

HARRIMAN'S HIS GAINS ON FISH

(Continued From First Page.)

Why stock after he knew that there was to be a dividend. John G. Milburn quickly blocked the question with an objection. The witness created laughter when he declared he had bought Union Pacific in 1898 in expectation of the dividend in 1906.

Deal With W. G. Rockefeller.

Mr. Kellogg then passed to the Southern Pacific and the operations by which the Union Pacific interest acquired its holdings. "Why did you buy just a little less than the majority of that stock?" he asked.

Mr. Harriman replied that that was all they needed. For their purpose it was as sufficient as a majority of the stock. His recollection was that this original purchase of Southern Pacific was not acquired from the Huntington estate, but of this he was not absolutely sure.

Kellogg traced the purchase of Southern Pacific stock by the Union Pacific and Oregon Short Line, carrying it down to the famous sale of 200,000 shares to William G. Rockefeller.

"The sale was made on a reciprocal agreement, made with Mr. Rockefeller," said the witness, "by which Mr. Rockefeller could sell in the stock back on May 1, 1904, if he desired, at the same price. Mr. Rockefeller paid \$5,000,000 in cash and gave good collateral. It was a conditional sale.

Story of Delayed Dividend.

Harriman's account of last August's famous delayed dividend announcement came in answer to Mr. Kellogg's questions about the failure of the Pacific roads to reduce rates. When he reached the matter of the delayed dividend announcement, Mr. Harriman broke in:

"I will tell you about that," and without further questioning he told the story of that episode. He said the question of earnings first came up at the July directors' meeting, and the estimate of earnings was so surprising that he asked whether the actual figures came up to the promises. The Southern Pacific meeting was held in the morning and the Union Pacific meeting in the afternoon.

Mr. Harriman then made a plea for some form of legislation which would permit railroads to arrange for traffic handling under supervision of some such Federal body as the Interstate Commerce Commission, with proper regulation and limitations which would enable them to handle their business lawfully and intelligently. He thought such a law permitting a combination of roads would possibly result in lower rates.

What \$100,000,000 Did.

Mr. Lane then began a sketch of the foremost requirements of the Union Pacific under Mr. Harriman. He began with the issuance of the \$100,000,000 in bonds and traced its purchases out to Portland on the coast, to the Orient by steamship lines, back to San Francisco, to Ogden, into the Northern Pacific and out again, into the Alton, the Illinois Central, the Santa Fe, the Baltimore & Ohio, and the New York Central. His face pale and his voice grew more impressive as he continued the wonderful recital. He faced the witness and, pausing for a moment, said:

"Where is that thing going to stop?" The master operator smiled and then somewhat nervously said: "I don't think it has stopped. I don't think we have any more—we would go on if I thought we could realize something more than we have got from those securities. I would go on and buy some more things."

Why Not Keeping Growing?

Mr. Lane: "Supposing you concentrated two or three more. You might take some other line and go right into New York." Mr. Milburn: "Why not?" Mr. Harriman: "Suppose we had a line from New York to San Francisco. I suppose that is what you mean; would it not be a good thing—not that we have any idea of doing it—but would it not be a good thing?"

Law Is Only Obstacle.

Mr. Lane: "You would take it tomorrow." Mr. Harriman: "Why certainly I would. I would not have any hesitancy. It is a pretty thing." Mr. Lane: "Then it is only the restriction of the law that keeps you from taking it?"

Always Bought Union Pacific.

"Did you or your associates buy any stock then in anticipation of this dividend?" persisted Mr. Kellogg. "I have always bought Union Pacific more or less," replied Mr. Harriman. Then suddenly he wheeled around and said: "I bought Union Pacific stock in 1888 for \$25 a share in anticipation of that dividend. I bought out at the time of the panic when my associates declared I had more nerve than any other speculator he ever knew, deeming it speculation. I bought it then in anticipation of that dividend. I bought it then in anticipation of that dividend."

Pooling Instead of Consolidation.

Mr. Harriman: "I think we should be allowed to use it for the acquisition of other railroads under proper regulation." Mr. Lane: "Now, what?" Mr. Harriman: "One minute. What I mean is this: As the law exists, railroads are prevented from consolidating or combining. Take the instance of the Burlington, Great Northern and Northern Pa-

of stock in the Santa Fe was a move toward the neutralization of competition by that line and that the vast sums devoted to betterments and dividends by the Union Pacific had been taken from unfair rates. The witness was not willing to make any concessions or any material admissions to those contentions, and most of the testimony was discussed between lawyer and witness as to the fact and contents involved.

Mr. Harriman declared Union Pacific rates had been reduced 17 per cent since he became president, and fell back on the assertion that the expenditures for improvements had developed the country and placed the system in condition to handle the great traffic that has come in later years, and that he and his stockholders were entitled to the benefits their enterprise had won.

Entitled to All They Can Get.

There was an interesting discussion of the per-ton-per-mile computation of rates. Mr. Harriman said the calculation was faulty because from the standpoint of a low rate it was adversely affected by high-class freight. Mr. Harriman declared that the expenditures for improvements had developed the country and placed the system in condition to handle the great traffic that has come in later years, and that he and his stockholders were entitled to the benefits their enterprise had won.

THE HARRIMAN SYSTEM

Table with 4 columns: Road, Miles, Stock, Bonds and other debt. Lists Union Pacific, Southern Pacific, Illinois Central, Kansas City Southern, and Totals.

The above are the roads controlled by Mr. Harriman and his associates. In addition, they or the companies controlled by them have large holdings of stock in the following lines, but not the majority:

Table with 4 columns: Road, Miles, Stock, Bonds and other debt. Lists Rock Island, Santa Fe, Northern Pacific, Great Northern, Baltimore & Ohio, Chicago, Milwaukee & St. Paul, Wisconsin Central, Milwaukee & St. Paul, and Totals.

The great bulk of the railroad mileage of the country is included in nine great systems, in each of which the lines are under common ownership or control, as follows:

Table with 4 columns: Road, Miles, Stock, Bonds and other debt. Lists Harriman, Vanderbilt, HHI, Gould, Moore, Rockefeller, Santa Fe, and Totals.

man at first remarked that he did not think it would necessarily be wrong for a road to earn 15 per cent on its capitalization.

"Where would you fix the limit?" asked the Commissioner.

"At 100 per cent if you like," replied Mr. Harriman quickly, and then restated his views. He said that as long as a road was properly conducted and gave proper facilities and at no higher rate than was charged by any other road, it was entitled to its earnings, no matter what they were.

"Are you going to do with it?" he asked. "Are you going to donate it to the government, or what?"

"There are several ways by which you could return it to the shippers," remarked Mr. Clements to the amusement of the room.

Mr. Harriman then made a plea for some form of legislation which would permit railroads to arrange for traffic handling under supervision of some such Federal body as the Interstate Commerce Commission, with proper regulation and limitations which would enable them to handle their business lawfully and intelligently.

Mr. Lane: "Supposing you concentrated two or three more. You might take some other line and go right into New York."

Mr. Milburn: "Why not?"

Mr. Harriman: "Suppose we had a line from New York to San Francisco. I suppose that is what you mean; would it not be a good thing—not that we have any idea of doing it—but would it not be a good thing?"

Mr. Lane: "Supposing you got the Santa Fe?"

Mr. Harriman: "You would not let me get it?"

Mr. Lane: "How could we help it?"

Mr. Harriman: "How could you help it? I think you would bring out your power to enforce the conditions of the Sherman anti-trust act pretty quick. If you will let us, I will go and take the Santa Fe tomorrow."

Mr. Lane: "You would take it tomorrow?"

Mr. Harriman: "Why certainly I would. I would not have any hesitancy. It is a pretty thing."

Mr. Lane: "Then it is only the restriction of the law that keeps you from taking it?"

Mr. Harriman: "I would go on as long as I lived."

Mr. Lane: "Then after you had gotten the Santa Fe and had taken it, you would then take the Northern Pacific and the Great Northern if you could get them?"

Mr. Harriman: "If you would let me."

Mr. Lane: "And your power would gradually increase as you took one road after another, so that you might reach not only over the Pacific Coast, but spread out over the Atlantic Coast?"

Mr. Harriman: "Yes, but hasn't your own power increased?"

Mr. Lane: "It undoubtedly has. That is what I am coming to. Do you think the law itself should intervene and should restrict you in power to use money raised for railroad purposes and raised on railroad securities to the actual improvement of that railroad, or should you be allowed to use it for the acquisition of other railroads?"

Mr. Harriman: "I think we should be allowed to use it for the acquisition of other railroads under proper regulation."

Mr. Lane: "Now, what?"

Mr. Harriman: "One minute. What I mean is this: As the law exists, railroads are prevented from consolidating or combining. Take the instance of the Burlington, Great Northern and Northern Pa-

cific. It was not a good thing for the Northern Pacific and the Great Northern and Burlington, or for the Northern Pacific and Great Northern, to buy all the stock and eliminate from the situation 15,000 or 16,000 small stockholders; that is what they did. They turned those 15,000 or 16,000 small stockholders from stockholders into creditors, so that they were eliminated from the development of the business on the lines involved. They did not care anything about it as long as they got the interest on the bonds.

Now, if we had some legal method whereby the Burlington and Northern Pacific and Great Northern, under some legal restriction, had been permitted to make contracts by which they could approximately have accomplished the same result, they would not have been necessary to issue the \$200,000,000 of bonds to acquire the Burlington stock, and the ownership of those securities would have been in the hands of the people, where, I believe, it is better it should be.

"We have never gone to the extent of eliminating, as we could possibly avoid it, ownership by small people in our property. We have been

partners of theirs and have tried to be partners of the public.

Mr. Lane: "And you want the powers of the Commission still further increased?"

Mr. Harriman: "I cannot say that I do, unless we have our own powers increased."

Mr. Lane: "You want your powers increased so that you can combine, and you want us given power in the first place to insure the rate?"

Mr. Harriman: "Yes, to regulate and go hand in hand with us. There is no other country in the world where the business interests are so antagonized by the government as in this country."

Mr. Lane: "Where is there another government in the world which has given so much land and money to the railroads as this?"

Mr. Harriman: "But there is no other country in which railroads have improved the country as in this country."

Mr. Lane: "Is it not a fact that every regular railway in this country is the result of some policy pursued by the railroads themselves?"

Mr. Harriman: "I believe you are right. I think the railroads themselves are more to blame than any one factor for the condition that exists today, the antagonisms between the people and the Legislatures and the railroads themselves."

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rates much faster than the Union Pacific," asked Mr. Kellogg.

"The Union Pacific has nothing to do with this. We are now considering the Chicago & Alton," was Mr. Harriman's response.

Mr. Kellogg asked what the total fixed charges of the Alton were. Mr. Harriman scanned some papers and read the amounts. His totals did not agree with those of Mr. Kellogg and this led to several brief colloquies.

Mr. Kellogg was endeavoring to show the difference in the charges between the old companies and the reorganization, and having done this, he passed to the matter of the Chicago & Alton Railroad Company's bond issue of 1899.

Mr. Kellogg asked Mr. Harriman if there was anything to show that the syndicate was in any way obligated to take the bonds of the Alton before September, 1899.

"Does any record of such obligation exist anywhere?" he asked. The witness knew of no such record, but was certain the syndicate members were bound to take the bonds at 65. "You'll have to seek that information elsewhere," he said to Mr. Kellogg.

Will Not Be Drawn Out.

Mr. Kellogg continued the attack upon the issue and sale of the Alton bonds, but the witness declined to be drawn very far. He was absent from the country during the Summer of 1899 and did not know the details. He was sure that the market conditions had all to do with the sale of the bonds at a high figure.

In reply to a question, Mr. Harriman denied that he was the front and head of the reorganization or reorganization of the Alton Railroad Company.

"I was only one of several," he said.

As chairman of the committee he presented the original plan to the syndicate, but his responsibility was no greater than that of his associates.

As Mr. Kellogg paused at this point, Mr. Harriman suddenly asked:

"Are you through with the Chicago & Alton?"

Mr. Kellogg said he was, and the witness said:

"Now I want to make a statement. Now, our figures show that the whole charge for the year 1906 for interest and dividends upon the Alton bonds was \$2,283,460, or an increase of \$445,404, after \$22,327,000 had been expended in improvements and betterments upon the property."

"The syndicate does not hold any of that issue of \$20,000,000 of common stock of the Alton upon which no dividends were paid. The Alton paid 50 per cent less in 1906 than they paid in 1898. The road enabled the commercial concerns located on its line to increase their business threefold."

"Then the Alton road reduced its investment in Santa Fe."

Mr. Harriman testified that the purchase of the Santa Fe stock in the stock market was made as an investment. It was in a competing line—"yes, a competing line, I am sorry to say."

"But that is not what I had discussed the matter with Mr. Morewitz, of the Santa Fe, who had said that the railroads should not destroy one another, but establish closer and better relations."

The witness told of the election of Messrs. Rogers and Frelch to the Santa Fe as representing certain friends of Mr. Harriman. The witness averred the Santa Fe people said they were the best directors they had ever chosen, and as an evidence of their good faith, the witness said, they had concealed from him the fact that the Santa Fe was to issue \$8,000,000 in bonds. He learned it from the newspapers.

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