

IN THE MATTER OF THE POSTAL-TELEGRAPH BILL.

WASHINGTON, D. C., April 22, 1872.

Argument of Mr. Gardiner G. Hubbard, before the House Committee on Appropriations, in favor of the Senate bill to reduce the rates of correspondence by telegraph, and to connect the telegraph with the postal service, reported by Mr. Ramsey from the Committee on Post-Offices and Post-Roads.

Mr. HUBBARD said :

It is three years since I first had the pleasure of appearing before a committee of the House in relation to the postal telegraph. Two years ago I appeared before a select committee of the House on the subject. The bill which was then under discussion, and of which the present is an amendment, proposed a great reduction of the telegraph rates. It was so large that some gentlemen thought that it must result in a loss. I will, therefore, state some of the reasons then advanced why the rates could be so largely reduced. I stated that certain improvements had been made, which, if adopted in the telegraph business, would greatly reduce the expenses. One of those was "the double transmitter," by which messages are transmitted both ways at the same time on a single wire. That proposition was then considered by the president of the Western Union Telegraph Company as one of the fallacies of Mr. Hubbard, showing that he was a man of theories, without any practical knowledge of the business. Mr. Orton asked, "How can it be done?" To which I replied, "How can the first message be sent over the wires?" which he confessed his inability to answer.

On the first day of last November I went into the office of the electrician of the telegraphs of Great Britain, and almost the first thing said to me was, "We have to-day received a letter from Mr. Prescott, the electrician of the Western Union Telegraph Company, in which he says, 'We have just introduced the double transmitter on the lines between New York and Albany with great success.'" The first time I met Mr. Orton, after my return, he said, "We have just introduced the double transmitter on the lines between New York and Buffalo, but are unable to work for a greater distance." Four weeks ago yesterday I met Mr. Prescott at the Arlington House, and he said, "Mr. Hubbard, you have taken an interest in the double transmitter, and will be glad to learn that within the last week we have introduced it between New York and Chicago, and that it is operating perfectly well. And now," said he, "whenever the business exceeds the capacity of our present lines, instead of stringing new wires we shall use the double transmitters, thus doubling the capacity of our lines."

I also stated three years ago that the wires were not properly insulated or connected at the offices; that the lines between New York and Washington were in such poor repair that one-half the number of wires, properly insulated and connected, were capable of performing the entire business between those two places; and that consequently there was a

double expense of operators and office expenses. There were then, I think, thirty-one wires between New York and Washington, and about the same number now, while the business has nearly doubled. Four years ago 8,400 messages passed through the New York office every day, now 16,500. There has been an improvement in the insulation and a reduction of the expenses.

I referred to the feasibility of introducing half-rates for night-messages. One of the pamphlets that were circulated by the Western Union Telegraph Company, in regard to that suggestion, was headed "Impossibility of utilizing the telegraphic lines by night as well as by day." Yet to-day, gentlemen, all know that night-messages are used extensively wherever they have been introduced, and this, although the business has not been facilitated, by the Western Union Telegraph Company. For instance, one of their rules provides that if a night-message is sent from a main office to a small office and arrives on Saturday evening, it cannot be delivered until Monday morning, although the man to whom it is directed may go to the office and demand it; by another of the rules, if such a message arrives at 6 or 7 o'clock in the evening, and the person to whom it is addressed asks for it, and offers to pay the full rate, he cannot receive it until the next morning.

I stated that the rates were irregular, often higher to the nearer than to the remote place; that while the rates to Boston were 40 or 50 cents, the rates to Waltham, ten miles this side, were \$1.75; and I said that if those rates were reduced and made uniform for equal distances, the business would be greatly increased. A new tariff has since been put into operation with greater uniformity of rates, and the business has been greatly increased.

I also stated that the office expenses on all telegrams were very great; that by the adoption of the postal-telegraph system they could be greatly reduced; that by the substitution of stamps, and invariable prepayment, the present cumbrous system by which each message is required to pass through sixteen different hands in being transmitted from one principal office to another could be done away with, and the office business very greatly simplified and expenses reduced. I compared it to the difference between the old way of transmitting letters at a high rate of postage and the present custom. Formerly every letter carried with it a way-bill, stating from and to what place it went, the amount of postage, whether prepaid or not, and the amount to be collected if unpaid. If that system were in operation to-day the postal-service of the country could not be performed, as it would require more clerks and time than could possibly be given between the receipt of the letters and dispatch of the mail. So great has been the reduction of expense that they are no greater in proportion to the receipts than they were when the rates were 6, 18, and 24 cents for each letter.

I also stated that, as the telegraph business increases, the expenses do not increase in a corresponding ratio. For instance, as I showed by the statistics of the European telegraph lines and of the Western Union Telegraph Company, if the business increased 100 per cent., the expenses, instead of increasing at the same rate, increased only about 55 per cent. abroad and 37½ per cent. in this country; and that, if the rates were reduced 33⅓ per cent. and the business doubled, the net profits would be increased; and that, consequently, a reduction of rates could be made as the business increased. I showed by the figures that in Belgium and Switzerland, when the rates were reduced 50 per cent. there was within the first year an increase of the business of over 100 per cent., followed in the next year by an increase of 15 or 20 per cent., so

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that after a few years the net receipts were nearly as large as under the higher rates.

Most of these facts are stated either in the report of my friend, Mr. Palmer, or that of the Senate committee.

Although these inventions have been adopted, although the wires have been improved and the business greatly increased, yet there has been no corresponding reduction of rates. I have a statement of the rates in 1868 and 1872 between the same offices. In 1868 the rates in the East, were—

Under 250 miles, 34 cents; they are now 37 cents.

Between 250 and 500 miles, 73 cents; they are now 62 cents.

Between 500 and 1,000 miles, \$1.43; they are now \$1.23.

Between 1,000 and 1,500 miles, \$2.41; they are now \$2.14.

I also stated then, what is as true to-day as it was then, that the rates at the West are nearly twice as high for the same distance as they are at the East. Thus, the rates at the West were then—

Under 250 miles, 79 cents; they are now 63 cents; in the East, 37 cents;

From 250 to 500 miles, \$1.33; they are now \$1.17; in the East, 62 cents;

From 500 to 1,000 miles, \$2.06; they are now \$1.76; in the East, \$1.23;

making a reduction of from 15 to 20 per cent. only.

A statement is made in the "Memorial of the Western Union Telegraph Company" that within the last six years the rates have been reduced 50 per cent. Now, although I do not know exactly what they were six years ago, yet I think that a careful comparison would show that between the principal cities of the country the rates are higher to-day than they were then. Six years ago the wires of the United States Telegraph Company ran over the country, and the rates of telegraphing were very low between large cities. Mr. Orton was the president of that company. The United States Telegraph Company was purchased in 1866 by the Western Union at a cost of \$13,000,000, and the rates raised in many parts of the country. I stated that it was possible that such a man as Commodore Vanderbilt, with a comparatively small expenditure of money, could obtain the control of all the telegraph lines of the country. What I then stated as a possibility was then actually taking place. Commodore Vanderbilt was then purchasing the stock of the Western Union Telegraph Company, and within less than six months, at the next annual election, the control of the company passed into the hands of the family and friends of Mr. Vanderbilt, and it can be made subservient to their railroad or other interests.

Let us now consider the influence which this interest exerts over the people of the country, and first on the press. The rates to the press are regulated by the Western Union Telegraph Company. That company can raise or depress them, according to its own will; and it has, as these reports will show, in times past, so raised the rates as to crush out more than one paper. There is nothing that presses with so great a weight upon the leading editors through the country as this monopoly. I have conversed with editors of the leading papers from different sections of the country, and know that they feel the power of this company, and in secret pray that there may be some deliverance from the weight under which they groan. I think it is known to some of this committee that within a year past the Western Union Telegraph Company issued a notice that if any paper undertook to criticise any of the telegraphic news furnished to it such paper would

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be excluded from receiving news; and that a paper in a neighboring city, which criticised the telegraphic news, was cut off and a notice of that fact and of the cause sent to all the papers in that section of the country.

Mr. SARGENT. Does that refer to the criticism of the news?

Mr. HUBBARD. So I understand it.

Mr. PALMER. I think the criticism was, that the reports had been directly manipulated by the operator or by the agent of the Associated Press, or something of that kind.

Mr. HUBBARD. We will next consider the influence it possesses over the commercial news. The commercial news from Europe is received at New York every morning, and, with the prices of that city, is sent over the wires throughout the length and breadth of the country. The instant that news is received at New York all other business over the wires on which it is to be transmitted is suspended until this news is sent. Thus it has preference over all the other business of the country. I do not mean to say that this is not right; I merely speak of it as a fact that there is now preferred business. The present bill proposes to legalize that which is now done contrary to law, and one of the arguments made against the bill in this memorial of the Western Union Telegraph Company is that it allows preferred business. With what propriety that argument is made can be seen when it is known that that company uses its wires for its own benefit in preferring business.

All the telegraphic correspondence of the United States is preserved and filed in the records of the company. Not only are the original messages preserved, but in the city of New York two steam copying-presses are kept constantly at work, on which letter-press copies are made. They object to the present bill, which provides for the destruction of the telegrams within thirty days, that it will obliterate the evidences of contract, and render impossible the gathering, after thirty days, of the traces of crime; that is, this company has become the registry of the contracts of the nation, and the great inquisition-house where all the secrets of every one that uses the telegraph are filed and preserved for future reference. What use has been made of these secrets, the walls of some of these committee-rooms can answer. What use can be made of them is, of course, evident to every one. These, then, are instances of the power which this company possesses over the press, the commercial news, and the private correspondence of the nation.

I admit that it is a necessity that this business can be more economically managed by a single company than by many. It is one of the tendencies of the present day to monopolize all business. The sales in the retail store of Mr. Stewart average \$75,000 a day, and are larger in a week than were made in a year by any single firm in New York at the time he commenced business. Formerly there were half a dozen railroad corporations between New York and Buffalo, and as many more between Buffalo and Chicago. Now there are only two between, and these controlled by one man, Commodore Vanderbilt. Formerly separate telegraph companies were organized in every section of the country. Now, one company has gradually gathered into its net all other companies, until its ramifications extend all over the country, east, west, north, and south, until it performs nine-tenths of the telegraph business of the country; and as the business of the country extends from the extreme east to the west, we must have these monopolies. The question then is, how are they to be controlled? Shall they be managed by parties for their own interests, contrary to the interests of the people, or shall they be controlled and managed by the people for

their interests? The pending bill proceeds on the assumption that a telegram is like a letter, differing from it only in the means of transmission; and that, as the postal service has, from time to time, adopted new methods of transmitting correspondence—now the steamboat, and then the railroad—so it must adopt the telegraph as the latest and most improved method. This bill proposes a system in analogy with the present mail service. Two methods are now in operation for contracting for the transmission of the mails. Where there is a fixed permanent way, as in railroads, requiring a large investment in realty, Congress fixes the compensation, and the Postmaster General contracts at these rates. Where there is no fixed investment, but the mere use of the roadway by coaches and horses, he contracts with the lowest bidder. More than one-half of the mileage and three-fourths in bulk of the mails are transported by contract at rates fixed by Congress. The lines of telegraph are fixed and permanent, belonging to the realty. In carrying out the policy adopted in such cases the seventh section authorizes the Postmaster General to contract with the Postal Telegraph Company for the transmission of telegrams for a term of ten years.

Over three-fourths of all the employes will be hired and paid by the telegraph company. A large proportion of the remainder will be clerks who are now employed by the Post-Office Department, requiring but a few additional employes beyond those now engaged in the Department. It has been said that the Department would incur a large expense for office-room for the company. In Boston, New York, Chicago, Saint Louis, New Orleans, and in very many cities of a secondary importance, new post-offices are now being constructed. In Cincinnati, Philadelphia, and many others, new post-offices will soon be required. These buildings are very high, in order to give them the proper architectural effect; and as the upper part of those buildings will not be required for the mail service, they can be used for the operators of the telegraph company.

The bill provides that every post-office shall be a postal-telegraph office. It does not propose to supersede any of the existing telegraph offices, but to add a large number to the existing offices. The present system is substantially a railroad system, as was so forcibly explained in the able speech of Mr. Palmer in the House.

The English system was substantially a railroad system; but on the transfer to the post-office, it was found that although the number of offices are about equally divided between the railroads and the postal-telegraph offices, yet only 10 per cent. of the telegrams are sent through the old offices—so much greater is the convenience of the post-offices.

It is stated in opposition to the plan that it creates a company merely to supersede an existing monopoly, and the question is asked, Why should a new corporation be created? If the new corporation possesses the same powers as the present one, there is no reason why it should be created. Unless the new corporation is a creature of the law, and its interests subordinate to the interests of the people, this bill should not be passed. The Western Union Telegraph Company is incorporated by the State of New York. Its lines extend throughout the country into every State and Territory; yet the law of the State of New York, by which it is incorporated and governed, does not extend beyond the limits of the State. The powers of the company are subject to the same limitations and its lines extend into other States only through the comity

of such States. Therefore it cannot be under any general law. That company is a law unto itself.

Mr. CLARK inquired whether the Western Union Telegraph Company had not permission from the States to pass through them with its lines.

Mr. HUBBARD. Every State in the Union has enacted laws authorizing any telegraph company to erect lines within its boundaries, but there is nothing to prevent any State repealing such laws at any time. There is no possibility of a general system under State laws. Under the proposed system, the corporation will be a creature of Congress, subject to rules and regulations prescribed by the Postmaster General for the government of the company. By its provisions, telegraph lines are made post-roads. Every telegraphic message, according to the opinion of the Attorney General, is a commercial communication, and, as such, comes under the provisions of the Constitution which gives Congress the authority to regulate commerce between the States. Therefore, wherever the wires of this company extend, there the law will follow. The company will be a creature of the law, subject and subordinate to it. The Western Union Telegraph Company is one of the few public corporations not required to publish any reports. All railroad companies are obliged to publish their reports. I do not pretend that Congress or the legislature of any State has the right to inspect the concerns of private corporations. But a telegraph company is not and cannot be considered a private company. The present bill provides that regular accounts shall be forwarded by the company to the Postmaster General; that the Postmaster General shall be a director of the company, so that all its operations shall be known to the representatives of the people and to the people themselves.

The capital of the Western Union Telegraph Company is only limited to such an amount as it can float upon the market. The way in which the capital has been increased is shown in the report of the Senate Committee on Post-Offices. Gentlemen will find that there is no instance of so large a capital with so slight a substructure of cash. The largest percentage of stock dividend which that company has ever declared was 414 per cent., and the largest in amount eleven millions of dollars. Whether the gentlemen who now control this company will be likely to make further stock dividends their course in the management of the Hudson River and New York Central and the Lake Shore Railroads will show.

The present bill fixes the capital at the actual cost of lines that may be purchased or constructed, and there cannot be any stock dividends. The present company can raise or depress its rates as its interests dictate, whereas the present bill fixes the rates, both for ordinary and for press messages.

The object of the directors of the Western Union Telegraph Company is, primarily, to make money for its stockholders, then to subserve whatever other interests they may have, and, lastly, the interests of the public. I think that all the gentlemen of this committee will agree that in the mail and telegraph the public interests should be primary, and the interests of the stockholders secondary. Such, it is believed, will be the effect of the pending bill.

We have already referred to the question whether the business will pay at the greatly reduced rates. That subject was fully considered two years ago, and the only objection my friend Mr. Beck then made to the bill was the fear on his part that the rates were so low that the company might fail, the Government take possession of the telegraph, and that it would become a Government telegraph, and he thought

such a monopoly was more to be feared than the present. To obviate that objection the rates in this bill have been materially raised. The rates then proposed were 25 cents for every circuit of five hundred miles. Now they are 25 cents for a circuit of two hundred and fifty miles, 50 cents for a circuit of five hundred miles, and 25 cents for every added circuit of five hundred miles. These rates have been adopted for Government telegrams, after a very careful examination of the whole subject by Mr. Whiting, the assistant attorney general for all matters relating to telegraphs. In the last report of the Postmaster General it is stated that these rates are a reduction of 45 per cent. on the previous rates, and will yield a fair net profit.

The bill has been also changed in another respect and provides that the entire property of the company shall be subject to the performance of its contract. It will require some twenty or thirty millions of dollars for the purchase and construction of the necessary lines, and that amount of property must be exhausted before the Government can be called upon in any way. The bill also provides that, if the company should fail, the Postmaster General may take possession of the lines and lease them to any responsible party who will perform the service at the rates fixed by the bill.

Mr. SARGENT. What would be the rates to San Francisco under this bill?

Mr. HUBBARD. Two dollars for a day and a dollar for a night-message. The second section provides that the charges shall be uniform for equal distances at a rate not exceeding one cent a word for each circuit through which it shall be transmitted, to be computed as follows: "For distances under five hundred miles, two hundred and fifty miles shall be deemed a circuit; for greater distances, five hundred miles shall be deemed a circuit; for telegrams directed to be transmitted by night, one thousand miles shall be deemed a circuit; all words shall be counted, and no communication shall be transmitted at a rate less than 25 cents a circuit."

Mr. SARGENT. This makes a message of twenty-five words an ordinary message?

Mr. HUBBARD. Yes; counting the address and signature. The ordinary message now is ten free words. The average length of the address and signature is seven words, which will therefore allow, under this system, eighteen free words against ten, an increase of 80 per cent.

I have used the telegraph freely in Europe, where they pay for all the words, and all superfluous words are omitted from the address and signature. The signature frequently contains nothing but the last name.

Mr. SARGENT remarked that he had received a cable dispatch the other day without any signature, knowing by the contents from whom it came.

Mr. HUBBARD. Those who correspond by the cable often omit everything but the address.

The committee know that another plan for the union of the postal and telegraph service has been proposed by the Postmaster General, that of a Government telegraph. That proposition is opposed by Mr. Beck and others on the ground of the great expense which it would occasion to the Government, as the lines cannot be purchased for less than their market value, between thirty and forty millions of dollars, and on account of the great power conferred upon the Executive. The committee will observe that in the plan proposed by this bill there is no additional power conferred upon the Executive, and that the power possessed by the present telegraph companies is divided between the post-office and

the company, so that, without a combination between those two interests, there can be no great political or any malign influence exerted through the telegraph.

It was said that it would increase the patronage of the Government. That objection also is obviated by the present plan, which will probably require an addition not exceeding one per cent. to the post-office employés.

The present bill provides that the Post-Office Department shall furnish the stamped paper on which the telegram is written, the office-room for the operators, and the batteries; that it shall deliver the telegram to the operator at one end of the line, and that the receiving operator shall write it out and deliver it to the postmaster, who is to furnish the envelope, inclose, direct, and deliver it.

The CHAIRMAN. Does this bill contemplate a surrender of sufficient space in the post-offices to the telegraph company, so that the company can control it for all purposes or only for postal purposes?

Mr. HUBBARD. Only for postal purposes.

The CHAIRMAN. Do you suppose that the company will have offices besides those which the Post-Office Department will furnish?

Mr. HUBBARD. They can have offices if they please. The expectation, of course, is that the present post-offices will accommodate the public sending telegrams, as they now do those sending letters.

Mr. NIBLACK. If I understand you, your proposition is that the telegraph companies are simply to furnish the Government with facilities for transmitting telegrams and to transmit them under contract, just as railroads now furnish transportation for the mails.

Mr. HUBBARD. Yes, sir.

Mr. CLARK. There are now three or four telegraph offices in Washington. Do you mean to say that there shall be but one office here, and that that shall be at the post-office?

Mr. HUBBARD. The bill provides that the Government shall furnish, wherever it is for the public interest, postal-telegraph offices. It also provides that the company may have offices at other places at its own expense. It is not contemplated to decrease the offices in any place.

Mr. HALE. In the same towns and cities where there is a postal telegraph?

Mr. HUBBARD. Yes, sir.

The CHAIRMAN. How will that work where there is an office outside of the post-office? How are you to distinguish between those messages that are controlled by the Post-Office Department and those that are not?

Mr. HUBBARD. All the telegrams sent over the wires of the company are to be prepaid by telegraph stamps.

The CHAIRMAN. So that even those offices which are not post-offices must use the stamp?

Mr. HUBBARD. Yes, sir.

Mr. HALE. Let me state what seems to me a practical difficulty. In my district, a country district, there are thirteen post-offices, where the amount of receipts would be above \$500, as fixed in your bill. I think that there are not more than one or two of those offices in which there is more than one room used as a post-office. That is customary in these small places. Now, the bill provides that the Postmaster General shall furnish suitable and convenient accommodations at every postal-telegraph office for the office employés, the instruments, and the battery of the company required for its business. Now, shall the operator of the telegraph company be put into the post-office, (where at present

there is nobody but Government employés, appointed by the Government and responsible to the Government,) and do his work there as an employé of the company, or shall the Post-Office Department furnish a room outside? Has that difficulty occurred to you; and, if so, how do you answer it?

Mr. HUBBARD. The bill provides that every postmaster may act as a telegraph operator. Practically speaking, in the case to which you refer, there will be a little machine in one corner occupying but two or three feet of space, and the postmaster himself, or, more commonly, one of his sons or daughters will act as operator.

Mr. CLARK. Section 13 provides that the company may, at its own expense, establish and maintain offices independent of those established by the Postmaster General for the reception, transmission, and delivery of telegrams prepaid by stamps, and that any postmaster may act as operator under an arrangement by the telegraph company with the Postmaster General.

Mr. HALE. That is the point. This bill provides that the Postmaster General shall furnish accommodations for the telegraph office, its employés, instruments, and batteries. Now, supposing that the company sees fit to send an employé of its own to a given office and will make no arrangement with the Postmaster General, what is to be done in that case? The bill provides that the Government shall furnish room in its offices for the telegraph employés.

Mr. DICKEY. I suppose the Postmaster General is not bound to furnish room unless the company makes an arrangement.

Mr. CLARK. The bill provides that "in case any question should arise between the company and the Postmaster General, it shall be referred to the decision of three arbitrators, to be appointed by the Attorney General of the United States on application of either of said parties, and their decision shall be final and binding."

Mr. HUBBARD. I do not suppose that the Postmaster General will be bound in that case to establish a postal-telegraph office at that place.

Mr. CLARK. Suppose the Postmaster General should not supply you with an office, and should not allow any of his clerks or postmasters to act as operators, and that the company itself employ them; if, by reason of this, their receipts are such that the company does not receive 10 per cent. dividend, then you have a right to raise your rates so that you will be able to pay that dividend?

Mr. HUBBARD. Unfortunately there is no provision in the bill for that.

Mr. CLARK. There is a provision that you may raise the rate so as to pay the dividend.

Mr. HUBBARD. No, sir; excuse me, there is a provision of this kind: that if the rates be reduced so low that they will not pay 10 per cent., then the rates can be raised to the amount from which they were reduced. They can be put back again, but not above the rates fixed in the bill.

Mr. CLARK. If that is so, I should like to know who would take the stock in the company.

Mr. DICKEY. That is a practical question.

Mr. CLARK. If you are not to receive over 10 per cent., with all the hazards of the whole property being forfeited to the Government, the stock will not be very desirable.

Mr. SARGENT. It seems as if these telegraph people were driving a very hard bargain against themselves. The question is whether it is a good bargain for the Government.

Mr. CLARK. I want to know whether we are getting up something that will probably succeed or not.

Mr. HUBBARD. That is a legitimate question—whether the rates fixed in this bill will pay. I think the memorial of the Western Union Telegraph Company will answer that point. It says: "Upon what principle and for what reason the particular persons named in this bill are proposed to be made the recipients of a franchise never granted by Congress before, and of immense pecuniary value?" We have, therefore, the opinion of Messrs. William Orton, Horace F. Clark, E. D. Morgan, Moses Taylor, Alonzo B. Cornell, and Augustus Schell, that this franchise is of great value, and those gentlemen are competent judges. I think that if Mr. Orton was here he would not say the Postal Telegraph Company would not make money. Mr. Whiting, from his examination, is of the opinion, already given by him, that those rates will yield a profit of 30 per cent. on the business.

Mr. CLARK. I am of opinion that the rates can be made to pay, but I also am of opinion that, with a limitation of dividend to 10 per cent., people will not be willing to invest in the stock. Take the Western Union Telegraph Company: its capital is now forty millions, but the real value of the property is not more than ten millions. It is its business that makes it so valuable, just as the good-will of a newspaper establishment.

The CHAIRMAN. I want to ask you whether there is any provision in this bill that Congress may hereafter diminish the rates.

Mr. HUBBARD. The bill is made subject to any modifications that Congress may make.

The CHAIRMAN. It is not at all unreasonable to suppose that in the wonderful progress of inventions and discoveries, like that which you have mentioned—the double transmitter—some invention may be developed in the course of a few years which will reduce very greatly the present cost of telegraphing.

Mr. DICKEY. The tenth section provides that Congress may at any time alter and amend this act.

The CHAIRMAN. Yes; that meets the question.

Mr. HUBBARD. I can say to Mr. Clark that men of means in the country are ready to embark in this enterprise at those rates.

Mr. CLARK. Then that is all right.

Mr. HUBBARD. The dividends are limited, but the parties believed that with a fixed 10 per cent. dividend it will be a good paying stock; and in New England that every railroad that pays a regular dividend of 10 per cent. is 40 or 50 per cent. above par.

We will compare the office-work required of a post-office on telegrams with that on letters. The Department furnishes the stamps, delivers the letters to the railroad or other carriers, receives and delivers them two-thirds by special carriers and one-third by the general delivery. There is more office work done for telegrams than for letters. The office expenses on each letter are $1\frac{1}{2}$ cents. The Department is to receive on every telegram 5 cents, which is $3\frac{1}{2}$ cents for the extra service performed, and which, it is believed, will be an ample compensation. It is already in contemplation to have an hourly delivery of letters within the business portions of the large cities. Telegrams then will be sent to the post-office, and delivered by carriers every hour. Any one acquainted with the present telegraph system and with the delays and vexations caused by the messenger boys, will understand that it will be much more prompt than the present delivery.

What will be the future of the telegraph? I have stated the increase of business at New York City since 1868, from 8,400 to 16,500 messages

a day. That, gentlemen, is but a mere beginning. The great difficulty under the present system is that where the telegraph is most needed there it is the least used. The rates between remote places are so high as to be prohibitory. Under the present bill California will be brought as near New York as Chicago now is. The rates to Chicago are \$1, and will then be the same to San Francisco by night. When telegrams can be sent for 25 cents by night between places one thousand miles apart, the business will receive such an impulse as has never been seen. The mail delivery, which, under the reduced rates of postage, increased from 45,000,000 letters a year to about 600,000,000,000, is an indication of the great increase when the postal telegraph is brought within the reach of all.

The invention of the double transmitter has been already referred to. There is a line between here and New York known as the automatic telegraph, by which messages are transmitted, it is stated, at the rate of six hundred words a minute.

Mr. CLARK. I have seen that machine at work.

Mr. WHITING. Do you refer to the stock machine?

Mr. HUBBARD. No; the automatic instrument. General Dodge has told me that it has transmitted messages for him at the rate of six hundred words a minute. The great difficulty with it is receiving the messages. There seems to be no limit to the speed with which it can be worked. Although this invention is not perfected here, others on somewhat similar principles are perfected in England; and there I have seen messages sent at the rate of one hundred and fifty to two hundred and fifty words a minute. I believe the time will speedily come when every merchant will have in his counting-room a machine for punching messages, worked with keys as you play upon a piano; that he will punch his messages, send them to the telegraph office, and have them transmitted by the automatic machine. If Mr. Orton were here he would say that that is another of our theories; but it is no more improbable than the double transmitter seemed four years ago.

The question then is, Shall the telegraph, which promises boundless prospects for the good of the nation, be controlled and managed by one man, or shall it be controlled and managed by the people and for their benefit?

Mr. CLARK. It is claimed on the part of the Western Union Telegraph Company that they have the exclusive right of all the patents and instruments that are now in use.

Mr. HUBBARD. There are few patents of great value, except this double transmitter, and there are two or three patents for that.

Mr. CLARK. How is it in regard to Page's patent?

Mr. HUBBARD. That was granted by Congress three years ago. That patent was offered to me. I examined it carefully and satisfied myself, greatly to my regret, that it could not be sustained, and therefore I declined to purchase. Since then the Western Union Telegraph Company has purchased it. Mr. Page could not obtain a patent from the Patent Office, as he was one of the examiners, but just before his death, and after he left the Patent Office, he applied for a patent and Congress granted it.

Mr. CLARK. And that he has transferred to the Western Union Telegraph Company.

Mr. HUBBARD. Yes; It was offered to me for a sum which I would gladly have given if I had not believed that it was of no value.

The further hearing was adjourned till 10 o'clock April 23d.

Argument of R. B. Lines before the Committee on Appropriations, United States House of Representatives, Tuesday, April 23, 1872.

Mr. LINES, said :

Mr. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE: The gentlemen who have preceded me in the discussion of this subject, before this committee and elsewhere, have presented so fully the views which they respectively hold that, were they the only parties to the issue, and theirs the only interests involved, I should certainly not feel warranted in trespassing on your indulgence.

The friends of the present system of telegraphs can find no more eloquent advocate than Mr. Orton, and the great consideration which Mr. Hubbard's plan has received, both here and in the Senate is sufficient evidence of his ability.

There are two points of views, however, from which the question has yet to be considered—first, as affecting the interests of the Government and of the people at large, (which interests, although rather prominently brought forward on both sides of the discussion so far, are yet of necessity a secondary consideration to the corporations now transacting, or which it is proposed to create for the purpose of transacting, the telegraph business;) and, secondly, as affecting the interests of a large class whose future numbers, compensation, and relations to the community will be, to a great extent, determined by the action which you may take here—I mean the telegraphers of the country.

I have no especial authority to speak for either of these interests, but some study of the subject from each of the stand-points to which I have alluded, both as a citizen desirous of the welfare of my country, and as a telegrapher anxious for the prosperity of a class with which I have long been connected, has led me to the conviction that the absolute ownership and control of the telegraphs by the Government is the only true and wise, and that it must be the ultimate, solution of this question; and it is to this view, which I understand to be the view presented in that portion of the President's message which you are considering, and which I know to be favored by the majority of disinterested and intelligent telegraphers throughout the country, that I desire to call your attention.

I leave to others the discussion of the abstract question as to how far the control of the means of transmitting correspondence between different sections of the country forms part of the proper functions of Government, though this is the only country where that question remains an open one.

Whether and how far interests acknowledged to be public can be safely delegated to private combinations—how much longer we are to intrust rights and privileges which belong to the whole people to these vast corporations, which, though in theory intermediary between the people and the Government, are yet practically oftentimes beyond and behind governments, less accessible and easy of control by the people, public in their nature when asking the public aid, and standing upon their private rights when it is attempted to regulate their management by law—this question, I say, although a living and a vital one, need not be discussed here.

Whatever general views may be held on that subject, it is impossible, it seems to me, to deny that the post-office and the telegraph have but

one object, and that their management should, in all reason, be in one and the same hands. You cannot, with safety, discriminate between the two methods of transmitting correspondence, and say that *that* shall remain in the hands of the Government, whose prime object is the welfare of the people, and *this* be delegated to a private corporation whose first and principal aim—naturally and inevitably—is its own aggrandizement.

Not only in theory, but in practice also is this true. United in public or in private hands, these two means will work together and harmoniously toward the same end, whatever that end may be. Separated, they are competitive and antagonistic. The telegraph in private charge is the rival of the post-office, and such a rival as will, at no distant period, utterly defeat the wise provision of the Constitution which gave the Government complete control over the interchange of public correspondence.

I am told that as yet the serious effects of this rivalry have not been felt at the Post-Office Department, and I suppose that the entire telegraphic business of the country last year, if sent by mail and paid for at letter rates, would probably not have brought in a revenue of over three-quarters of a million.

But, Mr. Chairman, we are often reminded, and I know that you all appreciate the truth of the remark, that the art of telegraphy is still in its infancy. It is not yet thirty years since the first forty miles of wire were erected, and now we have 130,000 miles, representing millions of capital, and sending from fifteen to twenty millions of messages per year, with a steady annual increase.

We have scarcely ceased to lament the death of the illustrious Morse, to whose utilization of one only of the properties of the electric current these great results are due; but the time is not far distant when the achievements of Morse will be looked upon as are now those of Volta and Galvani, and the host of scientific men who have succeeded them—merely as steps toward a greater and more perfect result. The name of Morse will never be lost to the world, but his invention will soon be superseded by other and improved systems. The practical knowledge of the men who operated his instrument has long since rendered almost useless his only distinctive claim to originality in the recording or *graphic* portion, and the sounder has taken the place of the register at all important offices.

The electro-magnet itself has been put to uses in connection with the telegraph of which Morse never dreamed, and the galvanometer and chemical systems have accomplished results of which the magnetic is incapable.

There now needs but the simplification and cheapening of the autographic system of Caselli, now in use between Paris and Brussels, which scientific talent at work in this country and in Europe must inevitably and soon accomplish, and not only will the present telegraph be thrown aside almost entirely, but the whole system of communication at a distance will be revolutionized and transmission by mail in time altogether superseded.

When you can send a message direct from Washington to Chicago without repetition or the intervention of repeaters at intermediate offices, (as any electro-chemical telegraph will admit of your doing,) you have accomplished a great object not practically attainable by the Morse system under present conditions. But when that message, no matter what its length, is transmitted instantaneously, and a *fac-simile* of your own handwriting delivered at the other end, you have reached almost

the perfection of the art. Your dispatch answers every possible purpose of a letter, with the greatest possible advantage over a letter in point of rapidity of transmission. It is a draft, a promissory note, a money-order, a contract, a receipt; in short, all the business and official correspondence of the country to which time is of importance, but which requires the signature of the sending party to make it valid, will be transacted by telegraph.

When that time comes, and come it must within the next thirty years, even under the unprogressive management of the companies, the Post-Office will either become a mere competitor with the express companies in the carriage of books, papers, and other packages of bulk, or it will die a natural death, and leave the control of our correspondence altogether in the hands of private monopolies.

It is perhaps a wild prediction, but I venture it, that in less than fifty years, if the telegraph is not absorbed by the Post-Office, the Post-Office will have been absorbed by the telegraph.

To my mind, with the conceptions I have of what the telegraph is to be, and the extensive and intimate relations it is destined to bear to every department of commercial and social life, reasons of future policy alone seem sufficient to induce the assumption of its control by the Government.

There are, however, other and more immediate and pressing reasons why such action should be taken in the public interest.

The press demands a reduction of tariff for its news reports, and relief from the combined monopoly of the telegraph and the Associated Press; the interests of the Government demand the entire control of the wires for the proper transmission of the weather-reports and other public business; and the interests of the people demand the extension of facilities, impartiality in the transmission of dispatches, and the reduction of tariffs to the minimum consistent with profitable working. None of these are attainable to the fullest extent except through a purely Government system.

With regard to the first point, there is a popular error—shared to some extent by the newspapers themselves—that press dispatches are sent, if not at a loss to the companies, on much more favorable terms than private messages.

As far as the individual newspapers are concerned, they undoubtedly have the advantage of much lower rates than the general public are compelled to pay. But the question of whether a tariff is profitable to the companies or not depends upon the amount of business done under it, or in this case upon the number of words sent daily to the newspapers, and also upon the number of papers taking the same dispatches; and when you consider the aggregate amount of work performed by the companies, (one transmission over a combination of circuits frequently serving from five to fifteen newspapers,) and the aggregate compensation per word which they receive for it, you will find that there is little if any sacrifice on their part to the public intelligence.

On this point I beg leave to refer to the report of General C. C. Washburn, of the last House, (page 46, House report —, 41st Congress, 2d session,) which is a document from which I shall have frequent occasion to quote, and which contains, though with a somewhat different arrangement, many of the arguments which I shall endeavor to present to you. I have seen no attempt at refutation of any of those arguments by the companies. I think I may assume, therefore, that the facts on which they are based are admitted.

To illustrate the oppressive policy of the Associated Press and telegraph monopolies, I have only to refer to their course toward the New York and San Francisco Heralds, and to their contract with the Western Associated Press, the details of which are, I believe, familiar to most of you, (page 104, Washburn's report.)

Mr. ORTON has commented with some severity on the Government censorship of the French lines. Admitting that to exist, although it is indignantly denied by the director general, (page 28, Washburn's report,) there is some excuse for it in the political condition of that country, but for this absolute despotism of the telegraph over the press in this country there is none whatever. It is the selfishness of a great corporation wielding its power to control, for its own ends, what should be the free agent of public opinion.

That such an evil as this can be remedied by legal restrictions upon the present companies, I do not believe, nor would it be by those proposed by Mr. Hubbard's bill to be placed upon his company. Certainly, the rates for press dispatches there laid down afford ample margin for favoritism, and are no lower than the present ones, (section 5, Hubbard's bill.)

Mr. GARFIELD. No lower than the present rates?

Mr. LINES. No lower than the present rates as to the greater part of the dispatches.

Mr. HUBBARD. I think you are mistaken. If you look at the bill you will see that our rates are 75 cents for every hundred words by night and \$1 by day.

Mr. LINES. Very true; that is, for each circuit of two hundred and fifty miles, and for special dispatches. A little further down you say, (line 14,) "The rates for press associations shall not exceed those now paid by the Associated or American Press for similar service." I think you will admit that those dispatches comprise nine-tenths of the news received by the press.

Mr. HUBBARD. I should not like to admit that they comprise one-half.

Mr. LINES. Their proportion to the aggregate number of words delivered, for which you receive pay, is about nine tenths. There is no reduction for that service.

I have said that the Government needs, at times, the entire control of the wires for its own business. With the discussion of the signal-service question so fresh in your memories, it will not be necessary for me to enlarge upon this branch of the subject.

It was shown on the one hand that the officers to whom the making up of these reports is intrusted must have the absolute use of the circuits until they are all received. On the other hand, it was shown, and very clearly to my mind, that the surrendering of the same circuits, day after day, and at certain fixed hours of the day, to officers of the Government who cannot be familiar with the hourly changing necessities of the ordinary business of the companies, must often be productive of very great inconvenience and delay. The last wire between important points will sometimes be taken, and the plans of the companies' chief operators for the arrangement of their circuits seriously interfered with.

If the companies could do the business in their own way, which, of course, they cannot, or if the Government had the entire management of the lines, these difficulties could be avoided; but under the joint authority of the Government and any telegraph company whatever, no matter how well disposed it may be, they are inevitable.

Again, in times of war or of rebellion, the possession of the telegraph would be of inestimable value; in fact, it would be a necessity to the Government, and yet, as the case stands at present, congressional action would have to be procured, and much precious time would be lost before the proper measures for the transfer could be effected; while with a Government system the necessary precautions could be taken at once.

Clearly, the interests of the Government, if they can, for the sake of argument, be for a moment dissociated from those of the people, demand the adoption of a purely governmental system.

The first point to which I have alluded as being comprised in the wants of the people at large is their demand for greater telegraphic facilities, and by this I mean not only the increase of facilities between offices already established, (which could, perhaps, be doubled without the erection of another wire, by re-insulation and consolidation of the present lines under one management,) but also the extension of the wires to all parts of the country, making the telegraph eventually co-extensive with the post-office.

Neither of these results can, in my opinion, be attained for many years, whether the present system be retained or one similar to that proposed by Mr. Hubbard adopted.

As long as the present state of things continues, the opposition companies, hoping to come in under Mr. Hubbard's bill, (and I must say that it is a very high proof of that gentleman's energy and talent that he has succeeded in inspiring and so long sustaining such a hope,) will not sell their lines to the Western Union Company at the ruinous prices which the latter are in the habit of paying for unproductive property, (see Washburn's report, p. 123,) but will go on doing their own business at a loss, and, according to Mr. Orton, "dividing the receipts, and more than doubling the expenses" of the whole telegraph service.

On the other hand, supposing Mr. Hubbard's bill to pass—if we are to judge from the utterances of the president of the Western Union Company—the new combination, notwithstanding its connection with the Government, will have, for a long time, certainly, (if it lives a long time,) to fight the Western Union Company with its more extended lines, greater capital, and the prestige of an established business.

The immense gain, therefore, in facility and economy of administration which would result from the consolidation of existing lines, is not a near prospect, except through the adoption of a Government monopoly.

In the second place, with respect to the extension of lines to points not yet reached, I think I may safely assume that the present companies will, as heretofore, establish no non-paying offices, except for testing or repeating purposes; for, while the ultimate benefit from the building up of a business is readily apparent, stockholders cannot afford to wait for their dividends long enough to enable the companies to make such extensions as the interests of the people really require.

Again, let the plan of Mr. Hubbard's bill be adopted, and the only promise we have from him is that "as soon as practicable" (which is a phrase susceptible of somewhat liberal construction) the system of telegraphs shall be extended to all places within ten miles of a telegraph circuit when the receipts of the post-office are over \$500 per annum. (Hubbard's bill, line 7.) To show how much of an extension this would be, I beg leave to call attention to some figures derived from official sources. There are now some 32,000 post-offices in the United States, at 5,607 of which there are telegraph offices. At 556 of these the receipts are over \$3,000;

at 772 the receipts are more than \$1,000 and less than \$3,000; at 810 they are between \$500 and \$1,000; and at 3,469 they are less than \$500. At only 825 offices, where the receipts are over \$500, are there no telegraph offices, and probably one-half of these are more than ten miles from any existing telegraph circuit. This is certainly an insignificant number compared with the 3,441 telegraph offices at points where there are no post-offices, and for which Mr. Hubbard's bill makes no provision.

In regard to impartiality in the transmission of dispatches I need only refer you to the allusions to that subject in Mr. Washburn's report, (p. 10.)

The establishment of the Commercial News Bureau and the priority given to its messages over the lines of the Western Union Company are, in the first place, a violation of the general law under which that company was organized, which says, (Laws of New York, 1848, chapter 265:) the said telegraph companies "shall transmit messages with impartiality and good faith, under penalty of \$500;" and it shall also be their duty "to transmit all dispatches in the order in which they are received, under a like penalty of \$500."

This bureau is next a usurpation of the functions of the press, and an overstepping of the legitimate province of the company as a common carrier only of news.

Lastly, it is a gross infringement on the rights, first, of merchants whose private dispatches as to the state of the markets, although through the energy of their correspondents filed in the sending office earlier than those of the commercial news department, are yet postponed to the latter; secondly, opposition bureaus, such as Davis's, whose dispatches were sent in a roundabout way to delay them; and, thirdly, the senders of messages not pertaining to the markets, who have as good a right to their turn as any others.

That is the present system. Under Mr. Hubbard's bill, Mr. Orton has shown that the clause providing for registered messages to have priority would be seized upon at once by the mercantile community, to whom the reduction of tariff would offer very little inducement to use the telegraph more than they do now, and the prime object of the reduction, viz, the popularization of the telegraph and its use as a means of social intercourse, would be defeated.

It has somewhere been stated that the percentage of telegrams of a social nature to the whole number of dispatches is from five to ten times as great in European countries as here. The last Swiss report, I believe, places the proportion in that country at over sixty per cent., while in the United States it is estimated to be less than ten. With the proper facilities in this country for social business, these proportions ought to be reversed; for certainly no people in the world have such widely extended internal intercourse, under unfavorable circumstances as to slowness of mail communication.

While it makes but little difference to a merchant, whose transactions involve hundreds of thousands of dollars, whether his message costs fifty cents or a dollar, to the poor man, or to the man whose convenience only is in question, it is of great importance, and in a thousand cases, when speed of communication is desirable, the consideration of cost steps in and finally decides him to use the mail.

Our largest increase of business under a *bona-fide* reduction of tariff would undoubtedly be of a social character.

Now, it may be said that if the social message is of importance the sender will pay the registered price, and, if not, he will be willing to let

it wait until commercial business is over. To this I oppose the argument that the very knowledge that his message is to wait indefinitely, until the hooks are cleared of dispatches of a more favored class, because paid for at a double rate, which is higher than even the present rates (Washburn's report, p. 152,) would tend rather to prejudice the sender against the new system than to induce him to take advantage of the low tariff for social messages. The bill should therefore fairly be called "a bill to increase the rates of correspondence by telegraph."

The third, and perhaps the most important, pressing public want in connection with the telegraph is a cheap and, as far as may be, a uniform tariff. On this point I do not propose to go into a lengthy comparison of American with European rates, or to lead you through the mazes of European statistics, of which there are no reliable American counterparts. So far as they can be shown, the relative extent and cheapness of telegraphic facilities in this country and in Europe are shown in the report of General Washburn's committee and the official tables presented by Mr. Hubbard. The latest statistics for which I have sent abroad have not yet been received.

I assume, however, that there are circumstances in the enterprising character of our people, in the freer spirit of our internal commercial relations, the uniformity of our language, and the less frequency and celerity of our mail communications, that lead to a much greater use of the telegraph, and would permit of a lower comparative tariff here than the average rate—internal, international, and transit—throughout a section in Europe of equivalent area to the United States.

The following table will serve to illustrate this point:

The area of the United States is a little over three millions of square miles, which is equal to that of all the countries of Europe, less Turkey and one-third of Russia. The number of dispatches sent in that area during the year 1868 was 27,549,434; the receipts, \$12,837,082; average receipt per message, about 47 cents. Of course the rates have been largely reduced since 1868, especially in England, where the telegraph is more freely used than in any other country.

Now, according to the best authorities, the average price of living in those countries, which affords the broadest basis for calculation, is about three-fourths of that in the United States.

It must be remembered, however, that the cost of building lines in Europe is comparatively greater, on account of their superior quality; and, if Mr. Orton's figures are correct, (Washburn's report, pages 129, note †, and 137, note *) the cost of operating them is also greater; and these considerations, added to those above mentioned, would certainly authorize an average tariff, under Government management, of 50 cents in this country.

Or, take another view, and without any reliable statistics from the American companies as to their average tariff, we can yet see how and to what extent that tariff can be reduced below the lowest point which can be reached by private companies.

Take the Western Union figures given you some days ago by Mr. Orton—gross receipts for 1871, \$7,923,566.02; gross expenses, \$5,327,402.37.

It is admitted that by the consolidation of all the lines under one management, the total expenses of the opposition offices, which furnish no greater facilities than the Western Union, could be saved, and their entire receipts (\$1,000,000, according to Mr. Hubbard) placed to the profit account of the latter company. (Washburn's report, pp. 93 and 149.) The receipts of the consolidated system would then stand at

\$8,923,566.02, and the expenses as now, or say, in round numbers, receipts, \$9,000,000; expenses, \$5,400,000.

Now, when this consolidation is accomplished, a great saving still remains to be effected by uniting the greater number of these offices with the post-offices. To determine exactly to what offices this further consolidation could be applied would require a careful consideration of the number of wires passing through each, and their relative importance on the circuits, which I have not had time to go into. I am not so sanguine as Mr. Hubbard as to the saving in large cities, and I think that by the time the new post-office in New York is ready for occupancy it will not be found too large for the postal service, and the Government will need the Astor House for telegraph headquarters.

However, it will be very far within bounds to say that arrangements can be made at all post-offices where the receipts are less than \$3,000, for the accommodation, without extra expense, of the telegraph. I need instance only such towns as Ravenna, Ohio; Los Angeles, California; Muscatine, Iowa; Geneva, New York; Lancaster, Pennsylvania; Warsaw, Indiana; Ellsworth, Maine; and Frederick, Maryland, the receipts of the majority of which are over \$3,000. This class of post-offices, where the receipts are less than \$3,000, and at which there are now telegraph offices, numbers some 5,151. The rent of the telegraph offices, at the very low average of \$100 per year, (Washburn's report, p. 153,) would reach say \$500,000, which, deducted from the working expenses, would leave \$4,900,000. I make no account of the number of larger offices, wherein accommodations could be provided for the telegraph at a very slight cost, preferring to deal only with those where I believe the rent of offices could be entirely saved.

Again, by combining the duties of postmaster and telegraph operator at all points where the postal receipts are less than \$1,000 per annum, (numbering 4,279,) one-third, at least, of the average salary of the operator can be saved. Supposing that salary to be \$450 per annum, which is about the lowest paid by the companies, the reduction expense would be \$650,000, leaving the working expenses \$4,250,000.

By this course, as you will readily see, the operator would get a better salary, hence you would have a better operator; the postmaster would receive more pay, and you would get a better postmaster; and yet by combining the duties in one and the same person, the Government would save money over the present rates on both accounts. I do not mention the saving in the larger offices from the operation of the telegraph by the clerks of the postal department, where the postmaster himself is unable to attend to it. Nor have I taken into account any saving from the non-employment of book-keepers, &c., with whom Mr. Hubbard proposes to dispense, although his bill provides for a system of reports from the head of the Bureau, for which the *data* must come from the books of the separate offices.

By taking pay for \$500,000 worth of dead-head messages, now sent under private frank, the receipts would be increased to \$9,500,000.

Now, there is a legitimate profit of \$5,250,000 at the present rates of tariff. To what should it be applied? First, to the payment of interest on the purchase-money; next, to the extension of facilities; and next, to a reduction of tariff.

I must now assume, what I hope to be able to establish, that the Government can procure the lines of the companies by the simple enforcement of an existing contract, and reconstruct them thoroughly at a cost of not more than \$12,000,000. Five per cent. on this cost would be \$600,000.

Letting the increase of business on the present routes take care of the increase of facilities on the present routes, and we shall have to provide for the extension of the lines to new offices only. Five per cent. additional on the cost will allow us to build five thousand miles of line annually on new poles. I have some statistics in course of preparation, tending to show how long it will take, by a judicious arrangement, to reach all the post-offices in the country, but the complicated nature of the calculations prevents my producing them here. I shall ask the privilege of filing them with the committee hereafter. However, this increase is considerably greater than the annual average of the companies.

Adding these amounts together and deducting the sum (\$1,200,000) from the net profits as above, we have (for the first year after the reconstruction) \$4,050,000, or 45 per cent. of the total receipts to be applied to a reduction of tariff.

The lowest average rate claimed by the Western Union Company is about 50 cents; the highest with which Mr. Hubbard charges them is, I believe, 64 cents. (Washburn's report, p. 145.) Taking the latter amount and reducing it 45 per cent., the average rate for a Government system would be 35 cents.

Now, this is evidently too high a tariff to be made uniform, and the question as to how the different rates should be proportioned is one that I think must be left open for a while. It certainly should not be hastily decided by legislation without a careful study of the check reports and other statistics of the present companies as to the established course of business. In fact, no reduction at all should be made until the lines have been in the possession of the Government for at least a year, and all the conditions to which I have alluded as authorizing the reduction are fully attained. The wires of the companies are in no better condition to-day than they were when examined by Mr. Varley, to whom reference is made in Mr. Washburn's report, (pp. 42 and 154.)

Mr. PRESCOTT. Where do you get that information?

Mr. LINES. From my own observation and from the telegraphers themselves. You have in some places, between here and New York, twenty-four wires on a pole, and in wet weather the cross-currents are such that you cannot work more than five. Any experienced operator will tell the committee that it would be madness to make a great and sudden reduction of the tariff at present.

What Mr. Hubbard's rates will be, when finally fixed, I do not know. I am glad to see, however, that he has taken counsel of the fears of Mr. Beck, and raised them within the last few days so that his wires would not be so much crowded. However, as long as registered messages held out, he could keep the others back—say for Sundays.

Mr. Chairman, there is no necessity for taking any other than a purely business view of this subject. The Government can do the business better and cheaper than any private company, and make a profit. I do not advocate the undertaking of anything by the Government which cannot be safely attempted by a well-organized and well-directed private monopoly, possessing the same facilities and desiring the same public end—although I should think the money well expended were every cent of the cost of operating the telegraph to be raised by a tax as general and direct as a tax for educational or for any other admitted public purpose.

Should the average rate of a Government telegram be fixed by law, it should be placed sufficiently high for the first year, and the discretion left with the Postmaster General to regulate the rates within certain

limits, according to the course of business as shown by the books of the companies.

In the time I have I cannot pretend to elaborate any scheme, or do more than make a few suggestions. Perfect justice would require a separate calculation for each separate message. The greatest convenience to the public would require a uniform tariff like that for letters. A compromise between the two might be effected by a form of tariff similar to that proposed by Mr. Hubbard, which I would base upon air-line distances, and give complete publicity to by posting up everywhere maps laid off in concentric circles, the center being the point from which the tariff is calculated.

Having given, not I hope at too great length, the principal reasons for Government assumption of the telegraph, and having, I trust, demonstrated that, with the good management we have every right to expect from the men of scientific and technical ability and experience who alone could by possibility be intrusted with the care of the system, these requirements would be met, and the system would be a success, I now propose, with your permission, to answer some of the objections urged against the project.

The most prominent are, the large amount of money which it is supposed will be required to make the purchase; the terrible addition to Government patronage which it would involve; and the inefficiency with which the service would be performed were the employés to receive their appointments from the Government instead of from the companies.

On these points I have noticed, wherever the question has been discussed, that the imagination usually gets control of those whose interests are affected, and the result is speculation of the vaguest and wildest kind; figures actually run crazy, and the number of millions of dollars and thousands of employés that will be added to the burdens of the country seems to depend altogether upon the exuberant fancy of the party making the estimate.

Now, of course, whether the Government pays five millions for the telegraph lines or fifty, the amount will not be appropriated from moneys in the Treasury. No loan that could be placed on the home market, through the national banks, for instance, would have greater popularity than a loan for the acquisition of the telegraphs, whether its amount be large or small.

I do not think there is any difficulty in computing the amount nearly enough to report a bill at this session, if it were expedient (which it certainly is not) to take such early action. But, if the committee are in doubt, I submit that there is a very simple way to settle the question of price, and that is to suggest to the Postmaster General that he appoint his appraisers under the act of 1866, which would not at all commit the Government, and inform the committee of the result of their appraisal. If the amount is considered too large to add to the debt of the country, adopt Mr. Hubbard's plan, or let the matter drop; if not, the companies are bound to sell at the price fixed by the appraisers. In fact, as the United States is the legal reversioner of this property, both under Mr. Hubbard's bill (section 13) and the present system, it is certainly important, before taking any action which may commit you to a particular valuation, in behalf even of a private corporation, to ascertain what the property is really worth.

There is one point raised by the Western Union Company, and sustained by Mr. Hubbard, as to the *basis* of appraisal, which contains the whole of the position of the companies on the question of a Government telegraph, and which must be settled before even preliminary action is

taken. If the Western Union Company is allowed, in this case also, to make a contract as a party, and then construe it as a judge, there is not much use in trying to control it. We had better give up, thankful if the companies do not compel us, under their construction of the act of 1866, to take their property *volens volens*, and at their own valuation.

To show the different views of the Western Union and the proposed new combination on this subject, I beg leave to read a few extracts from the report of the select committee. On page 115 we find the following:

MR. WASHBURN. The idea before this committee is, that the Government should buy existing lines; consequently it is a matter of some importance for the committee and for Congress to know how large an expenditure the Government would have to incur should it decide to carry out that project.

MR. ORTON. In that connection I will say that, while we have accepted the provisions of the law of 1866, and therefore are estopped from making any objection to the purchase of the lines by the Government, further than such criticisms as every citizen has a right to make, we do not propose to be a party to a sale of our lines upon a basis which estimates the value of our property simply by so many thousand poles and so many tons of wire. I do not admit that the cost of our lines or the value of our property is a proper subject of investigation by this committee. Whenever Congress decides to purchase, we are entitled to select half the jury which is to decide the question of value. When that time arrives we shall claim that all our facilities, contracts, and franchises, as well as our poles, wire, and apparatus, shall be treated as property, and valued with reference to their united capacity to earn money. The question of cost need not be raised at all. If you were going to buy us out on the basis of so many miles of poles and of wire, would you give no higher price for a line doing a large business, and making a heavy profit, than for another working at a loss, and bankrupting its owners?

Again, on page 119:

MR. WASHBURN. What do you mean by the "cash value" of your property?

MR. ORTON. I mean the value to be ascertained precisely on the basis we were discussing—not merely the cost of so many poles and so many miles of wire, but what this property is worth, in its present condition, as a means for conducting a business.

MR. WASHBURN. As a means for earning money?

MR. ORTON. Yes, sir; for making fair, legitimate, reasonable profits.

MR. WASHBURN. That is, if it earns you profits on \$50,000,000, and the Government will guarantee you 10 per cent. on \$50,000,000, you are satisfied on that principle?

MR. ORTON. Yes, sir; but why make your supposition so extravagant and impossible; why not come down to the domain of probabilities?

On page 138:

MR. WASHBURN. Would you be willing to take the value of your stock in the stock market as a basis?

MR. ORTON. I would not. The quotations of the stock market seldom give the true value of the property of any corporation. The present price of our stock in the market is about 33—the par value being 100. I hold a little, however, for which I paid, more than three years ago, 58. Since that time we have expended, in enlarging and improving our property, more than three millions of dollars in cash, taken from current earnings. Intrinsically, therefore, our property is worth three millions more when its stock is selling at 33 than when it sold at 58. It is probable that had we divided the three millions among our stockholders, the price of the stock would be much higher to-day than it is, although it would be actually worth considerably less. You will see by this illustration how unjust it would be to ask our stockholders, a majority of whom have paid very much more for their stock than it will now bring in the market, to abandon all expectation of ever getting their investment returned in full, as well as all hope of any future profit.

And on page 148 are Mr. Hubbard's views in full.

You will say, I think, that all that is indefinite enough, but it gives us a vague conception of the very large claims that may at some future time be made upon the Government, when the necessities of the people have driven it to the purchase of the telegraphs.

Mr. Orton says, in one place, that the cost of his lines has nothing to do with the price the Government should pay; in another, that he would not be willing to take the market value of his stock as a basis of sale, (though, since the stock has gone up from thirty-three to nearly seventy-

five cents on the dollar, he has, perhaps, changed his mind on that point;) and yet, again, he says that the Government shall go into the question of cost, and value the stock and franchises, as well as the poles and wires of his company, "with respect to their united capacity to earn money."

Now, if there were a competing company, with all the facilities of the Western Union, there would be no difficulty at all, for neither company would ever let the other earn more than 10 per cent. on its *bona-fide* capital, and the "productive value" of the property would be just equal to the capital invested. The excess now is due to the monopoly, for which it is proposed to charge the Government.

There is to be no compensation, however, for this excessive valuation of Western Union property. The opposition companies, though losing money, are not prepared to pay the Government for relieving them of their lines. On the contrary, Mr. Hubbard, while he agrees to the productive value of the Western Union Company's property, proposes, in reference to the *in* which have proved such a bad investment, another basis of appraisal: *equally* vague, but probably equally remunerative to the companies he represents.

Mr. HUBBARD. I do not represent those companies.

Mr. LINES. I beg your pardon if I have misstated your position.* I will modify my statement, and say that those companies are probably interested in your representations.

This mode, says Mr. Hubbard, with what authority, except as to one company, I am unable to discover, was the just and discriminating course pursued by the English government. As we are discussing the present or remote propriety of following the example of the English government in the acquisition of the lines, I desire, with the permission of the committee, to review briefly and compare the relations between the government and the telegraph in Great Britain and in this country.

The British government has always exercised the right of eminent domain over the telegraphs in acts incorporating and from time to time regulating the different companies which formerly existed. I have not yet received copies of the acts of incorporation, which are not published in the general statutes, but I think I may safely say that from the time the telegraph was first introduced in England, as a part of the railway system, there has not been a single subsidy granted except to a foreign cable company. Government priority and other control has always been exacted as a matter of right, and attached to every grant of incorporation.

The idea that a charter of incorporation is of itself of no value, without the addition of special privileges, has not prevailed over there. On the contrary, we find such acts as the 26 and 27 Victoria, chapter 112, imposing numerous and severe restrictions on the power of the companies as against private rights—regulations as to the immediate transmission of Government messages and the compulsory erection of such lines as the Government might deem necessary, and provisions for their assumption by the Crown in case of emergency; all this without corresponding concessions to the companies of any kind.

When the telegraph act of 1868 was passed, therefore, and the post-master general was authorized to take bodily possession "of the whole or such parts as he shall think fit of the undertaking of any telegraph company," it would not have been surprising if this principle of "consequential damages" had found a recognition.

The companies were under no obligation to the government except for their bare existence, and the seizure was as arbitrary in spirit, so

* See Washburn's report, page 92, extract near close of this argument.

far as previous consent of the companies was concerned, as could well be imagined.

In the final debate on the bill (see Hansard's Parliamentary Reports, vol. 193, p. 1598) great stress was laid on this point as influencing the course of the government in its avowedly liberal agreement.

The chancellor of the exchequer said:

As regarded what had been said about the extravagance of the price, he hoped the committee (of the whole) would bear in mind that the transaction was one in the nature of a compulsory purchase. * * * He had never asserted that the terms which the government had agreed to were not liberal; what he had asserted was that they were not too liberal. * * * As to the comparison that had been made between the price in this case, and that provided in the case of the railways, by the act of 1844, the committee would remember that under the provisions of that act the government were enabled, at the expiration of twenty-one years after the completion of a line of railway, to take it into their own hands. But this provision only applied to railways constructed after the passing of the act of 1844; and consequently the parties who made those lines did so knowing that they were liable to have that act put in operation against them. Those parties had, therefore, no right to complain; but there was no such act as that of 1844 applying to telegraphs.

Yet it does not appear that it was intended, even by the government, to pay the companies so extravagant a *bonus* as they did in the end receive—sufficient to send stocks up from 200 to 400 per cent. in the market.

The act itself provides for the payment, except, as I have said, in the case of the United Kingdom Company, of "twenty years' purchase of the net profits of the companies" during the fiscal year 1867-'68, and out of these sums, contrary to the course which Mr. Hubbard thinks our Government should pursue, the companies were required to pay their own debts.

Now, when we reflect that a reliable stock which pays 5 per cent. in England is a very good investment, ($4\frac{1}{2}$ per cent. being all that the government would guarantee to its favorite project, the Red Sea and India Cable Company,) and when we further consider how easily the companies could have misled the government as to the value of their property, it will not require a great stretch of imagination to suppose that gentlemen in Parliament really thought that by paying twenty years' purchase they were only giving 100 per cent. on the paid-up capital, with probably a slight advance for the compulsion. That, I say, is a possible supposition.

The telegraph companies in England had only a lease-hold interest in their lines, the freehold being in the railways; and the average duration of their leases being twenty-five years, the government claimed it was doing well to get the terms for twenty years' profits. Many members, however, did not take the same view.

It will be remembered that the companies at first violently opposed the measure, but became, as soon as they found what favorable terms they were likely to get, its strong supporters. Their stock took a sudden rise toward the close of the session, which attracted the suspicion that they were getting too much money. Allusions were made to the fact in the house.

Mr. Gladstone said, (Hansard, vol. 193, p. 1586:)

That at all events, at that time (before the companies knew of the proposed terms) the companies treated the proposed purchase as a disadvantage. The price of the Electric Telegraph Company's shares was then £153; on the 23d of June, just after the reference in committee, the shares had risen to £165. The rise might be taken to represent the normal, fair, and legitimate improvement in the value of the property connected with the approximate realization of the plans of the government. But what were they to say when, instead of a rise of £12 between the 2d of January and the 23d of June, they found a rise of £41 between the 23d of June and the 21st of July?

And would the reasoning of the honorable and learned gentleman account for that? He had set up an ingenious theory that there was something so delightfully scientific in the possession of telegraph property that it attracted to itself, quite irrespective of vulgar calculation, what was known as a *pretium affectionis*; but he was afraid that the change which had occurred during the last few weeks must be attributed to considerations of a different character. The Electric Telegraph Company's shares were £153 on the 2d of January, £165 on the 23d of June, and £206 on the 1st of July; and the Magnetic Company's shares were £115 on the 2d of January, £125 on the 23d of June, and £150 on the 21st of July. In the former case the increase was one-fourth, and in the latter it was one-fifth, between June and July. Comparing the case of the telegraphic companies with that of the landed proprietors, he could not see any reason for a deviation from the established practice of resorting to arbitration. In the case of railways, we could not do without the land required for them, but we could do without the property of these telegraph companies, and it was not necessity, but it was equity and policy which led us to think it necessary to acquire them. It was only a sense of equity that prevented the state competing with the companies, as it was open to private persons to do at any time. Therefore, he did not see any ground of a high order for foregoing arbitration in the case of these companies. The position was, undoubtedly, an anomalous one. It was the misfortune and not the fault of the right honorable gentleman that the house was called upon to give something in the nature of assent to a presumptive bargain made by the government, and which had received the parliamentary sanction of a committee at a time when it was impossible for the house to complete the operation by passing another bill; first, because they did not know the facts; and second, because the right honorable gentleman would not, under the circumstances, enter upon such a financial operation. That would be a matter of comparative insignificance, if the question were to be considered by the same body next year; but unfortunately a dissolution intervenes and the case must be referred to an entirely different tribunal. The honorable and learned gentleman stated that the new Parliament must come to a free and unfettered judgment with regard to the terms. Now, there were certain occasions in which, while Parliament was not legally bound, it was bound by the strictest laws of honor; and this Parliament had no right to put the members of the new Parliament in the position of having it said to them, "You are not free; you are bound by the assent of those who have gone before you." The new Parliament would not, could not, and ought not to admit that it was bound. It must have not only a legal but a moral freedom of choice. No doubt, it would give due respect to the authority of the government, of the department, and of any vote of the House; but these would come before it as the elements of the case for its final decision, and not as laws determined beforehand.

It was of the greatest importance, it should be thoroughly understood, that this Parliament was not attempting to fasten on the new Parliament an obligation that would be *ultra vires*, and it was desirable that this should be placed on record by the unequivocal declarations of members of Parliament.

However, the time was short, and the bill was passed; the stock went up enormously, as I have said, and, when the money bill came up at the next session, the fears of Gladstone and others were fully realized, and the estimate, which had grown from £2,200,000 to over £7,000,000, was passed as a matter of course, to carry out an existing contract.

In fact, the government which made the preliminary agreement had bound up the next government and Parliament so tightly by arranging for indefinite compensation of the companies in case the money bill should not pass, that it was a question of serious importance whether it was not the best way out of a bad bargain to go straight through with it.

Expressions of regret, however, were not wanting. Mr. Crawford, a strong opponent of the original bill, said, (Hansard, vol. 198, p. 759:)

He confessed the terms now proposed to be given to the companies were, in his opinion, exorbitant and preposterous beyond all reason. Still he thought the house was bound by its bargain. Parliament undertook last year to pay these companies twenty years' purchase, and if it could be shown that the profits amounted to the sum set down, the house could not help itself without breaking faith with the companies. He thought the bargain a very bad one, but he was afraid it must be carried out.

Now, it is such a precedent as this that we are asked to follow.

Mr. Orton tells us, if we take the lines, to throw away the advantages we have already acquired by contract with the companies, and buy him

out on the principle of constructive damages. Mr. Hubbard agrees to that, but asks us to let the opposition companies in also, and by a preliminary act (for this bill is only the prelude to a game in which you will be called upon in a year or two to take a hand) to commit ourselves to a valuation which Mr. Scudamore, with all his ability, could not keep the English companies from fixing to suit themselves.

With all respect to these gentlemen, we ought not to agree to any such arrangement, especially when we can do so much better. I do not wish to be understood as admitting, in any degree, the doctrine of compulsory damages adopted by the British government. In fact, it has been settled in Massachusetts and the decision affirmed by the Supreme Court of the United States (*Charles River Bridge Company vs. Warren Bridge Company*, 11 Peters, 420) that where a government possesses the right to erect public works and chooses instead to purchase, under its right of eminent domain, works erected by a corporation under its license, it is bound only to pay for the cost of such works and not for the profits which may have accrued to the corporation, its creature.

However, even if we admit the British doctrine abstractly, the United States stand in an entirely different relation to the telegraphs from that occupied by Great Britain.

With the same right of eminent domain over the subject as had the British government, derived, as I hold, from the two clauses of the Constitution providing for post-roads and regulating commerce between the States, our Government has, by repeated liberal enactments, placed itself in a much more favorable position for the acquisition of the telegraph.

The first line was built and for some years maintained at Government expense, avowedly as an auxiliary to the Post-Office, and only abandoned through the short-sightedness of those who could not appreciate its importance, and thought it too great a burden on the Treasury. From that time to this, however, Congress and the States have always dealt in the most liberal manner with the companies.

In February, 1855, parties proposing to build a line to the Pacific were granted the right of way and protection on public lands.

In March, 1857, the Atlantic Telegraph Company received considerable aid.

In June, 1860, the Secretary of the Treasury was authorized to advertise for proposals, "for the use by the Government," of a line from the Missouri River to Salt Lake, and to offer the parties constructing such line the right of way and other franchises on public lands and a *bonus* of \$40,000 per annum for ten years, provided that if the Government business should in any one year exceed that sum, the excess should be reported to Congress. On the other hand, the rates were limited to \$3 for ten words between the points named. Priority for Government messages was reserved, and the free use of the line by the Observatory, &c., for scientific purposes.

Well, this line, which is the one alluded to by Mr. Orton the other day, was built, and Mr. Charles M. Stebbins, an old telegraph superintendent and now a successful and respected merchant, doing business in three or four cities of the country, was one of the builders. I call attention to his sworn statement on page 82 of Mr. Washburn's report:

Among others they (the Western Union Company) bought the Missouri and Western stock, paying some cash and some stock. They also built, in partnership with myself, the Pacific telegraph from Brownsville, Nebraska, to Salt Lake, Utah, some 1,100 miles, (Congress gave this line \$40,000 per annum for ten years—in all, \$400,000 as a *bonus*,) which cost, by considerable financiering on the part of two of the

Western Union directors, \$147,000. Upon this expenditure, they issued \$1,000,000 of stock.

This \$1,000,000 of Pacific telegraph stock (prominent men of the Western Union Telegraph Company being the sole owners) was afterward taken into the Western Union Telegraph Company by issuing therefor \$2,000,000 of Western Union Telegraph Company's stock. After this the Western Union Telegraph Company's stock was *tripled*, by which manipulation an original expenditure of \$147,000 (and a part of that not honestly spent) came to represent \$6,000,000 of Western Union Telegraph stock.

So that the Government paid in annual installments nearly three times the cost of the line.

Mr. Orton intimates that the Government business, which was done free, more than covered the entire amount of the annual subsidy. Now, without going outside the limits of this discussion, the fact is the law required the Secretary of the Treasury, on the motion of the company, to report each year the excess of Government business over the \$40,000, with a view to its payment. The company was aware of this provision of the law; their system of accounts was just as perfect then as it is now; yet the only time a report was made was in 1866, just after the war had closed, and Government telegraphing was at its height.

Suppose, however, the Government business had exceeded \$40,000; I think, Mr. Chairman, you would not object, if you owned the line, to do the Government business for nothing, and to adopt a rate of \$3 for eleven hundred miles for private business and *stick to it*, if you could be guaranteed 30 per cent. annually and in advance on your investment.

It more than believed, however, that the company did not keep its agreement in regard to rates for private business; and, in fact, this is one of the causes which led to the favoring of a Government telegraph by gentlemen from the Pacific coast, and its advocacy by Gratz Brown in the Senate, and Mr. Alley in the House, when the law of 1866 was up for discussion.

The occasion of that law was, as you know, a proposition to incorporate a "national telegraph company," with the special privileges which were made general in the act as it passed. The Postmaster General then discouraged the idea of a Government telegraph, and the Senate committee, to which the subject had been referred, was obliged to turn its attention elsewhere for relief from the Western Union. The National Company appeared to offer it and agreed to accept a general law and to submit to wholesome restraint. The original *projet* of the bill contained a provision "that the United States may at *any time* purchase such lines at the appraised value of the same," but before it passed the words were changed to conform to what it was supposed would be the policy of the Government when the finances should be in better condition, and the provision of the law reads "that the United States may at any time, *after the expiration of five years from the passage of this act*," purchase such lines at an appraised value, &c.

The ultimate object of the act was plainly the assumption of the telegraphs, at some future time, (after the limit fixed in the act,) by the Government, and in this view it was fully discussed. The third clause was certainly not intended as a mere check on the companies, something to be held *in terrorem* over them as a penalty for the violation of the other sections or other laws. If so, why postpone its operation for five years? Why not let it go into effect at once? No, the five years were given as a time for preparation. It was fair notice to the world that the Government meant to assume the lines. The contract for sale was immediate, but the right of the Government was not to accrue until the owners should have had time, at least, to close up their affairs. The compulsion, if that can be called compulsion, which was so eagerly sub-

mitted to by the companies, was in that act, and the damages therefor were paid in the first sections. Now, when we exercise our right of entry and pay for the thing itself, are we to be told that we must pay the damages over again?

Allow me, if you please, to analyze that law as briefly as possible.

On the part of the Government are the following valuable considerations:

First, the privileges on public land of right of way, cutting timber, &c., and the occupation of sufficient land at intervals of fifteen miles for their stations, which privileges, although perhaps lightly esteemed by the Western Union Company, were thought worthy of striving for by the National.

Next, the right of way over all post-roads, which, under the act of July 7, 1838, includes all railroads.

This is a franchise so highly prized by the Western Union Company that they scarcely believe in their own good fortune, and, though the law has been declared constitutional by the United States courts in the Virginia injunction case, they have appealed it in order to have the decree confirmed by a higher tribunal. To the opposition companies, of course, this privilege is exceedingly valuable.

Not less important than these are the considerations implied in the act. First comes the assistance of the military to enforce it in the South, which Mr. Orton tells us weighed very strongly with him, or whoever was then president of his company. I remember the instance very well when the lines in Georgia were torn down.

The second implied consideration is, that the Government would abstain from entering into the telegraph business itself (which, of course, it had a perfect right to do) for five years from the passage of the act. This matter is referred to by both Mr. Orton (page 119) and Mr. Hubbard, (page 141, General Washburn's report.)

The third implied consideration, also claimed by both these gentlemen, is still more important; for while the Government had a perfect right to go into the telegraph business independently of all the companies, it had also the right, and the wording of this act and its acceptance expressly confirm that right, to purchase the lines of any one or two of them, and, with its facilities, to drive the others altogether out of the field. The British act also reserved that right; but while that looked to a forcible assumption of the telegraphs on the Government's own terms, our act received the full assent of the companies to all its provisions; and only the finest sense of equity can restrain us from buying the lines where we can get them the cheapest and going into the business. When, therefore, the companies say that Congress agreed not to do the telegraphing for five years, when it does do the business to buy the lines and not build, and when it buys to buy out everybody, it seems to me that they ought, in honor to themselves, to show that they did not take these and the other great gifts of a generous Government without rendering some equivalent.

What is there on the other side? A stipulation to give Government messages priority; a stipulation to transmit them at rates to be fixed by the Postmaster General; and a stipulation for the purchase of the lines at an appraised value any time after five years from the date of the act.

The first two of these stipulations lay entirely dormant until the five years had passed, and the third stipulation became subject to enforcement; and then, at the suggestion of this committee, the companies

were gently reminded of what they had allowed to slumber peacefully on the pages of the statute-book for all that time.

Like the Western Union Company, when it forgot to present its bills for the surplus of Government business over the Pacific subsidy, the Government made no claim for a refund on the rates for five years back; but a special service having arisen, the Government rates were put in operation. They have been in operation nearly a year, and now the company principally affected proposes to abrogate the agreement unless it is allowed to construe the law in its own way.

The third stipulation, according to Messrs. Orton and Hubbard, is utterly void, and the contract, so far as it is concerned, a *nudum pactum*. If not, what is its effect? Does it give the Government the abstract right to enter upon the telegraph business? That is granted by the Constitution. Does it convey to the United States the right of eminent domain over the lines of the companies? If that is not inherent in the United States, it is then merely a question of jurisdiction of the State and national governments, and less power than a State can make the concession.

The Federal Government acquires property in the States either by purchasing it first and then procuring jurisdiction from the State legislature, or by first getting the State to condemn it and then paying the appraised value. In the one case the owner gets the contract-price, and in the other he may, perhaps, get damages; but in neither case can he convey or receive compensation for any public right over the property.

What is, then, the value of this provision of the act of 1866, the coming substance of this shadow that, for five years, was all the Government had to show for the privileges it conferred and the obligations it entered into by that act? Was it not expressly meant to get rid of all questions of damage for want of notice, inconvenience to the owners of the property, and the like, which might arise in an ordinary case of condemnation and sale?

What are the words of the law? "*Provided, however, That the United States may at any time, after the expiration of five years from the date of the passage of this act, for postal, military, or other purposes, purchase all the telegraph lines, property, and effects, of any or all of said companies, at an appraised value, to be ascertained by five competent, disinterested persons, two of whom shall be selected by the Postmaster General of the United States, two by the company interested, and one by the four so previously selected.*"

"Telegraph lines," telegraph property, and telegraph effects. Not so many poles and so many pounds of wire, I grant you, but a telegraph *system*, equipped and ready for business.

What was the object of that provision? Why, to secure to the Government a system of telegraphs without the trouble of building it. The Government bound itself not to build lines, and gave other valuable considerations to the companies, for the purpose of securing certain property; and yet we are told, when we come to enforce the contract, that, to ascertain the value of that property, we must go into the stock market, see how much each individual stockholder bought at, allow him for all he has made, or reimburse him for all he has lost, and then, after doing that, add to the sum so ascertained constructive damages to three or four times the amount for which the Government could build lines of equal extent and much better quality.

Mr. Orton wants thirty or forty millions for his lines, and says, "Would you give no higher price for a line doing a large business and making

a heavy profit than for another working at a loss and bankrupting its owners?"

Well, as the Government gets precisely the same thing in both cases, and precisely the thing it has contracted for, I do not see why you should.

But Mr. Hubbard comes along and says, "I agree with Mr. Orton as to the value of his lines; that is what I would be willing to pay for them in the stock of my company, and turn them in to the Government for in cash. But when you come to this other telegraph system, made up of poles, wires, and instruments, just like the Western Union, you must take another view altogether. You must pay those companies not only for the capital they have sunk in the enterprise, but for the dividends they would have made if they had been more fortunate, an additional sum for being compelled to give up this lucrative property, and something besides for the benefit they have conferred upon the public in reducing the rates between points where there is competition, and increasing them between points where there is not."

Now, just look at the facts. Was there any coercion on the part of the Government to make the companies enter into this contract? Has there been any want of notice to the owners of the property that they are under an obligation to sell to the Government? Did not every man who has bought or speculated in telegraph stock for the last six years know the obligations and condition of the companies? Do not the men who have run Western Union stock up from 33 to 70 cents within the past year, and the men to whom they have sold, understand the relations of that company to the Government; and whose fault is it if they do not?

Mr. Chairman, I may not understand the attitude of the Western Union Company with regard to this signal-service, but if the feelings of the people should be so aroused by it as to demand that the Government take possession of the wires, I hope you will take care that no chance is left open for this immensely watered and inflated stock to come under appraisement on the pretense of a compulsory sale, as part of the "telegraph lines, property, and effects" which the Government needs to transmit the dispatches of the people.

A man buys a 5-20 bond, say in a foreign market. It is a good investment and he pays a good price for it, or there is a great demand for American securities, and he pays a fancy price for it. At the end of five years the Government pays him his interest and calls in the bond. "But," he says, "I bought this above par and you ought to reimburse me for my loss. Besides, you have taken away my chance of investment, and I may not be able to find another; now you ought to give me something for the profits I should have made if you had not enforced your right of redemption."

The Government would answer, "You bought the bond with full notice of our right to call it in. You have got your interest and we are glad of it; now take your principal and see if you cannot invest it elsewhere. If you have lost by speculation, better luck next time."

Now, when this matter of purchase comes up, what are you to do? You cannot go into the exchange and buy the stock with its three-quarters water, pay the individual losses of the stockholders, or the debts which bad management, to say the least, has saddled upon the companies, and then add to that a bill of damages for twice as much again. You cannot pay 400 per cent. on the capital of one company, and pay for the lines of the other, as Mr. Orton says his company buys

unproductive telegraphs, at so much per pole and so much per pound of wire, "to be taken down and disposed of." What, then, can you do?

There are two courses equally just and generous to all the companies which you can pursue, and which will, I apprehend, lead each to about the same result.

First, let your appraisers take into account everything which has entered into the cost of the telegraph property now existing; deduct from that cost a percentage for the deterioration of the lines which the Government would have to expend in reconstruction, and then add a reasonable profit for the length of time which it would take the Government to build the same lines.

The second course is to see for how much the Government could build good lines over the same ground; deduct from that a percentage for reconstruction of the present system, and add interest as before for the time which the Government would need to build the lines.

I say I think both of these methods would reach substantially the same result, but I have reliable data, of course, only in regard to the second.

Should the first method be adopted, however, I assert that the total cost of the franchises owned by all the companies will not make up for the good bargains which the Western Union Company alone has made, both in purchasing lines of other companies and in building their own. On the first point I will quote Mr. Orton again, (p. 123, Washburn's report.)

MR. WASHBURN. I have a statement before me, which purports to declare that General Stager made a declaration, under oath, to the commissioner of telegraphs for Ohio, of the value of lines in that State for 1868, which makes the value \$35 a mile of wire, not including branches.

MR. ORTON. If you will reflect, you will see there is nothing out of the way in that. The taxation is by the State upon property estimated according to a custom existing there, which has all the sanctity of law. That custom is to estimate property at what it could be sold for, for instance, by the sheriff. Now, then, a telegraph line—and I speak from experience, for we have been the largest dealers in second-hand telegraphs in the country—is a pretty poor piece of property to be sold by the sheriff. *Prima facie* it is good for nothing as a telegraph. It becomes simply a question of how much a certain quantity of wire would be worth to take down and dispose of.

On both points I quote from Mr. Stebbins's letter, [p. 82:]

The Western Union Telegraph Company bought many lines very cheaply, by first ruining the value of the line through the agency of competition or other means. They got many lines for nothing, by inducing railroad companies to pay all the expenses of construction and maintenance, while the telegraph company received all the benefits. They built other lines with the aid of subscriptions to be paid back in telegraphing at high rates, after the completion of the line. They absorbed many lines by giving in lieu their own stock, which was then valuable, but which they afterward watered so that it has now become comparatively valueless. The original stock, as I have already said, has had *eleven* parts of water added to it. This is, of course, in some measure counterbalanced by the many valuable lines they have got for nothing, or for very little. Their stock has been swelled by taking in, finally, all the other lines in the country.

These statements, I may say, correspond with my own knowledge on the subject. It has been a common thing among the division superintendents of that company, when they meet, to compare notes and mutually chuckle over the advantageous terms they have made with the railroad companies.

Without full data, I am of course at the mercy of those who have them, but I do not believe that there are a dozen contracts between the Western Union or its predecessors and the railroads in which such a thing as the right of way is even mentioned, and when mentioned it is thrown in as the merest make-weight.

The considerations on either side are purely tangible; no "incorporeal

hereditaments" among them. Services in transportation of material and employes, distribution of poles, use of special cars and trains, and, in many cases, actual aid in building the lines, are paid for by the use of the wires; and since the accounts have been kept between railroad and telegraph companies, the balance is generally largely in favor of the railroads. So I am told. Of course you will want to know all these things positively before you act on either the Government or the Hubbard plan.

You will notice that the railroad company put up the poles and transports material and employes in return for having its messages sent free.

The few cases in which the opposition companies have built along railroads and paid for the right of way, (unnecessarily of course, since the act of 1866,) and the sums paid for patents and other franchises by all the companies, will, I am sure, be more than balanced by the cases in which the Western Union Company has bought out whole systems at a fraction of their cost. Hence we come to very nearly the same figures as we shall reach by taking the other mode of appraisal.

Now, suppose the other method of valuation to be adopted, what will the lines cost?

On pages 38 and 39 of General Washburn's report some lengthy calculations are gone into to ascertain the value of all the telegraphs in the country, but the estimates are, as you will readily see, unnecessarily generous.

There is no need of going behind the official figures of the Western Union Company, from which it appears that their best lines cost, on an average, \$115 per mile of single-wire line, and \$32 per mile for each additional wire. At these rates the Western Union lines would cost \$7,350,000, and all the lines of the country \$8,909,000.

The instruments and apparatus are worth \$300,000, making \$9,209,000, which the Government should pay—not, however, to the companies. At least 20 per cent. of that amount should be deducted for deterioration and expended for re-construction, leaving \$7,357,200 to be paid the companies.

Now, if the Government were to build its own lines it could do so probably at a much less cost than this, because, knowing the telegraphic necessities of the country it could arrange a comprehensive plan, and save much in labor and construction by putting all the wires on any route up at the same time, instead of adding wires from time to time, to meet the increase of business, as the companies have done. I do not know exactly how much this saving would be, and I hope there will never be any occasion to know. It is not a matter which the Government should press, but it is undoubtedly one that would be, under certain circumstances, entitled to consideration.

If the Government were to build lines, however, equal to the present, for \$7,357,200, it would have to borrow money, say at 5 per cent., and it would take five years at a very high average to have the lines in a condition to be worked as profitably as they are now. These are outside figures, I think you will admit, but this interest might very properly be claimed by and paid to the companies.

This would add \$1,839,300 to the \$9,209,000 expended in purchase and reconstruction, making \$11,048,300—the amount which, at the most, should be added to the public debt for the acquisition of the telegraph system. That is the highest amount you can pay with justice to the country. It will give the companies a liberal price for their property

and secure to the public a thoroughly refitted system of lines, capable of doing at least twice the business they can now do.

I do not propose to go into the question of the capacity of the lines for business, the fullest and latest information on that point being contained in General Washburn's report; but, as a practical telegrapher, I think the capacity of the lines would be doubled without the erection of a single wire. If the reduction of tariff occasioned, as I believe it would, a more equal distribution of the business throughout the day, by the introduction of a large class of social messages, the capacity would be increased in still greater proportion.

The political objections to this measure now claim attention. I have shown that in all of the post-offices, where the postal receipts are under \$1,000 a year, the labors of the postmaster and operator could be combined and a better class of officials secured by the payment of a higher salary and the requirement of something more than a political qualification from the incumbent of the office. This is a low estimate, for there are many points at which more than one hundred letters per day are handled, where one man could attend to both services.

In the larger cities, neither the postal nor the telegraph service would gain much in point of economy or efficiency over their present *status* by amalgamation, but in the country the improvement would be very great. In the opinion of those whose views should carry the greatest authority, a postal telegraph is a direct and long step toward true civil-service reform.

I have made no account of the numbers of offices where the service could be performed by the clerks of the post-office, but taking simply those where the receipts are under \$1,000, we have 4,279 offices where the postmaster could personally perform the duties of an operator, leaving 1,328 offices where he could not. At an average of three operators to each of those offices, we would have an army of four thousand office-holders added to the sixty or seventy thousand now on the civil list.

Now, I will admit that if the telegraph system is to be controlled and operated by men who know nothing of telegraphing, it will be an immediate and disastrous failure. I do not see, however, how you can extend the system of political appointments to a service that depends so entirely on technical skill and education as the telegraph.

In the first place, you will require all the telegraphers in the country to run the machine, no matter what their political opinions or affiliations may be. Probably more than half of them are not legal voters, and those who are are generally quiet, intelligent people, whose business has given them too cosmopolitan a turn of mind to permit of their ever becoming strong partisans. In fact, the only telegrapher politician I ever knew was an old comrade of mine in the military corps, now a State senator in Alabama, and one of the corporators in Mr. Hubbard's bill.

I do not think, either, that you can induce the class of politicians who are generally most anxious for office to go through six months' or a year's study in order to get a subordinate position in the telegraph service. The higher offices, requiring greater knowledge and longer experience on the part of the officer, would be still more secure from political influences.

In regard to the advantages possessed by a private company in point of flexibility of administration and greater degree of interest on the part of their employes, I have not much to say. I think Mr. Orton once jocularly remarked that "the telegraph was about as big as the United States," and one of his employes told me not long ago that there

certainly could not be more red tape in any department of the Government than in the Western Union offices.

My own experience with his company and in three departments of the public service confirms this statement. I do not think it disparaging at all to the management of the Western Union Company, for this much-abused red-tape is necessary to the machinery of all great concerns.

The employés will work the hardest generally for those who can afford to pay them the most. They have no direct interest now in the success of the companies beyond their own salaries, and their prospects for promotion are no better than they would be in the public service.

The idea that telegrams would be more liable to violation under a government system than now, is, it seems to me, utterly chimerical. Where by previous arrangement ciphers are available, there is absolute secrecy, and where they are not I do not see why operators or, say, if you please, higher officers, should be more interested in the contents of private messages than they are now as private citizens. The fact is, the more messages a man has to transmit the less likely he is to remember any of them, and as a Government rate would produce a large increase in the number of dispatches, the chances for a breach of confidence would be greatly diminished.

I think the people, with the experience of the post-office department before them, will have much greater confidence in a Government telegraph than in a private one. Leaving out the directors, the new system will be managed by the same hands that control the present one, and if better pay and treatment than they now receive is going to demoralize them, I say let them be demoralized.

To the assertion that there would be no redress against the Government for delays, &c., in transmission of messages, I have only to say that that rests entirely with you, the law-making power. Where individual negligence is proved, the remedy stands on precisely the same footing as any other individual action, and the reports show many cases where recovery has been had against employés of the post-office for neglect or malfeasance and against postmasters for the wrong-doing of their subordinates. Where the amount is large I see no reason why the party aggrieved might not be given standing in the Court of Claims, for instance. There is nothing like the difficulty in obtaining proof in these cases that there is in case of the loss of a letter, for on every message the time received from the sender, sent over the wires, received at the terminal office, and delivered to the addressee are plainly marked, and the log-book of the offices shows the condition of every wire at the time.

Practically the case is this. When the reclamations are small the companies pay them, and, if for faulty transmission, assess them on two operators, one of whom is necessarily innocent—both are very frequently if the weather is bad. If the amount of the claim is larger, it goes through all the courts and costs a good deal before it is settled.

I think the Belgian or the English system will compare very favorably with this, both as to the number of complaints and the manner of settling them. You cannot think this point of much importance however, if you pass the Hubbard bill, for half the complaints, at least, are for non-delivery or delay in delivery, with which duty it proposes to charge the Government. Suppose a postmaster, acting also as Mr. Hubbard's operator, to be sued for delaying a message as the agent of the company, if he can throw the blame on himself as postmaster, he suddenly becomes "irresponsible."

I find that I have already touched upon most of the points I intended

to bring forward to show that the interests of telegraphers would be best served by the adoption of a Government telegraph. A few words, however, will show their present position, and how it would be affected.

Expert operators are always in demand in the cities, and the pay is sufficient to support one person very well, but not more. If they are so improvident as to have others depending upon them they have a pretty hard time. Occasionally, one goes into the country and gets a railroad agency in addition to his telegraphic duties, and manages to save a little money.

But two inconveniences result from this course: He has to work more hours, trains frequently passing in the night-time, and the public must go to the depot, generally on the outskirts of the town, to send their messages. Both of these difficulties would be obviated by combining the telegraph with the post-office. The hours required by the two services are identical, and the removal of the offices to the centers of business would cause a largely increased use of the telegraph. (In England this increase was estimated at 15 per cent.)

Again, the standard of requirements has several times been very much lowered by the establishment of mushroom companies, calling into existence a class of poorly taught operators, who, when the consolidation comes, underbid the older and more competent, and render a less efficient service for less pay. So much was this evil felt five or six years ago, that a great many of those best fitted to conduct the service left it altogether. With a Government monopoly the number of employes would increase only gradually, and their situations would be more permanent.

An operator can learn in six or eight months to transmit and receive correctly and quite rapidly by sound, and in the large offices, where the chief operator is an electrician, that is all that is required of the subordinate. But at the way-stations the same electrical knowledge is required of the operator that is possessed by the chief operator in the city; and yet, under the present system, no man who has given much of his time to the study of electrics can afford to take a country office. Much of the inefficiency of the telegraphs to-day is due to the ignorance of the poorly paid way operators.

Now, I want, before closing, to enter a few objections to Mr. Hubbard's bill.

First and generally, the Government has no right to make any such arrangement. It may perform a public function by doing the public telegraphing over its own wires, but it cannot, with propriety, contract a copartnership, and go into private business with or even loan its credit to private parties for carrying on a business which is subject to competition. It has been said that the bill does not propose a partnership, but simply an agency—but who is principal and who is agent does not very clearly appear. It would be an interesting question in a suit for damages from delay of a message. I think, however, that an arrangement where one party furnishes the room and another the machinery for carrying on a business, where one collects and distributes and the other operates upon the material, and where each has a share of the profits contingent on the amount of business, may be fairly described as a partnership.

The whole scheme is founded on a false analogy sought to be drawn between it and the manner of contracting with railroads for the mail service. A railroad is a common carrier of merchandise and passengers, and the transportation of the mails forms a very small part of its busi-

ness. A telegraph, however, has but one purpose, and is good for nothing else.

The Government owns and controls its mail-bags, its wagons, and postal cars, as well as its offices, and employs its own route-agents and messengers. In fact, it has control in the mail service of just what it would have if it purchased the telegraph—that is, all the agencies necessary to accomplish its purpose. It does not buy the railroads, because it cannot go into the freight and passenger business for the sake of getting its mails transported.

My specific objections to the bill are the following:

To the first section [line 7] I object that there is not a sufficient increase of facilities, and no provision for connection with offices at present existing where there are no post-offices.

To section 2 I object that the rates are not properly graduated; it is too great a leap from 25 to 50 cents for the difference between two hundred and forty-nine and two hundred and fifty-one miles. However, a graver objection is that we do not know enough about American rates, and cannot without inspecting the books of companies, to fix a definite tariff in a preliminary bill. I need not again allude to the objection against registered messages so forcibly presented by Mr. Orton.

Section 4 provides for telegraphic money-orders at the regular rates in addition to the charge for *registered* messages. As priority does not seem to be granted them, they might be allowed to go at regular rates.

Section 5 [line 1] is a little indefinite as to the character of the "special contracts" that may be entered into "with associations and the press for the transmission of commercial and press news." I see no reason why the commercial news department could not be continued under that clause, and priority given to all sorts of "associations," according to the interests or preferences of the company.

Section 6, so far as taken from the bill of General Washburn, is good, yet I hardly see how, if we are to dispense with the book-keepers, &c., as Mr. Hubbard says, we can get the full statistics this section provides for.

The whole system of dual management provided for in section 7 is impracticable, and the division of power and responsibility which it contemplates would seriously impair the working of the system. With even the closest amalgamation which this bill could effect between the post-office and the company, the conflicts of interest and authority would be incessant. Divide up any bureau of the Government in this way and see the result; or ask Mr. Orton if he will let any company in which he is interested, and for which he is responsible, serve two masters.

The security in line 33 and the following lines is not sufficient for the interests involved. The penalty is neither ascertained nor ascertainable.

What would the people say while the Postmaster General was looking about for "some suitable party" with whom to "contract" for the business in case of the failure of Mr. Hubbard's company to perform its obligations? What is the meaning of "bound"? Is it that the property of the company shall be forfeited; and, if not, how is the Government to acquire it when the company has shown itself unable to do the work and has control of all the lines and employes, and the people at its mercy?

Section 8, line 31, charges the Government with the prosecution of all offenses by or against the company.

Section 9 provides for a payment of 5 cents per message to the Government, which would hardly pay the rent, saying nothing of stationery and delivery expenses.

To the tenth section I scarcely know what to say. I suppose the gentlemen there named are men of wealth; but if they propose to buy the lines at Mr. Hubbard's estimate in cash, I must believe that they do not know what they are doing. Mr. Hubbard will not object, I suppose, to my saying that he means to commence with the lines of the opposition companies. His own words on that subject are, [Washburn's report, page 92:]

MR. HUBBARD. Another suggestion in regard to that is this. There are various opposition companies at present in existence in the country, which have rights as well as the Western Union Telegraph Company, and which must be considered. These leading opposition companies are represented among the corporators of this bill. Mr. Woodbury Davis, of Maine, represents the International Telegraph Company of Maine, in which the brother of the general (Washburn) is one of the directors. Mr. Sweet and Mr. Hammond represent the Atlantic and Pacific Telegraph Company, which is also one of the large opposition companies. Mr. Mason, of New York, whose name is to be inserted in the bill, is a representative of the Franklin Telegraph Company. The other principal telegraph company, the Pacific and Atlantic, are not represented, although they have at different times asserted to me and approved of the provisions of the bill. It was thought by these opposition companies that it was better, and that they would prefer to unite under a new and independent corporation rather than under the wing of the Western Union Telegraph Company.

Now, Mr. Hubbard must be aware that his companies cannot fight the Western Union Company over the limited ground they cover at the rates he proposes, and if they could do so he would not consent to use his connection with the Government to bankrupt that noble institution, and ruin their thirty millions of investment.

Hear him on this point, [Washburn's report, page 141:]

It is generally conceded that some action by Congress is necessary; four plans have been presented and are now before this committee. First, that of Senator Stewart, of Nevada, by which Congress shall establish a postal telegraphic system, and let out to the lowest bidder the privilege of erecting lines, keeping them in repair, and transmitting telegrams. This is substantially the plan presented to the Committee of the House on Post-Offices and Post-Roads, a year ago, which was met by the objection that, by the act of June, 1866, Congress had made a solemn compact with all the telegraphic companies of the country by which it agreed that it would not compete for the business within five years; that at the expiration of that period, if it interfered, it should purchase the lines at an appraised valuation. This was the opinion of the House committee; and although doubts may be entertained in regard to the legality of the proposition, yet, on further reflection, I became satisfied that, while Congress might legally enter into the business of telegraphy without buying up existing lines, it could not with proper respect to the equitable rights of others; for on the discovery of the telegraph, Mr. Morse requested Congress to adopt it as a part of the postal system. The offer was declined, and, from time to time, Congress has passed laws aiding the construction of lines, regulating their use, and prescribing the terms on which it should have the right to buy them. It has, therefore, offered inducements to these companies to construct new lines and invest property in them; and it would be a breach of good faith to establish any system which should not contemplate their purchase.

Of course, then, he means to buy up the Western Union, and he has honorably bound himself in this bill to do so whenever the latter asks it, either in cash or in stock—seller's option; and if you strike out this provision in order to attract the attention of practical men and capitalists to the scheme, you will, to say nothing of the injustice to the Western Union Company, lose entirely the co-operation of Mr. Hubbard. He must be counted out of any such arrangement.

I should like, if he will allow me, to make a suggestion to that gentleman, who has declared his first object to be the public interest.

When the people of Boston and Charlestown wanted a free bridge, and the Charles River Bridge Company, whose property had cost \$40,000, but whose profits had grown to be more than that sum each year, refused to sell for less than \$500,000, the State found and chartered a

company of gentlemen, who built a bridge within a few rods of the other, with the understanding that they were to pay themselves from the tolls, and, at the end of six years, at farthest, turn the bridge over to the public free of cost.

There is an example worthy of Mr. Hubbard's emulation, and if he will ask for such a charter as that, after the companies have refused to sell to the Government at cost, I am certain no one will object. Of course, however, until the Government has proposed to the present companies to buy their lines, and the proposition has been declined, neither such a charter, nor any other which does not "contemplate their purchase," can be thought of.

I fear, however, that Mr. Hubbard will not act upon this suggestion, but will stand by his original proposition. In that case, as he has no prior contract with the Western Union Company, requiring them to sell a limited description of property, they can make their own terms. Their stock is at 75 per cent., on a capital of over forty millions, and their good-will (which the English companies charged 300 per cent. for) is certainly worth twenty millions more to Mr. Hubbard and his associates. That is a rather large amount of cash to be brought together for any purpose. I think, really, that unless the Western Union Company agree to take Mr. Hubbard's stock in payment for their lines his scheme will fall through. Suppose they do take the stock, and are swallowed up in this new combination—it is the frog swallowing the anaconda.

Now, Mr. Chairman, what is the effect of this bill. It is simply to commit the United States, in the same way that England was committed, to the proposition that the telegraph lines of this country are worth fifty millions of dollars.

Pass this bill, and if the Western Union stays out Mr. Hubbard will be back here next session, appealing to Congress to relieve him and buy his lines on his plan of valuation. If the Western Union comes in, the new company will work at an apparent loss for a little while, and then throw itself upon the generosity of the Government.

What is the Postmaster General then to do? The telegraph business of the country cannot stop for a day without throwing commerce and everything else into utter confusion. This company has all the lines. There is no other "suitable party" with whom he can "contract." There is no other remedy but to take the lines; there is no other way of taking the lines than by appraisal, and the Government has already committed itself to a method of appraisal which will make each separate stockholder a millionaire.

Gentlemen, you cannot afford to take any action, least of all such action as this, at this session.

The message of the President and the bill of Mr. Hubbard have been referred to you, as the Committee on Appropriations. Whether Mr. Hubbard's plan succeeds, or the present system remains unchanged, the people, under the act of 1866, are the reversioners of this property. Would it not be well, before you recommend any plan, to find out the extent and nature of the property, and to count the cost to the Government, when it comes, as it surely must, to take it into its own hands.

I have gone over this subject very superficially, but probably at greater length than I should have done in view of the short time you have to devote to it at present.

I am extremely obliged for your patient attention.

Statement of Mr. George B. Prescott, electrician of the Western Union Telegraph Company.

MR. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE: During the past six years various schemes have been devised for uniting the postal and telegraph systems of the United States. The first measure of this kind was proposed in the first session of the Thirty-ninth Congress, in 1865, by Hon. B. Gratz Brown, Senator from Missouri, who advocated the construction of Government telegraph lines, to be worked in connection with the Post-Office, for the transmission of messages throughout the United States at a uniform rate of 3 cents per message. The result of Mr. Brown's efforts was the adoption of a resolution by the Senate calling upon the Postmaster General for information as to the expediency of making the telegraph a part of the postal system.

On the 2d of June, 1866, Hon. W. Dennison, the Postmaster General, after conferring with the various telegraph companies and experts in the United States, and ascertaining all the facts which he considered necessary to enable him to form an intelligent judgment upon the matter, made a report to the President of the Senate, of which the following was the concluding sentence: "As the result of my investigation under the resolution of the Senate, I am of the opinion that it will not be wise for the Government to inaugurate the proposed system of telegraphs as a part of the postal service, not only because of its doubtful financial success, but also its questionable feasibility under our political system."

No further efforts were made to secure the establishment of a governmental system of telegraphy in this country until 1868, when Hon. E. B. Washburne, Representative from Illinois, in the second session of the Fortieth Congress, introduced a bill for the construction of a governmental telegraph line, under the direction of the Post-Office Department, between New York and Washington, to be operated, as far as practicable, by the employés of the Post-Office, for the transmission of messages at 1 cent per word, exclusive of date, address, and signature, in addition to 3 cents for postage and 2 cents for delivery.

In the same session of Congress two other bills for the construction and operation of postal telegraphs were also introduced. One of these provided that Congress should grant to Mr. Gardiner G. Hubbard and his associates, an act of incorporation, under the name of the United States Postal Telegraph Company, and confer upon it the right to construct, maintain, and operate lines of telegraph over all post-roads within the United States and Territories, and also providing for a partnership arrangement between the United States and the Postal Telegraph Company, by contract with the Post-Office Department, under which the company was to be furnished with office-room, stationery, lights, and fuel, and to some extent with clerks, operators, and superintendents, at the cost of that Department, and in return for these advantages the company was to send messages at the rate of 25 cents, (of which the Post-Office Department was to receive 5 cents,) for distances of five hundred miles, and of 50 cents for distances of one thousand miles, reserving, however, the right to charge extra rates for priority of transmission.

The third bill authorized James F. Hall and his associates, under the direction and supervision of the Postmaster General, to construct lines of telegraph between Boston and Washington upon any line of travel,

and be protected in the use thereof, and that all necessary materials required for constructing the lines be imported free of duty.

These three bills were referred to the House Committee on Post-Offices and Post-Roads, which, after a thorough and exhaustive examination of the subject, extending over a period of nine months, made a report, in which they stated that, "after carefully examining and considering the propositions contained in all the bills and papers submitted to them, and giving much time to the hearing of parties interested for and against the several measures presented, they were of the opinion that neither of the bills ought to receive the approbation of Congress."

The full and explicit disapproval of the various postal-telegraph schemes, both by the Postmaster General, in 1866, and by the unanimous report of the Post-Office Committee of the House of Representatives, in 1868, was generally regarded as the probable termination of the project; but in the second session of the Forty-first Congress, December, 1869, it was again revived by Hon. C. C. Washburn, Representative from Wisconsin, at whose request the House authorized the appointment of a Select Committee on Postal Telegraph, which sat for several months listening to arguments for and against the several measures presented to them, but failed to agree upon a report. Two members of the committee, however, Messrs. Washburn and Palmer, presented reports, which were ordered to be printed and recommitted. Mr. Washburn's report strongly urged the necessity for the purchase of the existing lines, and the creation of a purely governmental telegraph, and a bill was introduced by him for securing this result.

Mr. Palmer's report advocated Mr. Hubbard's scheme, and was accompanied by his bill.

No further action was taken upon either of these bills, and the discussion of the subject of governmental intervention in the business of telegraphing was not again renewed until the present session of Congress.

Although all the facts and arguments which could be adduced in favor of the governmental acquisition, interference, or control of the telegraph have been ably presented, I think it must be conceded that they have hitherto failed to produce a conviction of the expediency of such measures in Congress, the public press, or any considerable number of private citizens.

As the subject has been so fully discussed heretofore and now presents no new features of importance, I will not occupy your time with a restatement of the reasons why the Government should not intervene in the business of telegraphing, but invite your attention to the pamphlets which I have in my hand, containing the argument of Hon. William Orton, president of the Western Union Telegraph Company, on the bill to establish postal-telegraph lines, delivered before the select committee of the United States House of Representatives in May, 1870, and to the remonstrance of the Western Union Telegraph Company against the postal-telegraph bill, published February 13, 1872, as embodying the views of the company which I represent upon the subject now under consideration.

Mr. DICKEY. I would like to know what proportion of their poles the Western Union Telegraph Company actually owns. In my State the telegraph poles along the lines of railroads are owned by the railroad companies, while the wires are used by the telegraph company, under a contract with the railroad companies.

Mr. PRESCOTT. As a rule, the Western Union Telegraph Company owns the poles upon which its wires are supported. There are a few

exceptions, however, and the principal ones are the Pennsylvania Railroad Company, over a portion of whose route our company leases the poles of that company. The Union and Central Pacific Railroad Companies own the telegraph lines on one side of their road and the Western Union Telegraph Company own the lines on the other side. Many railroads are constructed through sparsely populated districts, where the telegraph business is not sufficient to pay the operating expenses, and in such cases the railroad companies contribute to the construction of the lines and aid in their operation, receiving as compensation a commission upon the public business which is done on them, besides doing their own business free.

The CHAIRMAN. Are half the telegraph poles owned by the railroad companies?

Mr. PRESCOTT. No, sir; only a small percentage of them. As a general rule, the poles furnished by the railroad companies are contributed to the telegraph company as an inducement for building the lines, and become the property of the latter.

The CHAIRMAN. How large a force of employés has the Western Union Telegraph Company?

Mr. PRESCOTT. It has 7,264 on its pay-rolls, but there are a good many others connected with it indirectly.

Mr. DICKEY. Is there any case where the railroad companies own the telegraph poles and where the Western Union Telegraph Company does not possess the right of way?

Mr. PRESCOTT. There are a few railroad companies which own their own telegraph lines and over whose routes the Western Union Telegraph Company does not possess the right of way, but on most of the railroads our company has secured the right of way by contract.

Mr. LINES. I would like to ask about what proportion of these contracts there is where there is any mention whatever made of the right of way as a consideration.

Mr. PRESCOTT. In all contracts the right of way is recognized and constitutes a material consideration.

Mr. DICKEY. The railroad company has got the right of way, and the telegraph pole is an incident of that right of way. The right of way must be in the railroad company?

Mr. PRESCOTT. Yes, the right of way is in the railroad company, and our company has never constructed a telegraph line upon any railroad without securing from it a right of way, except in the case of the Pacific Railroads, where the right of way was conveyed to the company by act of Congress.

The CHAIRMAN. I suppose that the railroad companies have not in any case parted with that right of way, except temporarily?

Mr. PRESCOTT. The right of way is limited to the duration of the contracts, some of which are perpetual and others for a long term of years. Virtually we consider the grant of the right of way as perpetual. There is a marked difference between the relations of the telegraph and railroad companies in this country and England in this regard. In England, to a considerable extent, the railroad companies owned the telegraphs on their roads and not only operated them for the performance of their own service, but sent and received messages for the public at rates fixed by the railroad companies.

In this country, on the contrary, the Western Union Telegraph Company as a rule owns and operates the telegraphs on the lines of the various railroads, and not only performs the public telegraph business but also that of the railroads. When the British government purchased

the telegraph lines in the United Kingdom they had to purchase from the railroad companies their telegraph interests, and at the date of Mr. Scudamore's last report, there yet remained forty-four railroad companies in various parts of the country with whom the post-office department had not made arrangements as to the amount of compensation to be paid to them for the purchase of their telegraph interests.

Mr. DICKEY. Sometimes you have your offices together and sometimes have the same operator?

Mr. PRESCOTT. Yes; very generally. In many cases the employes of the railroad companies also act as agents of the telegraph and thus enable our company to maintain telegraph stations at places where the telegraph business would not pay the wages of an operator. Nearly all railroad telegraph operators receive and transmit public messages over the Western Union telegraph lines, the railroad companies receiving a commission upon such business. The result of this is not only to enable the Western Union Company to reduce the rates, in consequence of the saving in the expense of operating the lines by this co-operative arrangement, but also to approximate more nearly than they otherwise could to a uniform tariff of charges.

The CHAIRMAN. I wish to ask a question touching the amount of the telegraph business of this country. I have here the English report for the week ending March 23, 1872, and for the corresponding week last year. The number of messages sent in England for the week ending March 23, 1871, was 212,472; for the corresponding week of 1872, 273,643; being an increase over last year of 61,171. If this week is a fair average they are now sending messages in England to the number of 14,230,000 per annum, which is an increase of about 750,000 messages over last year.

Mr. PRESCOTT. No single week can be selected as a fair average for the year. A variety of causes may increase the traffic of one week over another. In Mr. Scudamore's report on the reorganization of the telegraph system of the United Kingdom, he states that the total number of messages forwarded in the nine months ending December 31, 1870, was 7,563,015. He also states that the heaviest week in the nine months was the week ending 23d July, when the war panic raised the number to 234,194, and that the lightest was the week ending 31st December, when the Christmas holidays brought the number down by 35,000 below the previous week. Undoubtedly there has been a large increase in the telegraph traffic in England during the past two years, but it must be borne in mind that there have been very large expenditures and great increase of facilities. On page 84 of Mr. Scudamore's report he states that the—

Total number of instruments in use on 31st August, 1870, was...	4,153
Total number of instruments before transfer	1,869
Additional number under the post-office	2,284

On page 85 is a schedule of 50 new circuits in course of formation, regarding which Mr. Scudamore says: "Large as the system now is, it will be far larger and afford far more accommodation when the new circuits, now in course of formation, are completed." These circuits embrace all the principal towns in England, Scotland, and Ireland. In Mr. Scudamore's report to the chancellor of the exchequer, dated June 3, 1871, he says:

The new wire circuits described at page 85 of my report are on the very verge of completion, but only some small portions of them are as yet earning money. When

they are open throughout, our revenue will immediately and largely be increased, for there is nothing more certain in telegraphic business than this, that the trade increases with the speed of transmission. I could furnish many illustrations of this, but one will, perhaps, suffice. For a long time we had no direct communication between London and Dundee, the messages being repeated at Edinburgh. The complaints of delay were great, and the complainants generally declared that they did not send half so many messages as they should send if the speed were greater. In February last we contrived to give London direct communication with Dundee, and in the first week the messages were doubled, and they have since gone on increasing. I could multiply instances with ease.

Undoubtedly all of the important additional circuits, above referred to, have long since been put in operation and are the principal cause for the great increase in traffic, for, as Mr. Scudamore truly observes, "*there is nothing more certain in telegraphic business than that the trade increases with the speed of transmission,*" and the speed of transmission depends upon the facilities afforded.

The CHAIRMAN. Can you make an approximate statement of the percentage of increase of telegraphic business in this country?

Mr. PRESCOTT. The percentage of increase on the Western Union Telegraph lines since 1867 has been as follows: From 1867 to 1868, 8.9 per cent.; from 1868 to 1869, 23.8 per cent.; from 1869 to 1870, 15.4 per cent.; and from 1870 to 1871, 16.2 per cent. These are for the fiscal years beginning July 1. The increase in the number of messages sent over our lines during the past six months, as compared with the corresponding time last year, was 19.7 per cent.

The CHAIRMAN. That very large increase in 1868-'69 was probably the result of the consolidation?

Mr. PRESCOTT. There was no consolidation during this period, but a considerable increase in the facilities.

Mr. HUBBARD. Was that the year that you reduced your rates?

Mr. PRESCOTT. We have reduced our rates every year since 1866, but it was not during this fiscal year, but the next, that we made our greatest reduction, when the uniform square rates and the transmission of messages by night at half rates were introduced. The increase of the business during the year when these great reductions were made was only 15.4 per cent., while for the succeeding year, when there was no very material diminution in the rates, the increase was 16.2 per cent., thus demonstrating the fact that the increase in the number of messages is due more to the increase of facilities than to the reduction of rates, for during the last year there was a far greater increase in the means for rapidly performing the service than at any former period.

The CHAIRMAN. Have you anything corresponding with those weekly reports of the English government, showing the number of complaints where mistakes are made?

Mr. PRESCOTT. We may not have anything exactly corresponding to it. We keep a record of all the complaints which are made to our company of mistakes or irregularities in the service.

The CHAIRMAN. This report shows these facts: They keep an account of mistakes such as, "from delay in transmission;" "non-delivery;" "inaccuracies;" "overcharge;" "messages paid for and not sent;" or "twice paid for;" and all other inaccuracies.

Mr. PRESCOTT. Our record of complaints is accurately kept.

Mr. DICKEY. But you have no account of mistakes where there is no complaint?

Mr. PRESCOTT. Not as a general thing, because we have no means of knowing that a mistake has occurred unless some one makes a complaint. When errors do occur we are very glad to be informed of them, so as to enable us to prevent a recurrence.

The CHAIRMAN. Here is a statement of complaints for the week ending March 23, 1872:

Total number of complaints for the whole kingdom.....	225
For the corresponding week last year.....	317

I have been receiving these reports during the summer, and it has been a very curious thing to me to see how slowly but steadily the complaints have been decreasing.

Mr. PRESCOTT. The English government is managing the telegraph with a great deal of ability and success, and is improving the service very rapidly. Nearly all the skilled employes of the old companies are retained under the government, and there is no reason why, with unlimited resources in skilled labor and money, the system should not be equal to any in the world.

The CHAIRMAN. It indicates to me that during the past year they have very greatly bettered the postal-telegraph service, and it seems very remarkable to me that a thing done by the government should have so much efficiency, on the general principle that I believe private companies, or individuals, do work much better than a government can. It seems to indicate that the government in England is doing the work with remarkable accuracy.

Mr. PRESCOTT. That is true; but yet those statements do not afford conclusive proof that the number of errors is decreasing. Any person who suffers from a mistake made on our lines can obtain redress from us, or, if not satisfied with our treatment of his demands, can seek redress through the courts, and we are obliged to pay whatever damage is awarded. But if a mistake is made by the post-office telegraph in England the postmaster may refund the shilling paid for sending the telegram, but beyond this the complainant has no redress whatever, and no man has any redress under any government telegraph system. Now I cannot say what proportion of the English people would prefer a formal complaint for a shilling, but I am very confident that there is a very small proportion of the people who use the telegraph in this country who would take that trouble for so small a sum. While, therefore, the number of complaints reported by the post-office department may approximately represent the number of errors made by the telegraph and show the ratio of improvement, it cannot be regarded as showing the maximum number. The complaints for errors and failures to deliver messages, in which damages have been claimed from our company during the past year, have amounted to only five hundred, or about ten per week.

Mr. PALMER. How much in amount has the Western Union Telegraph Company ever paid in the way of grievances? Can you give a general estimate of the aggregate amount?

Mr. PRESCOTT. During the past five years our company has paid \$70,747.77, being an average of \$14,149.55 per annum.

Mr. DICKEY. I have brought several suits myself against the Western Union Telegraph Company.

The CHAIRMAN. (To Mr. Prescott.) Do you think that the Western Union Telegraph Company would be willing to take Mr. Hubbard's postal plan and execute it themselves?

Mr. PRESCOTT. I do not think the Western Union Telegraph Company would be willing to pay Mr. Hubbard the million dollars provided in the bill for organizing his company merely for the purpose of engaging in a business which they are already successfully performing; but with a few immaterial alterations in the bill I think our company would be

willing to undertake the transmission of messages at the rates proposed by him.

Mr. LINES stated that the chancellor of the exchequer was very well satisfied with the price paid for the English telegraph lines. Now I have here Mr. Scudamore's report made to the chancellor of the exchequer on the 12th of July, 1871, in which he states that they had already paid for the British telegraph lines £7,518,955 for the plant. That would amount to nearly \$40,000,000 for about as many miles of wire and only one-third as many miles of line as the Western Union Telegraph Company alone possesses, and yet Mr. LINES says he thinks \$12,000,000 would buy all the telegraph lines in America.

Mr. LINES. That is admitting that the United States Government stand in the same relation to the telegraph companies. But I propose to show that they do not. What I read from Hansard was what the chancellor of the exchequer stated before it was ascertained how much money would have to be paid. It was when he supposed that twenty years' purchase would amount to £2,200,000.

Mr. PRESCOTT. Has there been any official complaint since then that the British government paid too much?

Mr. LINES. I have read a pretty strong opinion of that sort from a member of Parliament.

Mr. PRESCOTT. You stated also that this was the only country where the telegraph lines were not under government control. Do you think that is a true statement? Are not the telegraph lines in the Dominion of Canada, Newfoundland, and in some parts of Europe still under private control? Are not all the principal submarine telegraph lines in all parts of the world owned and operated by private companies? If you were to send a message to-day from any part of America to China, Japan, or Australia, it would pass over the lines of private telegraph companies throughout the entire route, with a single exception of the line from Bombay to Madras. There is more private capital invested in telegraphs to-day throughout the world than there is governmental.

Mr. LINES. I do not know how to answer that unless Mr. Prescott produces some statistics.

Mr. PRESCOTT. I have the statistics here, and they are all open to your inspection.

Mr. DICKEY. I do not know that we have got the actual capital of the Western Union Telegraph Company. Will Mr. Prescott please state it?

Mr. PRESCOTT. The capital is about \$41,000,000.

Mr. DICKEY. We had Mr. Orton's statement that the net profits of the company were about 30 per cent. of the gross receipts. How much are the gross receipts of the company?

Mr. PRESCOTT. The gross receipts of the company for the fiscal year ending June 30, 1867, were \$6,568,925; for 1868, \$7,004,560; for 1869, \$7,316,918; for 1870, after we had made a great reduction in the day-rates and introduced the night system of half-rates, \$7,138,737; and for 1871, \$7,637,448. The net revenue for 1867, after paying the working expenses—

Mr. DICKEY. It does not include anything for construction?

Mr. PRESCOTT. It includes nothing for construction, nor for any other purpose than the operation and maintenance of our lines. The net receipts for 1867 were \$2,624,919; 1868, \$2,641,710; 1869, \$2,748,801; and for 1870, after the great reduction in the rates and the introduction of the night half-rate system, \$2,227,965. Here was a loss in the net revenue of over half a million dollars in a single year, while,

if the rates had not been reduced, the natural increase of the business would have increased the net revenue by at least \$200,000. The net receipts for 1871 were \$2,532,661, being a decrease from 1869, before the great reductions in the tariff, of \$216,140, and a decrease from 1866-'67 of \$92,258.

Now, during this time we nearly doubled the number of messages sent over our lines, and, in order to satisfactorily handle this great increase in the traffic, we were obliged to add very largely to our plant, as will be seen by a statement of the number of miles of wire annually owned by the company. In 1866 we had 75,686 miles; in 1867, 85,291; in 1868, 97,594; in 1869, 104,584; in 1870, 112,191; in 1871, 121,151. Thus, from 1866 to 1871, there was an increase of 45,465 miles of wire, or about 60 per cent. We have also during this period expended about \$2,000,000 in the reconstruction of our lines, so as to greatly increase their working capacity.

Mr. DICKEY. Is there anything that will show how much of that was an extension of your business, and how much of it was absorption of rival lines over the same routes?

Mr. PRESCOTT. The only absorptions by our company during this period were the Caton lines, in Illinois, and a line between Washington and New York, which was sold at auction to pay the debts incurred in working it, and which came under our control last year.

Mr. CLARK. What line was that?

Mr. PRESCOTT. The Bankers and Brokers'. Those are the only lines of importance which came into our possession by lease or purchase during that time.

Mr. HUBBARD. And the California lines?

Mr. PRESCOTT. The California lines came in previously.

Mr. CLARK. And the lines of the American and United States companies?

Mr. PRESCOTT. They were consolidated with the Western Union Telegraph Company in 1866, and are included in the statement already given for that year. During the past six years we have put up over 60,000 miles of new wire, which is a quarter more than the increase in our wires shown by my recent statement, notwithstanding the absorption of the Bankers and Brokers' and Caton lines. Every year we are compelled to replace a considerable amount of wire which has become worn out.

Mr. DICKEY. That is repair?

Mr. PRESCOTT. Yes, that is repair, although it is generally termed reconstruction. That reminds me that Mr. Scudamore places this kind of repair to construction account. In his report, dated July 12, 1871, he says:

The analysis of our accounts for the fourteen months ending the 31st March last is not sufficiently advanced to enable us to state positively the exact proportions in which the total sum expended should be distributed between capital and revenue. Throughout the fourteen months we have constantly had large gangs of men engaged, at one and the same time, in putting in order the property which we have bought and in constructing fresh lines, (the cost of which two operations is properly chargeable to capital,) and in ordinary maintenance work, such as the repairs of casual damage, the taking off of faults, and other work of the kind, the cost of which is properly chargeable to working expenses. We could not avoid this in the first year of our work; but our reconstructions are now nearly complete, and when our present scheme of constructions, which are also approaching completion, is finished, further constructions will no doubt be provided for by annual vote.

Mr. Scudamore has apparently yet to learn that reconstruction, like construction is something which is never finished. A telegraph line is

scarcely built before decay begins; and its reconstruction is as necessary an item to be considered and provided for as the ordinary working expenses of the wire.

If the Western Union Company should charge its repairs to construction account, it would apparently increase the net revenue over three-quarters of a million of dollars annually.

The CHAIRMAN. Do you doubt the correctness of the report of the chancellor of the exchequer, that the net profits for the last year were £50,000?

Mr. PRESCOTT. I have not seen the report you allude to.

The CHAIRMAN. I refer to the statement made in a cable dispatch, given some weeks ago.

Mr. PRESCOTT. I do not question the accuracy of the report of the chancellor of the exchequer, or of any other British official; but I think, in making up their telegraph accounts, many important items which we should charge to ordinary working expenses the British post-office telegraph carries to construction account, and thus their net revenue is made to appear greater than the facts warrant. I have here Mr. Scudamore's report to the chancellor of the exchequer, dated June 3, 1871, which includes a statement made by George Chetwynd, receiver and accountant general, showing the amount of telegraph revenue collected from the commencement up to March 31, 1871, and the expenditures for the same period. The total receipts are stated at £798,580, and the total expenditures as £1,397,389. The expenditures are divided into two classes, namely, capital expenditure £926,894, working expenditure £470,495.

Under the head of capital expenditure are £346,794 for poles, arms, wire, insulators, instruments, batteries, and tools, none of which items are to be found under the head of working expenses. And yet, how could a telegraph of the magnitude of the British system be worked fourteen months without requiring a heavy necessary outlay for these articles irrespective of construction?

Under the head of capital account £377,449 are also placed for engineering salaries and traveling expenses, alteration of buildings, preliminary instruction, bonuses to learners, office-fittings, examining accounts of telegraph companies, law expenses, &c., none of which items appear under the head of working expenses, although just such expenses must continue to be made every year as long as the telegraph is maintained.

Now, I do not doubt the correctness of these figures at all, but I think a considerable portion of them would be much more properly placed under the head of working expenses than capital account. This matter of the proper division of the expenditures, however, I regard as of small importance. There is no reason why, at the rates charged, the English telegraph should not be self-sustaining ultimately, if it is not now; and there is no room for doubting the fact that it has greatly improved since it passed under the control of the government. The opening of 1,350 new offices and the erection of 30,000 or 40,000 miles of wire could not fail to vastly improve the capacity and value of the system. The plans adopted by Mr. Scudamore for carrying out the work were admirable, and evince great judgment and ability on his part. The work of reorganization and extension was intrusted to the officers of the companies which were bought out, and the position of engineer-in-chief of the post-office telegraphs was given to Mr. Culley, the former electrician of the Electric and International Telegraph Company. While I see no reason, therefore, why the British post-office telegraph system should

not equal any other in the world, I do not consider its success as in any manner due to its subordination to the post-office authorities, but regard it as mainly due to the unification of the system by uniting all the lines under one control, and by the extension of its lines so as to afford prompt telegraphic communication between all parts of the United Kingdom. The reduction of the tolls in Great Britain since the lines were placed under the control of the government has been no greater than in this country since October, 1869.

The tariff between London and many important places where the bulk of the business was done was a shilling before, while the rates throughout the metropolis have been raised by the government from six pence to a shilling per message. The advantage of having a uniform rate is indisputable, and in small compact countries can be maintained without difficulty, but in a country so extensive as the United States it would be impracticable, except at rates which would be unsatisfactory to those who wished to send over short distances.

Mr. HALE. You have given your gross receipts and your net receipts; what were your dividends during those years?

Mr. PRESCOTT. The Western Union Company has not made any dividend since January, 1870. The dividends, when they were made, were two per cent. semi-annually. Occasionally the dividend was passed. The company has never paid over four per cent. since 1866.

Mr. DICKEY. I recollect when I got four per cent. a quarter.

Mr. PRESCOTT. Not from the Western Union Telegraph Company, I think. I have been a stockholder in the company for eight or nine years, and I never got any such dividend as that.

Mr. DICKEY. I don't speak of that being the dividend on the capital stock, but on the cash put in.

Mr. HALE. What is the stock selling at?

Mr. PRESCOTT. It was selling at 76 yesterday.

Mr. HALE. What was it selling at two years ago?

Mr. PRESCOTT. I think it sold for 35 to 40.

The CHAIRMAN. How is it that the prices have doubled within two years when there has been no dividend?

Mr. PRESCOTT. It is evident enough that if we make a profit of \$2,500,000 per annum and, instead of paying dividends, put the earnings into new lines, the stock ought to become more valuable.

The CHAIRMAN. Not for the stockholders.

Mr. PRESCOTT. That depends upon how long the stockholder keeps his stock.

The CHAIRMAN. It may be that there will be a pretty big dividend to come. Do you know whether anything of that sort is intended?

Mr. PRESCOTT. It would not surprise me if there should be, although I do not pretend to know anything about it. As for the reasons for the fluctuations in the price of the stock, you might as well ask me why Erie sold at 18 two years ago and 65 now.

The CHAIRMAN. I think that the Erie ring and the late explosion explain that.

Mr. PRESCOTT. I bought Western Union Telegraph stock at par seven years ago and hold the same certificates now. There have been no stock dividends since, and yet the actual property value has been very greatly enhanced by the construction of new lines and the reconstruction of the old. The temporary depression of the stock two or three years ago was no criterion of its value, as the action of the present

Mr. LINES. I would like to ask Mr. Prescott whether he is perfectly

satisfied that there will be no redress under the management of the Post-Office for malfeasance in any of the telegraph employés?

Mr. PRESCOTT. I do not know what sort of justice might be dealt out to the employés of the Post-Office, but I am very sure that the public would have no remedy.

Mr. LINES. Cannot there be action in court for the malfeasance of a postmaster, clerk, or operator?

Mr. PRESCOTT. Suppose you send a valuable letter through the post-office and it is stolen by one of the employés? If the fact could be proven the employé would doubtless be punished, but that would not reimburse you for your loss, and you could not get any redress from the Department.

Mr. DICKEY. Mr. Prescott is correct about that.

I do not consider it necessary at this time to criticise Mr. Hubbard's argument in favor of his bill, but I deem it proper to say that the greater portion of his remarks relating to our company are incorrect, and that there is no foundation, in fact, for any of the following statements, viz:

1. That the rates at the West are twice as high as those at the East.
2. That the rates are higher between the principal cities now than they were six years ago.
3. That the amalgamation of the United States and the Western Union Companies raised the rates in many parts of the country, and they have never been reduced between the large cities.
4. That the Western Union Company has raised the rates so as to crush out more than one newspaper.
5. That the Western Union Company has issued notice to exclude any paper from receiving news which undertook to criticise it.
6. That within a year this company has cut off a paper for criticising reports.
7. That commercial news is sent over our lines to the exclusion of all other business, by priority.

I have already stated that the rates have been constantly reduced every year since the consolidation of the United States and American lines with the Western Union, in 1866. In no instance was that consolidation followed by an increase in the tolls. As our gross revenue for 1871 shows an increase over that of 1869 of less than 5 per cent., while our net revenue decreased in the same time over 8 per cent., how can Mr. Hubbard's statement, that we have doubled the number of messages transmitted, be reconciled with his assertion that we have only reduced our rates from 15 to 20 per cent.? Of course, if we have doubled our business and only decreased the rates 20 per cent., our gross revenue should show an increase of 60 per cent. instead of 5.

A great deal of importance has been attached to the proposition to unite the postal and telegraph systems of the country, and European experience is referred to as evidence of the benefits to accrue from such a union; but while it is true that the aerial telegraphs in continental Europe are, for the most part, owned and controlled by the governments of the respective States through which they run, the assertion that they form a part of the public postal system is erroneous. England is the only country in Europe where the telegraph and postal systems are united. In North Germany, which comprises twenty-two states, the administration of the telegraphs constitutes a distinct department under the government of the confederation, Major General De Chauvin being director general of telegraphs, assisted by ten directors, having their headquarters at Berlin, Breslau, Cologne, Dresden, Frankfort, Halle, Hamburg, Hanover, Königsberg, and Stettin. The telegraphs in Aus-

tria, Hungary, Bavaria, Württemberg, Baden, and Holland form one system under the head of the South German Telegraph Union, and in the several States are managed as distinct departments by their respective directors general. In Russia, France, and Spain, the telegraphs constitute a distinct department under the minister of the interior; in Belgium, Italy, and Portugal, under the minister of public works; in Denmark, Norway, and Sweden, under the Minister of Finance; and in Switzerland the administration of the telegraph constitutes a distinct department under the federal council. In fact, in all the continental countries of Europe the telegraph constitutes a distinct department, and, although the post-office, railways, and customs, as well as private establishments, supply the elements of an auxiliary staff, all the persons employed in the transmission and delivery of the telegrams depend upon the administration of telegraphs for their compensation, and in the annual budgets appropriations are made for that service distinct from the post.

As, therefore, none of the telegraph systems in continental Europe are under the control of or are united with the post-office departments, all considerations of value or experience based upon the theory of such a connection should be eliminated from any estimate which may be made in reference to the proposed union, in whole or in part, of the telegraph and postal systems in the United States.

The question, however, as to what department of the government the telegraph is attached is of no great importance. It is a service in every branch of which skilled labor is required, and whether it be under the control of the minister of the interior, finance, public works, or the postmaster general, it can only be successfully managed and operated by telegraphists especially educated for this peculiar service. Whether the telegraphs are as well managed in Europe under the various governments as they might be, or as they probably would be in those countries by private companies, I do not feel called upon to discuss. Neither do I regard the extent of the telegraphic facilities furnished in Europe, or the price at which messages are transmitted, as of any particular consequence in considering the comparative merits of governmental and private control of the telegraph, since the government may send messages at any tariff it chooses to establish, and furnish such facilities as it deems best, totally irrespective of the important question as regards private companies as to whether the revenue shall equal the cost of the service.

I think, however, I may very properly compare the telegraphic facilities furnished in Europe under governmental control with those in this country, where the construction and operation of the telegraphs have hitherto been left to private enterprise.

In Europe the telegraph system embraces 175,490 miles of line, 475,007 miles of wire, 21,146 sets of instruments, and 15,503 offices.

In America the telegraph system embraces 85,583 miles of line, 165,875 miles of wire, 8,655 sets of instruments, and 6,755 offices.

The ratio of telegraphic facilities to population in Europe is as follows:

Number of inhabitants to each mile of line.....	1,744
Number of inhabitants to each mile of wire	642
Number of inhabitants to each office.....	19,687
Number of inhabitants to each message sent	9½

The ratio of telegraphic facilities to population in America is as follows:

Number of inhabitants to each mile of line.....	486
---	-----

Number of inhabitants to each mile of wire.....	250
Number of inhabitants to each office.....	6, 161
Number of inhabitants to each message sent.....	$2\frac{9.5}{100}$

It will thus be seen that, as regards the facilities furnished in proportion to population, America is far in advance of Europe.

The tolls for the transmission of messages are not the same for any two countries in Europe, nor are they uniform for all classes of messages in any one country. Telegraphic correspondence in Europe is divided into two general classes, called internal and international messages. The internal messages are those which are received, transmitted, and delivered in the same country; the international messages are those which are received in one country and transmitted into another. As a general rule, a low rate of charges is adopted for the transmission of internal messages, while a higher tariff is imposed upon international messages.

The telegraphic tolls in continental Europe in 1869 averaged $36\frac{3}{5}$ cents for internal messages, and \$1.01 for international messages, which is a higher average charge than is imposed in this country, although it is well known that skilled labor is much more expensive here than in Europe.

The Western Union Telegraph Company has for the past six years been successfully striving, by the improvement of its lines and machinery and by the employment of the most skillful operators, to secure the most prompt and satisfactory telegraph service in the world, and I believe the results will show upon investigation that it has fully succeeded.

The claim that the Western Union Telegraph Company is now, or may hereafter become, a dangerous monopoly is entitled to no consideration whatever, since, in the first place, the telegraph business is everywhere in this country open to free competition, no one company having any advantage over another, except what it legitimately acquires by the greater skill with which it performs the service; and, in the second place, the act of 1866, which constitutes a compact between the Government and the Western Union Telegraph Company, provides that the United States may at any time, after the expiration of five years from the date of the passage of the act, purchase all the telegraph lines, property, and effects of the company at an appraised value, to be ascertained by five competent disinterested persons, two of whom shall be appointed by the Postmaster General of the United States, two by the company, and one by the four so previously selected.

In conclusion, permit me to say that as the success of Mr. Hubbard's scheme would inevitably depreciate the value of the property of this company, which the Government can at any time take at an appraisal, not of its cost, but of its value, I submit that Congress cannot consistently and in good faith confer such a franchise upon Mr. Hubbard without first releasing this company from the obligations of the above act, and providing a just measure of compensation for the depreciation of its property which would result from the granting of such extraordinary privileges to a competitor.



ELECTRICIAN'S OFFICE,
WESTERN UNION TELEGRAPH COMPANY,
New York, April 26, 1872.

DEAR SIR: I have just received your favor of the 25th, together with the balance of proof of the first three days' proceedings, which I shall revise at once and promptly return to you. I will very cheerfully make any suggestions, if any occur to me, which can improve the making up of the paper.

I shall esteem it an especial favor if you will forward to me, as early as possible, a proof of the proceedings of last Tuesday.

Since my return to New York, one question asked by the chairman has recurred to me which I may have misconceived. The purport of the question, as I recollect it, was whether our company would accept the provisions of the Hubbard bill; that is to say, whether our company would dispose of its property to Mr. Hubbard, in case he should be incorporated under his proposed postal-telegraph act; to which I answered "No."

Upon reflection I have thought it possible that I misunderstood the question and that the chairman might have asked whether our company would accept of an act of incorporation such as Mr. Hubbard desires. This, of course, would be quite another thing, and I would esteem it a favor if you would ask Mr. Garfield which of the two ideas was presented in his question.

Yours, very truly,

GEO. B. PRESCOTT,
Electrician.

ROBERT J. STEVENS, Esq.,
*Clerk Committee on Appropriations,
Washington, D. C.*

COMMITTEE ON APPROPRIATIONS, HOUSE OF REPRESENTATIVES,
Washington, D. C., April 28, 1872.

DEAR SIR: Your favor of 26th duly received. To your question as to the possibility of your having misunderstood his interrogatories, the chairman replies, after perusal of your letter, that according to his recollection he had asked if the company would accept of either of the propositions named in your letter, and if either, which; the propositions being, "Whether our company would dispose of its property to Mr. Hubbard in case he should be incorporated under his proposed postal-telegraph act;" or, "Whether our company would accept of an act of incorporation such as Mr. Hubbard desires."

I will forward to you, at the earliest moment, the proof you desire. It is not yet ordered to be printed, nor is the manuscript in, except that of Mr. Lines, which, by the way, is the greater part of the proof already sent. I commend to your especial attention the appendix, but it will have left your hands before this reaches you, as, upon reflection, I remember that I am informed by Mr. Orton's telegram of yesterday.

Truly yours,

ROBT. J. STEVENS,
Clerk Committee on Appropriations.

GEO. B. PRESCOTT, Esq.

NOTE.—By the Hubbard bill the writers mean the postal-telegraph bill introduced into the House by Mr. Palmer, of Iowa.

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