

SAN ANTONIO AND BORDER RAILROAD COMPANY.

DECEMBER 21, 1880.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed.

Mr. OSCAR TURNER, from the Committee on Railways and Canals, submitted the following

VIEWS OF THE MINORITY:

This bill is without a precedent, impolitic, and unconstitutional, in the opinion of a minority of the Committee on Railways and Canals. It creates a liability on the part of the general government of \$12,000 a mile to construct a railroad from San Antonio to Laredo, a distance of 160 miles, in the State of Texas. There is not an acre of land anywhere along the route of this road, or in the State of Texas, belonging to the United States, to be enhanced in value by the building of this road, which has been the justification of bills of this character granting subsidies in *every other case*; and the only argument in favor of it relied upon by the friends of the bill before the committee was that it was a *military necessity*. This the minority of the committee utterly deny. It never has been asked for by the War Department, or any department of this government; and General Joseph E. Johnston, a man familiar with the country through which this road runs, and who is a man of known military experience both as an officer and engineer, testified before the committee that there was no military necessity for this road whatever; that it runs nearly perpendicular to the Mexican boundary, and could only supply one fort, Laredo, where there is only stationed one or two companies of troops, as the report of the Secretary of War shows; and that any military road for the protection of the Mexican frontier ought to run not *perpendicular* but *parallel* to our boundary, so as to supply not only Laredo but the other forts northwest of Laredo on our boundary; which must be apparent to any one, even, as the general said, "one who is not a military engineer." And, as before stated, this road has not been asked for or recommended by any department of this government, but is to benefit certain individuals named in the bill as incorporators, who are incorporated as a railroad company by the laws of Texas, and having no actual enterprise commenced on which they have made any outlay of money, and only exist upon paper. They, and the owners of the lands on this route, are the ones who will receive the great benefit of this road which is asked to be built by a subsidy or charge upon the general government. In addition to this, the International and Great Northern Railroad Company, having for its objective point Laredo, or some point near there on the Rio Grande, and whose present terminus is Austin, Tex., and who have already constructed 520 miles of railroad within the boundary of Texas, costing near \$20,000,000, and all constructed under special charters granted by the State of Texas, as is shown by the statement of Thomas Pearsall,

president of that railroad, and submitted to our committee, which is referred to and made part of this report, marked A, as it does not appear in the report of the majority, state that they will press on their enterprise, and complete it to Laredo as soon as practicable; which will answer any military exigency or necessity, if there was one. Why should we impose a charge upon the government to build this road contemplated by this bill, when this company, with its large capital, inform us that they are about to build it and ask no subsidy? And still, in addition to this, the Corpus Christi, San Diego and Rio Grande Railroad Company have already constructed a railroad from Corpus Christi to within a short distance of Laredo, and it has for its objective points Laredo, Rio Grande City, and Eagle Pass, and doubtless will soon be completed; which will answer all practical purposes in not only supplying Laredo but two other forts on our border, as will be better understood by reference to the map showing the route of the Corpus Christi, San Diego and Rio Grande Railroad, made part of this report, marked B. Besides this, Mr. Lott, president of this road, submitted a written proposition offering to build the road contemplated by this bill within eighteen months, at \$8,000 per mile, and offered to give a bond in penalty of half a million of dollars, with good security, to secure its completion; which written statement is herewith submitted as part of this report, marked C.

For these reasons the undersigned minority is forced to disagree with the majority and report against the passage of this bill, aside from the conviction that no subsidies ought to be granted to local railroads, and that they ought to be left to *private enterprise, justified* and stimulated by commercial wants.

Since the report of the majority was filed, the undersigned minority have learned from reliable source that the aforesaid International and Great Northern Railroad Company have, since they offered the statement marked A and referred to hereinbefore, completed and put in running order a continuation of their road to San Antonio from Austin, and have graded 30 miles of the route beyond Austin, on the route to Laredo, the objective point; thus pushing ahead their private enterprise, and showing that there is no necessity whatever for the passage of this bill by Congress, confirming the minority in the conviction that their views were correct at the time of the action by the committee on this bill. All of which is respectfully submitted, on the part of the undersigned minority, to the House of Representatives of the United States.

OSCAR TURNER.
NICH'S FORD.

A.

Statement of the International and Great Northern Railroad Company to the Senate and House Committees of Congress on Railroads and Canals, in reference to proposed government aid towards the construction of a railroad from San Antonio, Tex., to the Mexican boundary line, as proposed by bills referred to said committees, and now under consideration.

The International and Great Northern Railroad Company, a corporation existing under special charters granted by the State of Texas, and having for its objective point, as a western terminus, a point on the Rio Grande at or near Laredo, has constructed, at a cost of nearly \$20,000,000, and is now operating, about 520 miles of railway within said State. Its present western terminus is at Austin, and it is about extending its line to San Antonio, and as far beyond that city westward in the direction of Laredo on the Rio Grande as is warranted by the expected traffic.

This company has been recently reorganized, after foreclosure of its original mortgages. Its funded interest debt is now about \$10,000 per mile of first-mortgage 6 per

cent. bonds, now selling at about par, and \$10,000 per mile of second mortgage income 8 per cent. Bonds, whose market value is about 70 per cent., interest upon which is only paid if earned. Its share capital is \$5,500,000, which cost its original holders par ten years ago, but upon which no dividends have ever been declared or paid. Its market value is about 30 per cent. The company has no floating debt, enjoys excellent credit, and is upon a sound financial basis.

The bills now before the committees, and the statements of the members of the Texas delegations in support of them, plainly indicate that as a private enterprise the construction of a railway from San Antonio to the Rio Grande is not an inviting one to capitalists.

At the same time, it appears to be the opinion of government officers that a great saving to the United States, and a much more effective service for frontier protection, would result from the immediate construction of one or even two lines of railway, connecting the present railroad system with the Mexican boundary.

It is in the power of the committees to obtain exact and disinterested information upon these points from the War, Interior, and Post-Office Departments.

If it shall appear that the cost of the government services, as now conducted, is so excessive and inefficient as to warrant government assistance in the construction of the railroad in question, this company ventures to suggest that the form of encouragement stated in the bill now before you—H. R. 3160—is of a character which the United States can extend without incurring expense or liability, calls for no expenditure except for services actually performed after the railroad shall have been completed, and in no manner involves the question of government subsidies in aid of private enterprises. Under such a contract, this company would at once extend its line to the frontier, and complete the same within two years after the passage of such an act.

This company has never entertained the idea of applying to Congress for a subsidy and it is only induced to appear before it in view of the fact that a bill has been introduced and urged upon its attention, asking for direct subsidies, by parties who produce no evidence of their responsibility or credit, and who claim corporate existence only upon paper, and seek from the United States the entire means by which their proposed railroad is to be built.

This company asks in the measure suggested in the bill bearing its name, that if it shall extend its lines in advance of any commercial requirements, and to the manifest advantage of the government, that such a reasonable payment for government work shall be guaranteed to it as will warrant the undertaking, or, at least, limit the risks of it.

Any general act which shall throw the government transportation open upon a minimum basis of payment, to any company constructing the desired line, would be equally acceptable to this company.

Very respectfully,

THOMAS W. PEARSALL,

President International and Great Northern Railroad Company.

NEW YORK, *February 10, 1880.*

C.

WILLARD'S HOTEL, *Washington, D. C., March 16, 1880.*

HON. OSCAR TURNER:

DEAR SIR: On behalf of the Corpus Christi, San Diego and Rio Grande Railroad Company, which I represent as its president, I desire to offer the following for your information while considering the bill now under discussion by your committee granting aid for the construction of the San Antonio and Mexican Border Railroad. If your committee shall decide that the road should be built, and that government aid should be extended for that purpose, we ask that the bill now before you have substituted our name and that the amount of guarantee bonds by the government be fixed at \$8,000 in place of \$15,000 per mile and the time for completing such line be limited to eighteen months from passage of the act authorizing such aid. As a guarantee of good faith on our part, if your committee will agree to favorably consider our proposition, on such information from your chairman, we desire to at once file with your committee, to accompany your report, bond for \$500,000 (five hundred thousand dollars), which shall have been approved first by the Secretary of War, for the faithful completion of said contract. With our experience we should deem it unsafe to load an enterprise in that country with fixed interest charges beyond 4 per cent. on \$8,000 per mile. While not pretending that this amount would fully build the road, we do believe that the enterprise will be on a far healthier basis if the balance necessary for its completion is furnished upon the capital stock of the road from private cap-

ital. This our company and its promoters propose doing. As a reason why our terms should be accepted, we are on the ground at work and have the facilities for placing a large force immediately in the field. We should immediately construct that portion of our main line from San Diego towards Eagle Pass necessary to form a junction with a direct line from San Antonio to Laredo and build both ways at once. Referring to the inclosed map, we state that we will abandon that portion of our road from Alberca to Laredo and carry our traffic over the broad-gauge line between Laredo and our point of junction. By granting us the aid in the manner named, the military headquarters at San Antonio are provided with an additional competitive rail outlet to the gulf, via Corpus Christi, which would be a very great advantage to the government, besides being placed in rail communication with Fort Duncan, Fort McIntosh, Ringgold Barracks, and San Diego, directly from San Antonio.

I am assured that this combination of two systems will fully meet the requirements of the War Department for all points east of Fort Duncan, and be done for about half the amount proposed to be assumed by the government by the bill now under discussion, which only connects one post, that of Fort McIntosh. We distinctly propose to build the road named the same, with regard to gauge and other requirements, as named in the bill. Our State laws give any party the right to build anywhere in the State, by filing acts of incorporation and designating the route, all of which conditions we are prepared to fulfill. Your committee will see that by conveying all the traffic from and to Laredo over the one-third of the line, from point of junction, doubly assures the government against any necessary default of interest, as the business will not be divided, and a connection with our present system of narrow-gauge road assures the line a much larger traffic, even if all carried toward the coast, than it could ever get in any other way. Again assuring you that we have the means and ability and the inclination to carry out any agreement we make, I am, respectfully,

Yours, &c.,

U. LOTT.

President Corpus Christi, San Diego and Rio Grande R. R. Co.

NOTE.—This circular letter was addressed to each of the committee.