

The despatches from Berlin containing an outline of the Northern Pacific Reorganisation scheme are stated to be approximately correct. The Great Northern will control the Northern Pacific absolutely, and it is understood that the Canadian Pacific people are making arrangements with a view of arriving at an agreement with President Hill, of the Great Northern, in order to bring about better rates, and to establish harmonious relations.

NORTHERN PACIFIC.

A good deal of importance necessarily attaches to the proposals made to and adopted by the German holders of Northern Pacific bonds for the reorganisation of that company. The scheme put forward under their auspices appears to have emanated from the Reorganisation Committee in the States; for it was promulgated after several conferences between its chairman (Mr. Edward D. Adams) and the German bondholders. The terms of the proposals confirm the report, current for some time past, that President James J. Hill, of the Great Northern, is ready to undertake the rehabilitation of the Northern Pacific. Not only so, but he is prepared, on behalf of the Great Northern, to guarantee the interest on the new issues of bonds necessary under the reorganisation. The scheme thus contemplates one of the biggest amalgamations in American railroad history, and the creation of an unexampled monopoly of transit through the north-western border States from the shores of Lake Superior to the Pacific coast. The Canadian Pacific would become the only effective competitor from the sea to the Great Lakes, and we may before long see the day when American freighters will bless the Canadian line on that account. The magnitude of the proposed monopoly may be judged from the fact that even after the separation from the Wisconsin Central the Northern Pacific continued to operate 4,374 miles of road, of which 3,354 miles are actually owned, while the length of line worked by the Great Northern at the date of the last report was 4,378 miles. The similarity in size of the two systems is curious. Together, the two roads, though controlling an enormous mileage and sprawling over half a dozen States of great area, would not constitute the biggest railway system in America, the Atchison exceeding it considerably, while the Pennsylvania's main tracks alone extend to over 8,800 miles. Still, the combination would be immensely strong, and no system in the United States could possess such a distinct monopoly of territory.

The competition of the Great Northern has had a good deal to do with the downfall of the Northern Pacific, though had the seeds of dissolution not been plentifully sown by Mr. Henry Villard the collapse need not have taken place so speedily or been so thorough in its character. The Great Northern was founded as an operating company to take over a lease of the St. Paul, Minneapolis and Manitoba line, in which Canadian capital was, and still is, interested. The system was gradually extended, and then President Hill evolved the idea of building to the Pacific coast, at Seattle, in as direct a line as the difficulties of the country would permit. In 1890 and 1891 £3,000,000 in four per cent. sterling Pacific extension bonds was issued in London to carry out this scheme, and \$15,000,000 in gold bonds has since been placed by the Great Northern on the security of £3,000,000 more of the Pacific extension bonds, all of which latter were issued in the name of the St. Paul, Minneapolis and Manitoba. The Seattle extension was opened through in May, 1893; but, before completion, portions of it had been competing with the Northern Pacific, to its palpable detriment. One of the features of the Great Northern is the possession of a fleet of lake steamers running from Duluth, and competing with the vessels of the Canadian Pacific; and, indeed, apart altogether from the early association between President Hill and several Dominion statesmen and financiers who afterwards became identified with the Canadian Pacific, there has always been a good deal in common between the two systems. They are, of course, sworn rivals, and must become even more pronounced competitors should the Great Northern become possessed of an alternative route from the Pacific coast to the Great Lakes, unless, finding themselves relieved from the rivalry of the Northern Pacific, the two great trunk lines on either side of the frontier find it possible and wise to come to some sort of agreement as to the limits of competition.

From its inception onwards the Great Northern has had a prosperous career, fulfilling all its obligations, including the guarantee to pay 6 per cent. on the \$20,000,000 of Manitoba stock, and paying 5 per cent. regularly on its own five per cent. Preferred stock. On the year ended June 30, 1894, there was a deficit of \$104,150 after paying this dividend, but on the first half of the current year a surplus of \$1,137,960 was shown after paying the proportion of the Preferred dividend. From January to April this year the gross earnings of the St. Paul, Minneapolis and Manitoba were more than \$500,000 better than in the corresponding four months of 1894, and several of the minor lines of the system also report respectable increases.

err on the side of generosity. Holders of the Consolidated Mortgage are treated with scant respect; but their chances of escaping well out of any reorganisation have never been brilliant. As for the stockholders, they count for very little indeed in the German scheme. The share issue would be limited to \$100,000,000, of which half would go to the Great Northern in return for the guarantee. Then the holders of Thirds and Consols are to get 25 and 30 per cent. of their present holdings in shares, which would take \$21,598,000, leaving less than \$29,000,000 of the new shares to distribute over the holders of \$35,269,540 in Preferred and \$49,000,000 in Common stock, and that after they had been assessed to the tune of \$11,000,000 to pay off the floating debt. We are staunch believers in a policy of "thorough" in reorganising a bankrupt railroad; but this scheme may well give pause to the most drastic reformer. If the Northern Pacific is to be reconstituted on these lines it might be done without the intervention of the Great Northern. Bond and stock holders of the Northern Pacific might consent to such sacrifices if they were to retain their interest in all future increment of revenue; but when half the reversion goes to the Great Northern strong opposition must be looked for. But, of course, we must keep in view the question whether the Great Northern can, through its moderate capitalisation, better administration, and superior facilities for dealing with traffic, practically destroy the Northern Pacific, or, at least, make it impossible for it to earn enough to give a better return than is proposed in the Berlin telegram.

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In 1893-94 the total net income of the Northern Pacific was \$5,412,000; so that, even in bad times, the road would seem to be able to pay as much as the German proposals, so far as they go into details, require. Consequently, the bargain would appear to be a good one for the Great Northern. But it is not so attractive for the Northern Pacific bondholders, still less so for those who have shares. Mr. Adams's committee is understood to have the support of nearly a majority of the Seconds, and the holders of these might agree to the reduction of their interest from 6 to 4 per cent., seeing they get a larger nominal holding of a bond that should be fairly secure. The Thirds might also assent, lest worse might befall them, though the terms offered hardly