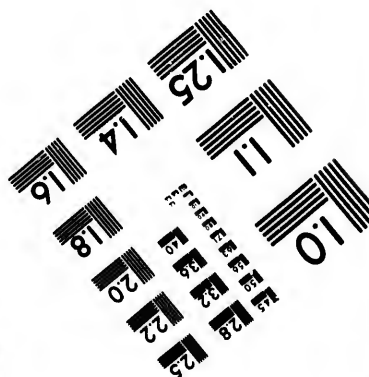
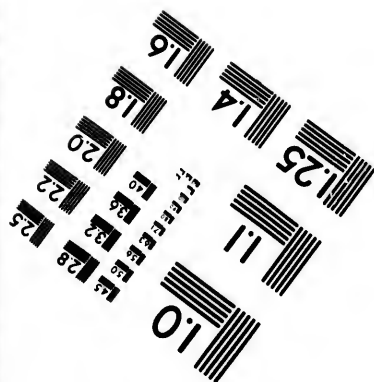
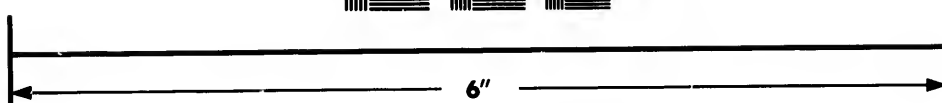
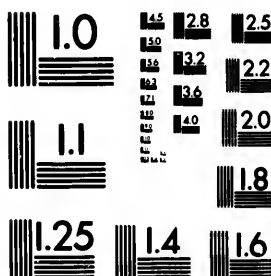


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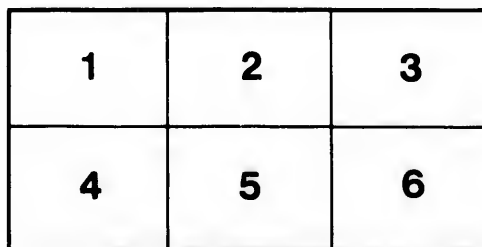
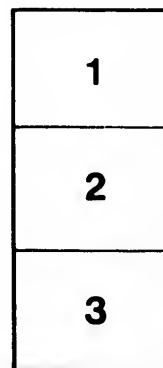
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Compliments of Gen. Wilson

REGULATION OF CANADIAN RAILROADS.

WASHINGTON, D. C., *Friday, February 10, 1888.*

The committee was called to order by the chairman (Senator Cullom) at 10.30 o'clock a. m. Present, Messrs. Cullom, Hiscock, Eustis and Reagan.

THE CHAIRMAN. General Wilson, who is present this morning, spoke to me some time ago and subsequently wrote me in regard to certain amendments to the Interstate Commerce act touching the question of the difficulties which some people seem to think exist in dealing with the Canadian railways in connection with our own railways. General Wilson has thought that there should be some amendment to the law so as to prevent the roads going out of the United States and into a foreign country, and back again into the United States, and which are somewhat out from under our control, getting an advantage over railroads that are entirely within the Territory of the United States. I have therefore asked him to come before the committee this morning and express his views to us generally upon that subject.

STATEMENT OF JAMES H. WILSON.

General James H. Wilson addressed the committee as follows :

Mr. Chairman and gentlemen of the committee : What I have to say this morning on the subject referred to by the chairman can be compressed into a short period of time. As far as I know there is no case before the committee to which I am to address myself in the remarks which I propose to make, and I desire to say that I represent nobody except myself in this matter. I have no active connection with any railroad or transporting interest in the United States ; none whatever.

But for the last fifteen or eighteen years I have been actively engaged in building, managing and studying railroads, and have given special attention to the question of interstate commerce.

While I was the manager of the St. Louis and Southeastern Railroad, which was built by myself and associates, from St. Louis to Nashville, Tenn., the question of railroad connections was forced upon me in a most unpleasant way. It so happened that at Nashville we had no connection with the South, except that furnished by the Louisville and Nashville and the Nashville and Chattanooga Railroads. They had a close alliance with each other which shut us out, and of course we were much embarrassed by that fact, so that at that time my attention was directed to the subject of the relationships which should exist between railroads, and I believe I am almost the first railroad manager who made representations to Congress, and to people connected with Congress, in favor of the regulation of interstate commerce by Congress.

Even anterior to that time, and immediately after the rebellion, certain aspects of this subject came under my consideration while I was in charge of the Government works on the Mississippi River and about Chicago. And the importance of the line of the St. Lawrence to the northwestern section of our country, then received especial study on my part, and in the reports which I made to the War Department I declared that the acquisition of that river and the territory adjacent to it would become, at no distant day, a commercial as well as a political and military necessity to us, and I am confirmed in that conclusion by fifteen years' further study of the questions and interests involved. I shall allude to the subject further on.

My present object is simply to contribute my share towards the discussion and consideration of the interstate commerce law, which I think has been altogether beneficial to the country, but yet, which like all laws when first enacted, is more or less imperfect.

I regard the publicity of rates which is required of railroads by the interstate commerce act as being the most judicious provision of the law. And yet I think it should be enlarged. I think there should be no transactions between railroad companies themselves, or between railroad companies and the public, which should be secret. I believe that whatever in connection with railroading is required to be concealed should be forbidden, and that under the severest penalties that can be enforced. And I have arrived at that conclusion after a long and intimate association with railroad men, and especially with the traffic managers of railroads. They are just like other people, with the exception that the average traffic managers of the country are little brighter than most other people.

And I lay down as a fundamental proposition that the railroad managers of the country act upon the principle of avoiding only the things which are specially forbidden by the laws, while they have a special tendency to do such things as are not specifically forbidden, provided their interests or their supposed interests suggest that they should be done; and the only cure for that, as I say, is publicity, and the most absolute publicity that can be secured.

Now, while the law under consideration has been beneficial in the main, it is not as religiously lived up to in its details as the Commissioners in their very able and very satisfactory report seem to indicate. I made a tour through the Northwest last summer with the view, amongst other things, of discovering, if I could, whether the railroads were really carrying out the interstate commerce act in all its provisions in spirit as well as in letter, and I am sorry to say that I do not believe that they are; in fact I know that in many cases they are not.

There are a number of ingenious devices resorted to by the underlings in the business to avoid the full effect of the law. I am not prepared, nor do I desire, to discuss them in detail, nor is it necessary. I merely want to point out the fact that the traffic managers of the railroads do find more than one way to get around the provisions of the law.

For instance, in the old days, before this law went into effect, it was quite customary for rebates and drawbacks to be paid, and upon occasion people would make claims for rebates or drawbacks, or for loss and damage, that were not allowed; and a great many of that class of claims were still on file in almost every railroad company's office in the country at the time this law went into effect.

I do not intend to specify individual cases, but I know from what railroad men have told me that it is quite common for large shippers who have had claims of that kind hung up to come forward and through their acquaintance with the management succeed in making a new arrangement by which the old claims should be paid, provided they would send their freight over the line of the company paying the claim. That is one way in which it is done.

I have heard of instances where people who controlled large volumes of freight have been appointed agents under salary. It is not forbidden by the strict letter of the law, as I understand, but it has been done upon the consideration that freight should be given to the railroad appointing that agent.

Passes have been given good within separate States.

Freights have been billed through and stopped short. Freights have

been billed to Europe and stopped at the sea-ports, merely because the portion of the rate allotted for the ocean carriers has not been sufficient, according to their idea, to compensate them for the portion of the service they were to render. So that there are a variety of methods resorted to for the purpose of avoiding the provisions of the law.

Mr. HISCOCK. Do you mean freights were billed across the ocean, but were stopped at the receiving sea-port?

Mr. WILSON. Yes, sir; at Philadelphia, Boston and New York.

Mr. HISCOCK. And the whole amount of the freight obtained by the railroad?

Mr. WILSON. The whole freight for the whole distance being less than the freight to New York City, you understand, the whole of the freight therefore being retained; in fact, the owner of the freight not wanting it to go beyond, and stopping it.

The CHAIRMAN. And not expecting it to go beyond the sea-port when he shipped it?

Mr. WILSON. No, sir; not intending that it should go beyond. They have also introduced a practice—it is not a new practice, but has been revived again—of paying cartage and storage, and a variety of incidental expenses in consideration of the shipment of the freight by their respective routes. I have heard it said that a leading traveling association of the country sent a representative to an agent of a leading railroad to say if he would cause the rates of 2,000-mile tickets to be reduced to 2 or 2½ cents per mile, the association would give him all of its business.

Of course that would not be a violation of the law if the rate were made public as soon as it were agreed to. Yet the manager with whom the agreement is made has an unfair advantage over one who is not a party to the agreement; and that has in a certain sense tended to disturb the condition of affairs which this bill if strictly carried out would bring about.

All of these difficulties and others besides would be removed if it were illegal and punishable to make any secret agreement. If publicity were absolutely the rule, if verbal contracts could not be made, but written or printed public contracts were required, I think the difficulty would be removed entirely, upon the principle that whatever a man needs to conceal is something that ought not to be done, and if it is illegal to conceal it he will not do it.

If all kinds of contracts between railroad companies and between railroads and the public were required to be public contracts, I am satisfied it would remove four-fifths of the difficulty the Interstate Commerce Commissioners have to contend with, and nine-tenths of the difficulty the country has to contend with in reference to matters of transportation. I do not believe that the railroads themselves would be very anxious to have this bill so amended as to require greater publicity. I am satisfied that the majority of them would oppose such amendments, and oppose them simply from that perverse principle of human nature that they do not like to be interfered with, and perhaps also from ignorance. Railroad men are like other people; they cannot always tell what is going to be the effect of an untried plan, and therefore they do not like to venture on new plans so long as they can avoid doing so.

In order to meet that particular class of difficulties, I have proposed that an amendment should be added to the first paragraph of section third of the Interstate Commerce act. And the provision that I have drawn out reads as follows:

Or to enter into any private or secret contract or understanding whatever with any other common carrier, corporation or individual in reference to, or connected directly or indirectly, with the rates or conditions, precedent or subsequent, under which any traffic shall be secured or transported. And all contracts and conditions other than those ordinarily printed on the regular tickets, or in the regular bills of lading, connected with the sale of passenger tickets or transportation, or with the shipments of freight or with the diversion of passengers or freights from the line or route of any other common carrier, shall be deemed to be public contracts, and shall be made on written or printed forms, one for each of the parties thereto, and one to be forwarded to the commissioners to be appointed under this act, under such regulations as they shall prescribe.

I wish to call attention here to the fact that I am not a lawyer and do not know exactly what a "public contract" is, or what a lawyer might consider to be a "public contract." But I know what I mean by those words. I mean that no secret agreement should be made by railroads with anybody.

The CHAIRMAN. In connection with their business?

Mr. WILSON. Yes, in connection with their business. What I want to accomplish is to make that the fundamental principle of this bill. Judge Reagan began at this matter a great many years ago and he began on the right lines. In my judgment nearly all the troubles connected with transportation can be cured by requiring that all the actions of the transporters shall be made public. If they have secret engagements they are sure to beat somebody. If they do not beat the public they will beat each other, and in either case the public suffers. The full light of day on the conduct of the railroad business is the surest possible means of having it conducted fairly and honestly, because it brings public sentiment to the punishment of such acts as are improper, illegal or unfair.

And I feel so strongly convinced of the truth of this conclusion that I am satisfied that this bill will have to be very materially modified if you would prevent it from being absolutely abolished in obedience to public clamor. If secret contracts of any kind are permitted, the public cannot find them out. If all contracts and agreements are made public, the public will make the "racket" and will enforce the law themselves. I am therefore anxious for, and very strongly in favor of, such an addition to this bill as will increase that particular power of the public, and decrease the traffic manager's power over the law and over the railroad property of the country.

It is not my purpose to discuss the whole Interstate Commerce act, but on leaving the important point of publicity I desire to call your attention to another point, which is, if possible, of still greater importance.

I suggest that section 6 be amended by striking out all of the second paragraph, the purpose aimed at being to make it unlawful for any common carrier to receive freight (but not passengers) at any point in the United States and carry the same through any foreign country to any other place in the United States in bond or in sealed cars without paying duty on the same at the port or place of re-entrance.

The practice of the railroads in reference to this matter is a matter of public notoriety, but in order that my statement may be complete, I will say that it is carried on under the provisions of paragraphs 3000 and 3006 of the Revised Statutes of the United States, and also under article 836 and following of "The General Regulations under the Customs and Navigation laws of the United States in 1884," and also in accordance with the action of the Secretary of the Treasury, who makes the regulations to carry out the various laws, and has done so very recently in the case of the Pacific Coast Steamship Company and of the Canadian Pacific, connecting with it.

Paragraphs 3000 and 3006 are simply, as I read them, permissive law. In compliance with the resolutions offered by Senator Frye, January 30, 1888, the Secretary of the Treasury replies under date of February 7, by a letter which has just come to hand and which sets forth the conditions under which the traffic is carried on by Canadian railroads. I shall not read the whole of it, because I do not wish to detain you. But section 3006, quoted therein, runs as follows:

Imported merchandise in bond, or duty-paid products and merchandise of the United States, may, with the consent of the proper authorities of the British Provinces or Republic of Mexico, be transferred from one port of the United States to another port therein, over the territory of such Provinces or Republic, by such routes and under such rules, regulations, and conditions as the Secretary of the Treasury may prescribe. And the merchandise so transported shall, upon the arrival in the United States from such Provinces or Republic, be treated with regard to the liability to, or exemption from, duty or tax as if the transportation had taken place entirely within the limits of the United States.

Paragraph 3000 is of a similar tenor, and permits goods to pass in sealed cars or in bond from any point in the United States, through Canada or Mexico, to any other point in the United States free of duty.

As I understand it, these laws were passed to carry into effect articles 29

and 30 of the treaty of 1871 with England. But section 30 has been abrogated. It expired by limitation, and the President of the United States has issued a proclamation giving notification that section 30 is no longer in force.

It is quite plain from the phraseology of the section I have just read that this is simply permission for the Secretary of the Treasury to authorize such trade to be carried on now as it was under the treaty. I suppose it would be fully within his province to abrogate the regulation he has made. Whether the question has been presented to him or not I do not know.

In order, however, that the practice shall be broken up, I propose the following amendment, which is to take the place of the second paragraph of section 6.

And nothing in this act shall be construed to allow any common carrier to receive any freight in the United States to be carried in sealed cars or in bond by railroad through a foreign country to any other place in the United States free of duty; and all laws and regulations thereunder which have been construed to permit such practice are hereby repealed.

Now, of course if that should become a law it would justly be regarded as a very radical measure. It means an absolute cessation of the transit trade, and would bring bankruptcy to every railroad in Canada; it means the concentration of all the business which these railroads have been permitted to compete for upon American railroads. But I think such a law ought to be passed and I shall give my reasons for it as I go along.

Ever since the present Constitution of the United States went into effect and since the very first session of Congress, it has been the settled and unbroken policy of our Government to protect our coasting trade and to reserve it exclusively for the benefit of ships carrying American registers; and from the session of the First Congress down to the present time, now nearly one hundred years, no foreign ship has been permitted to engage in our ocean coasting trade. As far as I know, and from the study I have given to the subject, these laws were passed for a twofold purpose; one to increase the revenues of the Government, which at that time were very small, and the other to foster American shipping and American commerce.

When the navigation laws were passed and these rules and regulations were made of course railroads were unknown and undreamed of. The practical effect of those laws is that the coasting trade of all the salt-water boundaries of the United States is absolutely confined to the uses of American shipping, while that of our entire northern boundary is left open for foreigners to compete with us in the carrying trade.

I have no doubt whatever that if there had been railroads at the time the first navigation laws were passed Congress would have treated them exactly as it did the ships. The railroads within our borders would have been taxed, and they would have been protected by laws forbidding railroads along and outside of our northern border to engage in the same traffic they were engaged in.

Congress at that time laid a heavy tax upon carriages, which it afterwards increased, and when the revenues of the country became great enough to enable them to dispense with that, they repealed the laws on carriages and we were left free from internal taxes of every kind till the rebellion broke out, and then Congress taxed everything again. I have no doubt it would have taxed railroad carriages and other railroad property at that time just exactly as did during the rebellion, when it took from the railroads a very large proportion of their revenues for the support of the Government.

It seems to me, therefore, it is fair to assume that they would have taxed railroads had there been any to tax, and that they would have protected them, by the same steps, from competition by foreign railroads. And I ask upon what principle of fairness should foreign roads be permitted to engage in our interstate commerce along our northern borders, when foreign ships are absolutely prohibited from doing so along the sea-coast?

It is well known that railroads running from Detroit eastward to New York and to the New England States carry enormous quantities of freight, some to Buffalo, some to Saint Albans, and some to other points along the northern border. And I ask, upon what principle can we permit railroads to compete and forbid English vessels navigating our northern boundary riv-

ers and lakes to do it? An English vessel can start from Detroit, go down the lakes, and land at Buffalo just as easily as a railroad can run across the country, and can carry the freight very much cheaper than the railroads are carrying it.

If we are doing this for the purpose of increasing competition to our own people, why not let us open the trade to English and Canadian owners and let their ships and steam-boats carry the business from Duluth, Milwaukee, Chicago, Detroit, and all the other points along our lake and river frontier down to Erie and Buffalo; and also down the St. Lawrence? If it is fair for us to prohibit foreign ships from the coasting trade on the Atlantic waters, it ought to be fair for us to prohibit railroads from engaging in the coasting trade along the northern side of the lakes and waters of our northern boundary; and if we permit the Canadian railroads to engage in the traffic, as I say, why should we not permit the Canadian steam-boats to engage in the same traffic? We ought, at least, be consistent in the matter.

The CHAIRMAN. Suppose you tell us exactly what the railroad facilities of the British Government in Canada are that compete with American railroads anywhere.

Mr. WILSON. I will come to that in a few minutes. I have the subject arranged in the natural order of presentation, and I would like to keep it in that order.

Mr. HISCOCK. Let me ask you this question, not with a view of your answering it now, but so that you may keep it in mind: In your argument do you discuss the point of how the amendment you propose or the restriction you propose would affect freights? I will ask you that.

Mr. WILSON. I do allude to it in the conclusion of my argument, and I will speak of that. I want to allude now briefly to the fact that in times of our greatest national emergency since railroads came into use, the Government has levied and collected heavy taxes from railroad earnings, and will doubtless do so whenever any other emergency arises which seems to justify or require it.

The government of the United States has a very large pecuniary interest in railroads that are affected by this very practice; I refer, of course, to the subsidized railroads to the Pacific Ocean. The permission recently extended to the Pacific Coast Steamship Company and the Canadian railroads to engage in the traffic which it would seem fair that the Government should reserve for its own railroads, has had the result, I am informed, of diverting at least \$600,000 worth of traffic from the Northern Pacific Railroad alone during the past season.

Now, as to the condition of this question in other countries. I believe it is a fact that there is no government in the world that permits the practice to which I have alluded except our own. I do not think it has ever been even suggested that any European government should permit a foreign railroad, or the railroads of a foreign country, to carry traffic through its own borders and redeliver it to the country from which it emanated. I am quite satisfied, from what I know of the general policy of the European governments, that if such a proposition were made to Bismarck by France that it would almost throw him into the hydrophobia. It is a monstrous proposition, viewed from the standpoint of European governments.

Mr. EUSTIS. Do the same conditions exist there?

Mr. WILSON. I do not know that they do, exactly, but I think so. The German provinces of Alsace and Lorraine lie on the French side of the Rhine, and railroad traffic from French points on one side of those provinces to French points on the other, you can rest assured, is compelled to go around and not through them. I am not familiar with the lines of railway there, but I have no doubt there are lines which run generally along the northeastern border of France towards the southeastern border of France and pass through Alsace and Lorraine, because those were French provinces when the French railroad systems were laid out. I have no idea that the German authorities permit trains and freight to pass into one and back into the other

without paying duty. If it were proposed by the French to conduct such business in sealed cars, under international comity and good fellowship, it is hardly to be doubted that the Germans would decline to consider it for a moment.

The practice of Canada itself on this very question is a curious illustration of what I am saying. The Canadian Government, either by law or by orders in council, absolutely prohibits our northwestern railroads from taking wheat out of Manitoba, carry it through the United States and redelivering it in Canada for consumption or transshipment abroad. And if we may believe the newspaper reports, they are on the border of revolution in that region because the people there claim that their interests require them to come through the United States with their wheat rather than to give their business to the Canadian Pacific road. But with an effrontery that surpasses almost any language I have to characterize it, they go right on enriching their own entire railroad system by taking business from American points, carrying it over their own railroads through Canada, and redelivering it to American points.

And pertinent to that question, I have a statement in my hand showing that the total east-bound tonnage of the Grand Trunk Railroad from Chicago during the last year was about 1,300,000 tons, or nearly 13 per cent. of the whole amount carried by all the roads. How much it carried west-bound I do not know, but it is fair to assume it carried the same percentage of the whole that it carried east-bound.

Now, I have no doubt myself that if this provision that I urge should be carried into effect it would bankrupt every railroad in Canada. But that is their lookout, not ours. I am perfectly willing that they should be bankrupted, because I think our own permanent national interests will be advanced by such misfortune to them. I may say, however, that the people of Manitoba are doing all they can to get reciprocity in respect to this. They are doing all they can to force their government to allow us the same privilege that we allow their railroads.

Mr. EUSTIS. That is a very important statement which you made. You said that it was prohibited that any party should ship freight from Manitoba over a railroad passing through the United States and then going into Canada.

Mr. WILSON. Yes, absolutely, as I understand it.

Mr. EUSTIS. Is there any duty on wheat?

Mr. WILSON. Yes, 20 cents per bushel. But the practical result is that they absolutely prohibit the shipment of freight out of the country. They absolutely prohibit the shipment of any freight from Manitoba through the Northwestern States and into Canada again, as I understand it, and as the newspapers report it.

Mr. EUSTIS. Is that prohibition caused by the Canadian law?

Mr. WILSON. The prohibition is by the Canadian law or is done by orders in council. I do not know what their methods are. I have not been able to get the provision of law under which it is done. But you may rely on the absolute truth of the general statement. They have gone so far as to prohibit the building of a railroad to connect with American railroads that should engage in that kind of traffic, and that is done under the influence of the Canada Pacific Railroad people, because it would deprive them of a part of their monopoly.

Now, with reference to the Canadian railroads, it is well known that the Dominion Government, backed and aided by the Government of the British Empire and by British capital, has built an extended and elaborate system of railroads, reaching from Halifax, N. S., through Quebec, Montreal, Winnipeg, and other important points, to Port Moody, on Puget Sound, almost within a stone's throw of our boundary, a distance of 3,729 miles, at a cost of \$205,658,541, and of a grant of 25,000,000 acres of public land.

The Grand Trunk Railroad, which is 2,924 miles, with its branches, cost \$258,677,735, a part of which was contributed also by the Canadian Government. Both of those railroads were built for political and military purposes.

That map [pointing to a map hanging in the committee room] would show pretty nearly, if it extended a little further east, how the lines of Canadian railroads lie. The Canadian Pacific begins down at Halifax, runs up the coast to the St. Lawrence, follows its southern shore and crosses it at Quebec, follows it to Montreal and Ottawa, and then cuts across the Dominion to Sudbury and the Sault Ste. Marie. From Sudbury it follows the north coast of Lake Superior to Fort William, a short distance outside of our northern boundary, whence it runs just out of reach of our own territory clear through to the Pacific Ocean. That railroad may take business from any point in the United States that it can reach through American connections, and carry it for over 3,500 miles through a foreign territory and deliver it to the Pacific Coast Line steamers, or redeliver it to any point in the United States it chooses, without paying any duty or without the slightest trouble, annoyance or delay.

Mr. HISCOCK. At what points has that railroad connections, do you know, for the United States?

Mr. WILSON. At Fredericton, Quebec, Montreal, and Ogdensburg, and many other points east of Detroit; also at Sault Ste. Marie, at Winnipeg, and at Port Moody; so that freight can start from the northwest, go along the southern border of the lakes, and then take the Canada Pacific or connections and be redelivered in the Eastern States. Or it can be taken at almost any other point in the United States and be carried across the continent entirely outside of our borders, for delivery by coasting steamers at any point on the Pacific coast.

Now, as to the number of miles of railroad in Canada, there were on June 30, 1884, 10,773, all of which are connected more or less directly with the two great Canadian systems, and all of which are owned by foreign capital, with the exception of the Canada Southern Railroad, which is a link in the New York Central system.

That the Canada Pacific Road was built for political and military purposes as well as for commercial purposes there can be no doubt. It is a matter of public notoriety, but I have not the acts under which it was built, or the orders from the British Government which would prove that assertion. It has been stated to me, however, that Sir George Stephen, who is in some way the representative of this railroad, while in Japan last year, went to the Japanese Government for a subsidy to a line of steamers to be established in connection with the Canada Pacific, and one of his arguments was that it was a military railroad built under the auspices of the British Government; that it had been subsidized to the extent of one hundred millions or more, and that the additional expense of five or six millions to establish a line of steamers was not a matter of much importance. What they wanted was a first-class steamer line, and consequently he asked the Japanese Government to co-operate with the Canadian Government in the establishment of that line.

The CHAIRMAN. Did they secure the co-operation they asked for?

Mr. WILSON. I do not think they did. They secured British steamers and are now running them under a British subsidy, but the amount of it is unknown to me.

Those are the more obvious railroad reflections about this matter. But back of them is a very much greater question, and I am frank to say to this committee that a very great part of my interest in the subject which I have been discussing this morning is bound up in that question.

The question is: Shall we live in such relations with the Dominion of Canada and the British maritime provinces as to encourage them in their allegiance to the British crown and their political union with the British Empire, or shall we so manage our own affairs as to force them ultimately to a political union with us?

I state it broadly, because I do not wish to dodge it at all, in any way. I do not hesitate to declare that in my judgment we should conduct our business at home in such a way as will bring Canada and the British maritime provinces into the Union one of these days. Many of our most thoughtful citizens in all parts of the country are coming to look upon the existence of Canada and the allied British provinces in North America as a continued

menace to our peace and prosperity, and the opinion is growing that they should be brought under the laws and Constitution of our country as soon as possible, peaceably if it can be so arranged, forcibly if we must and when we must.

The Dominion of Canada has something over 3,450,000 square miles of territory contiguous to our own. The latest statistics I have been able to obtain in reference to population is that it contains 4,500,000 souls. It has 10,778 miles of railroad, the most of which has been built under British subsidies, and all of which has been built with British capital, and the lines which I have specified heretofore have been laid out so that they can be used for military purposes against our entire northern frontier from the Atlantic to the Pacific Ocean.

Mr. EUSTIS. When you speak of the Dominion of Canada, what do you include?

Mr. WILSON. The Dominion includes what used to be known as Upper and Lower Canada, New Brunswick, Nova Scotia, and British Columbia, from the Atlantic to the Pacific Ocean and from our northern boundary to the Arctic Ocean. I mean to include also the adjacent islands of Newfoundland, Cape Breton, and Prince Edward, but some of the latter, I believe, are not now under the Dominion Government. The resolution introduced by Senator Frye a few days ago calls for the information which you desire. I have no doubt it can be gotten from the State Department in authentic form.

Mr. EUSTIS. That includes the fisheries.

Mr. WILSON. Yes, sir, that includes the fisheries. I will get around to that matter shortly.

The great question we are considering does not turn exclusively upon the railroads, because the English Government has been very far-sighted in its policy, and many years ago it built the canals along the St. Lawrence River, and also the Welland Canal connecting Lake Ontario with Lake Erie within the Canadian borders, and it built these canals especially so they could be used for passing gun-boats through them. By the facilities thus created the British Government can fill the Great Lakes with their gun-boats within two weeks after giving their orders. It was that question which received my special attention fifteen or eighteen years ago.

The CHAIRMAN. Are those canals large enough for heavy gun-boats to pass through?

Mr. WILSON. As I understand it, they can carry boats through drawing 15 or 16 feet water.

Mr. REAGAN. Is the enlargement of the Welland Canal completed?

Mr. WILSON. There has been one or more enlargements completed, and I think they are making others. Immediately after the end of the rebellion, when I was charged with the investigation of the question of deep-water communication between Lake Michigan and the Mississippi River, the question of access to the Lakes by the Welland Canal was of course familiar to me. I studied the whole subject carefully then, but have not referred to it since. I know that at that time they could take all our ordinary monitors through the Canadian canals, and deliver them into the Lakes; while it was impossible for us to take anything larger than a canal-boat, unless we took it apart, and we are no better off to-day.

The CHAIRMAN. We have either to build gun-boats on the Lakes or to take them to pieces and set them up on the Lakes—carry them there?

Mr. WILSON. Yes, sir.

Mr. HISCOCK. Do you know the length of their locks on the Welland Canal?

Mr. WILSON. No, sir; I do not. It is also well known that while the right of free navigation has been conceded to us under the treaties, all vessels, whether British or American, carrying freights down the St. Lawrence through the canals, destined for points in the United States, are compelled to pay higher dues than those carrying freight for Canadian ports or for transshipment from Canada to points beyond sea. That is the

way they work reciprocity with us. They are perfectly willing to set up a fair and equitable agreement, and then they quietly and secretly go to work and put discriminations upon our commerce which give them the advantage.

And I lay it down as a fundamental proposition that the St. Lawrence is of more importance to us ten times over to-day than the Mississippi was in 1802-'03, when we acquired it. I have no doubt it is carrying twenty times the volume of trade that the Mississippi carried when we bought Louisiana and the Floridas.

And, as illustrating a great principle in connection with that subject, I would like to read to the committee a letter written by Mr. Jefferson to Mr. Livingston, our minister abroad, immediately after he received the news of the transfer of those territories by France to Spain. It strikes me as being quite appropriate to this question. It is published in volume I. of Wharton's Digest, page 554, and is dated April 18, 1802. Mr. Jefferson says:

The cession of Louisiana and the Floridas by Spain to France works most sorely on the United States. On this subject the Secretary of State has written to you fully; yet I cannot forbear recurring to it personally, so deep is the impression it makes on my mind. It completely reverses all the political relations of the United States and will form a new epoch in our political affairs.

Of all nations of any consideration France is the one which hitherto has offered the fewest points on which we could have any conflict of right, and the most points of a communion of interests.

From these causes we have ever looked to her as our *natural friend*, as one with which we never could have an occasion of difference. Her growth, therefore, we viewed as our own, her misfortunes ours. There is on the globe one single spot, the possessor of which is our natural and habitual enemy. It is New Orleans, through which the produce of three-eighths of our territory must pass to market, and from its fertility it will ere long yield more than half of our whole produce, and contain more than half of our inhabitants.

France, placing herself in that door, assumes to us the attitude of defiance. Spain might have retained it quietly for years. Her pacific disposition, her feeble state, would induce her to increase our facilities there so that her possession of the place would hardly be felt by us, and it would not, perhaps, be very long before some circumstance might arise which might make the cession of it to us the price of something of more worth to her.

Not so can it ever be in the hands of France; the impetuosity of her temper, the energy and restlessness of her character, is placed in the point of eternal friction with us and our character, which, though quiet and loving peace and the pursuit of wealth, is high-minded, despising wealth in competition with insult or injury, though enterprising and energetic as any nation on earth.

These circumstances render it impossible that France and the United States can long continue friends when they meet in so irritable a position. They, as well as we, must be blind if they do not see this, and we must be very imprudent if we do not begin to make arrangements on that hypothesis.

The day that France takes possession of New Orleans fixes the sentence which is to retain her forever within her low-water mark. It seals the union of two nations who, in conjunction, can maintain exclusive possession of the ocean. From that moment we must marry ourselves to the British fleet and nation. We must turn all our attention to a maritime force, for which our resources place us on very high ground, and having formed and connected together a power which may render reinforcement of her settlements here impossible to France, make the first cannon which shall be fired in Europe the signal for the tearing up of any settlement she may have made, and for holding the two continents of America in sequestration for the common purposes of the United British and American nations.

This is not a state of things we seek or desire. It is one which this measure, if adopted by France, forces on us as necessarily as any other cause, by the laws of nature, brings on its necessary effect.

It is not from a fear of France that we deprecate this measure proposed by her, for, however greater her force is than ours, compared in the abstract, it is nothing in comparison to ours when to be exerted on our soil; but it is from a sincere love of peace, and a firm persuasion that, bound to France by the interests and strong sympathies still existing in the minds of our citizens, and holding relative positions which insure their continuance, we are secure of a long course of peace, whereas the change of friends, which would be rendered necessary if France changes that position, embarks us necessarily as a belligerent power in the first war of Europe.

In that case France will have held possession of New Orleans during the interval of peace, long or short, at the end of which it will be wrested from her. Will this short-lived possession have been an equivalent to her for the transfer of such a weight into the scale of her enemy? Will not the amalgamation of a young, thriving nation continue to that enemy the health and force which are now so evidently on the decline? And will a few years possession of New Orleans add equally to the strength of France?

She may say she needs Louisiana for the supply of her West Indies. She does not need it in time of peace, and in war she could not depend on them because they would be so easily intercepted.

I should suppose that all these considerations might in some proper form be brought into view of the Government of France. Though stated by us, it ought not to give offense because we do not bring them forward as a menace, but as consequences not controllable by us, but inevitable from the course of things. We mention them not as things which we desire by any means, but as things we deprecate, and we beseech a friend to look forward and to prevent them for our common interest.

These views were communicated to the French Government by our minister, and shortly thereafter France sold the territories in question to us and thus avoided the complication which would have arisen at that time if it had

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not been done. The argument is that the unimpeded use of the Mississippi River was of such vast and transcendent importance to us and our right of deposit at New Orleans was of such great value that the selling of Louisiana Territory to a strong power was a menace to us that we could not possibly pass by in silence.

It is one of the most vigorous and instructive letters I have read for a great while, for it lays down correctly the fundamental doctrine which all nations practice, when their paramount and permanent interests are concerned. It declares boldly for war, if war is necessary, to protect such interests.

The CHAIRMAN. And so dispose of them and get them out of the way?

Mr. WILSON. Exactly. An English writer of some celebrity, Mr. Edward Dicey, has recently published a paper, which was republished in *Littell's Living Age* last year, discussing the tendency of large and powerful nations to absorb smaller and weaker ones, and justifying such absorption when made under the pressure of their "paramount, permanent interests." Nations act upon this principle sometimes unconsciously. The menace to their interests is so great that every act they do is for the purpose of getting the difficulty out of the way.

As to the St. Lawrence River, I have no doubt that it is to-day much more important to us and to the people of the Northwest in the way of free trade and cheap transportation than the Mississippi River was in 1802. And I think it is questionable if it may not be of as great importance to us as the Mississippi is to-day. Because, after all, the St. Lawrence runs to the east, and the commerce of our country, especially that of the Northwest, goes to the east. It naturally seeks the Atlantic sea-board and European countries by the shortest and most direct line. There are some difficulties about its going the other way, and I have no doubt if we owned the St. Lawrence River to-day we should send more traffic down it than goes down the Mississippi.

From the foregoing, and much that might be added, it seems to me that Congress is fully justified in so amending the Interstate Commerce act as to cut off all Canadian railroads from competing for or participating in our local, interstate, or national freight traffic as completely as all foreign ships are and always have been prohibited from engaging in our coasting trade. There is no discernible difference between the kinds of commerce in question, except that one is borne on land and the other on water, and inasmuch as Congress regulates one by forbidding any foreigner to compete in it, it should be consistent, and in common fairness, as well as in the furtherance of our paramount permanent interests, regulate the other in the same manner.

It has been suggested that the interests of our producers and shippers should make us slow to adopt measures which may operate to cut off competition and advance rates. That is a suggestion which I do not think has any particular force in this case. I am satisfied that there are enough of our own railroads to make competition just as lively as the most exacting shipper could demand. I do not believe that the result of shutting off the Canada railroads would be to advance rates one particle between the east and the west. But it is self-evident that whatever business the Canada railroads now carry from the United States and redeliver to points in the United States would be divided between our own traffic lines.

In connection with this point I would suggest that if we want to lower the rates by competition the logical thing to do is to open our coasting trade from our northern river and lake points to foreign-built vessels. That would add competition, for it would open our trade to a kind of transportation that is cheaper than railroad transportation.

I am unable to perceive how the cutting off of the Canadian railroads could advance our rates. I do not believe it would, but I am sure it will tend to give us stability of rates, and that is just what we want, for the simple reason that the Canadian railroads are now outside of our borders and left free under the Interstate Commerce act to tax their local traffic to just what

extent they please, and thereby make them strong to cut and reduce the rates on our through business to whatever figure they find necessary in order to secure it.

Mr. HISCOCK. Let me ask you in regard to the Southern Canada road why the New York Central road built it?

Mr. WILSON. It did not build it. It was built as a separate and independent enterprise.

Mr. HISCOCK. I will withdraw that remark. They did not build it, but they got control of it.

Mr. WILSON. They bought it for the purpose of taking it out of the uses which had been made of it, the piratical uses to which it was put against American commerce. They bought it to control it beneficially for themselves, instead of having it used hurtfully to themselves. There seems to be no doubt about that. They bought it at the time of its foreclosure, and they could have had no other object in buying it. It has little local traffic, and if that were the only railroad in Canada that carried business from one point in the United States to another point in the United States it would make but little difference. But the subsidized railroads, the Grand Trunk and the Canadian Pacific, are very different and very much larger concerns, and I am utterly unable to perceive why we should want to strengthen their hands.

I admit that there are some people in the United States who think it is not a good thing for the United States to become any larger; that it is not beneficial for us to control the whole North American continent, and there are some people in the United States who think trade should be just as free as it can be.

I do not agree with either of these classes. I think we should control the whole North American continent, and for the reason that by controlling it we are able to conserve our best and most permanent and extensive interests, and if we do not control it the day will come when the population of Canada will become a very serious menace to our institutions. The map shows very plainly how Upper Canada; which lies between Lake Huron and Lake Erie, could be used as a base of operations against Chicago, Detroit, and the best portions of our country. And while the population of the whole Dominion does not exceed four and a half or five millions, the day will come when there will be fifteen or twenty millions, and when that day comes the Dominion of Canada, backed by all the power of the British Government, will be no mean menace to our borders. It will tax our utmost capacity to get rid of it in case of war.

We should take time by the forelock in this matter and adopt such a course as will in all proper ways tend to avoid present and future complications, and by this I mean all ways that we think will promote or benefit our own permanent interests, or which will make it inconvenient for Canada to remain an independent power, and force her ultimately to come into a political union with the United States. It seems to me to be a self-evident proposition, that so long as the British Government will subsidize and build the railroads of Canada, carry on its public works, fight its battles, build fortifications and ships for its defense, and grant honors and dignities to its public men, and especially so long as we give it everything else it asks for and would like to have without condition or price, and even without reciprocity, it will remain a part of the British Empire. Why should it not?

Mr. HISCOCK. Do you know whether there has been any estimate made of the amount of arable land in Canada?

Mr. WILSON. The wheat belt is estimated to contain 1,300,000 square miles. The plains of Manitoba and Saskatchewan are a great wheat-growing country up to 80 degrees north latitude. It is a region of almost illimitable extent and great fertility.

Mr. REAGAN. It is as fine a wheat-growing country as there is on the continent.

Mr. WILSON. It only requires one hundred days of sunlight in our latitude to mature wheat. At Copenhagen and in the far north latitudes it only requires ninety days. Of course they get more sunlight during the day than we get South. It is a curious circumstance, although this part of my state-

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ment need not be reported, as it has no bearing on the case in hand, that wheat brought from those high latitudes and planted in our latitudes will mature the first year in about the same number of days that it takes to mature up there. The next year it will require about ninety-five days to mature from the same seed, and in the third year it takes just as long to mature as the seed from the wheat of our own country.

The CHAIRMAN. I think that statement is worth recording.

Mr. HISCOCK. Do you know the increase of population in Canada in the last decade?

Mr. WILSON. No, sir; I do not. Those and other statistics which would be useful in this discussion could be obtained by your committee through our own Government much sooner than they could be obtained by any private person, and for that reason I have not tried to get them. I am now ready to answer any questions the committee desire to put to me. My remarks have necessarily been desultory, but I am anxious to supply any fact which has been omitted.

Senator EUSTIS. I would like to ask the chairman if there has been any complaint made by American railroads as to this loss of traffic that has been spoken of?

The CHAIRMAN. In the hearings we had preliminary to the report of the bill by the committee to the Senate many of the railroads raised the question that an attempt to regulate them in the United States would place them at a disadvantage with other competing roads that run out of the United States.

Mr. REAGAN. The second clause of the sixth section that the general refers to was put in to obviate any difficulty that presented. I find myself agreeing with you, general, along the line of nearly all your argument. One thing occurred to me, however, as to a question that might be raised by some American interests as to the rate from Chicago to Detroit and across the Canada Southern. That interest being controlled by our people, I do not know but what they might raise a question about it.

Mr. WILSON. The Grand Trunk controls an interest there. It owns its own line into Chicago.

The CHAIRMAN. Yes, it starts its trains out from Chicago.

Mr. REAGAN. So that part of the road from Chicago to Detroit really belongs to the Grand Trunk?

Mr. WILSON. Yes, sir; but there are also American lines running between those points.

The CHAIRMAN. Could you state to the committee just what amount of subsidies these Canadian roads have received from the British Government?

Mr. WILSON. The Canada Pacific, as reported in Poor's Manual, has received about \$100,000,000 besides 25,000,000 acres of land. They are asking for more and doubtless will get more. The sum mentioned is more than our Government has put into all our Pacific railroads. The Canadian Government also guarantees and pays dividends upon the stock of the Canadian Pacific Railroad, and in times past has subsidized the Grand Trunk, but to what extent I cannot state.

The CHAIRMAN. Do you know whether the British Government is disposed to sustain these roads in their competition with American roads to get the business from such points as Chicago, for instance, without very much reference to what rate they take it?

Mr. WILSON. I have no means of knowing whether the British Government has taken any interest in the details of their management. But the interests of the British Government are that those railroads shall make all the money they can out of American traffic, because just to the extent that they become self-supporting upon American traffic they become less liable to call on the British or Dominion Governments to make good the deficit. It is manifestly the interest of both governments to have them get all the business they can from us.

The CHAIRMAN. That might be so, provided they did not take the business at a rate less than it cost them to carry it. And the reason I ask that question is because I have heard it stated that the policy of those roads was to take the business at any cost rather than not to get it, for the purpose of building up eventually a trade at American towns that would get to be profitable to them hereafter.

Mr. WILSON. I think if we could get at the secret instructions and documents which have been sent out by the British Government touching that question, we should find that they had had a very far-sighted and well-considered policy with reference to the building, maintaining, and operating of the railroads in question, and that it was to strengthen the interests of the British Empire in hostility to our own, and to those of all other powers in the world. There could have been no reason for building those railroads except to bind their own empire together and give it the means of assailing us.

Mr. REAGAN. So far as the question of abridging competition and increasing rates by the measure you propose is concerned, I do not think there would be anything in that, because we have the New York Central, the Erie, the Pennsylvania, and the Baltimore and Ohio, having their connections with all the principal points upon the Lakes and up to St. Paul. The only point where there might be a chance of competitive rates being somewhat increased is on the Northern Pacific. But then, if we could get the law which we have passed fairly executed, I should not apprehend any evil from that.

Mr. WILSON. I think you are quite right, Mr. Senator, in the conclusion that there would be no addition to the rates. The rates are regulated by business competition, which is free enough within our own borders, while the business is insufficient as it now is for all our own traffic lines, and there are others than those you have named.

The CHAIRMAN. I was called out a moment ago, and perhaps I missed some of the statements you made. But I would like to inquire if Canada has a railroad touching the United States on the Pacific coast?

Mr. WILSON. Yes, it has.

The CHAIRMAN. At what point?

Mr. WILSON. It does not come quite to the United States, but reaches Port Moody and Vancouver, on Puget Sound, a short distance outside our territory.

The CHAIRMAN. Has it a connection with the United States which enables it to get American business?

Mr. WILSON. There is a United States line of steamers which goes up and down the sound and along the coast.

The CHAIRMAN. Are they United States steamers?

Mr. WILSON. Yes, sir.

Mr. REAGAN. There is also a connection with the Red River of the North. There is a road which runs down the Red River from the line of the Northern Pacific to the line of their Canadian road.

The CHAIRMAN. What is the starting point of that road which you speak of?

Mr. WILSON. It starts at Halifax, N. S.

The CHAIRMAN. I mean at the other end of the line, on the Pacific coast?

Mr. WILSON. At Vancouver and Port Moody.

The CHAIRMAN. Where does it go to?

Mr. WILSON. It goes from Vancouver and Port Moody through Winnipeg, Sudbury, Ottawa, Montreal, and Quebec, down the St. Lawrence, to Halifax, Nova Scotia.

The CHAIRMAN. It goes clear around the whole territory?

Mr. WILSON. Yes, sir; across the whole territory of the Dominion of Canada from ocean to ocean.

The CHAIRMAN. That is what I desired to know and have it distinctly stated.

Mr. REAGAN. Certainly (if it could be done) it would obviate a great many inconveniences and embarrassments and a great deal of expense in keeping up a frontier line, and such a long frontier line, if the people of Canada could be incorporated into the United States.

Mr. WILSON. I want to call attention to that, because I have very decided views on that question. That boundary line is something like 3,500 miles long, while the railroad line is 3,720. There is not a mile of the boundary between the St. Croix River, in New Brunswick, and Port Moody, on Puget Sound, across which, where it is land, a wagon cannot drive; or, where it is water, over which a boat cannot steam every night of the year; and hence, so far as the tariff is concerned, it is open to the violation of Canadian smugglers from ocean to ocean.

Mr. REAGAN. And to our own people, too?

Mr. WILSON. Yes, sir; and everybody who goes to Canada buys something, which the Canadian merchant will agree to deliver at the office or house of the purchaser in the United States free of duty.

Mr. REAGAN. And can do it?

Mr. WILSON. Yes, sir; he can do it without any sort of trouble.

Mr. REAGAN. And it would require a long line of pickets along the whole border to prevent it?

Mr. WILSON. One over 3,000 miles long.

Mr. WILSON. Something was said a while ago about the fisheries. I have looked over what has been said about the fisheries question and I am satisfied that the American people should never consent to any settlement of that question which does not give to American fishermen the same rights that they would have if we owned Canada. There should be no discrimination against fishery commerce in contradistinction to any other class of commerce. The right of fishing on the high seas is a natural right. Our people assisted in capturing the fisheries in question. They joined in the expeditions that wrested them from France and brought them under the dominion of the British Government, and are just as much entitled to a share of them as the Canadians are. Our people never should consent to any settlement of that question unless they get the same rights Canadians have there and which we extend to them in our own territory.

The fisheries question, the revenue question, and the question of national defense, as well as the question of national and interstate commerce, all concur in demanding that Congress should not delay to cut off the Canadian railroads from any participation in our business, the object ultimately being to make it so uncomfortable for Canada that she must see that there is no other course for her except to come in with us.

Mr. REAGAN. I think the whole action of the British Government shows that if our relative positions were changed they would not hesitate to adopt the policy you lay down.

Mr. WILSON. Not a particle. They do so every time they have a chance.

Mr. EUSTIS. What is the remedy you propose?

Mr. WILSON. The most potential remedy we could apply is to cut off these railroads to-day. Simply say that no common carrier shall take freight in the United States to be carried in sealed cars or in bond through Canada or in any other foreign country to be redelivered in the United States except upon the payment of duties.

Mr. EUSTIS. Where are those cars sealed?

Mr. WILSON. At the point from which they start, and the seals are examined at the point of re-entry. The report of the Secretary of the Treasury sent in yesterday [Ex. Doc. No. 73, Senate] will give you all the details of the practice. It is in answer to inquiries pertinent to the discussion I am making.

The CHAIRMAN. Are there any further questions to be put by any member of the committee?

Mr. EUSTIS. Do you think the amendment you propose will accomplish the object in view?

Mr. WILSON. Yes, sir. It would protect American railroads in the first place, and it would be the severest pressure we could put upon the Canadian Government. Its tendency would be to force her into a political union with the Government of the United States as the best possible means of protecting her local interests, and in that case her railroads would be necessarily subjected to the control of the Interstate Commerce act, just as our present railroads are. The Canadian railroads, as already stated, have no traffic to amount to anything except what they get from us, and the amendments I suggest would simply cut off that free and easy practice they now enjoy of crossing our border and picking the pockets of the American railroads, while the hands of the latter are tied by the Interstate Commerce act. The question with them would be, after the adoption of the amendments I have suggested, How shall we avoid their provisions? There is only one way, and that is to come in under the Constitution and laws of the United States.

Mr. EUSTIS. Suppose there is no duty on these cereals, how would your amendment affect it?

Mr. WILSON. I should not permit it anyhow. If my amendment is not broad enough to prohibit the running of sealed cars and carrying of freights from any point in the United States through Canada by rail or by water and rail, and redelivering it at any other point in the United States or for transshipment abroad, it should be made so. If it is not already so, it is easy enough to correct the language and make it broad enough to accomplish the object in view. My purpose was to cut off all railroad transit through Canada for freight except under the operations of the tariff laws. But I do not suggest any radical changes in the latter, because that would violate the fundamental principle of comity between nations.

Mr. HISCOCK. Anything that did not come within the tariff laws of the United States you would let go?

Mr. WILSON. Yes, sir; I would let that go.

Senator HISCOCK. Would not that cover about all the freight there is?

Mr. WILSON. I could not answer that question; but if it does, I would go a step further, and either prohibit all transit trade or lay a heavy tariff on such trade.

Mr. REAGAN. That which would go through and pay a duty would be uninterrupted. But the point of the amendment is, that it requires freight originating in the United States to keep within that territory until it gets to the sea-board and not allow it to go into Canada.

Mr. HISCOCK. It only provides, then, for such things as are dutiable?

Mr. WILSON. I have written it in that way: "And nothing in this act shall be construed to allow any common carrier to receive any freight in the United States to be carried in sealed cars or in bond by railroad through a foreign country to any other place in the United States *free of duty*, and all laws and regulations thereunder which have been construed to permit such practice are hereby repealed."

The CHAIRMAN. So that goods not dutiable could be carried, I suppose?

Mr. WILSON. My idea was that the duties levied by existing laws would cut them off entirely, but if the language is not broad enough I would make it so.

Mr. EUSTIS. That is the point I was getting at, whether you could accomplish the purpose in view by the amendment you propose.

The CHAIRMAN. It does not quite do it then?

Mr. WILSON. Then I propose to make it so that it shall absolutely prohibit the running of sealed cars from the United States, and the carrying of freight over the Canadian railroads to be redelivered into the United States.

Mr. HISCOCK. In regard to the freight which is taken East, what proportion of it do you think is carried in sealed cars?

Mr. WILSON. The Grand Trunk road carries about 18 per cent. of the east-bound freight from Chicago, and it must all go in sealed cars or under the protection of the United States customs officers. Were this not the case the Canadians could at once load the cars up with dutiable goods. As I understand the customs regulations, the cars must be sealed, otherwise the freight is treated under the regulations exactly as though it originated in Canada. It would have to be examined, pay duty, and all that.

The CHAIRMAN. This amendment would not affect the carrying of freight in schooners across to Fort Windsor or wherever it is, would it?

Mr. WILSON. I do not know how that is; I do not know that there is any such freight.

Mr. HISCOCK. Is there any place where they can carry sealed freight in schooners?

Mr. WILSON. I do not know, sir; I think that all such freight must be carried through Canada by railroad.

The CHAIRMAN. I do not know how that is myself.

Mr. WILSON. I think it must be carried by rail.

Mr. HISCOCK. If there is any difficulty about that at all there should be a provision that freight coming from the Dominion into the United States should pay duties.

Mr. WILSON. I know that the act states that in case the seals are broken the goods are then to be taken up and considered exactly as though they originated in Canada and were imported under the tariff laws.

Mr. EUSTIS. We have a duty of 10 or 20 per cent. on wheat, and there would be a clamor about Dominion wheat.

The CHAIRMAN. I have been informed that schooners take grain, for instance, at Chicago, and carry it to Port Sarnia, and there it goes on to the railroad and goes into the United States again free of duty.

Mr. WILSON. That practice existed under Article XXX of the treaty of 1871, but that article has been terminated, as before stated, by limitation, and the fact was made known by President Arthur's proclamation of January 31, 1885. Article XXIX of the same treaty allows goods from Canada or for Canada to be landed and to pass through our country duty free in sealed cars, and this practice I should not interfere with unless it were found necessary to do so in order to secure our rights from Canada or to force her into a political union with us. It is worthy of note, however, that Canada gets all the benefit of this practice, although there may be a small portion of our trade to eastern Maine which goes through New Brunswick under a reciprocal provision of the treaty.

Mr. REAGAN. On those two points, if the freight originated in the United States, whether it originated on land or water, it seems that that provision would exclude it.

Senator HISCOCK. You could make it broad enough to cover it.

Mr. WILSON. Of course, it could be made broad enough to cover it. I am not familiar with the details of the laws and regulations, and have only looked at them in conjunction with this more general question.

Mr. HISCOCK. Of course, whatever there is that goes into Canada that is free in the United States, on which they impose no duty and upon which we do not impose any duty, would not be subject to the provisions of your second amendment.

Mr. WILSON. No, sir; not as I have drawn it.

Senator HISCOCK. Do you know whether there is any Canadian regulation (and what the Canadian regulation is) in reference to allowing dutiable goods under their laws to pass through?

Mr. WILSON. I think you were absent when I explained that. I stated the fact that the Canadian Government absolutely prohibit the practice as

you have stated it; it absolutely prohibits American railroads from taking freight in Manitoba, shipping it through the United States, and redelivering it in Canada.

Mr. HISCOCK. You mean to say that goods in bond destined for Chicago cannot be carried on Canadian roads?

Mr. WILSON. No, I mean this; that you cannot take goods in Manitoba and carry them by an American railroad through the United States and then take them back into Canada again. They prohibit that absolutely.

Mr. HISCOCK. I am not after that point. I am after the point whether goods in bond, started at Boston or New York destined for Chicago could be carried through the Canadian provinces?

Mr. WILSON. O, yes, sir; under the present practice they can be, and it is just what I complain of.

Mr. HISCOCK. They let them go through Canada?

Mr. WILSON. Yes, sir; but that I should prohibit, because it is helping their railroads. Their goods that come to American ports for points in Canada can be taken in bond from a bonded warehouse at the port of entry through the United States into Canada free of duty. Or, *vice versa*, goods originating in Canada can be carried through the United States, or for transshipment beyond the United States, free of duty under the operation of article 29 of the treaty of 1871, and that I do not propose to disturb, unless it should hereafter become necessary for the further protection of our permanent interests.

Senator HISCOCK. And goods shipped from Manitoba through Quebec and Montreal cannot be carried through the United States?

Mr. WILSON. Yes; they can be brought right down and transhipped to any point in the United States.

Mr. HISCOCK. But if they are destined from western Canada to some point in eastern Canada, they must be carried through on Canadian lines?

Mr. WILSON. Yes, sir; they must be.

The CHAIRMAN. They will not let them be carried on American railroads?

Mr. WILSON. No, sir; not at all. In other words, they keep their own traffic for the benefit of their own roads, and take all of ours that they can get.

Mr. EUSTIS. Have you ever seen the law upon that subject?

Mr. WILSON. No, sir; I have seen merely a newspaper discussion of it. There was an Ottawa dispatch of the 14th of January published in the New York Tribune of January 15, which shows just what their own purpose and practice are in regard to that traffic.

Mr. EUSTIS. Have you that dispatch?

Mr. WILSON. No, sir; I haven't the dispatch. I sent it to Senator Ingalls, and he has it.

It has been asserted that the Canadian railroads, owning their own connections through the United States, or forming through lines with American railroads, are compelled to observe the requirements of the Interstate Commerce act as completely as if they lay altogether within the States, but this statement is not true. They are required to make their through rates public, but no more. Those parts of their connections which run through more than one of the United States are governed by the provisions of the act, but all parts of the railroads lying within the Dominion of Canada are as absolutely free from the restrictions imposed by the Interstate Commerce act as if it did not exist, and no amendments to the act can change this state of affairs.

In recognition of this fact, it has been suggested that the Parliament of the Dominion might pass a law identical in terms with the Interstate Commerce act, and that this would remove the difficulty, but I respectfully submit that the suggestion is fanciful and impracticable. Even if it were carried into effect it could not produce the desired result. In my judgment, the two Governments, with two different sets of officials, even if superior to

human prejudice and local interests, having to deal, as they would, with opposing and complicated interests and with many different sets of railroad managers and employes, could not possibly work in harmony with each other.

The "circumstances and conditions" of the railroads in Canada, and especially of the Grand Trunk and Canadian Pacific, in their relations to the Government of the Dominion and of the British Empire, in respect to subsidies, interest payments, and the political and military objects for which they were constructed, are so entirely dissimilar to those by which the American railroads are environed that it would be unreasonable and absurd to expect them to work properly together so long as they remain subject to the control of two different and possibly antagonistic Governments.

The Canadian railroads, it should be remembered, are entirely free now to make such local rates as they please over their Canadian sections. They have no law forbidding them to charge more for a short haul than a long one. They can, with perfect impunity, cut through-rates, pay overcharges, rebates, drawbacks, and commissions either to the American shipper or to the American connecting road; they can give passes, under-bill, allow overweight, overhaul or stop short, and reship free of charge; they can allow storage, drayage, transfer, lighterage, or elevator charges; and, in general, they can resort to all the known devices for deceiving and cheating their rivals and neighbors. The simple fact that they are now able to compel the American railroads to allow them a "differential" of 13 cents per hundred on cut meats to New England points shows, beyond cavil, that they have a marked advantage, under the present laws and conditions of the transporting business, and can ruin the American roads if allowed to continue in the transit trade without restriction. If the consumer got any part of this advantage in reduced cost of the meat there might be some excuse for allowing it, but it is well known that he does not, and that the rebate or "differential," all goes into the hands of the shipper who has a slaughter-house monopoly at Chicago or some other Western or Northwestern point.

Even if the Dominion Government were to enact a law for the regulation of commerce similar to ours, and the two Governments were to enter into the most solemn engagements for their enforcement, the Canadian roads remaining necessarily free, as now, from the control of the American commissioners, would easily find a way to mislead their own commissioners and to cheat their American rivals. The "circumstances and conditions" would still be vastly dissimilar, for while the American commissioners would have jurisdiction over every foot of the American lines, and aided by the courts and the public could punish every violation of the American law, they could not control a single foot of the Canadian lines nor punish, any more than now, the slightest infraction of the Canadian law.

Besides, in order to get any valuable result whatever from the operation of laws identical in the two countries, a system of conference and co-operation would be absolutely necessary between the respective officials, and this is not only without precedence in our national practice, but would most probably lead to friction and complications on the one hand or to "an entangling alliance" with a foreign government on the other, which would violate the most sacred precepts of our national policy.

I see no way out of the difficulty but to shut the Canadian railroads entirely out of the transit trade between the Eastern and Western States, or else to take off the long and short haul restrictions and give the American roads a chance on even terms, or as nearly even as they can be made, in the face of Canadian subsidies and payments of interest, to compete with the Canadian railroads.

The CHAIRMAN: If there are no other questions the committee will close its session.

The committee then adjourned.

