison, Topeka & Santa Fe Railway Company introduced a new tariff to California and intermediate points, which was from necessity adopted in part by the Union Pacific and Northern Pacific roads, and which produced an average reduction as compared with the rates in effect in January, 1893, prior to the operation of the Great Northern of about 30 per cent. Before the opening of the Great Northern Line it was publicly announced by its President that in his judgment the welfare of the state of Washington demanded a lower tariff on lumber and shingles east bound, and accordingly there was inaugurated

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on that road a reduction of rates amounting in some cases to 30 per cent. less than those which had been in force before the opening of that road. It is unnecessary to state that in the condition of general business throughout the country, and especially in view of the peculiar depression of the region traversed by the Northern Pacific, these and other wholesale reductions in rates, both east and west bound, extending as they do to and from Montana, Idaho, Washington and Oregon, together with the diversion of a portion of the business of the Northern Pacific to the newly constructed line, were of considerable injury to this railroad.

To these causes, your Receivers are informed by the Operating and Accounting Departments, may be attributed a direct loss in gross earnings for the year ending June 30th, 1894, of about \$800,000, and for the year ending June 30th, 1895, of about the same amount.

A new line of road which inaugurates a cut in order to attract business from other roads may become popular at the outset, but in the long run the old line, by adjusting its business upon a stable and fair basis, have generally been enabled to retain their just proportion of the traffic, so that, in the opinion of your Receivers, the effect of this competition upon the Northern Pacific Railroad and its business has been greater during the past two years than it will be in the future.

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Duluth & Manitoba:

In Minnesota .....109.53

In North Dakota, 96.24 205.77

Southeastern Dakota ..... 14.84

Fargo & Southwestern ..... 87.41

Northern Pacific, La Moure & Missouri  
River ..... 21.30

James River Valley ...../..... 63.75

Sanborn, Cooperstown & Turtle Mountain, 136.75

Jamestown & Northern ..... 102.59

Jamestown & Northern Extension, 18.03

Northern Pacific & Manitoba ..... 263.54

Rocky Mountain of Montana ..... 52.61

Northern Pacific & Montana ..... 354.38

Helena & Red Mountain ..... 17.08

Spokane Falls & Idaho ..... 14.39

Spokane & Palouse in Idaho, 38.01

" " in Washington, 111.41 149.42

Central Washington ..... 108.54

Green River & Northern ..... 4.43

Northern Pacific & Cascade ..... 17.37

United Railroads of Washington ..... 169.47

2,089.50

Operated in connection with Northern Pacific,  
under Traffic Contracts:

Duluth, Crookston & Northern ..... 44.51

Helena & Jefferson County ..... 20.58

65.09

Operated in connection with Northern Pacific,  
but without Contracts or Leases:

Coeur d'Alene Railway & Navigation . 49.59

Northern Pacific & Puget Sound Shore 31.42

81.01

Operated in connection with other Companies,  
under trackage rights:

Great Northern ..... 12.12

Minneapolis & St. Louis ..... 1.62

Minneapolis Union ..... 2.60

St. Paul Union Depot ..... .56

16.90

Total ..... 4,497.45



The following is a comparative statement of Gross Earnings, Operating Expenses, Net Earnings, Taxes, etc., for the years ending June 30th, 1895 and 1894:

<u>Earnings:</u>	1895.	1894.
Freight .....	\$13,210,698.86	\$11,565,492.19
Passenger .....	3,350,491.53	4,136,332.10
Mail .....	533,038.40	523,768.27
Express .....	250,850.50	232,601.72
Miscellaneous .....	89,901.51	89,015.23
Total ..	\$17,434,980.80	\$16,547,209.51
<u>Operating Expenses:</u>		
Maintenance of Way and Structures,	\$2,722,423.44	\$3,051,166.17
Maintenance of Equipment .....	1,591,290.98	1,580,859.16
Conducting Transportation .....	5,948,358.63	6,463,026.18
General Expenses .....	1,057,609.36	721,068.66
Total ..	\$11,319,682.41	\$11,816,120.17
Net Earnings .....	\$6,115,298.39	\$4,731,089.34
Taxes .....	\$501,715.91	\$465,825.06
Ratio Operating Expenses to Earnings,	64.92	71.40
Miles of Road Operated Averaging for		
Year .....	4,495.49	4,494.80
Gross Earnings per Road Mile .....	3,878.33	3,681.41
Operating Expenses per Road Mile,	2,518.01	2,628.85
Net Earnings per Road Mile .....	1,360.32	1,052.56

During the year ending June 30th, 1895, 2.61 miles of main track were added to the system, being the extension from Aberdeen Junction to Aberdeen, and the average mileage operated during the year was 4,495.49 miles, and the total mileage operated at the close of the year was 4,497.45 miles, made up as follows:

Northern Pacific Main Line .....	2,188.28
Owned by Northern Pacific:	
Rocky Fork & Cooke City .....	45.43
Cokedale Spur .....	3.59
Tacoma, Orting & Southeastern ..	7.65
	56.67
Leased Lines:	
St. Paul & Northern Pacific ....	181.70
Little Falls & Dakota .....	89.08
Northern Pacific, Fergus &	
Black Hills in Minnesota, ..	74.97
In North Dakota ..	42.08
	117.05



Cleaning, Oiling and Lighting Cars ..	147,764.46	135,542.62
Heating Cars .....	25,142.33	16,717.91
Other train expenses and supplies, .	38,605.25	29,805.93
Switchmen, Flagmen and Watchmen, ...	323,695.01	312,355.48
Telegraph Expenses .....	355,643.58	335,669.01
Agents and other Labor at Stations,	674,285.84	666,424.72
Other Station Expenses .....	59,882.45	57,002.37
Switching Charges .....	33,071.64	21,518.31
Injuries to Persons .....	57,525.49	28,077.31
Stock killed and injured .....	71,999.46	63,551.53
Loss and Damage, Freight and Baggage,	26,246.39	20,343.44
Other Damages to Property .....	7,092.94	25,056.55
Expenses of Steamboats, Transfer		
Boats, Car Floats, etc. ....	48,215.93	42,821.18
Wrecking .....	14,277.05	14,898.35
Car and Locomotive Mileage Balances, .....		53,989.18
Advertising .....	80,666.99	82,884.50
Outside Agencies .....	208,323.88	174,561.63
Commissions .....	75,869.04	46,400.45
Expenses of Stock Yards and Elevators,	261.82	1,352.87
Rents and Expenses of Tracks,		
Yards and Terminals .....	100,301.93	69,963.74
Rent of Buildings and Other Property,	3,059.86	2,383.85
Stationery and Printing .....	41,580.66	38,516.97
Tolls, St. Louis River Bridge .....	17,101.10	12,646.61
Other Expenses .....	18,589.70	7,643.51
Total ....	\$6,463,026.18	\$5,948,358.63

#### General Expenses.

Salaries of General Officers .....	\$ 98,612.62	\$ 129,976.20
Salaries of Clerks and Attendants ....	218,254.04	205,300.98
General Office Expenses and Supplies,	54,114.82	42,843.69
Insurance and Loss by Fire .....	88,755.01	114,683.83
Legal Expenses .....	163,847.61	299,622.88
Stationery and Printing .....	19,361.95	17,608.75
Other Expenses .....	19,234.67	189,091.14
Administration Expenses .....	58,887.94	58,481.89
Total .....	\$721,068.66	\$1,057,609.36

Total for Year ..... \$11,816,120.17      \$11,319,682.41



HEADS OF ACCOUNTS.  
Maintenance of Way and Structures.

--Year Ending June 30th--  
1894. 1895.

Roadbed and Track .....	\$1,552,742.72.	\$1,339,605.36
Rails .....	100,381.61	93,071.91
Cross-ties .....	430,135.33	363,226.09
Bridges and Culverts .....	420,428.65	372,484.05
Fences, Right of Way .....	7,084.01	11,764.34
Road Crossings, Signs and Cattle guards .....	16,303.29	12,131.43
Station Buildings, Furniture and Fixtures .....	38,000.39	67,915.89
Water Stations, Repairs of .....	36,968.11	37,879.79
Fuel Stations, Repairs of .....	5,069.48	6,086.49
Engine Houses, Machine Shops and Turntables .....	26,528.90	22,518.01
Car Shops and Sheds .....	12,176.22	7,015.92
Section, Tool and Watch-houses, etc. .	3,077.78	10,428.36
Docks, Wharves and Landings .....	14,791.76	24,432.01
Telegraph, Repairs .....	39,429.52	42,468.05
Snow and Ice, Removal of .....	90,919.21	38,109.86
Snow Fences and Snow Sheds .....	19,123.33	18,030.46
Stationery and Printing .....	1,457.40	1,398.51
Other Expenses .....	83.47	2,111.14
Improvements and Betterments .....	236,464.99	251,745.77
Total .....	\$3,051,166.17	\$2,722,423.44

MAINTENANCE OF EQUIPMENT.

Superintendent .....	\$ 83,555.66	\$ 79,569.67
Locomotives .....	493,157.00	435,524.08
Air Brakes and Steam Brakes for Locomotives .....	22,951.37	15,908.93
Passenger, Baggage, Mail and Express Cars .....	169,223.89	194,730.73
Sleeping Cars .....	29,364.43	51,139.66
Dining Cars .....	18,804.59	18,451.79
Freight and Caboose Cars .....	549,276.34	578,819.49
Work Cars .....	18,059.71	23,541.17
Air Brakes for Cars .....	26,680.15	31,656.45
Steamboats, Transfer Boats, Car Floats, etc.	3,013.98	406.33
Machinery, Tools, etc., in Machine Shops, etc. ....	34,777.20	30,912.33
Machinery, Tools, etc., in Car Shops and Sheds .....	8,969.50	10,103.18
Stationery and Printing .....	2,257.49	1,563.37
Other Expenses .....	120,767.85	118,963.80
Total .....	\$1,580,859.16	\$1,591,290.98

Conducting Transportation.

Superintendence .....	\$259,497.76	\$ 262,140.23
Engineers and Firemen .....	939,227.95	864,938.62
Hostlers, Boiler Washers, Wipers and Roundhouse Laborers .....	233,836.14	207,802.12
Fuel for Locomotives .....	1,605,917.05	1,431,149.49
Water Supply .....	103,173.94	97,803.66
Oil, Tallow and Waste for Locomotives,	41,659.66	38,106.81
Other Supplies for Locomotives ....	12,759.86	14,321.54
Conductors and Trainmen .....	837,751.02	771,968.14



The winter of 1894-5 was favorable for operation, but business was exceedingly light. In the early spring conditions improved, and there was a gradual increase in earnings from that time until the end of the fiscal year.

The following table of Operating Expenses for the years ending June 30th, 1894 and 1895, shows in detail what has been done accomplished in the way of reducing the cost of transportation.

Expenditures under Maintenance of Way and Structures decreased 10.27 per cent. Maintenance of Equipment increased only \$10,431.82 or 0.66 per cent., while Conducting Transportation decreased \$514,667.55, or 7.96 per cent. General Expenses shows a very large increase, it being \$336,540.70, the total of the account being nearly 10 per cent. of the entire Operating Expenses. Very much of this expense is the direct and unavoidable result of the efforts which have been made since the appointment of Receivers of the Northern Pacific Railroad Company to harass and discredit them in every way. Substantial reductions in the general expenses of the management of the business proper have already been made.

The Operating Expenses for the year ending June 30th, 1895, include \$251,745.77, and for the previous year \$236,464.99, a total of \$488,210.76 for improvements and betterments, consisting of such work as masonry lining of tunnels, additional sidings and spurs, increase in weight of rail, cost of permanent bridges in excess of cost of renewal of temporary structures, right of way, additional fencing, etc., which on many roads are charged to Capital Account. For the two years in question all expenditures of this character on the Northern Pacific Railroad have been charged to Operating Expenses, which should be borne in mind in comparing the results with those obtained by other railroads.



Your Receivers were disappointed in the expectation that with the subsidence of the floods their troubles at that time were at an end. On June 26th, and before the traffic which had for four weeks accumulated on the line could be moved, the American Railway Union inaugurated the Pullman sympathetic strike, so-called. On June 27th, the discharge of yard crews for refusing to handle Pullman cars resulted in a strike which became general over the entire system within twenty-four hours. From that time on, until the conclusion of the strike on July 20th, it was entirely impracticable to operate the road, and again, as during the flood, freight and passenger trains were detained at many points upon the line. The termination of the strike, which was only brought about by the interposition of the federal courts and the use of federal troops, alone rendered it possible to repair the damage done by the floods on the line. The repairs being made as promptly as possible, the operation of the road from this time proceeded as usual. It is not reasonable to expect that a railroad operated with however much skill and care under the circumstances could produce satisfactory results. The crop of 1894 was quite bountiful, and the business resulting from its transportation afforded a decided relief to the situation. The prices of agricultural products, however, were very low, and farmers were consequently without money to buy the necessities of life, except in a small way. As a result, there was a very light western merchandise movement. The crop of Kansas and Nebraska having failed, there was a much smaller demand for timber and shingles than usual, and the revenue of the road was considerably affected by reason of this condition.



operation of the road was of necessity greatly interrupted; in fact, so much so that the aid and support of the army of the United States was found necessary at numerous points west of Dakota. Trains were captured by the mobs and recaptured by the marshals and troops. This constituted practically an embargo upon the successful operation of the railroad. During the same period, namely, from April 13th to May 3d, 1894, there was a general strike upon the line of the Great Northern, which, through sympathy, affected the operation of the Northern Pacific, and the success of which, by concessions wrung from the Great Northern, greatly intensified the difficulties and embarrassments of your Receivers in the operation of the railroad in their charge. Added to all this, there commenced on May 24th a series of extraordinary floods resulting from the sudden melting, caused by a succession of warm days and nights, of the unusual accumulation of snow upon the various mountain ranges. The waters rose to a height without precedent since the settlement of the country. Nearly sixty miles of the Northern Pacific Railroad at various points between Missoula and Portland were submerged, and a number of bridges were undermined and carried away. The first washouts were repaired and operations resumed, but the water rose steadily, and finally the entire roadbed for miles was several feet under water, and it became necessary to abandon the operation of the road between Missoula and Spokane and between Portland and Kelso. The flood did not subside until June 23d, during which time passenger and freight trains were detained at various points upon the road.



protected the property from threatened destruction, rendered possible the operation of the road, averted a conflict which would have resulted in loss of life and property, and enabled all of the employes of your Receivers who desired to continue in their service to do so with safety. At the sametime it is due to the truth to state that employes who desired to quit the service freely exercised that right, and that no man who wished to seek employment elsewhere, or who was dissatisfied with his employment by the Receivers, was in any manner prevented from leaving.

#### TRANSPORTATION.

Between April 20th and May 24th, 1894, the road was overrun by large numbers of men out of employment, who were then popularly designated as "Coxeyites", the purpose of whom was proclaimed to be to reach Washington from different parts of the country, there, by force of numbers and petition, to induce Congress to enact legislation which it was supposed would alleviate their distress and furnish them employment or other relief in some form. The movement, so far as the Northern Pacific is concerned, originated in Butte. A train was seized at that point and was used for the purpose of conveying about 300 coxeyites eastward. It was delayed as far as practicable, and a force of United States marshals having been found inadequate to effect its recapture by the agents of your Receivers, the government intervened, and the troops stationed at Fort Keogh captured the train and the mob at about midnight on the 26th of April. By this time the movement had become general. Large mobs had assembled at Portland, Tacoma, Seattle, Spokane, and other principal western points upon the line. The



## OPERATING DEPARTMENT.

The operations of the road for the first year of the Receivership were conducted under conditions of unprecedented embarrassment and difficulty. The sudden depression of business and the overwhelming evidence that it would be widespread and long continued, imposed at the outset of the Receivership the plain duty of introducing every possible economy, and making every reduction possible in operating expenses, consistent with justice and fair play to the employes and the safe and efficient operation of the property. This was inaugurated on August 15th by a percentage reduction in the salaries and wages of officers and employes of certain grades, which was accepted without complaint, and as necessary under the circumstances. On November 26th notice was given to all other employes of the purpose of the Receivers to revise existing schedules, including wage schedules, and of the adoption of new ones, and of certain reductions, upon a percentage plan, in the wages of employes receiving \$50 or more per month, the revised schedules and reductions to go into effect January 1st, 1894.

From this time until February 8th the question of the reduction of wages of employes belonging to the various labor organizations and affected by the proposed schedules was a subject of constant consideration and conference between the management and the men. This resulted in a slight modification of some schedules necessitating the preparation and issue of new ones, which became effective by agreement between the Receivers and employes February 1st, 1894. Pending this adjustment the use by this Honorable Court of its equity powers, upon the application of the Receivers,



sification act should be sold or contracted to be sold pending the classification. Unpatented lands, however, had been assessed to the Company and taxed in most of the states. Suits are pending brought by direction of your Receivers, to test the validity of such taxation. The suit commenced in Montana was argued on demurrer to the bill in the month of May, 1895, before Hon. James H. Beatty, United States District Judge for Idaho, sitting as United States Circuit Judge for Montana, who, after full argument by the Attorney-General of Montana and the counsel of your Receivers, decided in favor of your Receivers, holding that the title to unpatented lands in the classification districts of Montana had not yet passed from the United States, and that until the completion of said classification, and the identification thereby of the lands which passed by the grant to the Northern Pacific Railroad Company, the lands were not liable to taxation. The case in the state of Washington, which is outside of the classification districts described by the act of Congress, is still pending and will be argued shortly. Your Receivers are advised and believe that prior to patent the lands in Washington are not liable to taxation. This decision will perhaps be appealed, but your Receivers are advised by their counsel, and believe that, until the classification and the ascertainment thereby of the lands which are mineral and those which are non-mineral, the lands are not liable to State taxation. It has been reported to your Receivers that this decision, if sustained, will effect a saving in taxes heretofore levied of about \$500,000 and an annual saving hereafter of about \$175,000 to the Trust Estate.



in duplicate by the Commissioners each month, showing clearly their classification--one to be retained by the Register and Receiver, and the other to be sent to the Secretary of the Interior. The Register is to publish notice of the classification once a week for four weeks, in a newspaper in the county in which the land is, and in a newspaper at the capital of the state, and if there be any objection to the classification, protest must be filed with the Register and Receiver within sixty days of the first publication. Thereupon a hearing is to be had as in other land office contests, with an appeal to the Commissioner and the Secretary of the Interior. In the absence of protest the classification is to be final when approved by the Secretary of the Interior except in case of fraud. Where the classification is disapproved by the Secretary or invalidated for fraud, the Secretary may prescribe rules for hearings in such cases, and in the case of protests, final ruling made after the day set for hearing is to determine the proper classification.

This act also prohibits absolutely the issue of any patents to the Northern Pacific Railroad Company for any lands within the classification districts in Montana and Idaho until the classification thereof has been approved by the Secretary of the Interior under the act. Your Receivers were of the opinion, being so advised by their counsel, that under the decision in the Barden case, and especially in view of the provisions of the classification act, it was not safe for them, pending the classification of the lands into mineral and non-mineral, to offer for sale lands within the classification districts, and they therefore made an order that no lands in the districts of Montana and Idaho embraced in the clas-



in this case in favor of the Company, the Court reversed the judgment and decided against the "known mineral" theory, and held that mineral lands, whether known or unknown at the time of definite location, did not pass by the grant; that the government was entitled to reasonable time to explore the grant in order to ascertain what lands were mineral and what lands were non-mineral, and that up to the issue of patent by the United States to the Company if any lands were discovered to be mineral, the government was entitled to refuse a patent. It was also held in the case that the issue of a patent for land constitutes evidence of adjudication by the government that the land therein described and thereby conveyed is not mineral land. Following upon this decision, Congress, in the spring of 1895, passed an act popularly known as the Mineral Classification Act, by which it is provided that Commissioners should be appointed by the Secretary of the Interior to explore the lands, etc., etc.

The substance of the act is as follows:

The President is to appoint three Commissioners each for the Land Districts in Montana and Idaho, through which the Northern Pacific Railroad runs. These Commissioners are to take testimony and classify the land within the land grant, and indemnity land grant limits of the Company as mineral and non-mineral. In making the classification the Commissioners are to take into consideration mineral discovered on or adjoining any section, the geological formation, and the probability of mineral deposits because of the formation, location or character of the land. Mineral locations in any section are to be prima facie proof that the quarter section in which they are is mineral land. Report is to be filed



shall own and control the property at the termination of the litigation will be in a position, because of the action of your Receivers, to adopt and carry out such policy in relation to it as to them shall seem wise. It is only just also to say that this broad policy has met the approval and the cooperation of the representatives of the bondholders.

Your Receivers regret to be compelled to report to this Honorable Court the unfaithfulness of one of their agents, resulting in loss to the Trust Estate. At the date of the appointment of the Receivers, Paul Schulze was, and had been for eleven years, General Land Agent of the Northern Pacific Railroad Company at Tacoma, having charge of the Company's interests on the Pacific coast. Suspicions as to the honesty of this official, later, resulted in a demand for his resignation early in April last, and while the General Land Commissioner was en route to Tacoma to take charge of the General Land Agent's office there, Schulze committed suicide.

The grant by Congress to the Northern Pacific Railroad Company excepted therefrom mineral lands, both in the granting clause and by proviso containing express language to that effect. The case of Barden vs. The Northern Pacific Railroad Company, which was a test case as to the true construction of the acts of Congress, was commenced in the year 1890 in the Circuit Court of the United States for the District of Montana. The case was decided in favor of the Company, the Court holding that the exception referred only to those lands which were known to be mineral lands at the date of the definite location of the road. On appeal to the Supreme Court of the United States from the judgment rendered



Vermont, Connecticut, New Hampshire and Massachusetts combined, having limitless water power, millions of acres of arable lands, and of lands which with irrigation will be as fertile as the valley of the Nile, should be brought to speedy settlement and cultivation, to the end that the local business of the Trust Estate should be developed as speedily as possible to the utmost extent. It may safely be assumed that the Northern Pacific Railroad will always receive its proportion of the transcontinental business, but it has seemed to your Receivers that the ultimate strength of this great property lies in the local business to be derived from the settlement of its land grant and the early and complete development of the resources possessed by it. Therefore your Receivers have proceeded in the administration of the Land Department with this in view, obtaining, as far as possible, patents for lands and offering them to the public at prices which would render them attractive and induce settlement upon them. If your Receivers were at liberty to do so, they would offer the arable lands within the grant to actual settlers at attractive prices, with extraordinary inducements in the way of free or reduced transportation for themselves and their families, to the end that the grant might be speedily peopled in this time of industrial depression and congested population in the cities, in order that thereby a lasting and profitable local business should be built up, at just and fair rates for the Trust Estate. Without being in doubt as to the wisdom of this policy, we have not felt at liberty, as temporary custodians of the property, to carry it into effect in a large way, but we have felt it to be our duty to obtain title, as far as possible, to this great estate, in order that those who



way to settlers by the land grant in relation to climate, soil and the facilities afforded by the railroad operated by your Receivers, to reach available and remunerative markets. Special effort has been made in this direction under the supervision of your Receivers, with the result that since the reorganization of the Land Department sales of lands have largely increased, and the prospect of greatly increased future sales is almost without limit. It is the conviction of your Receivers that the true and lasting interest of the Trust Estate is to be best subserved by inviting actual settlement upon and cultivation of the arable lands at prices attractive to the public, reserving, however, for future sale every desirable body of merchantable timber.

In transcontinental traffic this railroad in the hands of the Court is permanently subject to active and serious competition. The Canadian Pacific Railway Company, aided by lavish subsidies of lands and money, had constructed a railroad from the Atlantic to the Pacific prior to the appointment of your Receivers. There were also in operation the Southern Pacific, Central Pacific, Union Pacific and the Atchison Railways. In addition to these competitive factors in the transportation of transcontinental business, the Great Northern Railway was completed in the month of February, 1893, constituting a through, parallel and competitive line from St. Paul and Lake Superior to the Pacific coast. The competition of the last named railway has very largely reduced the earnings of the Trust Estate. This competition must of necessity continue. It has seemed to your Receivers of the utmost consequence to the Northern Pacific system that the land grant, consisting as it does of a domain larger than the states of Maine,



pending in the department at Washington applications for patents to lands to the extent of 3,800,000 acres more. Upon the issue of said patents, the Receivers will have procured since their appointment record evidence of title to 9,842,435 acres. Selections in accordance with the present requirements of the department, for all of the indemnity lands to which the Trust Estate is entitled, have been made and properly filed.

Your Receivers became satisfied, upon investigation, that the estimates of timber upon the lands of the Company had not theretofore been conducted with adequate skill and accuracy, and also that efficient means had not been employed to protect the timber lands from trespassers. Your Receivers therefore directed a re-exploration and estimate of timber lands belonging to the Trust Estate, and also an investigation as to trespasses upon the land, with a view to ascertain the basis for proper judicial proceedings for recovery. This work has gone on as directed by your Receivers, and reestimation of timber thus far made has resulted in demonstrating that a very large increase in the value of timber upon the grant owned and to be acquired by the Company, and consequent increase in the proceeds of the sale thereof, will result to the Trust Estate. Equally favorable results have attended the investigation of trespasses. Your Receivers could not perceive that any special effort was being made to stimulate settlement upon the lands which belonged to the Trust Estate, and owing to the financial and industrial depression throughout the country, the tide of immigration had practically stopped. A great effort has therefore been made, under the administration of this Honorable Court, to lay before the public the advantages afforded in every



the adjustment of the grant as between the Company and the United States. This policy was pursued; taxes which could not be, in the opinion of counsel, successfully contested were paid; and where taxes could be legally resisted that course was pursued.

The land grant was bestowed upon the Northern Pacific Railroad Company by Congress in the year 1864, and the Company was entitled to receive patents to lands from time to time as the road was completed in sections of twenty-five continuous miles each, and the donated lands surveyed. The road was completed in 1887, and the Company had then earned the full quantity of lands granted to it by Congress. Notwithstanding the lapse of time from the completion of sections of the road to August 15th, 1893, there had been patented to the Company but 2,741,226 acres. The Company had, however, not confined itself to sales and contracts of sale to lands which had been patented, and your Receivers found that a large amount of lands to which the Company had not received title had been sold. In addition, under the rulings of the Department of the Interior, the Trust Estate was and had been for a long period of time constantly losing, by settlement and otherwise, lands within the indemnity limits because of the delay of the Company in selecting them, and also because, under a changed ruling of the Interior Department, a large number of selections which had been filed were declared to be defective. Your Receivers, impressed with the great importance of obtaining, as speedily as possible, patents to lands to which the Trust Estate was entitled, immediately made every effort to secure from the general government such evidence of title, and up to June 30th, 1895, they succeeded in obtaining patents for 6,042,435 acres, and there are now



could be used for the payment of taxes, or for other land grant purposes. Here was presented to the Receivers an emergency full of difficulty and danger. If the taxes upon lands already acquired were not paid they would be sold for the non-payment of taxes; deeds would issue upon certificates which had become ripe for deed, and so much of the assets of the Company, as well as so much of mortgage security, would be swept away. The preferred stock had fallen to so low a price in the financial stringency that parties who desired to purchase land could better afford to pay for it in preferred stock than otherwise; the preferred stock could not, however, be utilized for the payment of taxes nor for the expense of surveying the lands or adjusting the grant with the United States. It, therefore, seemed to your Receivers their duty, in order to protect the estate and subserve the interests of bondholders and stockholders alike, to present the matter to this Honorable Court for its advice and instruction in the premises. This was done by petition presented September 18th, 1893, upon which this Honorable Court entered an order authorizing the Receivers to appoint a land commissioner and the requisite agents to efficiently administer the Land Department, and prohibited (in order to prevent a large portion of the land grant estate from being swept away for the non-payment of taxes) the exchange of lands east of the Missouri River for preferred stock, until there should have been realized a sufficient sum upon cash sales to enable the Receivers to pay the taxes accrued for the years 1893 and 1894, and for the payment of other expenses necessary to the protection of the estate, and until the further order of the Court. The order also authorized the Receivers to proceed with



Northern Pacific advantageously released) which were given into the custody of your Receivers at the date of their appointment, are still being operated by them. To accomplish this result has been a laborious and difficult task.

### THE LAND GRANT.

The Land Grant bestowed upon the Northern Pacific Railroad Company by the general government to aid in the building of its road amounted, in round numbers, to 43,000,000 acres, the lands embraced under it extending from Lake Superior to the Pacific coast, and lying within the states of Wisconsin, Minnesota, North Dakota, Montana, <sup>Idaho</sup> Washington and Oregon, constituting a vast domain. The proper management of this department is of the greatest consequence to the people of the several states mentioned, as well as to the Trust Estate.

Your Receivers gave early and careful attention to the status of the land grant throughout the different states. It was found that the sales of land and receipts of the Land Department therefrom had, because of the general depression, and perhaps in a measure for other reasons, so far fallen off that sufficient moneys were neither on hand, nor to be anticipated from the operations of the Land Department, with which to defray the expenses of adjusting the land grant, of making the requisite surveys, of paying selection fees, and even of paying the taxes already levied upon the lands which had become the property of the Company. The situation of the Trust Estate was not such that moneys derived from the operation of the road after the appointment of your Receivers, and after default in the payment of interest on the mortgage bonds



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was accomplished in the most advantageous manner possible to the Trust Estate, relieving it not only from the burdens of the lease, but from controversies and claims which would have arisen had the method of terminating it been different.

#### THE BRANCH LINES.

Your Receivers have kept constantly in view the importance of preserving the integrity of the Northern Pacific system proper, and have worked against great embarrassments to secure that end. It will be remembered that the Farmers' Loan and Trust Company and the other Trustees of branch line mortgages applied for and obtained separate receiverships for the various branch line companies. Your Receivers, finding that it was impracticable to transact satisfactorily the business of the Trust Estate with so large a number of separate receiverships, and that they entailed upon the estate a burdensome and constantly growing expense, brought about, with the consent of the Trustees of the various mortgages, a dismissal of all the actions, except one, in which said receiverships had been created, and entered into arrangements with the various branch line companies, with the consent of their bondholders and others interested, which have resulted not only in maintaining the integrity of the system, but in rendering more efficient the operation of the branch lines, increasing their advantage to the main line, and greatly reducing the expenses of operation. It is a source of great gratification to your Receivers to be able to report that while other railroad systems in the hands of receivers have been more or less disintegrated, the same properties (omitting the Wisconsin Central lines and the Chicago &



# WISCONSIN CENTRAL AND CHICAGO & NORTHERN PACIFIC

## LEASES.

The Receivers were also, at the outset of the Receivership, confronted with the grave difficulties which grew out of the Wisconsin Central and Chicago & Northern Pacific leases. These leases had been entered into by the Northern Pacific Railroad Company, and at the date of the Receivership it had operated the Wisconsin Central lines and the property of the Chicago & Northern Pacific Railroad Company for over three years. These operations had been attended by a loss of over a million dollars in that period, and the rental was deemed by your Receivers to be burdensome. There having been a default in the payment of rent under the leases, the Wisconsin Central Railroad Company petitioned for an order that the Receivers be required to adopt or reject the lease within a limited period. The Receivers secured, after considerable contest, an allowance of time by the Court within which to investigate and determine the course which they should pursue. In the meantime the lessor company entered for breach of condition and filed a supplemental petition asking that your Receivers be directed to restore to them the leased property, the Wisconsin Central lines, as of the former estate of the lessor companies therein, and freed from the obligations of said lease. Your Receivers having determined that it was to the interest of the Trust Estate that the lease be rejected, presented the subject exhaustively to the Court, and recommended the granting of the prayer of the Wisconsin Central petition and the restoration to it of its property, freed from the obligations of the lease, which petition was granted by the Court. In this way a desirable result



	June 30th, 1893,		June 30th, 1895----
	m Company.	Company.	Receivers.
CURRENT ASSETS--			
1. Bonds and Stocks, etc.,.....	\$17,469,716 01		\$17,759,102 46
2. Accounts Receiva- ble.....	4,123,229 21	1,061,540 48	1,920,892 14
3. Advances Wis.Cen- tral Lines--C.& U.P. and Seattle,Lake Shore & Eastern.	2,896,080 49	2,722,757 18	
4. Bills Receivable	193,544 94	170,079 33	1,616 73
5. Supplies.....	1,366,496 69		826,345 22
6. Cash .....	<u>1,144,482 01</u>	<u>                    </u>	<u>2,089,588 19</u>
	\$27,193,549 35	\$3,954,376 99	\$22,597,544 74
CURRENT LIABILITIES--			
1. Rentals,Taxes and Interest.....	\$ 414,066 41	\$ 60,027 20	\$ 308,454 97
2. Dividends Due and Unclaimed.....	7,144 00	7,144 00	
3. Bills Payable (New York & St.Paul)..	6,868,267 60		
4. Accounts Payable	4,393,606 61	284,789 70	2,115,451 61
5. Interest and Sink- ing Fund on Fund- ed Debt.....	1,944,140 00	8,830,791 67	1,837,170 00
6. Coupons not Pre- sented.....	169,625 37	32,495 42	23,310 00
7. Interest and Sink- ing Fund on Branch Road Bonds held by the public.....	823,532 04	1,577,527 50	20,762 50
8. Receivers' Certifi- cates.....	<u>                    </u>	<u>                    </u>	<u>4,900,000 00</u>
	\$14,620,382 03	\$10,792,775 49	\$9,205,149 08



ings involving the credit and standing of the Receivership. Notwithstanding these added difficulties, your Receivers succeeded in inducing the acceptance of Certificates or the renewal of loans in almost every instance, and successive renewals of the Certificates were effected at the expiration of the first period of six months, and again at the second period.

In September last your Receivers devised a comprehensive plan for financing the Receivership, the feature of which was a reissue of the Certificates for a longer period at lower rates of interest and at a higher price, and we have the gratification of reporting that the sale of \$4,900,000 of the whole issue of \$5,000,000 of Certificates, payable on or before July 15th, 1897, at our option, was successfully negotiated. Your Receivers have paid all preferred claims that have been authorized for payment, and have taken up and redeemed <sup>every</sup> outstanding security of the Company, and there is not now a single dollar of indebtedness due in Wall Street. The wisdom and propriety of these measures on the part of the Courts for the protection of the property in their care is shown by the fact that at the time the first order of relief was granted, the market price of the securities now redeemed was ..... \$6,754,997 50

On the granting of the second order on October 8th,

1894, the market value was.....	6,515,270 00
And at this time, September 3d, 1895, it is.....	7,659,450 00



of stock of the St. Paul & Northern Pacific Railway Company, a part of the Northern Pacific system, and vital to its existence, upon which it depends for its connection with St. Paul and Minneapolis and the lines of railroad centering in those cities. Rival railroad and other interests might well be ready to acquire this great advantage at sale. Thus not only was enormous loss imminent, but the integrity of the system was threatened in its most vital part. It was generally regarded by the financial community that such an apparently hopeless position, with which even the largest financial concerns might well hesitate to deal, would be beyond the powers of any receivership to master, especially with the limitations of its position.

The result, however, was otherwise. The millions of securities were saved, and the consequences referred to were completely averted by the prompt adoption of the plan devised by your Receivers. The plan provided for the issuance of Receivers' Certificates for about \$5,000,000, which, however, should not be a charge upon the railroad and property in the first instance, but would be secured primarily by a special deposit and pledge of the very securities to be redeemed; and secondly (and only after exhausting the primary security) by a pledge of the income of the railroad and property; and finally (but only after both of said prior pledges were exhausted) by a lien upon the corpus of the road. Thus the possibility of the Receivers' Certificates ever actually being enforced against the railroad or its income was very remote, while the credit thus given by the Court made the Certificates secure. Even in this form it was found extremely difficult to secure their acceptance by bankers, because of the pendency of legal proceed-



The annual fixed charges on above securities were. \$7,904,550.00  
 And in addition thereto the annual fixed guaran-  
 tees under the Branch Line leases and Chicago  
 & Northern Pacific leases were ..... 2,516,475.96  
 Total annual fixed charges .....\$10,421,025.96

In the very first hours of their service the Receivers were confronted by the impending sacrifice of millions of dollars of the bonds and stocks of the Company, which had been pledged by it as collateral to loans from various bankers in Wall street. These were held subject to call, and demands for their payment were being made upon your Receivers; sales of collateral securities were being advertised and made; the markets were in a panic, and these particular securities were discredited and had depreciated. Very few of the securities were listed on the Stock Exchange, so they were not salable there. Foreclosure sales of the collaterals were actually being made with daily loss to the Trust Estate. These collateral securities were of the par value of over twelve millions of dollars, and they were pledged for the payment of over \$5,700,000. The prices which they would bring under such circumstances would not only entail serious loss to the Trust Estate, but the securities would be held by the purchasers for the par value thereof.

It was apparent to your Receivers that unless some preventive method were quickly adopted all of these securities would be speedily sacrificed on the falling market then under the influence of the prevailing panic. To increase the gravity of the case, there were included in the collaterals, subject to sale, a large amount



dinary and widespread financial panic, causing almost universal depression and commercial paralysis and the effect upon the values of railway securities and the earning capacity of railway properties was disastrous.

FINANCIAL.

At the time of the appointment of the Receivers the financial status of the Company was briefly as follows:

Floating indebtedness unsecured, due for supplies	
material, wages, etc., .....	\$6,100,012.89
Floating indebtedness subject to demand, secured	
by bonds and stocks .....	5,726,534.60
Collateral Trust Notes maturing May 1st, 1898,	
secured by bonds and stocks .....	<u>7,845,000.00</u>
Making a total, exclusive of mortgage in-	
debtedness, of .....	\$19,671,547.49

MORTGAGE INDEBTEDNESS.	<u>Interest</u>	
	<u>Bonds issued</u> <u>Under.</u>	<u>and Sinking</u> <u>Fund Accrued.</u>
First Mortgage.....	\$43,393,000	\$619,944 44
Second Mortgage....	19,216,000	647,398 02
Third Mortgage.....	11,461,000	164,548 75
Consolidated Mort-		
gage (in hands of		
public).....	44,089,000	483,135 41
Missouri Division		
Mortgage.....	1,904,000	60,992 50
Pend d'Oreille Divi-		
sion Mortgage ..	<u>641,000</u>	<u>30,159 17</u>
		<u>2,006,178.29</u>
Total.....	\$120,704,000 3	<u>\$21,677,725.78</u>



as may be after July 1st next, the Receivers report to the Court the financial and physical condition of the estate on the 1st of July, 1895, and their management thereof, in such manner and with such detail of the expense of, operation, that full information shall be furnished concerning the then condition of the estate, and that thereafter and so soon as may be after the first day of January and July in each year during the continuance of the Receivership, they file with the Court like reports touching their management of the Trust Estate on these days respectively."

In compliance with said order your Receivers beg leave respectfully to submit the following report:

Your Receivers were appointed on the 15th day of August, 1893, and immediately thereafter qualified and entered upon the discharge of their duties. The railway system and land grant thus placed under their charge, as officers of this Court, comprised 3,087 miles of main line, stretching from Chicago via both Ashland and St. Paul to the Pacific coast, with branch lines having an aggregate of 2,529 miles, and a land grant of about 38,000,000 acres of land. The line between Chicago and both Ashland and St. Paul comprised the so-called Wisconsin Central lines which were operated under lease; the line between St. Paul and Brainerd and Staples, known as the St. Paul & Northern Pacific line, was operated under lease, and all its stock was owned by the Northern Pacific; the various branches were operated under leases or traffic contracts, the capital stock of each being in nearly every instance owned by the Northern Pacific Railroad Company.

The country was at that time in the midst of an extraor-



The following tables show the various changes in rates from Feb'y 15<sup>th</sup> 1893 to the present time, from Eastern terminals to Pacific coast terminals, Walla Walla, Spokane, Missoula, Helena, Butte & Billings  
West Bound.

Pacific Coast Terminals, Prior to Feb'y 15 <sup>th</sup> 1893.	1	2	3	4	5	A	B	C	D	E.
Feb'y 15 <sup>th</sup> 1893.	3.50	3.00	2.50	2.00	1.75	1.75	1.55	1.25	1.10	1.00
June 18 <sup>th</sup> 1893.	3.00	2.60	2.20	1.80	1.60	1.60	1.40	1.10	.95	.85
Sept. 17 <sup>th</sup> 1894.	2.08	1.84	1.80	1.60	1.50	1.45	.99	.90	.90	.85
Sept. 17 <sup>th</sup> 1894.	2.33	2.04	1.95	1.70	1.575	1.525	1.065	.975	.95	.85
Nov. 5 <sup>th</sup> 1895.	2.40	2.15	2.00	1.70	1.60	1.60	1.10	1.00	.95	.85
Walla Walla. Prior to Feb'y 15 <sup>th</sup> 1893.	3.50	3.00	2.50	2.00	1.75	1.75	1.55	1.25	1.10	1.00
Feb'y 15 <sup>th</sup> 1893.	2.85	2.48	2.10	1.72	1.55	1.55	1.35	1.05	.90	.80
June 9 <sup>th</sup> 1893.	2.12	1.88	1.82	1.62	1.45	1.45	1.04	.91	.83	.80
Sept. 17 <sup>th</sup> 1894.	2.33	2.04	1.95	1.70	1.52	1.52	1.06	.97	.90	.85
Apr. 5 <sup>th</sup> 1895.	2.40	2.15	2.00	1.70	1.55	1.55	1.10	1.00	.90	.85
Spokane. Prior to Feb'y 15 <sup>th</sup> 93.	3.50	3.00	2.50	2.00	1.75	1.75	1.55	1.25	1.10	.90
Inter State Comm. Com. Order.	2.90	2.46	2.05	1.64	1.44	1.44	1.28	1.02	.90	.74
Tariff Feb'y 15 <sup>th</sup> 1893.	2.60	2.25	1.90	1.55	1.40	1.40	1.20	.95	.85	.70
June 9 <sup>th</sup> 1893.	1.87	1.65	1.62	1.45	1.30	1.30	.89	.81	.78	.70
Sept. 17 <sup>th</sup> 1894.	2.10	1.85	1.75	1.53	1.40	1.40	.96	.88	.85	.70
Apr. 5 <sup>th</sup> 1895.	2.15	1.95	1.80	1.53	1.40	1.40	1.00	.90	.85	.70
Missoula										
Prior to Feb'y 15 <sup>th</sup> 1893.	2.60	2.25	1.85	1.55	1.35	1.20	1.02	.87	.77	.67
Feb'y 15 <sup>th</sup> 1893.	2.41	2.06	1.74	1.43	1.24	1.17	.97	.83	.73	.62
June 9 <sup>th</sup> 1893.	1.87	1.65	1.62	1.43	1.24	1.17	.89	.81	.72	.62
June 1 <sup>st</sup> 1894.	1.87	1.65	1.62	1.43	1.24	1.17	.89	.83	.73	.62
Sept. 17 <sup>th</sup> 1894.	1.93	1.71	1.63	1.43	1.24	1.17	.89	.86	.73	.62
Apr. 5 <sup>th</sup> 1895.	1.95	1.80	1.66	1.43	1.24	1.17	.94	.84	.73	.62
Helena & Butte										
Prior to Feb'y 15 <sup>th</sup> 1893.	2.50	2.15	1.75	1.45	1.25	1.10	.92	.82	.72	.62
Feb'y 15 <sup>th</sup> 1893.	2.35	2.00	1.70	1.40	1.20	1.10	.90	.80	.70	.60
June 9 <sup>th</sup> 1893.	1.67	1.51	1.42	1.30	1.20	1.10	.84	.74	.70	.60
June 1 <sup>st</sup> 1894.	1.85	1.63	1.57	1.40	1.20	1.10	.85	.77	.70	.60
Apr. 5 <sup>th</sup> 1895.	1.85	1.70	1.60	1.40	1.20	1.10	.90	.80	.70	.60
Billings.										
Prior to Feb'y 15 <sup>th</sup> 1893.	2.25	1.95	1.55	1.35	1.25	1.00	.85	.75	.65	.55
Feb'y 15 <sup>th</sup> 1893.	2.15	1.85	1.55	1.30	1.10	1.00	.83	.73	.63	.53
June 9 <sup>th</sup> 1893.	1.67	1.51	1.42	1.30	1.10	1.00	.83	.73	.63	.53
June 1 <sup>st</sup> 1894.	1.70	1.53	1.47	1.30	1.10	.96	.82	.72	.62	.52
Apr. 5 <sup>th</sup> 1895.	1.70	1.60	1.50	1.30	1.10	.96	.83	.75	.62	.52



# North Pacific Coast Terminals.

Commodity - Co. Loads.	Rates				
	Jan'y. 1893	Feb'y 1893	June 9. 1893.	Oct. 20 1894	Nov. 5 1895
Agricultural Implements. hand.	1.13	1.04	1.04	1.04	1.05
do do	1.49	.81	.81	.81	.80
Baking Powder.	1.31	1.19	.72	.80	.80
Canned Goods.	1.07	.76	.585	.58	.73
Carbon points	1.75	1.60	.90	1.15	1.15
Drugs & Medicines	1.89	1.69	1.26	1.15	1.15
Glass Windows.	.81	.69	.675	.69	.75
Iron. Bar & Rod.	1.05	.54	.54	.575	.55
Iron. Bolts & Nuts.	1.05	.54	.54	.575	.68
Iron. Bridge & W. nail.	1.05	.96	.675	.75	.75
Iron. Pipe Cast.	.99	.63	.585	.375	.55
Iron. " Wrought.	1.05	.63	.585	.425	.55
Iron. Sheet. B. or Gal.	1.05	.96	.585	.615	.60
Iron. Horse shoes.	1.05	.54	.54	.375	.55
Jars Fruit.	.99	.72	.72	.725	.73
Whiskey.	.99	.92	.675	.75	.98
Milk. Condensed.	1.07	.76	.585	.58	.73
nails.	.99	.54	.54	.375	.55
Paints.	.99	.88	.675	.75	.75
Paper. Building. etc.	.99	.99	.675	.75	.75
Paper. hangings	1.09	.75	.72	.80	.80
Rubber boots & shoes.	1.53	1.08	.90	1.10	1.25
Soap.	.99	.82	.675	.75	.75
Stoves	1.17	1.14	1.14	1.10	1.10
Wire.	1.05	.63	.585	.475	.55

## Spokane, etc.

	Jan'y. 1893.	Feb'y. 1893	July. 1 1893	Nov. 15. 1894.	Apr. 5. 1895.
	1893.	1893	1893	1894.	1895.
Beer, in wood.	1.00	.90	.90	.90	.90
Beer, in Glass.	1.25	.90	.90	.90	.90
Butter, Eggs &c.	2.00	1.90	1.50	1.50	1.80
Candles.	2.00	1.42	1.09	.73	1.53
Canned Goods.	1.75	1.26	1.09	1.09	1.24
Furniture	2.00	1.64	1.45	1.13	1.15
Fruit, Green.	1.75	1.25	1.25	1.25	1.27
Glass Windows.	1.75	1.19	1.09	1.19	1.25
Iron Bar or Band.	1.75	1.04	1.04	1.04	1.04
Iron. Wrought pipe	1.75	1.13	.96	1.035	1.10
Iron. Roofing.	1.75	1.04	1.04	1.04	1.04
Iron. Nails.	1.75	1.04	1.04	1.04	1.04
Whiskey.	2.50	1.61	1.19	1.42	1.61
Oil.	1.75	1.45	1.14	1.40	1.40
Packing House Product.	1.75	1.40	1.30	1.40	1.40
Paper, Building &c	1.75	1.40	1.09	1.40	1.40
Paper hangings.	2.50	1.42	1.22	1.42	1.42
Sash, Doors & Blinds.	1.30	.81	.81	.81	.81
Soap.	1.75	1.19	1.05	1.19	1.19
Soda Ash, etc.	1.75	1.10	1.00	1.00	1.02
Stoves.	1.75	1.40	1.30	1.40	1.40
Wire	1.75	1.13	1.03	1.105	1.105



Helena and Butte.

	Jan'y 1893.	Feb'y 15. 1893	July. 1893	June 1st 1894	April 1895
Beer in wood.	1.00	.90	.90	.90	.80
Beer in glass.	1.075	.90	.90	.90	.80
Butter, Eggs &c.	1.75	1.70	1.40	1.40	1.50
Candles.	1.45	1.28	1.00	.63	1.14
Canned Goods.	1.25	1.10	1.00	1.00	1.10
Furniture	1.45	1.48	1.30	1.13	1.15
Fruits, Green	1.75	1.15	1.15	1.15	1.17
Glass Windows	1.25	1.07	1.00	1.08	1.10
Iron, Bar, Rod, etc.	1.25	1.00	1.00	1.00	.975
Iron Wrought pipe.	1.25	1.02	.96	.96	1.025
Iron roofing.	1.25	1.00	1.00	1.00	.975
Iron nails.	1.25	1.00	1.00	1.00	.975
Whiskey.	1.75	1.45	1.10	1.16	1.49
Oil	1.25	1.20	1.05	1.20	1.20
Packing House Product.	1.25	1.20	1.20	1.20	1.20
Paper, Building, etc.	1.25	1.20	1.00	1.09	1.20
Paper, Hanging.	1.75	1.28	1.10	1.20	1.28
Sash, Doors, Blinds.	.92	.81	.81	.81	.81
Soap.	1.25	1.00	1.00	1.05	1.00
Soda ash, etc.	1.25	.99	.90	.97	1.02
Stoves.	1.25	1.20	1.20	1.20	1.20
Wire.	1.25	1.00	.95	1.02	1.04

Statistics have been prepared showing the business done at the principal stations along the line of this road during the period from March 1st 1893, to & including May 1895 which was effected by the reductions given above, and an average percentage of reductions below the tariff in effect January 1st 1893, has been applied to show what the earnings would have been had the rate reductions not been made. Below find the Statement!

Business from Eastern terminals to Stations	Earnings.	would have been
Billings to Springdale	\$ 246455.85%	\$ 289948.
Livingston to Timberline.	160220.81%	197803.
Bozeman to Butte.	686888.81%	848009.
Toston to Wecker	106398.81%	131355
Helena	331346.81%	409069.
Rimini to Bonner	272818.80%	341022
Missoula	221671.80%	277088.
Florence to Mullan.	195945.68%	288154
Spokane.	525864.66%	796763.
Marshall to Genesee.	93883.66%	142247
Cheney. to Coulee City.	56253.66%	85231
Sprague to Ellensburg.	115245.70%	164635
Clelhum. to Black River Junct.	35143.70%	50204
Seattle.	597691.70%	853844.
Ouyallup. to Tacoma.	513895.70%	734135
Edison to Acosta	52412.70%	74874
Centralia to Scappoose	32809.70%	46870
Portland.	663142.70%	947345.
Nash. & Col. River by Points.	66969.72%	93012
Total.	\$ 4975047	\$ 6771608.
Loss for 27 months \$1.796.561.		



All these changes became necessary principally on account of the action of the Great Northern in February, 1893, although a decision of the Interstate Commerce Commission in the case of the Merchants' Union of Spokane against the Northern Pacific Railroad Company is responsible for some of the reductions to Spokane and points east thereof, and it is proper to say that the action of the Southern lines in attempting to meet the action of the Great Northern also contributed to the reductions.

In spite of the great decreases which have resulted from the causes hereinbefore mentioned, the gross freight earnings for the year ending June 30th, 1895, as compared with the previous year, show an increase of \$1,645,206.67, and there is reason to believe that the improvement which has already commenced will continue until the large earnings of former years are closely approximated, if not equaled.

On August 26th, 1892, the "Soo Line" and Canadian Pacific completed an extension which formed a new route from St. Paul to the Pacific Coast, and has become an important competitor of the Northern Pacific Railroad at several points in the wheat fields of North Dakota, as well as on through business to and from the coast.

The Butte, Anaconda and Pacific Railroad was completed in the fall of 1893, and has deprived us of a large amount of business, as its operations have been entirely in conjunction with the Great Northern Railway Line.

The Burlington system has made connection with the Northern Pacific Railroad at Huntley, Mont., and has deprived us of some business which has hitherto been carried by the Northern Pacific. It is believed, however, that this has been, at least, offset by additional business which has come to us from this connection, and that the connection is not disadvantageous to the Northern Pacific Railroad.

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The depression of silver and lead has resulted in the development of many gold properties that have been idle for some years, and considerable traffic has resulted therefrom. Since the recent advances in silver and lead, and the partial settlement of the labor question in the Coeur d'Alene country, many of the silver and lead properties are resuming operations, and the outlook for mineral freights is better than it has been for some time.

The following table shows the tonnage of wheat handled during the last fiscal years:

1892-93 .....	28,444,966 bushels,
1893-94 .....	21,245,351 "
1894-95 .....	26,594,600 "

The above figures are approximate. The prospects for wheat shipments during the coming year are better than they ever were before at this season of the year.

Much interest has been taken during the past two years in diversified farming, and it is expected that more coarse grains, potatoes and other farm products will be handled during the coming year than ever before.

If our expectations as to the large crop are realized, the shipments of merchandise into the wheat country will increase to a corresponding extent.

The following table shows the number of head of cattle, sheep and horses shipped for the last seven fiscal years:

	Cattle.	Sheep.	Horses.
1888-89 .....	82,252	167,000	6,120
1889-90 .....	53,196	105,600	9,614
1890-91 .....	83,403	175,800	6,820
1891-92 .....	148,712	77,200	7,460
1892-93 .....	122,442	119,200	8,020
1893-94 .....	166,619	298,800	6,696
1894-95 .....	216,239	206,600	3,580



It is expected that the shipments of cattle for the coming year will exceed any previous total.

Our Asiatic traffic has been satisfactory, showing a substantial increase over previous years, and promises to increase rapidly with the material development which will be the natural sequence of the recent struggles of those trans-Pacific countries.

A substantial gain has been made in the amount of revenue derived from the transportation of green fruit.

From Oregon and Western Washington there were shipped to the Eastern States during the year ending June 30th, 1894, 7,382 car loads of lumber and shingles, and during the year ending June 30th, 1895, 12,136 car loads.

The following table shows a gratifying increase in certain special commodities handled:

	1894	1895.
Wheat .....	32,657 cars	42,280 cars
Stock .....	13,699 cars	13,956 cars
Tea .....	763 cars	1,078 cars
Silk .....	320,303 lbs.	1,260,947 lbs.

The passenger earnings for the year ending June 30th, 1895, show a decrease of over \$700,000, resulting largely from the strike in July, 1894, and it must be also remembered that the comparison with the previous year is with the earnings made during the period of the World's Fair.

The passenger earnings for the past six months of the fiscal year have, however, been greater than for the corresponding months of the previous year, and we are justified in expecting substantial increases during the coming year.

The Great Northern, upon the opening of its line to the Pacific coast for passenger travel in June, 1893, reduced rates from \$60.00, first class, and \$35.00, second class, to \$25.00, first class, and \$18.00 second class, where they remained until January, 1894, when they were



returned to the former figures.

It is difficult to estimate the loss of revenue to the Northern Pacific from these reductions in passenger rates, as the period during which the reduced rates were in force was the period of the World's Fair, and it is quite likely the reduction in rates stimulated traffic to an extent which partially, at least, offset the reduction in rates.

The following is a comparative statement of the Gross Earnings, Operating Expenses and Net Earnings of the Northern Pacific System, exclusive of the Wisconsin Central lines and Chicago Terminals, for two fiscal years ending June 30th:

	1895	1894.
Mileage .....	4,495	4,495
Gross Earnings .....	\$17,434,980.80	16,547,209.51
Operating Expenses .....	<u>11,319,682.41</u>	<u>11,816,120.17</u>
Net Earnings .....	\$6,115,298.39	4,731,089.34
Ratio, Operating Expenses to Gross Earnings .....	64.92	71.40

It will be noted that, as compared with the year ending June 30th, 1894, the Operating Expenses for the year ending June 30th, 1895, have been reduced \$496,437.76 while Gross Earnings have increased \$887,771.29, the improvement in Net Earnings being \$1,384,209.05. Had it not been for the strike in July, 1894, there is no doubt the Net earnings for the year would have been at least \$600,000 greater, and the ratio of Operating Expenses to Gross Earnings would have been correspondingly reduced.



# MAINTENANCE OF WAY AND STRUCTURES.

During the year ending June 30th, 1894, 50 miles of 66-pound new steel rails were laid in the main track to replace 56-pound rails; and in the year ending June 30th, 1895, 19.82 miles of 66-pound and 6.07 miles of 60-pound and 8.76 miles of 56-pound new steel rails were laid in the main track.

Cross Tie Renewals were made as under:

	Main Line	Branches	Total.
Year ending June 30th, 1894..	784,196	457,983	1,242,179
Year ending June 30th, 1895.	810,300	417,068	1,227,368
	<u>1,594,496</u>	<u>875,051</u>	<u>2,469,547</u>

Bridges and Trestles were filled or renewed as under:

	Filled	Renewed or Rebuilt.	Total
Year ending June 30th, 1894.	17,261 feet.	6,020 feet.	23,281 ft
Year ending June 30th, 1895.	<u>24,634 "</u>	<u>12,540 "</u>	<u>37,174 "</u>
	<u>41,895 "</u>	<u>18,560 "</u>	<u>60,455 "</u>

Bridging has been disposed of by solid fills or by stone or iron culverts by iron bridging and by changes of line, during the past seven years, as follows:

1889 .....	155 feet
1890 .....	8,061 "
1891 .....	32,070 "
1892 .....	39,552 "
1893 .....	52,125 "
1894 .....	18,636 "
1895 .....	<u>24,345 "</u>
	174,944 " or 33.13 miles.



## EQUIPMENT.

The following table shows the equipment on hand at the end of  
June 30th, 1893, 1894 and 1895:

	Owned.	Leased.	- 1893 - Owned by Brch. Lines	Total
Locomotives .....	543	82	13	638
First-class coaches	66	10	3	79
Second-class coaches	55		5	60
Third-class coaches	2			2
Sleeping cars(1/2 interest)	50			50
Emigration sleeping cars	39	20		59
Dinigg cars .....	26			26
Comb.Pass.and Bag.cars ...	23		3	26
Baggage,Mail and Express cars	110	11	3	124
Business cars .....	7		1	8
Superintendents' cars	8			8
Furniture cars		550		550
Box cars	6,721	2,630	296	9,647
Refrigerator cars .....	219	50		269
Beer cars .....	43			43
Fruit cars .....	30			30
Stock cars .....	789		10	799
Street's stable cars ....	200			200
Flat cars .....	3,554		215	3,769
Logging cars .....	100			100
Oil cars .....	320			320



-- 1894 --

	Owned	Leased	owned by Brch.Lines	Total
Locomotives .....	539	82	13	634
First-class coaches .....	66	10	3	79
Second-class coaches .....	55		5	60
Third-class coaches .....				
Sleeping cars(1/2 interest)	50			50
Emigration sleeping cars	39	20		59
Dining cars .....	26			26
Comb.Pass.and Bag.cars ....	24		3	27
Baggage,Mail and Express cars,	109	11	3	123
Business cars .....	7		1	8
Superintendent' cars .....	8			8
Furniture cars .....		550		550
Box cars .....	6,635	2,630	295	9,560
Refrigerator cars .....	219	50		269
Beer cars .....	42			42
Fruit cars	30			30
Stock cars .....	779		10	789
Street's stable cars .....	199			199
Flat cars	3,539		215	3,754
Logging cars .....	100			100
Oil cars .....	318			318



--- 1895 ---				
	Owned	Leased	Owned by Brch.Lines	Total
Locomotives .....	535	82	13	630
First-class coaches .....	66	10	3	79
Second-class coaches .....	55		5	60
Third-class coaches .....				
Sleeping cars(1/2 interest) ..	50			50
Emigrant sleepers .....	39	20		59
Dining cars .....	26			26
Combination cars .....	24		3	27
Baggage, Mail and Express cars	110	11	3	124
Business cars .....	7		1	8
Superintendents' cars	8			8
Furniture cars .....		550		550
Box cars .....	6,584	2,630	295	9,509
Refrigerator cars .....	219	50		269
Beer cars .....	42			42
Fruit cars	30			30
Stock cars	737		10	747
Street's stable cars	199			199
Flat cars .....	3,481		214	3,695
Logging cars .....	100			100
Oil cars .....	313			313
Flat cars, with oil tanks	6			6
Coal cars(4-wheel) .....	163	200		363
Coal cars(8-wheel) .....	1,805	300		2,105
Logging trucks .....	214			214
Caboose cars .....	307		6	313
Ferry cars .....	2			2
Boarding cars .....	99		1	100
Pile drivers .....	9			9
Steam shovels .....	15		1	16
Side dumps .....				
Narrow guage .....			2	2
Wheeking cars .....	10			10
Tool cars .....	16			16



Car snow plows .....	1		1
Rotary snow plows .....	6		6
Tank cars for rotary snow plows	1		1
Scow drivers .....	1		1
Steamers .....	2	2	4
Barges .....		2	2

In some of the classes of equipment, cars which have been destroyed have not been replaced, but Operating Expenses have been charged from month to month with the estimated cost of replacement, so that the Operating Expenses as reported include the cost of fully maintaining the equipment.

June 30th, 1895, the condition of the locomotives was as follows:

In good condition .....	55 %
Fair condition .....	18 %
Poor condition .....	15 %
In shops .....	12 %

During the years ending June 30th, 1894 and 1895, 541 locomotives had heavy repairs, at a cost of about \$1,000 each.

33 % of all freight cars are equipped with automatic couplers, and 85 % with air brakes.

#### BENEFICIAL ASSOCIATION.

The hospital service of the road carried on by the Northern Pacific Beneficial Association has been efficiently conducted. For the year ending June 30th, 1894, the receipts were ..... \$72,782.68

Expenses .....	<u>72,155.46</u>
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Surplus ..... \$ 627.22

For the year ending June 30th, 1895, the receipts were \$70,194.73

Expenses .....	<u>64,250.90</u>
Surplus .....	\$ 5,943.83



The Association has hospitals at Brainerd, Minnesota, and Missoula, Mont.; it is supported by the contributions of employees and is managed by a Board consisting of 19 persons, of whom 10 are elected by the employees and 9 are appointed by the General Manager of the railroad. The revenues of the Association have been very much decreased during the last few years on account of the decrease in the number of contributing members, owing to the reduction in the forces of the railroad, but by the practice of extreme economy the Association has been able to support itself, and its efficiency has not been impaired. The Railroad Company contributes nothing to the Association, except free transportation to certain surgeons in compensation for their services.

#### GENERAL.

The physical condition of the property is good, but a very large annual economy, estimated at \$475,000, could be obtained by the expenditure of about \$1,500,000 in reduction of grades. Your Receivers are not prepared to recommend expenditures under this head at the present time to an extent greater than stated in petitions now before this Honorable Court, or shortly to be presented thereto.

Much remains to be done to clear up the title to the right of way, the cost being estimated at \$135,000 for the main line and \$250,000 for the branches. It will very soon become necessary to make payments to the state of Washington for certain tide lands of great value, occupied by the railroad terminals. The appraised value of these lands is over \$100,000, and the matter is now being prepared for presentation, in detail, to this Court. The settlement of other claims can best be made from time to time as favorable opportunity offers, and no very large sum will be required in any one year.



During the next five years it will be necessary to renew about 1,400 miles of steel rail in the main line at a probable cost of \$4,000,000, including ballasting, to put the track in first-class condition. This will result in a very large annual expense, which, however, will be reduced by the amount realized from the old rail taken up and disposed of, either by using it on the branches or by selling it for cash. It will be advisable also to continue to replace temporary wooden bridges with permanent earth fills or steel bridges at an approximate aggregate expenditure of \$3,600,000, but it is not necessary to make all replacements at once, and no extraordinary sum will be required in any one year. The cross-tie renewals will also be heavy hereafter, but this will be an ordinary maintenance expense, and should be so treated. It will soon be advisable to add a few heavy locomotives to the equipment, but the cost of same will not be a large sum. It is not likely that any additional cars will be required for some years to come, but considerable amounts should be expended soon in improved devices for heating and lighting passenger cars to keep pace with other transcontinental roads. Additional terminals, new depots and other improvements will be needed within a few years, and will probably cost about \$1,000,000.

Summed up, provision should be made for extraordinary expenditures in the next five years of \$9,000,000, in order to place the property on an equal footing with its rivals for economical operation, to-wit:

\$1,500,000	For reduction of grades.
385,000	Perfecting right of way.
100,000	Purchase of Tide Lands on Puget Sound.
2,500,000	Steel rails (less value rails taken up).
1,000,000	Additional terminal and other facilities.
3,600,000	Bridge renewals.
<u>\$9,085,000</u>	



