

NORTHERN PACIFIC RAILROAD.

JUNE 8, 1872.—Ordered to be printed and recommitted.

Mr. SYPHER, from the Committee on the Pacific Railroad, submitted the following

REPORT:

The Committee on the Pacific Railroad, which was instructed by resolution of the House, adopted on the 13th day of February last, "to investigate and report upon the actual condition of the Northern Pacific Railway Company," beg leave to submit the following statement, as a report in part, so far as the investigation has progressed, together with the evidence thus far taken:

The committee beg to state that, through its chairman, notice was given to the Hon. N. P. Banks, who moved the resolution, that the committee was ready to commence investigation, and wished him to indicate the line of inquiry which he desired to have made. This request was repeated afterward without response.

In the continued absence of direction to the desired inquiry the committee finally addressed itself to the discharge of its duties under the resolution, and prepared interrogatories to be administered on oath to the president of the Northern Pacific Railroad Company. These interrogatories covered all the suggestions made in any communications referred to the committee, or any of its members, as well as all questions of a general character. They were forty-six in number. Each and all of them have been fully answered. The interrogatories and answers together exhibit the organization of the company, the issue and ownership of its stock, the financial condition of the company, the amount of road which has been constructed and contracted for, the agencies by which the road has been built and is now being built, the cost and character of the work thus far done, the operations of the company's land department, the company's policy with respect to its lands, the quantity and variety of rolling-stock in use on the completed portion of the road, the quantity and variety of rolling-stock contracted for, the quantity of iron already bought and the quantity contracted for, and whether, in compliance with the company's charter, all of it was of American manufacture. A detailed statement was also demanded of the company's engineering operations last year, and the contemplated operations of this year.

Inquiries were particularly framed to determine what security the holders of the company's bonds, issued and to be issued, have for their payment; how many bonds have been issued; at what prices they have been sold, and what has been the cost of advertising them. Specific inquiry was also made to ascertain if any director, officer, or engineer of the company was in any way beneficially interested in the construction, equipment, or supply of the road, or had purchased, acquired, or

contracted to purchase, any of its lands. The range of the committee's inquiries was designed to completely cover the actual condition of the Northern Pacific Railroad Company, and to be exhaustive.

The interrogatories and the answers thereto accompany this report, and the committee request that they be printed with it.

Interrogatories were addressed especially to the point of ascertaining whether there was any such thing as a "construction ring" within the Northern Pacific Railroad organization. The answers to the interrogatories, under oath, show that none exists, and that no director, officer, or engineer of the company is pecuniarily interested in the construction of the road.

Thus far the road has been constructed by contractors, to whom the work was publicly let, after competitive bidding; and the cleanness of the direction and management of the Northern Pacific Railroad in this regard extends to the administration of its lands. The answers to the interrogatories show that not a rod of the land-grant given to the company has been sold, given, or promised to a director or any executive officer. In like manner it is shown that no director or any other officer of the company is or has been beneficially interested in the purchases of iron, equipment, machinery, or supplies for the road.

The construction of the road has progressed as rapidly as prudent financial management and the permanent interest of the work permitted. In Minnesota 229 miles of the road have been completed, from the junction of the Northern Pacific with the Lake Superior and Mississippi Road westward to the Red River. The Northern Pacific Road having purchased one-half of the other road from Du Luth to the junction, owns and runs daily trains over a continuous track, from Lake Superior to the Red River of the North, 252 miles.

On the Pacific side 25 miles have been built and are in operation, from Kalama, on the Columbia River, northward toward Puget Sound.

The work throughout is shown to be of the best quality. The road-bed is 12 feet on the top. The iron weighs 56 pounds to the yard. It is all American manufacture, from American ores. The cross-ties are laid with an interval of only 2 feet from center to center—2,640 ties to the mile.

The cost of construction in Minnesota has been \$23,571 per mile; in Washington Territory, \$28,560 per mile.

The rolling-stock, delivered and contracted for, amounts to 98 locomotives, 19 first-class passenger cars, 4 second-class passenger cars, 6 baggage, mail, and express cars, 595 box-cars, 1,150 platform-cars, 25 dump-cars, and 15 hand-cars.

For the eastern division of the road 20,000 tons of rails have been contracted for, of which 5,000 tons have been delivered. For the western division 10,000 tons have been contracted for, of which 3,000 tons had been delivered. All the contracts for this iron contain an express stipulation that the rails shall "be made from the best material, of American iron, from American ores."

Of new work, 200 miles of new road is contracted for and under construction in Dakota. On the Pacific side, 40 miles of new road are under contract and construction—in all 240 miles of new work. When finished, as it is expected to be next autumn, and added to the portions of the line opened to traffic in 1871, (namely 252 miles at the eastern end and 25 miles at the western end,) there will be in operation at the end of this year 517 miles of the main line of the Northern Pacific Railroad.

Continuous surveys for the best line for the road have been made en-

tirely across the continent, with the exception of about 150 miles on the Yellowstone River and 50 miles west of the Rocky Mountains.

The company's engineers are now in the field, making a locating survey between the Missouri River and Glendive Creek on the Yellowstone River—a distance of about 226 miles. It is the purpose and expectation of the company to get this road located and ready to put under contract by the 1st day of September next, and to have the road completed to the Yellowstone River by the 1st September, 1873.

On the west side of the mountains the company have now under contract, to be completed by 1st January next, 40 miles, commencing at the end of the 25 miles constructed last year from Kalama, on the Columbia River, northerly toward Puget Sound.

They are also making a locating survey, and intend to have under contract by August 1st, if possible, 65 miles more toward Puget Sound, to be completed early next season.

They also have now in the field a corps of engineers making a locating survey from the mouth of Snake River; thence easterly to the Rocky Mountains, a distance of about 500 miles. This it is the expectation of the company to have under contract by 1st September next, and they hope to have it completed within a year from that date.

This will make a total distance of road under construction and preparing for contract, on the east and west sides of the Rocky Mountains, equal to 1,031 miles, exclusive of the amount now completed and in operation.

The field-work of the company's engineers in 1871, in surveys and examinations, covered lines in the aggregate over 6,695 miles long.

The proposed surveys and examinations for 1872 will amount to over 3,000 miles. This work will in part be of location, the residue a search for shorter lines and easier grades through the Cascade and Rocky Mountain Ranges.

The company has examined, platted, and classified of its lands in Minnesota 1,626,168 acres; in Washington Territory, 1,925,688 acres. The examination of these lands cost but about one cent an acre.

Applications have been made to buy over 95,000 acres in Minnesota, and 45,204 acres in Washington Territory. As the completed sections of the road have not yet been examined and accepted, and the patents for the lands issued to the company, no contracts to sell to these applicants have been perfected.

The policy of the company with respect to its lands is shown to be to sell them at low rates to actual settlers, who will cultivate them, and yearly create traffic for the road and wealth for the nation, and to promote the establishment of communities in towns and colonies, on and near the line of the road, and the development of a diversified industry through the belt of country which the road will traverse. Organized emigration in this country and in Europe is a leading feature of the company's policy. The lands will be sold to settlers at low prices, on long credit, and on easy terms.

To the committee's request to be furnished with a list of the shareholders of the Northern Pacific Railroad Company, and the amount of stock held by each, with the total amount of stock issued or authorized to be issued, the company presented a transcript of its stock-ledger, which shows that \$4,241,600 worth of stock has been issued, representing 42,416 shares, and these are held by 174 different share-owners, who are severally named.

The company's answer to the interrogatory requiring it to set forth

fully its financial condition, is a tabulated statement taken from its books of account, and in the form of a balance-sheet. From its nature it cannot be summarized, and the committee beg leave to refer to it in its entirety.

Your committee made full inquiry into the security which the company offers for the payment of the bonds which it has issued and will issue. The answers of the company, through its president, show that the Northern Pacific Railroad offers to its bondholders the following elements of security:

1. The bonds are a standard corporate security, based on a business enterprise which promises to be one of the most solvent and successful in the country.

2. The bonds rest in part on precisely the security on which the bonds of four-fifths of all the American railroads wholly and solely rest—namely, a first mortgage upon the railroad, its rolling-stock, its equipment, telegraph line, franchises and traffic, or net earnings.

3. In addition to the above-named ordinary and usual guarantees, the bonds of this company are secured by a first and only mortgage on the lands granted to the company by the United States Government to aid the construction of the road. By the provisions of the company's charter and the acts of Congress supplementary thereto, this grant, embracing alternate sections on each side of the track, consists of 12,800 acres to each mile of road, through the States of Wisconsin and Minnesota, and 25,600 acres per mile through the Territories of Dakota, Montana, Idaho, and Washington—the average for the entire length of the road and its authorized branch being over 24,000 acres per mile. Under the terms of the charter fixing the limits within which deficiencies of its land may be made up, the company is morally certain to receive the full quantity intended to be granted to it by Congress.

As often as each twenty-five mile section of the road is completed and accepted, a proportionate amount of the granted lands immediately passes under the company's first mortgage, and becomes a part of the security on which its bonds are based. In other words, as fast as the title to the lands passes from the United States and vests in the railroad company, they instantly pass into the possession of the trustees of the first-mortgage bondholders, without coming in any manner under the control of the company. Under the charter, it would seem absolutely impossible that this fund, the lands of the road, should be wasted or impaired by the company or any of its officers.

Thorough and careful surveys made during the past eighteen months by the company's engineers, covering nearly the entire distance from Lake Superior to Puget Sound, leave absolutely no room for doubt that the company's lands, agricultural, grazing, mineral, and timber, are of excellent average quality. With the road built through them, they will possess a cash value which will, under any possible contingencies, and independent of all other sources of income, surely provide for the payment of the bonds for which they are now mortgaged.