

PACIFIC RAILROAD.

SPEECH

OF

HON. LELAND STANFORD,

IN THE

CONSTITUTIONAL CONVENTION

OF THE STATE OF NEVADA,

On WEDNESDAY, JULY 13th, 1864.

ANDREW J. MARSH, Official Reporter.

SAN FRANCISCO, CAL.

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1865.

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IN THE CONVENTION,

Assembled at Carson City, N. T., to frame a Constitution and form a State Government for the State of Nevada, on the 13th day of July, 1864.

Mr. WARWICK, of Lander, said he desired to suggest a postponement of the subject then before the Convention, for the reason that ex-Governor Leland Stanford, President of the Pacific Railroad, was present, and he knew that members desired to be enlightened in regard to that important enterprise. He therefore moved that the rules be suspended, and that the further consideration of this subject be postponed for the present; and further, that Hon. Leland Stanford be invited to address the Convention on the subject of the Pacific Railroad, and also to answer any question which might be put to him by members on that subject.

The question was taken, and the motion was agreed to.

REMARKS OF EX-GOVERNOR STANFORD.

The PRESIDENT introduced the Hon. Leland Stanford, of California, President of the Central Pacific Railroad of California.

Mr. STANFORD—Mr. President and gentlemen of the Convention: I appreciate very highly the honor of this compliment which has been awarded me. I may say I am very grateful for it indeed. Devoting myself, as I have done for several years past, and as I am doing at the present day to the construction of the Pacific Railroad, I do not desire merely to make a speech on this occasion; I desire rather that this interview shall partake more of the character of a free conference, because I am well aware that every gentleman present is earnestly desirous of securing the speedy construction of the Pacific Railroad; not only the construction of the road across the mountains, but also the construction of the road across the plains to some point that shall connect us on this coast with the Atlantic States. This is the great want, not only of Nevada, but of the entire Pacific coast. It is not necessary, of course, that I should dilate at all upon the advantages to be derived by the people of this Territory from the construction of that road, either eastward or westward; it is better, I imagine, that

I should confine myself to pointing out as well as I am able how these advantages may best be obtained. To do so, I will refer somewhat particularly and as briefly as possible to the position of the Central Pacific Railroad of California—its present condition, its prospects, its wants and its means.

You are well aware, gentlemen, that Congress, by the Act of 1862, granted liberal donations in aid of the construction of the Pacific Railroad, limiting its aid only to the extent of one hundred millions of dollars. They also gave by that Act 6,400 acres of land to the mile for the construction of the road. Since that time, however, another Act has been passed by Congress, amending that first Act very materially, making it much more practical in its character. The first Act gave \$16,000 per mile for building the road on the plains, and \$48,000 per mile over the mountains, and also \$32,000 per mile for passing through the Territories. That has been changed by giving double the amount of land per mile, which was first allowed the several companies. And further, by the former Act, the assistance of the Government was made to become a first lien on the road; but by the Act of last session the Government gives the same assistance in bonds per mile, but allows the Railroad Company to make a first mortgage upon the road to an equal amount, so that now when the Central Pacific Railroad Company receives \$48,000 per mile in Government bonds, they are allowed to make a mortgage, which will be a first mortgage on the road, to the same amount, and they receive the Government bonds in addition. And as the base of the mountains has been determined by the President to be only about eight miles from Sacramento, it amounts practically to assuring \$96,000 per mile towards the construction of the road, one-half in the bonds of the Company, and the other half in bonds of the United States. This, of course, is a large assistance, but still it is not sufficient of itself to construct the road over the mountains, many miles of which will cost much more, and very little of it from the present terminus will

cost much less. Therefore you will observe that the means of the Company, so far as credit is concerned, to wit: the first mortgage bonds of \$48,000 per mile of its own mortgage bonds, and the \$48,000 per mile of the Government bonds, especially if in currency, is not sufficient to construct the road.

The question therefore arises, how shall the necessary means be obtained for building the road? After the first mortgage made on the road of \$48,000 per mile, and then the Government assistance becoming second mortgage bonds to the same amount, are expended, so far as borrowing is concerned, the means of the Company must necessarily be exhausted, because third mortgage bonds would be of very little value if they were issued. Its dependence after that, therefore, becomes merely the stock subscriptions and the earnings of the road. But in this country, where money is worth two per cent. per month, or about that, on the average, it can hardly be expected that there will be any large amount of stock subscriptions, especially where an immediate return in money is not and cannot be anticipated. Therefore, so far as stock is concerned, we must depend upon foreign assistance or subscriptions. A great point is to give confidence abroad in the stock of the Company, so that in time, as the road progresses, and is doing a fine business, as no doubt it will, the Company may entertain strong hope that there will be such confidence abroad in the stock of this railroad that people in communities where money is not worth more than five, six, or seven per cent., at most, per annum, will be willing to come forward and invest in this railroad. On this side we have for some time reached the conclusion that it is vain to seek for further subscriptions at present to the stock.

Now then, gentlemen, I hardly know how to address you in reference to this subject without appearing to interfere perhaps too much in your deliberations; but I will say this, that if you desire to aid the Pacific Railroad, and I am quite sure you do, the proper and most effectual mode of doing so is by assisting it over the mountains. This railroad is not a mere California project, as some have alleged, or a project which interests only people outside of your own Territory. On the contrary, it is an enterprise in which the people of this Territory are as much interested as any people in the world, and even more, for without it you are isolated. The people of California do not need a railroad to Nevada so much as the people of Nevada need a railroad to California. Now, my idea is that the true way for you is to aid the railroad while it is passing over the mountains; and that you may make yourselves entirely secure, that whatever aid you give shall not be thrown away, or be misapplied, you can say that your aid shall not come in until the road has reached a certain distance from navigable waters, or from the Sacramento river. For instance, when it has reached fifty, or sixty, or seventy miles into the mountains. It will then materially cheapen the means of transportation, both of freight and passengers,

and having done that you can say that we will give you so much, and then as it progresses this way so much more for every ten miles further, until the amount which you are willing to appropriate shall be exhausted. You can feel entirely sure that after the road has reached the summit it will come this way as far and as fast as the means of the company and the labor of men will permit. So far as the Government aid is concerned, the Government assistance, with a mortgage of \$32,000 a mile, will afford means amply sufficient to construct the road through your territory. Whenever it reaches the line, how fast it shall progress easterly is only a question of how fast the track can be laid, because the grading on the line selected can always be kept far in advance of the track.

The State of California last winter provided by law for the payment of the interest on a million and a half of the bonds of the company for twenty years. That is a very great and material assistance, not only because it pays the interest, and so far relieves the Company, but also because it tends to strengthen the credit of the Company, and so give confidence to others who might desire to invest in the stock of the Company, which is a very great point in any assistance of a public nature which may be given to the road.

The present Company has constructed thirty-one miles of road, and they have purchased the iron and rolling stock necessary for sixty miles, all of which is paid for, and most of which has been delivered. The freight money alone, on the material shipped from New York to San Francisco, which we have paid out, has amounted to over \$250,000 up to the present time. The Company owes no floating debt; all of its contractors are paid; every article for the road, all of its supplies and the iron and the rolling stock for the first sixty miles, are paid for, and the Company owe nothing except the first mortgage bonds of the road, amounting to a million and a half of dollars, not all of which, however, have yet been negotiated.

So far, this work has been done by the subscriptions of the individual stockholders, and the assistance derived from the subscription of the county of Sacramento, amounting to \$300,000, and the subscription of the county of Placer, to the amount of \$250,000. Most of the county bonds are yet owned by the Company. None of the State or National aid has yet been received by the Company, but nearly all that has yet been done has been done by the individual subscriptions of stockholders. Thirty-one miles of first-class road have been constructed, and we are supplied with all the rolling stock and iron necessary for sixty miles. This, in brief, is the present condition of the road.

So far as the route is concerned, we took a great deal of pains to ascertain which was the best route. I, myself, wrote a great many letters to different men who were acquainted with various passes through the mountains, and we made a reconnoissance of the different routes supposed to be practicable, and finally became

entirely satisfied that the route selected is altogether the best; allowing the road to be constructed at much less expense, and in much less time than by any other route.

Now allow me to say this—and I only know what the action of the Convention has been on this subject, by what I have seen in one of the papers—that you propose to give your aid to the road, only after it reaches the Territory, and then to the first road that shall reach it. Allow me, very respectfully, to say, that in my opinion, that action, instead of aiding the road, is calculated to delay its construction, because you thereby raise a doubt as to whether or not this road, which Congress has aided, which the State of California has aided, which the counties of Placer and Sacramento have aided, and which the county of San Francisco will aid, either to the extent of \$400,000 without taking stock, or by a subscription of \$600,000, is a practical route or not. And you also say to people abroad, when we go abroad to negotiate our securities, that there is a doubt whether we have got the best route or not; and more than that, that there may possibly be a parallel and rival road constructed. To the extent to which you throw a doubt upon this being the only route, when we go into the market to negotiate our securities, or to sell our stock, to that extent you depreciate their value, and to that extent, of course, you prevent the construction of the road.

Now, gentlemen, if ever a railroad is to be built over the mountains—and I trust it will be inside of three years, because I know it is entirely practicable—it will be that one which has received the National aid. Congress, while it donates in aid of the Pacific Railroad over one hundred millions of dollars, and gives it thousands of acres of land to the mile, operates through the various companies already in existence, one of which is the Central Pacific Railroad Company of California; and whatever is done to assist those Companies, to that extent co-operates with the efforts of the General Government, and whatever is done to antagonize the efforts of one of those Companies, to that extent, of course, antagonizes the efforts of the General Government to build the railroad. This is, in brief, the view which I take of this subject. I do not desire to occupy your time by making a speech. It is a question of importance, it is true, but I think it better that we should have rather an individual and conversational meeting, than that I should endeavor to make any formal speech. I should be pleased to hear the views of members, and I will endeavor to answer any questions which gentlemen may see fit to put to me.

Mr. FITCH—I will ask Governor Stanford, what is the average estimated cost, per mile, of building the road from Sacramento to the State Line?

Mr. STANFORD—The original estimate made by Mr. Judah, the chief engineer, who made the surveys, was, that it would cost between twelve and thirteen millions of dollars; that, however, was prior to any action of Congress giving assistance to the road, and it was not then contemplated to build so good a road as the Act of Con-

gress requires. That requires a first-class road, in every respect. A road might be built which would, to some extent, answer the purposes of a railroad, at some less expense. Since that time there never has been a complete estimate of cost for a first-class road, such as we are building.

Mr. DE LONG—I will ask the Governor this question. What do you suppose the bonds of the State of Nevada for \$3,000,000, at 7 per cent. a year interest, could be negotiated for abroad, without a railroad running to our borders?

Mr. STANFORD—Really, Mr. De Long, without a road at least contemplated, they would be very low in the market, in my opinion.

Mr. DE LONG—Do you think they would sell in the aggregate for more than \$750,000?

Mr. STANFORD—Yes, sir, I think they would realize over that amount, and certainly with the prospect of a Railroad; because, the moment it is certain that a railroad will be constructed, as it is well known that you have mines here which that road will supply and develop the credit of the State would be enhanced. In view of the number of mines now undeveloped, or partially developed, the fact that the road is to be built would give your bonds a very good standing in the market.

Mr. DE LONG—How far from the present terminus of the road is the summit?

Mr. STANFORD—It is one hundred and four miles from Sacramento to the summit.

Mr. DE LONG—Then it is forty-four miles from that point on the road to which you have the necessary supplies of iron and rolling stock to the summit. Is there only one summit on your route?

Mr. STANFORD—There is only one to pass over. Through the eastern summit the Railroad follows the outlet of Lake Tahoe. It comes through the eastern summit with a descending grade of forty-two feet to the mile.

Mr. WARWICK—I desire to ask a question. Do you not think that if the rate of interest on the negotiable paper of the State of Nevada were ten instead of seven per cent, it would be much more easily negotiated than at the rate proposed, which is seven per cent.? and also that it would bring a better price?

Mr. STANFORD—Oh, certainly.

Mr. NOURSE—Suppose we could not pay—and it is well known we could not pay—seven per cent. interest, would it make the bonds any more negotiable to fix the rate of interest at ten per cent.?

Mr. STANFORD—In that case I should suppose not.

Mr. FITCH—Does not Congress restrict the rate of dividends on your stock to ten per cent.?

Mr. STANFORD—Whenever it is above ten per cent. Congress reserves the right to restrict and limit it.

Mr. FITCH—I suppose that is the difficulty in regard to the subscriptions in California?

Mr. STANFORD—Not altogether, Mr. Fitch. The difficulty is this: this Company has the right to continue the building of this road until it meets the other road coming from the East, and of course there will be no cash dividends

until that time, as all the means of the Company will be used in pushing the road toward the East.

Mr. COLLINS—I understand that California, by her enactments, agreed to pay the interest on the bonds of the Company to the amount of a million and a half of dollars for twenty years to come.

Mr. STANFORD—Yes, sir; the interest being at seven per cent. per annum.

Mr. COLLINS—The State does not propose to pay the principal then?

Mr. STANFORD—No, sir; the Company pays the principal. The payment of interest by the State makes the bonds very desirable, and it is practically about as much assistance to the Company as if the State paid the principal. It not only makes the bonds good, but it strengthens the stock of the Company.

Mr. COLLINS—What is the highest grade in crossing the summit which the Company will have to overcome? I mean the maximum grade; how many feet per mile?

Mr. STANFORD—The maximum grade is one hundred and five feet to the mile.

Mr. COLLINS—You now have thirty-one miles completed. What is the highest grade on that distance?

Mr. STANFORD—We have four miles of the maximum grade of one hundred and five feet, and there are three miles of between eighty and ninety feet grade to the mile.

Mr. COLLINS—I believe there is to be an extensive tunnel somewhere near the summit; is there not?

Mr. STANFORD—The longest tunnel on the route, according to our surveys, is 1,050 feet, and that will take us more time than any other one mile on the road; but our engineers are confident that they can run it inside of fifteen months.

Mr. COLLINS—Is that at the summit?

Mr. STANFORD—No, sir; it is about seventy-eight miles from Sacramento.

Mr. COLLINS—What is the number of tunnels that the Company will have to make?

Mr. STANFORD—I do not know. The tunnels which we originally contemplated, we find on a more careful survey are generally thrown out, and this tunnel of 1,050 feet our present engineer thinks he can throw out entirely by a little more curve.

Mr. COLLINS—Without any more grade than one hundred and five feet to the mile?

Mr. STANFORD—Yes, we limit the grade to that; we are limited, by Act of Congress, to that of the Baltimore and Ohio road, the maximum grade of which is one hundred and sixteen feet to the mile; but we find that it is not necessary to have any grade of more than one hundred and five feet to the mile.

Mr. TOZER—I understand you to say that no part of the Government aid has thus far been used in the construction of the road?

Mr. STANFORD—Not a dollar.

Mr. TOZER—Then what are the contingencies? Can you depend upon the aid being granted to this road rather than to any other?

Mr. STANFORD—Yes, sir; because, in the Act of Congress, the Companies to build the road and receive the donations are specified by name. The Central Pacific Railroad Company was organized under the laws of the State of California, and was in existence anterior to the passage of the Act of Congress; and if you will observe—I have the Act here—that Company is recognized in the Act of Congress, and the five Companies named are the only ones that, under the Act, can derive any aid—three on the Eastern end, including the branches there, and then the Union Company, and the Central Pacific Company, on this end. These are the only ones which can receive any of the aid. The donations are specifically made to them. The Central Pacific Company has the right to build eastwardly until it meets the other Companies.

Mr. TOZER—How soon then do you think the road on this side can demand and receive any portion of the aid of the Government?

Mr. STANFORD—Our Company is in a condition to demand a portion of the aid immediately. Under the old law which provided for the construction, after forty miles had been completed across the plains, it was provided that there should be an appointment of Commissioners, and until such Commissioners had been appointed, and had reported, we could receive no assistance from the Government; but it allowed the bonds to be issued for every twenty-five miles in the mountains. Now, our road commencing at Sacramento runs into the mountains very soon, but there is no provision for granting us aid until we shall have forty miles constructed. But the Act of last winter, I understand, provides for the appointment of this Commission at once, and then we shall get the aid immediately.

Mr. FITCH—I understand you to say that \$48,000 per mile will be received from the Federal Government; that the company have permission to raise \$48,000 per mile more on the road, in anticipation of the Government aid, besides the aid of a million and a half from California, and the aid of \$400,000 or \$600,000 from San Francisco, and the aid also of \$250,000 from the County of Placer, and the \$300,000 from Sacramento County. I understand that you have all this aid from the counties as well as from the State, and that in the expenditure of this aid you are restricted to the State line.

Mr. STANFORD—The Pacific Railroad Company, so far as its first organization is concerned, had only the right to build to the State line; it was only organized for that purpose, but by the Act of last winter, we have the right so far as the State could confer it, to build eastwardly, and the National Government has also conferred the right to do so.

Mr. FITCH—I understand that the money given by San Francisco, and by the State, and by these counties, can be expended either within or without the State of California, as the Company pleases.

Mr. STANFORD—Yes, sir, the entire subject is under our control.

Mr. FIRCH—I believe you did not state the amount of the estimated cost per mile.

Mr. STANFORD—It will probably cost at least twelve or thirteen millions of dollars for the construction of a first-class road to the State line.

Mr. DE LONG—Inasmuch as the appropriation heretofore proposed by the Convention is not agreeable to you in its present form, and inasmuch as if we make a direct issue of three millions of dollars in bonds, it will not be worth much—take either horn of the dilemma—what is it the wish of the Company that we should do? Let you alone?

Mr. STANFORD—I would prefer that you should let us alone rather than provide that the State shall grant assistance to the first road that comes to the State line, and thereby impair confidence in this route.

Mr. DE LONG—We want to stimulate strife.

Mr. STANFORD—You can hardly expect to get two roads built across the mountains, Mr. De Long.

Mr. DE LONG—We do not want more than one, but we want that as soon as possible.

Mr. STANFORD—There is no doubt but what the road that comes across the mountains will be that one which the Government aids, and this is the only Company now organized with a view to construct a road over the mountains. There is no other company organized for that purpose, and nobody else has proposed to construct a road further toward the Territory than Placerville. So far as our present information goes, we do not know that any other road will ever attempt to cross the mountains.

Mr. DE LONG—Then I understand you to say that you prefer that there should be no donation at all rather than to limit it as this proposition is now limited?

Mr. STANFORD—I do not know exactly what you have done.

Mr. DE LONG—We propose to give \$50,000 a mile for every mile of railroad that shall be built within our Territory, to the company which shall first construct a road to this Territory, which shall connect us with navigable waters. That proposition is contained in our constitutional provision as it stands now. We have either got to make the appropriation outright, to leave it for the company to call for the first appropriation in bonds which shall first reach our borders, or else to make no appropriation at all. Which of the three measures would you advise?

Mr. STANFORD—With the exception of the implied doubt as to the company which has the ability to construct the road, there is no particular objection that I see. Of course, when we get our road over here we should be very glad to receive this aid to construct the road along through the Territory, as our hope is not to be delayed too long in getting across the mountains. But as I said before, the loan is not really necessary to get across the Territory. The Government aid being a second lien, makes the mortgage bonds of the Company good, and that insures the completion of the road across the

Territory as fast as the track can be laid, so soon as once the mountains are overcome.

Mr. DE LONG—Then the proposition would suit you very well if that part was stricken out which provides for giving it to the first company, thus leaving out the doubt as to whether or not there can be another company or road which is likely to cross the mountains first.

Mr. STANFORD—That would suit us so far as going through the Territory is concerned, but really that is no concern to the Pacific Railroad Company, because the Company is confident of its ability to push the road after we once reach the State line, as then the difficulty of crossing the mountains will be entirely surmounted.

Mr. DE LONG—Then you ask that whatever appropriation is made shall be made so as to be available as soon as possible, so as to allow you to use it on the mountains or elsewhere, as you please.

Mr. STANFORD—Yes, sir.

Mr. DE LONG—Would it be any advantage to you to appropriate three millions in bonds that would not sell for over \$150,000?

Mr. STANFORD—It would only aid the road to that amount, and that would be too great a sacrifice to make; but I think, nevertheless, that with the prospect of a railroad reaching the Territory at an early day, we may be quite confident that these bonds would stand well in the market, because not only yourselves here but the people in California, and in fact the whole world, have a very high estimate of the natural resources of your Territory, and the moment you have a reasonable means of communication for freight and passengers, you must have a population, and the bonds of the State of course will be valuable. But after all, while we are coming over the mountains is the time to give us effectual assistance. As to whether the bonds should be issued or not, is another question. You are as much interested in the bonds as the Railroad Company is, but if you prefer not to issue the bonds I can only say that the people of the State of Nevada would be very welcome to take stock in the road, and they could assist us in that way.

Mr. DE LONG—We should object to this issuing of \$3,000,000 in bonds, if it is not going to do considerable good.

Mr. STANFORD—You could give the aid in a very efficient and acceptable shape by providing for the payment of the interest on the bonds of the Company as California has done.

Mr. DE LONG—To what amount?

Mr. STANFORD—As much or as little as you choose.

Mr. KINKEAD—When will the road be finished as far as you have the material now on hand?

Mr. STANFORD—During the coming winter, we expect. Allow me to state why it has not gone forward faster this spring and summer. We have as yet received nothing from San Francisco, nor from the National or State aid; neither have we made a mortgage such as was contemplated by the California Legislature of last win

ter. There is a million and a half, of course, of very desirable securities which we could place in the market, but we have not done so because we did not know exactly how it should be done until Congress should take the action which it did take at the last session. Now, as soon as we receive the bill passed by Congress and get all the details, we shall make that mortgage and of course we shall push the work forward. It will take only about six months to complete that portion of it after we fairly set to work.

Mr. KINKEAD—That is, if you get the means.

Mr. STANFORD—With the State aid and our assets we are abundantly able to complete the sixty miles.

Mr. FITCH—Do you propose that these bonds which you are about to issue shall be first mortgage bonds?

Mr. STANFORD—Yes, sir.

Mr. FITCH—Then the State guarantees only the bonds?

Mr. STANFORD—No, sir. The State only pays the interest for twenty years. It actually pays that interest, so that, in addition to the credit of the company as a guarantee, we have for the interest the credit of the State.

Mr. KINKEAD—The State does not pay the principal?

Mr. STANFORD—No, sir. That is to be paid by the Company.

Mr. PARKER—Is there any company which has a charter from the eastern line to California, already granted by the Nevada Legislature, through the Territory?

Mr. STANFORD—No, sir.

Mr. HAWLEY—That is a question which I wished to ask. I do not quite understand whether any contingency could arise by which the aid granted by the United States could be received by any other company.

Mr. STANFORD—No, sir; except that Congress may repeal or modify the act, which is not very likely. Under the act of this winter, however, they have reserved the right to repeal or modify it.

Mr. HAWLEY—Then no other company can receive it on the western slope?

Mr. STANFORD—No, sir.

Mr. HAWLEY—That question arose on the framing of the language of the section. The language employed was "Some one company," and I opposed it because I thought it was leaving the matter open for the purpose of exciting a contest between the companies. So far as I am concerned, I was willing that the aid should be restricted to the Company which you represent, provided there could be no such condition of affairs that the Government aid could go to some other company.

The PRESIDENT—I would like to ask Governor Stanford a question. How far has the line of the road been surveyed or located?

Mr. STANFORD—To the State line, or rather to the Big Bend of the Truckee.

The PRESIDENT—Do you regard the summit as the State line?

Mr. STANFORD—No, sir. We strike the State

line about four miles from where the Hennes^s Pass road crosses the Truckee river.

The PRESIDENT—Do you recollect the distance in miles?

Mr. STANFORD—The distance as we ran it originally was 144 miles. To the summit the distance was 104 miles.

The PRESIDENT—It has not been surveyed and located beyond that point to the east?

Mr. STANFORD—Yes, sir, to the Big Bend of the Truckee.

The PRESIDENT—What is the capital stock of the company?

Mr. STANFORD—Eight millions of dollars?

The PRESIDENT—How much has been subscribed?

Mr. STANFORD—Between \$800,000 and \$900,000 by the individual stockholders and \$250,000 by the county of Placer, and \$300,000 by the county of Sacramento.

The PRESIDENT—What amount of that capital has been actually paid in?

Mr. STANFORD—Between \$500,000 and \$600,000. The Government aid, you will see very readily, can in no manner be diverted from the Central Pacific Railroad, except through its own laches. Under the recent Act of Congress, the time of the construction has been extended so as to require 25 miles to be completed next year, 25 miles the year thereafter; and it is for the interest of the Company to push it forward as fast as they have the means to do so, and the earlier it is completed the better.

Mr. DE LONG—Then I understand that the Company would rather we should guarantee the interest on the bonds of the Company, than to give the bonds of the State?

Mr. STANFORD—No, we would rather have the bonds.

Mr. DE LONG—If we give you \$210,000 annually, as a donation, which is the interest on \$3,000,000 of bonds at 7 per cent., that would be double the amount which California has given, or nearly so?

Mr. STANFORD—Allow me to say, that I have entire confidence that the stock of the Company will eventually be very valuable, and I cannot ask for the assistance of any State, except so far as it may be necessary to secure its construction, and if the Territory of Nevada, or the State of Nevada, when it becomes a State, agrees to pay the interest on the bonds, which would make them about as good in the market as if the State gave her own bonds—in other words, it would furnish about the same amount of means toward the construction of the road; that is really all the Company can ask. We do not ask anything to save the stockholders—nothing except to inspire confidence; to make the credit of the Company good abroad.

The PRESIDENT—The bonds of the Company bear interest at 7 per cent, and the Sacramento and Placer county bonds a like rate, do they not?

Mr. STANFORD—No, sir; the bonds of Sacramento and Placer counties bear 8 per cent. interest.

Mr. EARL—Where is the western terminus of the road?

Mr. STANFORD—Under the organization of the Company, it was the State Line.

Mr. EARL—No! No! I mean the western terminus.

Mr. STANFORD—Oh, the western terminus; under the Act of Congress, it is a point at or near San Francisco, or the navigable waters of the Sacramento river.

Mr. EARL—Is not the terminus to be at Goat Island?

Mr. STANFORD—I am not fully posted here. I have not seen the amended bill, but I think it provides for an organization to run a road from Sacramento to Goat Island. The Company has a right to construct a railroad to San Francisco, if it chooses to do so.

Mr. EARL—By this language, if it be construed that this is the road which is to get the land from the Government, will not the doubt arise as to whether you would get the aid from the counties, and also from San Francisco?

Mr. STANFORD—So far as relates to the construction of the road to San Francisco, there may be some doubt; but over the mountains, there is no doubt whatever, because the Act of the Legislature provides specifically that \$600,000 shall go to the Central Pacific Company, and \$400,000 to the Western Pacific Railroad Co.

Mr. CHAPIN—What is the distance from the head of the Truckee Valley to the summit, or somewhere there?

Mr. STANFORD—I think it is some 42 or 43 miles.

Mr. CHAPIN—If that summit were the State Line, all that 40 miles would be in this Territory?

Mr. STANFORD—Certainly; the line of the railroad follows the Truckee, down a rather crooked course for a great many miles. We found that some gentlemen were constructing a wagon road through there, and their original idea was to bring it down to the Truckee directly, but they found that the distance would be no less than by taking the Henness Pass route, and striking across Dog Mountain. All the difficulty is on the mountains. There is an opening in the mountain there, and from there down to O'Neal's there is no trouble about the road. All the difficulty is in the mountains, and it is all passed when you get to the State Line.

Mr. COLLINS—--I understood that the road would have been completed before this time, but for the want of funds?

Mr. STANFORD—Yes, sir.

Mr. COLLINS—I understand there has been some embarrassment in the operations of the Company, or that the progress of the road has been delayed?

Mr. STANFORD—Only delayed; the Company has not been embarrassed.

Mr. COLLINS—I hear it has not gone ahead as fast as it would have gone, if there had been funds enough?

Mr. STANFORD—No, sir. You see we were practically more than six months removed from the source of supplies. The ground was broken for the construction of the road a year ago last January, but we had to go East and purchase iron and rolling stock, and from the time we started, inde-

pendent of the time we were necessarily delayed in negotiating, somewhat more than six months were consumed in the purchase and transportation of the material. Indeed, some materials which we purchased a year ago, and paid for at the time in the securities of the Company, have not yet arrived. We were delayed some time in getting our locomotives; the Government was requiring the services of most of the effective force in building locomotives for its own use, and we could only get them at such times as they could be afforded by the Government.

Mr. COLLINS—Do you think that if this State shall give bonds for one, two, or three millions of dollars, or agree to pay the interest for an indefinite period of time on the bonds of the company, that would really facilitate and hasten the completion of the road across the mountains?

Mr. STANFORD—It would very much.

Mr. COLLINS—Probably how much time would it forward the completion of the road?

Mr. STANFORD—Well, I feel entirely confident that if the State shall pay the interest—not guarantee it, because I do not consider that that would be any very great assistance, for we never intend to have the bonds come to protest, and a guarantee therefore would be very little assistance—but if the State paid the interest, it would be a very great assistance, and practically nearly to the same extent as though the State issued her own bonds. You will consider this, that we have thirty-one miles already constructed and paid for, and the rolling stock and iron for sixty miles already provided, and we owe nothing for all that except a few first mortgage bonds, a million and a half of which we have issued, but only a portion of that amount have been negotiated, and everything else in the way of assistance is untouched. Besides we have the interest on our bonds to the amount of one million and a half of dollars paid by the State of California.

Mr. KINKEAD—Is that a donation?

Mr. STANFORD—Yes, practically, with the exception that we do some services for the State as a consideration. Things which are to go to the State Fair are to be carried free, and arms, and munitions of war, etc., are to be transported free. We issue our own bonds whenever we please, and we are able to put the bonds into the market at once, and then almost immediately we will be able to derive the benefits from the Congressional aid on the thirty-one miles which we have completed. We will have that aid to assist us in completing the work. We can make our first mortgage bonds equal to \$48,000 per mile on the thirty-one miles completed. There is besides the \$400,000 which we are about to receive from San Francisco, if the compromise now proposed shall be carried out in good faith, as I think it will be; and if it is not carried out, then we shall receive \$600,000 in bonds from San Francisco, giving in return \$600,000 in stock, and these are the immediate assets of the Company for the prosecution of the work. Now, if this Territory, on becoming a State shall promise to pay the interest on the bonds of the

Company to any extent, to that extent the bonds would become very marketable. They would be good securities and bring a good price in the market at once, and in addition you will see the advantage of all these donations made directly to the Company by strengthening its standing abroad. The effect is that you make the stock desirable. Our idea is to push forward the work as rapidly as possible, and when we get it completed for a distance of seventy or eighty miles, we shall have demonstrated, not only the practicability of the enterprise, but also that it has a practical value as an investment, so that we shall have no difficulty in selling our stocks, and thereby realizing a large amount of funds with which to finish up the road.

MR. NOURSE—What effect upon any guarantee or agreements to pay interest on the bonds of the Company would the exemption of mines from taxation have?

MR. STANFORD—I do not know what would be your means of raising a revenue in that event.

MR. NOURSE—Are you much acquainted with the means of raising revenue which the Territory possesses?

MR. STANFORD—I am somewhat.

MR. NOURSE—Have you noticed the expenditures and the income for the last year under the Territorial organization?

MR. STANFORD—Well, not particularly.

MR. NOURSE—Are you aware of the fact that with the Federal Government paying the Federal officers we have already run behindhand—that we are already \$250,000 behindhand, independent of city and county indebtedness?

MR. STANFORD—I was not aware of it.

MR. NOURSE—Are you aware that the expenses for fourteen months, which includes only \$1,600 of interest, amount to nearly \$600,000, with an income of only \$44,000?

MR. STANFORD—I was not.

MR. NOURSE—With these facts carried before Wall street brokers, with this insight into our financial affairs, what do you think would be the probability of negotiating our bonds at a figure to make it a paying operation?

MR. STANFORD—I do not think that showing would materially affect the bonds.

MR. NOURSE—Suppose you had the further fact that, notwithstanding the small amount of income, the people of Storey County, our most wealthy county, were taxed \$2 70 on every one hundred dollars worth of property for the past year, and that out of all that we get only a small per centage for State purposes?

MR. DE LONG (in his seat)—Oh, that is nothing for a Sacramento man to consider!

MR. NOURSE—Suppose that fact were known, and it were also understood that we as a Territory had run behindhand \$244,000, and that the Territory had only an income of about \$44,000 a year—suppose, I say, it were known that the expenses were so much larger than the income, as shown by these figures, what would be the advantage to you of that agreement on the part of this State to guarantee or to pay the interest on your bonds?

MR. STANFORD—I think you hardly put the case fairly. If the revenues of this State were not to be largely increased, of course there would be no great value in its securities. But so far as the rate of taxation is concerned, you should consider it in proportion to the rates paid for the use of money, which is often 3 and 4 per cent. in this country. I believe 2½ per cent. is about the usual monthly rate here, and compared with that the rate of taxation is very light. It cannot be more in proportion than 1½ or 2 per cent. per month interest, and yet there are cities and towns where people pay taxes amounting to 3, 4 and 5 per cent.

MR. NOURSE—Would it not be of more advantage to your Company, as regards giving you credit abroad and assuring the desirability of your stock, if it were known that after, or soon after, this Railroad should reach the State line—which would develop our resources and give us a population, thereby rendering the State able to do something—that then the State would give you outright the amount of three millions of dollars, at the rate of fifty thousand dollars a mile—that the State would not lend, but give it outright? Would not that help you much more than it would to give you our bonds now, or as soon as we get to be a State, and with our present condition of finances?

MR. STANFORD—I think not; because abroad, where most of the securities must be negotiated, the great point is to inspire confidence that the road will be constructed over the mountains, and there will always be a doubt until the ability of the Company is made apparent. It is necessary not only that the Company should have the ability, but also to make that ability apparent to the parties with whom we have to deal.

MR. HOVEY—I would like to correct the gentleman from Washoe [Mr. Nourse] in one respect. The County of Storey alone has paid \$57,000 into the Territorial Treasury during the last year.

MR. CHAPIN—With many thanks to Governor Stanford for the valuable information he has given us, I suggest that we now proceed to regular business.

MR. COLLIXS—I propounded one question to the Governor, but his attention was diverted from it so that he did not answer it. My question was this: How much by the appropriation or provision for the loan of the credit of the State, or a guarantee of the bonds of the Company by the State, say for a certain definite period, to an amount of one, two or three millions—how much by that means would we be enabled to hasten the completion of the road to the State line? Would it hasten it one year—a year and a half, or six months? For instance, suppose when it reaches a point sixty miles this side of Sacramento we guarantee the payment of 7 per cent. on one million; when it arrives at a point eighty miles this side of Sacramento, a million more, and when it arrives at a distance of one hundred miles from Sacramento, or at the State line, a million more?

MR. STANFORD—Of course I can only approximate to it, but I will say this: that with the knowledge of the fact that this State would give

the interest upon a certain amount of bonds, we could proceed with entire confidence in the expenditure of the money raised on the bonds which we are already authorized to negotiate at the present time. By the time the road is constructed up to about sixty miles from Sacramento, the balance of the road, to fifteen miles from the summit, might be ready for the track, and when that is done there is no one section that has any obstacle to delay it. We could proceed at once to use the present securities with entire confidence, knowing that by the time they are exhausted we shall have reached a point where we may receive the aid from this State; and these bonds would be negotiable in the market. Therefore I think that with that assistance we could construct the road as fast as any adequate amount of means would permit, and we could finish it inside of three years probably.

Mr. COLLINS—Do you think that this aid would give us the road one year sooner than we could have it without?

Mr. NOURSE—Do you mean by the payment of the interest or the agreement to pay it?

Mr. COLLINS—I mean not an agreement only, but the actual payment of the interest.

Mr. STANFORD—I must say that I could not say that it would make a difference of a year. It might make more difference, but I should be surprised if by some means we do not push the road forward to this Territory inside of three years. It is my ambition to do so. But the great object, as I have said, is to inspire confidence abroad.

The PRESIDENT—Do not you think that this road will be constructed without any aid from this Territory?

Mr. STANFORD—I think it will be, but perhaps not so soon.

The PRESIDENT—Then with this guarantee of interest at 7 per cent. on the bonds of the Company, how much sooner could that road be constructed to the State Line, than it would otherwise be?

Mr. STANFORD—It is very difficult for me to say, because so much depends upon our foreign relations, and the conditions of the whole country. The standing of our bonds and the standing of the Government bonds will have to be governed by events in the future; of course, what will be our condition in the future, it is impossible to say; nor how our securities are going to stand within a certain length of time. But this is certain: that if this State comes in and lends her aid, to the extent that she gives that aid, it will help the road; and more than that, it will strengthen the bonds of the Company abroad, and also the stock. For instance, if the road were to cost three millions, with a million and a half of aid, you will enable us to build the whole of it, because the amount required to build a portion of the road secures the construction of a good deal more. Whatever is donated becomes a security for nearly an equal amount in addition, so that the donation of a million and a half from the State, becomes equal, so far as the construction of the road is concerned, to nearly

three millions of dollars. Then, in addition to that, the road having received the donation makes the stock of the Company more desirable in the market, and in that way the resources of the Company and its means to build are increased. I may say, that a million and a half donated by the State, equals twice that amount toward the cost of the construction of the road.

The PRESIDENT—Then three millions would be equivalent to six millions toward the construction of the road?

Mr. NOURSE—I wish to ask one more question. What is the shortest radius of any curves on your road, and whereabouts do they occur?

Mr. STANFORD—As to the curves, our shortest is a 500 feet radius, although we run out of Sacramento, at present, with a curve of 225 feet radius.

Mr. NOURSE—Do these curves come upon heavy grades?

Mr. STANFORD—Some of them; yes, sir. Of course we avoid having curves upon sharp grades as much as possible, but we reach the elevation of 7,030 feet in a distance of 104 miles, so that the grade is very regular. We have curves of this kind for at least four miles on the maximum grade, on the part we are now running, but only one engine is required to surmount these curves. The locomotive Pacific, which is not so large as one we have coming out, drew up to Newcastle, one train containing over 400 passengers, with only 100 pounds of steam. There were eight cars, and each had about sixty passengers.

Mr. NOURSE—One engine hauled the train up the 105 feet grade?

Mr. STANFORD—Yes, sir; I was on the engine at the time. We had only 100 pounds of steam on and sometimes a little less. We had certainly over 400 passengers on the train.

Mr. COLLINS—One object in postponing the issue of the bonds was the idea that the State would be in a better condition at a future time to meet the issuing of so large an amount than it is at present. As you rather demur to the action of the Convention, I would ask which would be most agreeable to the Company—for instance, to issue the bonds from time to time, as the work progresses on the other side, until the road reaches the State line, to make the payment from time to time until a million and a half is paid or until the road is completed, or to pay the interest on the million and a half of bonds as they are issued by the Company?

Mr. STANFORD—The object is, to get across the mountains. I will say this, that if the State is not to issue the bonds until seventy miles of road are completed, the State will then certainly be in the receipt of considerable benefit from the road. In the next place, when we reach the seventy miles and make the proper proofs then only the Company may issue the bonds guaranteed by the State, and the first installment of interest probably would not be payable under six months at any rate from that time, so that it would necessarily take a considerable time before the State could be called upon to pay anything at all. And long before she would be called upon to pay them, she would

be deriving far more than an equivalent in the way of benefits from the road. For instance, now there are six daily coaches running from the termini of the railroads running from Sacramento towards this Territory, and the probability is that these coaches take fifty passengers up and carry fifty passengers down at a cost of about \$25 for each passenger, so that there must be \$2,500 a day paid out by the people of this Territory for passengers alone. Now, the most we could charge under the laws of California would be ten cents a mile for passengers and fifteen cents a ton for freight, and the Territory would save on passenger travel alone not less than the handsome sum of \$300,000 a year, even if the railroad company should charge the maximum prices allowed by the law of the State of California.

Mr. CHAPIN—Have you any reliable data in regard to the amount paid for freight and for passengers during the last year, to and from California?

Mr. STANFORD—We have got such estimates as we could on that subject from several firms in Sacramento, and also in regard to the teaming across the mountains. The amount paid out in Sacramento for freights, the past year, was from ten to twelve millions of dollars, and Mr. Swain, a large wagon road owner, estimates it at twelve millions. I know that Whitney & Co. of Sacramento, some time along last fall—in November, I think it was—showed us their books, and also made an affidavit to the effect that they had paid out for goods forwarded from there during the season over \$1,700,000; that was from one single firm. D. W. Earl & Co. have paid out probably about the same amount.

Mr. NOURSE—Are not these the principal firms?

Mr. STANFORD—There are several firms which do about as large an amount of business.

Mr. DE LONG—And many goods are sent here from Marysville also.

Mr. STANFORD—I did not take any account of the Marysville trade, though I know there is a vast amount of goods shipped from there to the Territory. Taking the amount of freight brought by the several routes last year as a basis, the railroad line would probably save to the Territory at least eight or ten millions of dollars a year. That is according to the best data we can obtain. And it would save about two thirds on the bullion shipped. I do not remember the exact amount of bullion. We have had the wagon roads estimated from the tolls received.

Mr. NOURSE—You add them to the estimate of the amount shipped in Sacramento?

Mr. STANFORD—No sir; that is independent of these estimates. Mr. Swain's estimate of the whole was twelve millions of dollars.

Mr. NOURSE—Probably, on the other hand, Whitney & Co. and D. W. Earl & Co. forwarded about a quarter of the whole amount shipped last year.

Mr. STANFORD—Probably not a quarter, as a large amount comes also from Stockton, such as the produce of the farms—barley, hay, a great deal of flour and some merchandise, which does not come by that road at all.

Mr. TOZER—And a great deal comes by the Henness Pass route, does there not?

Mr. STANFORD—A very great deal, and a great deal also from farms along on the road.

Mr. TOZER—Could not most of the amount proposed to be guaranteed be saved to the State in the way of fuel?

Mr. STANFORD—I should say it could. You have got in your Territory boundless resources; you have plenty of mines which would pay reasonably were the cost of working them reduced to a smaller amount; but you have not got many mines which will with the present cost of the reduction of the ores. The consequence will be, without a railroad, that very soon the production will be confined to the principal mines; prospecting will die out, and your population will come to consist only of those who are engaged in working the more valuable mines and those connected with them. But when you can transport your freight and your fuel at reasonable rates; when you can send your ores to the Truckee, or get your wood brought cheaply to your mines, you can then support an almost indefinite amount of population.

Mr. PROCTOR—How far has the road progressed already?

Mr. STANFORD—Only thirty-one miles as yet.

Mr. PROCTOR—Are there any men at work on the road now?

Mr. STANFORD—Yes, sir; a small gang of men at Auburn, where we have a heavy cut. We have a few men at work upon that. I feel myself greatly obliged to the gentlemen of the Convention for the kind attention they have given me, and I will trespass no further upon their time.

Mr. CHAPIN—I move a vote of thanks to Gov. Stanford for the valuable information he has given the Convention.

The question was taken, and the motion was agreed to.