

FEDERAL REGULATION OF RAILROADS AND RAILROAD RATES

of the legislature; by combining with parties who had jobs to log-roll through the legislature, and by becoming backers of those jobs, and, in return, trading and exchanging votes, the railroads succeeded in defeating every effort made so far to get legislation, until this last winter. There have been bills passed through one house—excellent bills, and bills that were moderate—that would be defeated in the other house, and vice versa.

The Chamberlain-Walton legislation have the people been seeking since the first law was passed?

Mr. Rosewater—They have sought, in the first place, for a reduction of the passenger rates. That has been sought right along in every legislature, and it was not obtained until last winter. It is very moderate. The law provides for a 5-cent rate this side of the 100th meridian. The general demand was for a law that would define more clearly what unjust discrimination should be, and, if possible, that there should be a rate law fixing a maximum, and perhaps also a minimum rate, with regard to four or five classes of freight—that is, upon grain, cattle, coal and lumber. Upon the ordinary lines of merchandise no one has sought for, or at least, no general effort has been made for, and no one advocated, a tariff.

PROPORTION OF STATE AND INTERSTATE TRAFFIC.

Senator Harris—I would like to ask you what proportion of your railroad traffic begins and ends in the state of Nebraska, and what proportion begins in another state and ends in Nebraska, or begins in Nebraska and ends in some other state? In other words, what do you know how much of your traffic is state and how much is interstate commerce?

Mr. Rosewater—That would be a very difficult question for me to answer. I have no access to the railroad records. Various statements have been made. I remember Mr. Dillon, in his last report to the stockholders, made a statement that a large per cent, something like 60 or 70 per cent, of the entire traffic of the road was local—that is, even if it began at Omaha and ended at Omaha. But even that would be interstate, because a great percentage of that, such as the coal traffic, begins in Wyoming and ends here. To get any idea of the approximate percentage of local and through traffic would be very difficult.

Senator Harris—I supposed you would probably have an approximate idea as to the percentages.

Mr. Rosewater—We have not. I will proceed with regard to this legislature. These bills, as I say, have been defeated; and when I say there were corrupt influences used, I mean exactly what I say, and I have evidence of it. I was traveling, for instance, last winter on my way down to Lincoln, and I met a gentleman from Columbus.

LEGISLATORS FAVORED BY RAILROADS.

He said the member representing that county in the previous legislature of 1881 was sent there under express instruction, and with pledges, to assist in getting up a railway law, and he had systematically voted the other way, or had absented himself, when he did not vote against railroad legislation. He said: "That man now has special facilities and special rates over the road in business, and he is ruining my business." This man is in the hardware and machinery business, and he said: "I cannot begin to compete with him. This man has an annual pass over the road to go where he pleases. Besides that, I believe he has also lower freight rates, so that I cannot sell or compete with him at all." There are other instances that I might cite where members of the legislature, within a few weeks, or at the outside a few months, found their way into Omaha, and they did not even dare to go back to their own constituents, and they went directly from the state capitol into the employment of the company, either in the shops, or at the headquarters, or for the bridge company. I do not say that is the present regime of the road, but that was the way up to the last legislature.

PROPOSED CONSTITUTIONAL AMENDMENT REJECTED.

When the last legislature convened there was an expression of opinion upon the part of the people of this state upon the question of legislation that was very emphatic. The legislature preceding that one had submitted to the people of Nebraska a constitutional amendment providing for the election of a railway commission. Our constitution prohibits the creation of any new state officers beyond those already named in the constitution itself of 1875. So that this railway commission could not have been constitutionally created. We had an opinion of the court upon that question. Therefore this constitutional amendment was submitted. That amendment was snuffed under, so to speak, by a very large majority—nearly 2 to 1.

Senator Harris—By the popular vote?

THE PEOPLE'S DECISION FRUSTRATED.

Mr. Rosewater—By the popular vote. It would have been supposable that when the people voted that down and indicated that they wanted no such machinery—whatever their motives might have been—the legislature, elected at the same time, should have taken this expression of opinion by the people into consideration. But instead of that, there was introduced in the legislature the usual volume of railroad regulating legislation. There were bills establishing tariffs; there were bills reducing the present rates; and in the general wrangling over these bills, the same tactics being exercised and the same railroad lobby being there—pretty nearly every prominent railway manager was there—they deliberately strangled every measure that promised relief from extortionate tolls and discrimination. Even the 3-cent mile passenger bill was voted down.

Senator Harris—That was for a passenger rate?

Mr. Rosewater—Yes, sir; a uniform passenger rate. They voted that down, and finally forced upon the legislature, and I say deliberately forced through the legislature, the bill creating a house railroad commission. I say "deliberately" for the reason that a commission could not be constitutionally created, and therefore this substitute was provided in the shape of three secretaries. They are the secretaries of three state officers. The officers are supposed to be the commissioners, but the secretaries are really to be the commission. This was certainly not in conformity with the letter and spirit of our constitution, and it was in open defiance of an express popular vote given two years ago this fall. There was every effort conceivable made by the railroad managers and railroad lobby to have that bill passed, and it was put through at their instance. They alone are responsible for it. What we have to hope or to expect from a measure that has been forced upon us by the parties who are opposed to regulation, and who certainly do not want any regulation that will decrease their income, I fail to see.

Senator Harris—This last act does not repeal the former act, does it?

Mr. Rosewater—It does not.

Senator Harris—Does this last act require the commissioners to enforce the former act?

Mr. Rosewater—I do not remember clearly about that. I have not examined it with that view.

Senator Platt—I notice that they are to listen to all complaints that are made under it.

Mr. Rosewater—While that provision may be taken as strictly applying to the previous law, the fact does remain that the commission is clothed with no authority except to inquire into complaints, and to report the same from time to time to the legislature, and that the legislature, for redress. Of course, any person who is aggrieved under the old Douglas law or under the discrimination may bring suit; but there are some features of that law that are very lame.

WHAT IS AN UNREASONABLE CHARGE?

For instance, it is a very difficult thing to establish what is an unreasonable charge. Our constitution prohibits that charges shall not be unreasonable. So does the statute. But that is a very indefinite thing. What might be regarded as extremely unreasonable in Massachusetts or New York might actually be reasonable in Nebraska. Again, what might be unreasonable here would be regarded as reasonable in Wyoming or in Nevada. Without a specific maximum charge, or some limitation by law, that would show just exactly what you would regard as unreasonable, there is no possibility, in my opinion, of enforcing any penalty upon the railroads in Nebraska under that part of the statute.

WHAT IS UNJUST DISCRIMINATION?

There might be an enforcement of it so far as discrimination was concerned. But there come in the way of enforcement the charges of both of the railroads, the railroad managers, contend a dozen times in the legislature that there is a discrimination that can be just and reasonable, and that should be allowed. Where will the line be drawn between just and unjust discrimination? For instance, they say that when a man ships 100 carloads of freight he ought to be entitled to a better rate than a man who ships ten carloads or only one carload; and that it is no discrimination against the smaller number of carloads to charge the shipper of the 100 carloads a lesser rate per carload.

I would hold, if we were to establish it—and that is what should be established—that the carload should be the unit, and that the shipper should have no rebate for any larger shipment, whether he shipped a thousand cars or one hundred cars or one car.

Senator Platt—Do you know practically how much rebate the roads give on a large shipment over a small one?

REBATES.

Mr. Rosewater—That is, of course, kept very closely in the auditor's department. They employ a large number of clerks in the offices of both of the railroads. They are called "overcharge clerks." Those overcharge clerks handle not only the proper overcharges that come along during the course of business, but also the rebates. I have reason to believe that there have been rebates allowed, but under this statute, the railroad company is not likely to come forward and notify anybody that they have allowed rebates; and those parties who are enjoying that privilege are not likely to come forward and tell upon themselves, and have the privilege withdrawn.

The Chairman—Do you think that could be practiced very long without being found out?

Mr. Rosewater—It might be, and it undoubtedly is, with regard, for instance, to the grain traffic.

Senator Platt—The railroads hold that they have a right to do it. They say it is not unjust discrimination, as I understand it.

Mr. Rosewater—That probably would be the answer. If we should find them discriminating in that line that would be their answer. But they never tell that they make rebates. They deny that rebates are not being made.

Senator Platt—Yet the course of business, the way the people conduct their business, satisfies everybody that rebates are made?

Mr. Rosewater—All I know is, for instance, that I have a letter in my pocket from a man in Grand Island, who says that when he was shipping grain there he was constantly growing poorer and poorer, and that he could not compete with the other men. The others were getting drawbacks, which enabled them to earn a large income, while he was actually losing money. That man, too, is not a man who asks me to have it kept in confidence. If there is any desire for it, I will give his name. In fact, he makes this quite a serious complaint. I have already stated today and have shown that the rates on those particular necessities, like coal, are very different in different places, and are extravagantly high in the western part of the state as compared with this end of the state. So that there is no doubt some legislation is necessary, unless the railroad companies are willing on their own account to right the wrong.

THE REQUISITE LEGISLATION.

The Chairman—Tell us what legislation is needed, in your opinion.

Mr. Rosewater—In my opinion, congress should enact that clause of the state law—it probably is in the Oregon law—which provides that they shall not charge a higher rate for a short distance than for a longer one.

Senator Harris—That they shall not charge a higher sum or a higher rate per mile.

Mr. Rosewater—No; a larger sum.

Senator Harris—In the aggregate?

Mr. Rosewater—In the aggregate. That would be one way of stopping discrimination. There should also be a statutory enactment that would fix the

charge per ton per mile. I have heard a great many railroad men at different times with reference to railroad legislation. They invariably said that nobody but a railroad man could possibly arrive at any rational conclusion on this subject; that it is one of those mysterious intricacies that no person can solve, unless he is right in the office himself.

RATE MAKING NOT SO DIFFICULT AS IS INTIMATED.

Upon inquiry among railroad men as to how they arrive at the cost of transportation I find that they have no difficulty about it. They arrive at it by the basis of carload rates per ton per mile. It costs the railroad so much per ton for a given amount of freight to carry it one mile; and they aggregate the miles and thereby ascertain very nearly whether they are losing or making money in getting certain rates in making rates they do not govern themselves by the cost, or anything of the kind. They usually ascertain, first, the character of the commodity, and the business of the party who has it in hand, and the amount of charge he could stand without entirely stopping his traffic. They depend also upon the local necessities; where there is no competition, rates are arbitrarily fixed. It seems to me if a railroad company can carry coal to Omaha and deliver it there, and sell it for 87 a ton, which is at the rate five-eighths of a cent per ton per mile, after deducting the cost of mining and loading on the car, they ought not to be allowed to charge 14 cents per ton per mile for hauling coal to one town on the same road and 14 cents per ton per mile for hauling to another. It seems to me that they ought to be able to deliver that coal at the same ratio, or at least something near it.

THE SHORT AND LONG HAUL.

The question would arise whether a short and long haul should be treated alike. I would say no. I do not say, of course, that the short haul should have a higher rate than the long haul, but there must be some definition of a short haul. Does it mean a haul of 100 miles, 150 miles or 200 miles? There should be a national law declaring what a short haul is, and defining what a medium haul is and what a long haul is. If that were done, and it were divided up in such a way as to say that the charge for 100 miles should be so much per ton per mile as a maximum, leaving the roads a reasonable margin in which to come down to the lowest rate, or make a maximum and minimum rate, and then say that for any distance under 200 miles the charges should be so much, and for any distance over 500 miles it should be figured as a long haul, and the charge allowed would be so much per mile, I think there would be no ground for complaint.

Senator Platt—The medium and the long and the short hauls would have to vary according to the length of the railroads, would they not?

Mr. Rosewater—Not necessarily. They do not transfer, because they have short hauls nowadays.

Senator Platt—If you had in the state a railroad that was 500 miles long, and you had another railroad in the state which was only 250 miles long, you would want to make a difference between those roads in determining what was the short and what the medium and what the long haul, would you not?

Mr. Rosewater—I do not think I would. I think we would have to treat all railroads as a continuous line nowadays. They are practically, in operation, a continuous line. They now load a carload on the shortest line and transfer it to any distance. I would treat the roads in that way.

MAXIMUM AND MINIMUM RATES.

The Chairman—Do I understand you to take the position of favoring the fixing of maximum and minimum rates by congress?

Mr. Rosewater—Upon a few commodities only; as I say, upon the heaviest classes of freight. Upon that class, for instance, which the people of the United States are mostly concerned in. They certainly are more concerned in the agricultural products, in live stock, in provisions, coal and lumber, and in that class of business, they are in a very bad way. Perhaps the best thing would be to make an experiment, and not to undertake to legislate too much and on too many different subjects at the same time. It seems to me that upon those mentioned would be proper enough to legislate and fix a maximum as well as a minimum rate.

The Chairman—Do you believe your maximum and minimum rates would be of any practical value, because of the fact that you would have to fix them so wide apart?

Mr. Rosewater—Yes, sir; I should not think they would necessarily be fixed so wide apart. They certainly would not interfere with the present railroad charges. If, for instance, we were making the maximum charge today for Iowa railroads, and we made that the charge for all railroads in the United States, it would have to be a very elastic charge. I suppose in New York, Massachusetts and Connecticut, a rate of a cent per mile would be regarded as very reasonable in Iowa as a maximum rate, would be extravagantly high there. I admit that. But congress could enact maximum and minimum rates on lines that take into consideration location and conditions.

MILEAGE TICKETS AT FIXED RATES.

Senator Platt—I am told that the New York Central carries passengers from New York to Albany for \$1.40, which is less than a cent a mile.

Mr. Rosewater—Yes, sir; and if the deadheads and all the drummers were cut off they could carry passengers in Nebraska for 2 cents a mile. It is maintained by the railroad men, and some of them, I suppose, would insist upon it, that it is to the advantage of the railroads to reduce the passenger rate for a commercial traveler, because it increases the traffic on the railroad. That is the only ground that they could give me for carrying a commercial traveler at a lower rate than they charge to a farmer, or anybody else.

Senator Platt—Do they make a lower rate to commercial travelers?

Mr. Rosewater—They sell them a thousand-mile ticket at 2 cents in Iowa, and in this state at 3 cents.

Senator Harris—Do they not sell that ticket to anybody at the same rate?

Mr. Rosewater—No, sir. There are 200,000 commercial travelers in the United States who enjoy this privilege. As I claim, there is not one pound more carried over any railroad by reason of those commercial travelers going over it than would be carried without them, excepting alone the samples which the commercial travelers carry in their grips and trunks.

Senator Harris—If the railroad men do not make any difference as to the person to whom the tickets are sold.

Mr. Rosewater—We will admit that there is a much heavier population in the east, but they treat all people alike. They sell at a minimum or very low rate to anybody who can pay the money. Here a large percentage of the people pay nothing.

The Chairman—If they did sell to all alike there are a great many men who do not want a thousand-mile ticket and who would not ride a thousand miles in very many years. They would have to pay the regular rate, so that you are discriminating against the poor or the man who occasionally travels.

Senator Platt—Very likely, but that is not quite so bad as to sell a thousand-mile ticket to one man and not to let another man have one who travels just as far.

The Chairman—Is it right to sell a thousand-mile ticket at all at less than the ordinary fare which everybody pays?

Mr. Rosewater—I would consider that the proper way to do would be to sell everybody such a mileage as they need at the regular fixed price, just as we buy postage stamps at the postoffice. Here is one of the causes of discrimination, and also a very serious one. It is very unfair to believe that those who are favored and those who are not. The retail merchant has to pay the full price. He is, to some extent, a shipper, but is not a commercial traveler; he does not ship enough to warrant him in making an application in the proper form. They have to show that they are heavy shippers over the road. The result is that those who have heavy traffic have the advantage.

Senator Platt—You touch on the system of issuing passes; to what extent is that done in Nebraska?

THE PASS SYSTEM.

Mr. Rosewater—The system of issuing passes on the Union Pacific, up to Mr. Adams' administration, has been a serious one. I have talked with the conductor, and he has been very frank. He said that at least 10 per cent of the traffic is free. Since Mr. Callaway has come in, a large army of political strikers and followers, who have passes all over the state, to go at leisure, has been disbanded. The Burlington road still transports, according to my best information, not less than 10 per cent of all its passengers free.

Senator Platt—Do you think, if the pass system were absolutely abolished by the roads, it would be better for them, and that one great cause of irritation of the people would be done away with?

Mr. Rosewater—Certainly; because, when men travel who are paying, and they see large numbers of people who do not pay, they feel that there is some imposition upon them, or that there are people who are favored.

The Chairman—It is a source of irritation to those who do not get the favors?

Mr. Rosewater—That is a source of irritation to those who do not get the favors.

Senator Platt—Do you think it ought to be abolished? Believe if they had cut down their pass system entirely five or six or seven years ago, and had then adopted a 3-cent mileage rate, instead of keeping it at 5 cents up to within two years, and at 4 cents since, they would have a larger income in the aggregate from the passenger earnings than they got at the 4 and 5-cent charge.

COMMISSIONS FOR SELLING TICKETS.

The Chairman—What do you say as to the commission allowed to agents for selling tickets?

Mr. Rosewater—That is a subject I have not investigated. That is an internal arrangement among railroads that I have heard no complaint of.

Senator Harris—You have scalpers?

Mr. Rosewater—We have scalpers everywhere, but I do not think those scalpers are employed by the railroads. They are parties who buy through tickets from parties whose destination is to a certain point and who have bought tickets through, and when they have reached that point sell the balance of the ticket.

Senator Platt—Every city has a ticket office for every principal road. How are those ticket offices supported?

Mr. Rosewater—In the large cities it is quite an outlay on the part of the railroads. The scalpers are not employed by the railroads. There is another thing about the scalpers' offices. The scalpers are a sort of detective system, in my opinion. They are employed by the railroad companies to detect frauds upon the pass system. Parties who want to sell their free transportation to some scalper are generally immediately spotted, and notice is served and they are usually arrested. I think that is one of the causes for doing that. If the pass system was done away with the scalpers would follow.

Senator Platt—Do you not understand that it is the practice of the railroad companies to allow a commission to ticket agents who have their offices in the different cities for doing business?

Mr. Rosewater—They may do so. I should not be surprised if that were true. Instead of salaries they may be paying commissions.

The Chairman—One road may pay a salary and other roads pay commissions, as I understand it. There may be a ticket agent in this town or in another town, and a man comes into his office and wants to buy a ticket to Pittsburg or to Boston. It is a question as to what road he will go by, as there are several he can go on after he leaves this town by some given road. The ticket agent uses his influence to get him to go on a line from which, if he sells a ticket over that line, he will be paid a commission.

Mr. Rosewater—I think that is done here also.

The Chairman—What do you think of that?

Mr. Rosewater—I should think that was an imposition, in part, because it causes just that much more outlay to the railroad company, and consequently prevents it from reducing the fares. As far as I can see, the object should be to give the public the lowest possible rate for which it can afford to carry passengers.

Senator Platt—It has been testified before us that very large commissions were allowed in some instances, by the roads to agencies in distant cities for selling tickets. If the pass system should be cut off, and all the savings thus

effected could be deducted from the price of tickets, it would be a considerable item in the way of reduction.

Mr. Rosewater—I have covered that branch, I presume. I have shown, so far as the people of Nebraska are concerned, that they will still continue to agitate the enactment of laws that will establish a maximum rate, or at least a limit to the charges, and they will undoubtedly continue to agitate until they get a more stringent penalty for violations of the law with regard to discriminations and have it defined much more clearly than at present.

THE JURISDICTION OF THE NATIONAL GOVERNMENT.

Senator Platt—I understand you to say, with reference to all these roads that have been chartered by the government in the territories, which have since become states or which are still in a territorial condition, that the government has full power to deal with all passenger and freight rates?

Mr. Rosewater—I think the charters of those roads are all drawn pretty much after the July, 1882, charter of the Union Pacific railroad. They are all about on the same model. They all state that congress reserves to itself the right to regulate tolls. There is one proviso in the charter of the Pacific road which says that congress reserves to itself that right only when the road can earn more than 10 per cent upon its investment. But I think it has been generally construed and held that congress can at any time legislate upon that question.

Senator Harris—Congress reserves the right to alter, amend or repeal the charter?

Mr. Rosewater—Yes, sir; there is no doubt that congress could regulate the tolls, so far as passengers and freight are concerned, over the main lines of these two great railroads in Nebraska.

Senator Platt—Because that is interstate business? But is there anything, now that Nebraska has become a state, which makes it more difficult for the government to say what passenger rates shall be charged from point to point within the state than it was before Nebraska became a state, with reference to the government roads?

Mr. Rosewater—I do not believe that on those land grant railroads there is any question but that congress can regulate both freight and passenger tariffs in Nebraska. On their branches I suppose it would be difficult.

Senator Platt—Those have been built under the laws of Nebraska?

Mr. Rosewater—They have been built under the general laws of Nebraska. They can be regulated, of course, by the state proper, because by accepting the right of eminent domain they have placed themselves directly under the regulating power of the state.

Senator Platt—Have you a local pool of the railroads which compete for business east of Nebraska?

Mr. Rosewater—Yes, sir; I think there has been a local pool here all the time, or most of the time.

I think I have got about through, so far as that part is concerned, and the only thing I wish to speak of further is as to the questions you have put in the circular. With regard to the remedies to be applied by congress, my idea would be, in the first place, that the primary remedy to be applied is, if possible, to wring the water out of all the land grant railroads. That may be a confusing statement.

WRING OUT THE WATER.

The Chairman—Would you not wring it out of some others also?

Mr. Rosewater—If congress had the power I would have it wring it out of all of them.

Senator Platt—If congress is going to fix rates on interstate commerce, of course it can fix the rates with reference to what is the real, honest capital of the railroads.

Mr. Rosewater—These parties who operate railroads for gambling purposes do not seem to be satisfied, no matter how much wringing there is, and will not be satisfied until there is a congressional regulation that will limit stocks, and will say how much stock a railroad company shall be allowed to issue above its indebtedness.

PRESENT RAILROAD BUREAU SUFFICIENT.

Right here I will say that the bureau of railroads, which for some six or eight years has been established at Washington, is amply competent to handle the matter, as far as its jurisdiction should go. It already has jurisdiction over the land grant railroads, and, in my opinion, all the railroads could be required to report to the commissioner. But its scope should be enlarged. There should be a limit to the issuance of stocks and bonds by railroad corporations. When that is done, the first step will be taken toward curbing speculative railroad construction. The real investors in these railroads have probably had nothing to do with their construction.

PROTECT THE MASSES RATHER THAN THE ORPHANS.

I have heard a great deal said about the orphans, and that congress should protect the poor widows and orphans in Massachusetts and in New England generally. If anybody who is an administrator for orphans and widows invests their money in stocks that are gambled in on Wall street, he should be branded and sent to the penitentiary. No person should invest orphans' money in such elastic securities. If he does, it would make no difference whether he invested it in the Union Pacific or in Wabash. If he invested in Wabash, he would have been wrung out entirely. A receiver has been appointed for it, and other railroads have had receivers appointed. It seems to me congress should not look to the few widows in Massachusetts, but to the millions of producers and consumers who are subjected to this perpetual railroad tax. The tax should be made uniform and reasonable, and the tax should be made in their interest rather than in the interest of those who have put their money into railroad stocks that are liable to be up or down from day to day.

I do not think the stockholders of railroads have been suffering so much. I received this table a day or two ago from Bell & Hatch, bankers and brokers, No. 48 Wall street, showing the average value of eighteen leading stocks between September, 1883, and June, 1885. I will not be sure about the other roads, but I refer to those we are interested in. We will take the first, the Burlington & Quincy. In September, 1873, its stock was quoted at 90; in May, 1884, at 108; on the 10th of June, 1885, 123; so that the orphans in that direction are not very much injured, or very badly off, even with the terrible squeezing the roads have been subjected to.

In 1873 the Chicago & Northwestern was 40, in 1884 it had gone up to 93, and now it stands at 90. I suppose that road has been pretty well inflated, too, by its watered stock. Still, it is held at 90.

A CASE OF DISCRIMINATION.

There is a case of discrimination, by the way, right in that line. The Chicago & Northwestern are building a line through this state, in the northern part; and, as I am told, they can reasonably ship into Omaha from any point on that road, because of the determination of its managers to send everything on the long haul to Chicago. I do not know the exact figures, but I am credibly informed that parties up in Pierce county, Nebraska, who wanted to purchase white lead in Omaha could not afford to do so, because the rates were so high from Omaha as to be prohibitory. They are obliged to get their white lead from Chicago. This kind of discrimination does not come under interstate commerce. Still, it points the way. The railroad managers seem to be determined to dictate where their patrons shall buy or sell. They not only seem to want to carry on the affairs of the railroad, but they want to be sure they can entirely control the commerce of the country.

COMPARISON OF STOCK VALUES BETWEEN 1873 AND 1885.

Rock Island is also in the same category in this state. We deal with that road. We find that in 1873 its stock was 86; in May, 1884, it was 108; and now it is 114, on the 10th of June.

The Union Pacific was 45 in 1873; 35 in May, 1884; and on the 10th of June, 1885, it was 63. I do not know what it is today. On what I think was the price of the stock not only of the Union Pacific as it was quoted in 1873, but of some twenty odd millions additional stock that has been merged into it from the Kansas Pacific, worth 5 cents on the dollar, and large amounts of other fictitious stocks that have been merged with it, all now called, in general, the Union Pacific railroad. Still, its stock is 63.

Certainly, the widows and orphans in Massachusetts are not so badly off, after all, as I thought they were. So far as congress is concerned, it certainly could legislate with regard to these railroads without actually impoverishing these widows, and at the same time do justice to our people. I think the fixing of a maximum rate that would be rational and reasonable per ton per mile, and the establishment of two units, 100 pounds for broken car lots and a carload as the unit for each carload lot, would be very essential for our section of the country.

Senator Platt—If you have thought on the question, let us hear what you think the effect of a reduction of rates would be on the aggregate or net earnings of the roads. What would be the effect of the 25 per cent reduction all around?

Mr. Rosewater—I do not think a cut of 25 per cent would be admissible. I do not think the traffic of the roads would increase proportionately to make up that amount. There is a limited amount of overland traffic, now that four or five Pacific railroads are competing with the Union Pacific.

EFFECT OF TWENTY-FIVE PER CENT REDUCTION IN RATES.

Senator Platt—The cost of a ticket from New York to San Francisco, I think, is \$125. Suppose that ticket was reduced to \$100, which would not be quite a reduction of 25 per cent. That would have some effect to increase business over the road, would it not?

Mr. Rosewater—I think that with regard to passengers the 25 per cent reduction could be made very safely, because in that case there would be an incentive to travel that would increase the number of passengers very materially.

Senator Platt—It would increase the amount of immigration, too, would it not?

Mr. Rosewater—Yes, immigration and population.

Senator Platt—And when immigration came, that would increase the freight business.

Mr. Rosewater—On the other hand, the freight traffic of railroads is not to be increased materially by any incentive of that character. A reduction on freight rates would not create new freight.

Senator Platt—Not immediately; but if it stimulated immigration and the settlement of the country, it would eventually stimulate freight.

Mr. Rosewater—That would be at some distance off. There is no doubt a reduction ought to be made, not a horizontal reduction, going through all classes of freight indiscriminately.

Senator Platt—I speak of that only for illustration.

Mr. Rosewater—I think there should be more than that on some classes of freight, as I find the traffic now. I think there should be 50 per cent on some classes according to the rates now exacted by the Union Pacific road, because its rates are not uniform, considering distance and service.

Senator Platt—In the case of gas companies, when any reduction in the price of gas has been made in any city, the result has been that the receipts for gas have