

CHAPTER XII.

STEAMSHIP COMPANY AFFILIATIONS ON THE PACIFIC COAST.

The Pacific Coast Trade Proper.

Important independent steamship lines make a more prominent showing in the Pacific Coast trade than in any other division of our coastwise or inland commerce, and, aside from the companies engaged in the Alaskan and Hawaiian trades, no important consolidations of water carriers seem to exist. Unlike the situation in the Atlantic and Great Lakes trade, the railroads control only two important lines (excluding from consideration mere bay or river lines), viz, the Pacific Mail Steamship Co. and the San Francisco & Portland Steamship Co. The remaining important lines engaging in the Pacific coast trade proper, judging from their answers to the Committee's Schedule of Inquiries, are not railroad-owned, this number including three from San Francisco to Seattle, three to Portland, and four to San Pedro (Los Angeles) and San Diego.

Enumeration and description of the lines.—Stated in tabular form, the eight important Pacific coast lines, and the leading ports between which they operate, are shown on page 348.

An examination of the table shows that two of the eight leading Pacific coast lines—American-Hawaiian Steamship Co. and Alaska Pacific Steamship Co.—connect only San Francisco with ports to the north; that three—Independent Steamship Co., Pacific Navigation Co., and Pacific Mail Steamship Co.—connect only San Francisco with southern California ports; and that three—North Pacific Steamship Co., San Francisco & Portland Steamship Co., and Pacific Coast Steamship Co.—conduct a through service from southern ports of California via San Francisco to northern coast ports and return, the first two to Portland and Astoria and the last to Seattle. A fourth through service exists, the Alaska Pacific Steamship Co. (operating between San Francisco and Seat-

PACIFIC COAST LINES AND THE PORTS THEY SERVE.

Between—	<i>Los Angeles (San Pedro) and San Diego.</i>	<i>San Francisco.</i>	<i>Portland and Astoria.</i>	<i>Seattle.</i>
<i>Los Angeles (San Pedro) and San Diego, and.</i>	Independent Steamship Co. (1 steamer of 666 gross tons). North Pacific Steamship Co. Pacific Coast Steamship Co. (14 steamers of 32,681 gross tons). Pacific Mail Steamship Co. (9 steamers of 27,354 gross tons in the California-Panama service). Pacific Navigation Co. (2 steamers of 7,462 gross tons). San Francisco & Portland Steamship Co. (4 steamers of 16,161 gross tons).	North Pacific Steamship Co. San Francisco & Portland Steamship Co.	Pacific Coast Steamship Co.
<i>San Francisco, and</i>	Independent Steamship Co. North Pacific Steamship Co. Pacific Coast Steamship Co. Pacific Mail Steamship Co. Pacific Navigation Co. San Francisco & Portland Steamship Co.	American-Hawaiian Steamship Co. North Pacific Steamship Co. San Francisco & Portland Steamship Co.	Alaska Pacific Steamship Co. American-Hawaiian Steamship Co. Pacific Coast Steamship Co.
<i>Portland and Astoria, and.</i>	North Pacific Steamship Co. San Francisco & Portland Steamship Co.	American-Hawaiian Steamship Co. (21 steamers of 136,753 gross tons, including all services). North Pacific Steamship Co. San Francisco & Portland Steamship Co.		
<i>Seattle, and</i>	Pacific Coast Steamship Co.	Alaska Pacific Steamship Co. (4 steamers of 7,305 gross tons). American-Hawaiian Steamship Co. Pacific Coast Steamship Co.		

tle) having entered into a traffic agreement with the Pacific Navigation Co. (operating between ports of southern California and San Francisco) whereby each company routes its traffic via the other.

Relations between the lines, and between the lines and railroads, explained.—With the exception of the Alaska Pacific Steamship Co. and the Pacific Navigation Co., which as already stated have an agreement for the routing of traffic via each other's steamers, none of the aforementioned lines, according to the answers to the Committee's Schedule of Inquiries, is a party to any agreements or understandings with any of the other lines or a member of any associations, exchanges, or conferences which have in view the division of traffic or the fixing and maintenance of rates. The port-to-port rates charged by the lines appear in nearly all cases to be less than the all-rail rates, but the difference (ranging from 6 to 10 cents per 100 pounds below the rail rates), according to the reports of the lines, is not a constant differential but varies at all times. Some of the lines (the Pacific Coast Steamship Co.; Alaska Pacific Steamship Co., San Francisco & Portland Steamship Co., Independent Steamship Co., and North Pacific Steamship Co.) have through traffic arrangements with certain connecting railroad companies upon an agreed basis of divisions;¹ and all except the last line report that no railroads have refused to prorate with them. The North Pacific Steamship Co. states that: "the Harriman lines out of Portland have refused to prorate with the line; no reasons are given but as they own a line operating out of Portland covering the same territory as we do the reason is obvious." The Pacific Naviga-

¹ The Pacific Coast Steamship Co. has a division of through rates with the Great Northern Ry., Northern Pacific Ry., Chicago, Milwaukee & Puget Sound Ry., Canadian Pacific Ry., Western Pacific Ry., Pacific Coast Ry., Southern Pacific Ry., and various other transportation lines.

The Alaska Pacific Steamship Co. interchanges traffic with the Great Northern Ry., Northern Pacific Ry., and the Chicago, Milwaukee & Puget Sound Ry., receiving a proportion of the through rates named by these railway companies.

The North Pacific Steamship Co. has contracts with the Spokane, Portland & Seattle Ry. for the exchange of traffic at Portland, and with the Pacific Coast Ry. for the exchange of freight at San Luis, Cal.

The San Francisco and Portland Steamship Co. has through traffic arrangements with the Oregon-Washington Railroad & Navigation Co. and its connections, and the Northern Pacific Ry. Co., providing for the interchange of freight between San Francisco and interior northwestern points upon an agreed basis of divisions.

The Independent Steamship Co. has arrangements with the San Pedro, Los Angeles & Salt Lake R. R. Co. and the Las Vegas & Tonopah R. R. Co. on through business to and from San Francisco and Nevada points.

tion Co. reports that: "the Southern Pacific, Santa Fe and Western Pacific & Salt Lake Railroads have refused to put us in a position to participate in eastern passenger business, round trip or otherwise. Through their influence our application for membership in the Transcontinental Passenger Association has been denied." The Pacific Navigation Co. has a contract with the San Pedro, Los Angeles & Salt Lake R. R. Co. whereby the railroad agrees to furnish certain wharves, the steamship company in turn agreeing to confine its sailings exclusively from and to said wharves, "except if and when prevented by law from so doing." It may be added that all of the capital stock and notes of the San Francisco & Portland Steamship Co. are owned by the Oregon-Washington Railroad & Navigation Co. which, in turn, is owned by the Oregon Short Line R. R. Co. (in turn controlled by the Union Pacific Railway System). The San Francisco & Portland Steamship Co. also advised the Committee that it is "affiliated with the Pacific Mail Steamship Co. (having some officials jointly), but that it has no agreement or understanding with either the Pacific Mail or the Oregon-Washington Railroad & Navigation Co. with respect to the division of traffic or the maintenance of rates."

A comparison of the printed or typewritten tariffs of port-to-port rates, as furnished by the several lines to the Committee, shows that they are alike; but there is ample evidence to warrant the conclusion that the lines cut rates frequently to meet competitive conditions. All of the lines refer to the severe competition in the trade, both from regular lines and from the more or less regular sailings of the Charles Nelson Co. and the Olson & Mahony Steamship Line. These latter companies operate between San Francisco and Puget Sound, their competition, however, being only northbound, since they operate their vessels for merchandise northbound and their own lumber cargo southbound. With a view to ballasting their vessels northbound so as to make time, these carriers will not hesitate to secure freight at any rate necessary. In respect to the competitive conditions prevailing in the trade, the following extracts from the replies to the Committee's Schedule of Inquiries will serve to indicate the extent to which the lines cut their regular rates:

The Alaska Pacific Steamship Co. reports: "In submitting our rates on local traffic we call your attention to the fact that this company, being in competition with other local lines and tramp steamers, is on various occasions

called upon to meet competitive rates. This is done from time to time and such rates are protected through billing instructions issued to our agents by the traffic department of this company. We are not attaching copies of these special quotations in view of the fact that they fluctuate and are on various occasions quoted for the movement of the one shipment only."

The North Pacific Steamship Co. reports: "Our rates are not published and change almost from day to day to meet competition and conditions. . . . We can not answer the question as to whether our rates include all charges for marine insurance, dockage, wharfage, etc., because conditions change so frequently and on one trip of a steamer various shipments take various rates and conditions according to the agreements entered into with the shipper."

The San Francisco & Portland Steamship Co. reports: "Our rates are in nearly all cases less than the all-rail rate. On commodities moving in small quantities the differential is generally 6 cents per hundred pounds, but on freight moving in large quantities the differential will range greater, but is not fixed as our rates are made without consideration of the rail rates. . . . No changes have occurred during the last five years, except as they have occurred automatically by reason of the lowering or raising of our rates with respect to conditions of ocean competition."

The Trade between Puget Sound and Alaska.

Enumeration of trade routes and steamship lines operating on each.

All the regular lines connecting the American Pacific coast proper with Alaska operate from Seattle or Tacoma, all Alaskan freight destined to, or arriving from, ports farther south being transhipped at these points. This trade between Puget Sound and Alaskan ports is divided into four distinct routes, viz:

1. The Nome Route (the most northerly one and sometimes called the Kotzebue Bay, or Bering Sea Route), comprising the ports of St. Michael, Golovin, Bluff, Solomon, Nome, Teller, Deering, Kee-walik, and Kotzebue. All these ports are served by at least two and sometimes by all of the following lines: The Alaska Steamship Co., Western Alaska Steamship Co., and Pacific Coast Steamship Co. In answer to the Committee's request "for all port-to-port class and commodity rates now charged," all the above-mentioned lines furnished tariffs, the rates of which, as regards the traffic between Seattle and Tacoma and the above-mentioned ports, were identical for all the lines with the exception of the rate on ore southbound.

2. The Southwestern Alaska Route, comprising among the leading ports Yakutat, Kayak, Katalla, Cordova, Valdez, Seward, Seldovia, Port Graham, Iliamna and Kodiak. These ports are

served by only two regular lines, namely, the Alaska Coast Co. and the Alaska Steamship Co. A comparison of the current rates between Puget Sound and these ports and vice versa, as furnished to the Committee by the lines, shows them to be identical for about half of the ports. With reference to the remaining ports on this route the rates charged by the two lines are the same as regards about one-half of the commodities.

3. The Southeastern Alaska Route, comprising the ports of Ketchikan, Wrangel, Petersburg, Douglass, Juneau, Haines, Skagway and Seward. These ports are served by the following regular lines: The Alaska Steamship Co., the Pacific Coast Steamship Co., the Humboldt Steamship Co., and the Northland Steamship Co. Only the first three of these lines furnished the current rates charged in the traffic to and from Seattle and Tacoma. The tariffs furnished show that the Alaska Steamship Co. and the Pacific Coast Steamship Co. charge the same rates, but that the Humboldt Co. is apparently an independent line, since its rates, as furnished to the Committee, differ from the published rates of the other lines.

4. The Yukon River Route, comprising many small towns on the Yukon River and its tributaries. Two main lines—the Northern Navigation Co. and the Merchants' Yukon Line—operate on this route, both stopping at the same places. The local rates of both companies are the same. Freight coming from Seattle and Tacoma to Yukon River points is brought to the mouth of the Yukon by either the Alaska Steamship Co. or the Pacific Coast Steamship Co. (whose through rates to Yukon River points are the same), and from there is carried by the Northern Navigation Co. or the Merchants' Yukon Line, both of which quote the same rates on traffic exchanged with the aforementioned two lines on through business to and from Seattle and Tacoma.

Steamship Consolidations in the Alaskan Trade.—With the exception of the Alaska Coast Co., the Northland Steamship Co., and the Humboldt Steamship Co. (the last two companies operating only one steamer each, of 697 and 1,075 gross tons respectively, on the Southeastern route), all of the above-mentioned lines operating to and from Seattle and Tacoma seem to be affiliated through stock ownership or traffic agreements. In the first place, \$1,499,100 of the \$1,500,000 of the capital stock of the Pacific Coast Steamship Co. is owned by the Pacific Coast Co., the latter company owning 14

steamers of 34,683 gross tons and the former operating them. The Pacific Coast Co. (with outstanding common stock of \$7,000,000, first and second preferred stock of \$1,525,000, and first-mortgage bonds of \$5,000,000) controls through stock ownership numerous companies besides the Pacific Coast Steamship Co. Among the companies thus controlled should be mentioned the Juneau Steamship Co., whose entire capital stock is held half and half by the Pacific Coast Co. and the Alaska Steamship Co., and the Ketchikan Wharf Co., whose entire stock is also owned in equal shares by the same two companies. Two-thirds of the capital stock of the Western Alaska Steamship Co. (which owns no vessels but charters them from various parties, including the Alaska Steamship Co. and the Pacific Coast Steamship Co.) is also owned by the Alaska Steamship Co. and the Pacific Coast Steamship Co., each owning one-third of the \$25,000 of capital stock outstanding.

The Alaska Steamship Co. (with \$3,000,000 of common stock outstanding, and representing a consolidation of the Alaska Steamship Co. and the Northwestern Steamship Co., Ltd.) owns and operates 13 steamers of 28,319 gross tons, and, aside from the company's interest in the Juneau Steamship Co. and the Ketchikan Wharf Co. (acquired in 1908), owns all of the stock of the Union Wharf Co. (owner of a wharf at Juneau). The Pacific Coast Steamship Co. reported to the Committee that it "has at times had arrangements or understandings with the Alaska Steamship Co. as to sailing dates between Puget Sound and Alaska with a view to avoiding sailings of different boats on the same date, but has now no such arrangements." The Alaska Steamship Co. reported that it now "has no agreements or understanding with any other navigation companies, except that a practice exists of exchanging traffic with the Juneau Steamship Co. at Juneau, when such traffic is to or from points reached by that company and not by our own vessels." All the other companies engaging in the Alaskan trade denied the existence of any agreements or understandings with other navigation companies; yet the foregoing facts clearly indicate that the three lines operating on the Nome or Bering Sea Route—the Alaska Steamship, Western Alaska Steamship, and Pacific Coast Steamship Cos.—are closely interrelated through stock ownership.

The aforementioned carriers also have, or recently have had, traffic agreements with the two dominant carriers on the Yukon

River Route, viz, the Northern Navigation Co. (operating 34 steamers and 45 barges with a total of 32,619 gross tons) and the Merchants' Yukon Line (operating 10 steamers and 23 barges with a total gross tonnage of 14,644). Both of these companies, as already stated, quote the same rates on through business between Puget Sound and Yukon River points exchanged with the Alaska Steamship and Pacific Coast Steamship Cos. at the mouth of the Yukon. The Alaska Steamship Co. states in its answers to the Committee's Schedule of Inquiries that it has an arrangement with the Northern Navigation Co. for through routing and a division of through rates on traffic destined to points on the Yukon River in Alaska, this arrangement, however, to expire on December 31, 1912. On the other hand, the Western Alaska Steamship Co. (two-thirds of whose stock is owned in equal portions by the Alaska and Pacific Coast Steamship Cos.) reports that it has a traffic arrangement for the interchange of freight at St. Michael with the Merchants' Yukon Line, the arrangement being based on a percentage division of through freight rates quoted in a joint through tariff. The Northern Navigation Co., it may be added, represented at the time of organization a consolidation of the Alaska Commercial Co., the Alaska Exploration Co., the Empire Transportation Co., and the Seattle-Yukon Transportation Co.; and following its organization absorbed the Alaska-Yukon Transportation Co. and the firm of Thebo & Oachon. All of its capital stock of \$2,125,900 is owned by the Alaska Commercial Co., the Alaska Gold Fields, Ltd., the International Mercantile Marine Co., and the Northern Commercial Co. Four of the directors and important officers of the Northern Navigation Co. are also directors and officers of the Alaska Packers' Association, a private carrier operating 31 steamers, schooners and other vessels (with a total of 41,750 gross tons) between San Francisco and Puget Sound ports and the Alaska canneries of the Association.

Not only have the aforementioned companies entered into traffic arrangements with the two dominant Yukon River lines connecting at St. Michael, but according to the latest advices received by the Committee, the Alaska Steamship and Pacific Coast Steamship Cos., together with the Canadian Pacific Railway Co. and the Pacific & Arctic Railway & Navigation Co., also control the so-called White Pass & Yukon Route via Skagway. This route comprises the steamship service from Puget Sound and Vancouver to Skagway (at

which port the entire wharfage facilities are said to be owned by the North Pacific Wharf & Trading Co.), thence by railroad¹ to the headwaters of the Yukon River, and thence by boat down the Yukon to Dawson and other points. According to the report of the Interstate Commerce Commission² the one steamer of the Humboldt Steamship Co. was operated during 1902 and 1903 in conjunction with the Alaska Steamship Co., under an arrangement whereby the Alaska and Pacific Coast Cos. collected freight money and sold tickets for the Humboldt Co. upon a commission basis. Upon the termination of this arrangement, early in 1909, the White Pass & Yukon Route et al. cancelled their through routes and joint rates with the Humboldt Co. As the Humboldt Steamship Co. reported to the Committee, under date of October 10, 1912, "we have a verbal arrangement with the White Pass & Yukon Route for through billing of freight and through ticketing of passengers beyond Skagway, Alaska, but there are no joint rates, the through rates being the sum of the locals."

The situation in this respect, until very recently at least, is fully set forth in the case of *United States v. Pacific & Arctic Railway & Navigation Co., Pacific Coast Steamship Co., Alaska Steamship Co., and the Canadian Pacific Railroad Co.*,³ decided April 7, 1913. From the facts outlined in this case it appears that by mutual agreement among the Alaska Steamship and Pacific Coast Steamship Cos., the wharves company, and the "railway company" through routes and joint rates were established, thus making one continuous line of common carriers for freight and passengers between the United States and northern Alaskan ports. By agreement, however, the railway company "refused to make any through route or joint rates with the Humboldt Co., or with any of the independent steamship lines, and refused to bill freight or passengers from the United States to Yukon River points or reversely, except by ships belonging to one of the defendant lines." By the same arrangement the rail-

¹ The White Pass & Yukon Route is the trade name applied to the route composed of the Pacific & Arctic Railway & Navigation Co., British Columbia Yukon Railway Co., British-Yukon Railway Co., and the British-Yukon Navigation Co. (Ltd.), all appearing to be operated under a common control or arrangement for through carriage. These various companies are designated hereafter, both in the text and in the cases to be referred to, as the "railway company."

² *Humboldt Steamship Co. v. White Pass & Yukon Route et al.* Opinion No. 1347, decided June 6, 1910.

³ 228, U. S., 87 and following.

way company fixed local rates between Skagway and the Yukon River which were very much higher than the railroad's prorata share of the through rates; while the wharves company charged \$2 a ton for freight if shipped on a vessel not owned by one of the defendant companies, but only \$1 to those who had entered into or were about to enter into a contract to have all shipments carried by the defendant lines. As a result of this agreement, it is stated in the case:

Shippers were compelled to use only the ships of the defendant companies, as in that way alone could lower through rates be obtained. Competition in water transportation was destroyed between the defendant steamship companies and the independent lines, defendants obtaining a monopoly of the transportation business between the United States and Alaska, and the Humboldt Steamship Co. was discriminated against in the matter of through rates.

The only possibility of competition is in the water part of this route. The entire transportation is controlled, and the means of control is an agreement between the defendants to throw all the trade into the hands of the defendants' steamship companies, by the railroad company establishing through rates and joint rates with them and refusing to do so with the Humboldt Co. or any of the independent companies.

The wharves company gave its assent by its wharfage charges and all evasion was prevented by so fixing the local rates that their combination was greater than the through rate agreed upon. It is manifest that the scheme was effective and cut out the Humboldt line and the independent lines as factors in the routes of transportation between the United States and the Yukon River points.

In conclusion, reference should be made to the Alaska Coast Co., which operates four vessels (with a total of 5,497 gross tons) on the Southeastern and Southwestern Alaska routes. Sixty-four per cent of this company's capital stock is owned by the Pacific Alaska Navigation Co., which is merely a holding and not an operating company. Both companies have reported to the Committee that they are not parties to any agreements or understandings with any other rail or water line. The Alaska Coast Co. also reported that it "has no through routing arrangement or joint tariffs with any other carrier, water or rail, and all traffic delivered to or received from any other carrier is handled on a strictly local basis." A comparison of its current rates to and from Seattle and Tacoma with those of the Alaska Steamship and Pacific Coast Steamship Cos. shows them to be the same for a considerable number of the Alaska ports, while for the remaining ports the rates are different in about one-half of the articles enumerated.

The Trade Between the Atlantic and Pacific Seaboards of the United States.¹

Enumeration of routes and steamship services.—Three water routes connect the Atlantic and Pacific Seaboards of the United States, viz,

(1) *The all-water route* for sailing vessels via Cape Horn, and for steamers via the Straits of Magellan. Although largely used at one time, this route is comparatively unimportant to-day, especially since 1907, when the American-Hawaiian Steamship Co. began to operate via the Isthmus of Tehuantepec. Since that date nearly all the shipping via the all-water route has been confined to chartered steamers and sailing vessels which transport such bulky cargoes as can be carried economically on so long a voyage.

(2) *The Tehuantepec Route.*—All traffic via this route is carried both on the Atlantic and Pacific sides by the American-Hawaiian Steamship Co. The route used by the company extends from New York (this being the only Atlantic port regularly handling any through domestic traffic via this route) to Puerto Mexico, thence across the Isthmus of Tehuantepec by the Tehuantepec National Railway Co. to Salina Cruz, and thence to Pacific Coast and Hawaiian ports. Toward the close of 1912 the company operated 21 steamers of 136,753 gross tons. The company has \$5,000,000 of common stock outstanding, of which the Tehuantepec National Railway Co. (owned by the Mexican Government) owns \$1,177,000. The company also has a traffic arrangement with the Tehuantepec National Railway Co. by which it agrees to operate via the Isthmus of Tehuantepec, the railway company to receive one-third of the net freight. If the net earnings of the American-Hawaiian Co. via this route are not equal to the per ton earnings realized when it carried cargo via the Straits of Magellan route, the railway company is to contribute toward such deficiency to the extent of a reduction of from one-third to one-fourth of the net freight earnings. With the exception of this arrangement (which is subject to cancellation upon the opening of the Panama Canal), the company reported to the Committee that it is not at present a party to any agreements, understandings or working ar-

¹ For an exhaustive treatment of this subject as regards the volume and nature of the traffic handled, and a comparison of rates charged by rail and water carriers, see Prof. Emory R. Johnson's Report on "The Relation of the Panama Canal to the Traffic and Rates of American Railroads," published as Chapter IV of his Report on "Panama Canal Traffic and Tolls," 1912.

rangements with any other land or water carriers, and that it is not the owner of any securities of any other transportation companies.

(3) *The Panama Route.*—This route comprises one Atlantic service from New York to Colon via the Panama Railroad Steamship Line to Colon and across the Isthmus by the Panama Railroad Co. (controlled by the United States Government), and until recently, two Pacific Coast services, viz, the Pacific Mail Steamship Co. and the California-Atlantic Steamship Co.¹ The Pacific Mail Steamship Co. operates three services (consisting of nine steamers with a total of 27,354 gross tons) between San Francisco and Balboa, the steamers calling en route at the port of San Pedro, the Mexican ports of Mazatlan, San Blas, Manzanillo, Acapulco and Salina Cruz, and numerous west coast Central American ports; while the vessels (4 leased steamers of 13,030 gross tons) of the California-Atlantic Steamship Co. operated from San Francisco directly to Balboa and stopped at San Pedro on the return voyage. Of the \$20,000,000 of the Pacific Mail Co.'s capital stock the Southern Pacific Co. owns \$10,010,000, or a slight majority.

(4) *The so-called "Sunset-Gulf Route"* consisting of the combined rail and water lines of the Southern Pacific Co. The Southern Pacific is the only railroad controlling a through route between the Atlantic and Pacific seaboard, since the Morgan Line (controlled by the Southern Pacific) operates steamers between New Orleans and Galveston—the Gulf termini of the Southern Pacific—and New York, thus enabling the railroad company to compete not only with the other transcontinental railroads but with the several intercoastal water routes.

*Volume of Intercoastal Traffic via the several routes.*²—Exclusive of the American-Hawaiian Line's heavy sugar traffic and the freight handled by the Sunset-Gulf Route, the freight movement between Atlantic and Pacific ports of the United States, both eastbound and westbound, increased from 469,027 tons in 1906 to 808,135 tons in 1911 or 72.3 per cent, and the total traffic during the same period, including Hawaiian sugar, from 560,727 to 1,104,735 tons, or 97 per cent. It has been estimated that of the total westbound

¹ This company became bankrupt and was dissolved during the past year.

² For a detailed table of the eastbound and westbound movement of freight via the several intercoastal water lines, see Prof. Emory B. Johnson's Report on "The Relation of the Panama Canal to the Traffic and Rates of American Railroads," published as Chapter IV of his Report on "Panama Canal Traffic and Tolls," 1912, pp. 50-51.

tonnage from Pacific to Atlantic Coast ports of the United States, both rail and water, about 90 per cent moves by rail and about 10 per cent by the water routes, and that of the eastbound tonnage the railroads carry about 90 to 95 per cent and the water carriers about 5 to 10 per cent. For the year 1911 the total volume of intercoastal water traffic, both eastbound and westbound, was divided among the several lines or routes as follows:¹ Panama Railroad Steamship Line from New York to Colon and return, 172,499 tons; Pacific Mail Steamship Co., 76,972 tons; California-Atlantic Steamship Line's Pacific service, 134,545 tons; American-Hawaiian Line, 458,300 tons; and the Cape Horn and Magellan route, 157,608 tons. During the six years from 1906 to 1911 inclusive, "the traffic handled by the regular lines more than trebled, while that carried by individual vessels decreased more than 50 per cent. In 1911 82.8 per cent of the entire traffic, other than Hawaiian sugar, was carried by the regular lines, whereas in 1906 only 42.1 per cent was shipped by the established steamship lines."²

The foregoing figures indicate a rapid growth of traffic via the Tehuantepec route, which represents a shorter and better route for intercoastal traffic than is afforded by way of Panama. Aside from the competition of the American-Hawaiian Line, however, the relative decline in importance of the Panama route is also due (1) to the limitations necessarily placed upon the volume of commercial freight handled by the Panama Railroad Co. owing to the construction of the Canal, first by the French company between 1882 and 1889, and again from 1904 to date; and (2) the competitive methods adopted by the transcontinental railroads. The nature of the artificial restraints which the transcontinental railroads have exercised over the movement of traffic via the Panama route have been repeatedly set forth in government reports and congressional hearings,³ and therefore need only be briefly referred to. The situation is well summarized

¹ See Prof. Johnson's Report, pp. 50-51.

² See Prof. Johnson's Report, p. 53.

³ The relations between the Panama Railroad Co., the Pacific Mail Steamship Co. and the transcontinental railroads are fully set forth in the report of Joseph L. Bristow to the Secretary of War (S. Doc. No. 429, 59th Cong., 1st sess.); the hearings before the Senate Committee on Inter-oceanic Canals on Senate Bill 428, parts 1, 2, and 3, 1910; the Hearings before the Senate Committee on Inter-oceanic Canals (62d Cong., 2d sess.), on H. R. 21969, 1912; and the Panama Canal Hearings before the House Committee on Interstate and Foreign Commerce (62d Cong., 2d sess.), 1912.

in the following extracts selected from the reports prepared by Prof. Emory R. Johnson and the Bureau of Corporations:

"The transcontinental railroads, until recently, have maintained a relentless competitive warfare against the Panama route. The through rail rates between the Atlantic and Pacific seaboards are lower than the rates for shorter hauls to and from the intermediate points in the Rocky Mountain territory; and, until the Government regulation of railroads became effective the railroad companies quoted shippers such rates as were necessary to keep traffic from taking the Panama route. Moreover, the transcontinental railroads were able to restrict the use of the Panama route through their close relations with the Pacific Mail Steamship Co., which has, for most of the time, been the only regular line between the west-coast ports of the United States and Panama. For a period of 20 years, ending in 1893, the railroads, through the Transcontinental Association, paid the Pacific Mail Steamship Co. a fixed monthly sum, or rental, for the freight space available in its steamers, and thus completely controlled the Pacific Mail as a competitor. From 1900 to the present, the Southern Pacific Co. has owned a majority of the stock of the Pacific Mail Steamship Co."¹

"The period from 1870 to 1877 was taken up with a struggle for supremacy between the Panama and transcontinental route. Some time prior to 1878 a contract was entered into between the Pacific Mail and the Transcontinental Railway Pool, whereby the latter practically controlled the rates of the former. This period extended from 1878 to 1893. The Transcontinental Railway Pool paid the Pacific Mail \$90,000—later reduced to \$75,000—a month for space representing 1,200 tons per month in each direction on the Pacific Mail's vessels. The Pacific Mail in turn contracted in 1878 to pay the Panama Railroad \$75,000 a month—later reduced to \$55,000—for the exclusive privilege of billing through freight between New York and San Francisco over the Panama Railroad. These contracts were canceled in 1893. The Pacific Mail permanently withdrew its Atlantic line in that year and the Panama Railroad put on its own fleet, which is still being operated.

"Although the Southern Pacific Co did not acquire a controlling interest in the stock of the Pacific Mail until 1900, there had been a community of interests through identical stockholders since some time before 1893. The Panama Railroad twice put fleets on the Pacific side, twice lost money thereby, and twice again entered into exclusive contracts with the Pacific Mail. The second contract was still in force when the United States Government acquired the Panama Railroad in 1904. The contract was abrogated by the Government in 1905. From 1905 to 1910 the Panama Railroad and the Pacific Mail operated in connection with each other under a working agreement. Since 1910 the Panama Railroad has had two domestic Pacific connections, the Pacific Mail Steamship Co. and the California-Atlantic Steamship Co."²

¹ Prof. Emory R. Johnson's Report on "The relation of the Panama Canal to the Traffic and Rates of American Railroads," 1912, p. 51.

² Report of the Commissioner of Corporations on "Control of Water Carriers by Railroads and by Shipping Consolidations," Dec. 23, 1912, pp. 47-48.

It may be added that the Sunset-Gulf route, immediately upon its establishment in 1883, also waged a determined fight against its rail and water competitors. As explained by Prof. Johnson in this connection:

"The transcontinental railroads, other than the Southern Pacific, ran from the Mississippi and Missouri Rivers to the Pacific coast and were primarily interested in the development of traffic between the Middle West and the Pacific coast. The rates by the Sunset-Gulf route from New York to San Francisco were made the same as the rates by the transcontinental lines from St. Louis and Missouri River crossings to the Pacific. Gradually the rates by the through all-rail lines from the Atlantic to the Pacific were made the same as the rates from Chicago, St. Louis, and Missouri River crossings to the Pacific seaboard. This system of blanket rates was worked out by 1896, and has since prevailed on west-bound traffic. The establishment of the same rates by the Sunset-Gulf route and by the all-rail lines between the two seaboard allied the Sunset-Gulf route with the all-rail lines as common competitors against the water routes around South America and via the Isthmuses of Panama and Tehuantepec. The control of the Pacific Mail Steamship Co. by the transcontinental railroads since 1874, and the ownership of the Pacific Mail by the Southern Pacific from 1890 to the present, enabled the transcontinental railroads, as has been explained, to keep the traffic by the water routes within small proportions, until a few years ago, when the American-Hawaiian Steamship Co., and later the California-Atlantic, developed a relatively large tonnage coastwise via the Tehuantepec and Panama routes. This development of the coastwise business during the last few years has not been seriously opposed by the railroads, doubtless because of the rapid development of the rail tonnage consequent upon the industrial progress of the Intermountain and Pacific Coast States."¹

*Influence of Intercoastal water carriers upon transcontinental rates.*²—All authorities are agreed that the intercoastal steamship lines have exerted a marked influence upon the rates of the transcontinental railroads. While the rates over the Sunset route (which, as already indicated, is allied with the all-rail lines) are the same as the all-rail charges, the rates on the two Isthmian routes are from 20 to 60 per cent below the transcontinental railway tariffs. No fixed differential, however, exists, the water rates on the various commodities being sufficiently below the rail charges to obtain a suf-

¹ Prof. Johnson's Report on "Panama Canal Traffic and Tolls," 1912, p. 52.

² For a detailed explanation of this subject see Prof. Emory R. Johnson's Report, "The Relation of the Panama Canal to the Traffic and Rates of American Railroads," published as Chapter IV of his Report on "Panama Canal Traffic and Tolls," 1912, which furnishes detailed tables of the rates charged by the railroads and water carriers, both eastbound and westbound, pp. 58-72.

sufficient volume of desirable freight. But while the coast-to-coast steamship lines have undoubtedly influenced transcontinental rail rates, these lines, in turn, are to-day making their rates with reference to the rail tariffs. "The competition of the water routes with the rail lines," as reported by Prof. Johnson, "and the recurring rate wars have, in the past, forced the transcontinental railroads to adopt the system of rate making now in force; but during recent years rate wars have been avoided; the transcontinental railroads have not been under pressure to fight against the water lines for traffic; the tonnage moving by rail has been large and has rapidly increased; and the policy of the railroads has been to maintain, and where practicable, to raise the established levels of rail tariffs."¹ The President of the American-Hawaiian Line frankly admitted in his testimony before the Senate Committee on Interoceanic Canals that his line followed more or less the rates determined by the transcontinental railroads, and stated: "We are friendly with them (the railroad managers). We discuss rates. I don't know of any other business in the world where competitors don't get together and talk matters over. We are not tied up; we are not committed. We do as we please, absolutely untrammelled. * * * Our traffic manager doesn't attend the conference of the railroads, but he goes to Chicago and gets his ear pretty close to the ground. That's his business."²

A comparison of the rates of the Panama line with those of the American-Hawaiian Line shows that with reference to about one-third of the articles enumerated the rates via the two Isthmian routes are the same, but that in many instances the Panama rates slightly exceed the Tehuantepec rates and vice versa. Thus, upon comparison of the rates on the first 60 articles mentioned in the voluminous rate schedules submitted by the lines to the Committee, the following results are found: In 23 instances the rates via the Tehuantepec and Panama routes are the same; in 25 instances the rates are nearly alike, the difference being 5 cents or less per hundred pounds, and in all except five of these cases the American-Hawaiian Line's rates are less than the Panama rates; and in 12 instances the difference exceeds 5 cents (usually 10 cents), the Panama rates in all cases being the larger. But in making such a comparison account should be taken of the difference in the services

¹ Prof. Emory R. Johnson's Report, p. 73.

² Senate Hearings on Bill 3428, Feb. 10, 1910, p. 90.

rendered by the lines operating on the two routes, the rates of the American-Hawaiian Line applying only to and from coast terminals, while "the Panama line absorbs railroad rates from interior points to the extent of 20 cents per hundred pounds on westbound shipments, and the entire railroad rates to certain interior points in California,"¹ thus making this line's rates the lowest on shipments to and from the interior.

Traffic arrangements between the Intercoastal Lines.—Chiefly with a view to keeping rates on a remunerative basis and protecting its connecting carriers, the Panama Railroad Co. had, at the time of the Committee's hearings, a traffic arrangement with the Pacific Mail and California-Atlantic Lines for the exchange of freight, whereby rates were divided in the proportion of 40 per cent. to the Panama Railroad Co. and 60 per cent. to the Pacific carriers. According to the explanation of Mr. R. R. Rogers, General Counsel of the Panama Railroad Co., his company's circular provided that if the through rate was less than the minimum rate it would, nevertheless, deduct 40 per cent. of the minimum rate, so that the two connecting lines would have to absorb the difference. He further testified that: "We (Panama Railroad Co.) had in view that, by affording free terminals and coal, if one line endeavors to drive the other out of existence we could protect the line that was not at fault. The theory back of this arrangement, so far as the Panama Railroad Co. was concerned, was to preserve this competition from Balboa to the Pacific Coast. We realized that if either one of these lines were to go out that we would be again placed, with reference to our coastwise business, wholly at the mercy of the other line."² The correspondence submitted to the Committee shows that the Pacific Mail Steamship Co. regularly advised the Panama Railroad Co. whenever they had agreed with the California-Atlantic Co. to put into effect certain changes in rates from San Francisco to New York.

But while the Pacific Mail and California-Atlantic Lines observed the same rates by virtue of an arrangement, Mr. E. D. Douglass, Treasurer of the American-Hawaiian Line, reported to the Com-

¹ Prof. Emory R. Johnson's Report, p. 70.

² See page 478 of the testimony of R. R. Rogers before the Senate Committee on Inter-oceanic Canals, 62d Cong., 2d sess., on H. R. 21969, May 20, 1912. For a full statement of the arrangement between the Panama Railroad Co. and its connecting carriers—the Pacific Mail and California-Atlantic Steamship Cos.—see the above reference, pp. 475 and following.

mittee that his line is not a party directly or indirectly to any agreements or understandings with either the Panama Railroad Co. or its two connecting carriers. Mr. R. P. Schwerin, Vice President and General Manager of the Pacific Mail Steamship Co., however, when testifying before the Committee, stated that the American-Hawaiian Line was maintaining rates with the other lines, and offered the following explanation: "The Pacific Mail is working under an agreement for the maintenance of rates with the Government, the Government having put rates into effect and held that the two carriers on the Pacific—the California-Atlantic and the Pacific Mail Steamship Cos.—must maintain those rates east and west bound under threat of cancellation of the through-billing privilege. They also wanted us to enter into an arrangement with the American-Hawaiian Steamship Line, by which the American-Hawaiian Line would maintain the same rates by way of Tehuantepec as were maintained by way of Panama, and we declined to do it on the ground that it was contrary to the Sherman Anti-Trust law; so that the American-Hawaiian Line was practically told that if they undertook to cut rates the Government would put their own line on the Pacific and would put the Treasury of the Government behind it to make the American-Hawaiian Line maintain rates." (Vol. 2, p. 878.) To the question: "In other words, the American-Hawaiian Co. now maintains rates with your company and with the Government line?" Mr. R. P. Schwerin answered affirmatively, and stated that such maintenance of rates was at the instance of the Government. (Vol. 2, p. 879.) It should be stated that a similar charge was brought before the Senate Committee on Interoceanic canals, and that in answer to the same Mr. R. R. Rogers replied to the effect that all the officials of the Panama Railroad Co. were anxious to avoid violating the Interstate Commerce Act and that, while it was doubtful whether the Panama Railroad Co. came under the Interstate Commerce Act, he had, as general counsel of the company, always advised the officials that they should comply with the law.¹ The Panama Railroad Co., he further testified, was anxious to protect the California-Atlantic Line, as long as it observed the aforementioned traffic arrangement, against the competition of the American-Hawaiian Line, but advised the line that no agree-

¹ Hearings before the Senate Committee on Interoceanic Canals on H. R. 21969, May 20, 1912, p. 480.

ment could be effected with the American-Hawaiian Co. with regard to rates. The position taken by the Panama Railroad Co. with the American-Hawaiian people in this respect was outlined by him in the following words:

"We said that, as a matter of equity and justice, their (American-Hawaiian Line's) rates ought to be higher than ours, just as the rates on the all-rail route from San Francisco to New York ought to be higher than theirs. I said: 'There is a natural differential in favor of the Panama route; but the matter must rest entirely with you. We are going to put into effect on a certain date a certain tariff of rates, and you will have to guide your conduct by what you consider just and right. So far as we are concerned, we simply are trying to protect our connections and keep them in business.' That applied to the Pacific Mail Steamship Co. and the California-Atlantic line. I said, further, that: 'The Panama Railroad Co. is in the situation, so far as they are concerned, to handle the business at less than cost, if anybody makes it necessary, and, rather than see our people driven out of business and sacrificed in any way, we propose to stand by them and protect them, even if we have to cut our rates to do it.' That is all that ever transpired, so far as the American-Hawaiian line is concerned. They never made any declaration as to rates, and as a matter of fact, they never did establish rates which we considered fair and just. The rates they subsequently put into effect were rates which gave them some advantage over the Panama route, but, on account of certain advantages via the Isthmus, we managed to get along."¹

The Hawaiian Trade.

Enumeration of lines operating to and from the United States.—

Four regular lines connect Hawaiian ports with those of the United States, three—the Pacific Mail Steamship Co., the Matson Navigation Co., and the Oceanic Steamship Co.—operating only to and from San Francisco, and one—the American-Hawaiian Steamship Co.—extending its service to New York. Unlike the first three lines, the American-Hawaiian Co. has no service between San Francisco and Hawaii in either direction, its steamers destined for Hawaiian ports carrying westbound cargo northward to Puget Sound and, after loading additional cargo, proceeding to Honolulu. Cargo from New York, westbound, destined for Hawaii, is taken at Salina Cruz—the Pacific terminus of the Tehuantepec National Railway Co.—in the ships which sail for Hawaiian ports from Puget Sound. The return voyage from Hawaii to New York, however, is direct

¹ Hearings before the Senate Committee on Inter-Oceanic Canals on H. R. 21969, May 20, 1912, p. 481.

via Salina Cruz, since the exports of the Islands are of such a nature—mostly sugar and pineapples—as to make unnecessary a return voyage to Puget Sound. In other words, the line has certain steamers which proceed to Hawaii from Puget Sound and from there back to Salina Cruz, while its steamers engaged in the Pacific coastwise trade go north to Portland and return via San Francisco to Salina Cruz. Although the published maps showing the routes of the company indicate a service between San Francisco and Honolulu, the company has reported, by way of explanation, that it has, as a matter of precaution, a reserve steamer on the Pacific which is chartered to the Matson Navigation Co., and is run by that company between San Francisco and the Hawaiian Islands. It occasionally happens that if one of the American-Hawaiian Line's Pacific steamers destined to Hawaii via Puget Sound gets behind schedule, the steamer chartered to the Matson Line is dispatched from San Francisco to Honolulu with the New York freight, but under these circumstances there is no time to secure or load freight for Honolulu in opposition to the regular lines in that business, viz, the Matson Navigation, Pacific Mail Steamship, and Oceanic Steamship Cos.

Of the three lines operating to and from San Francisco, the Matson Navigation Co. confines its operations to the Hawaiian trade, the Pacific Mail makes Honolulu a port of call in its service to and from the Orient, and the Oceanic Steamship Co. conducts two services, one a local service from San Francisco to Honolulu and return, and the other from San Francisco via Honolulu and Tutuila to Sydney, Australia. Mr. R. P. Schwerin testified (Vol. 2, p. 924) that the Pacific Mail handles only a very small volume of the traffic to and from Hawaii and that the Matson Navigation Co. is the dominant carrier in the trade. This company (operating six steamers of 29,311 gross tons, besides some sailing vessels and barges) has common stock outstanding of \$1,773,600. Besides being the dominant carrier in the traffic to and from San Francisco, it is also the principal owner of boats engaged in towing at the several Hawaiian ports. The Oceanic Steamship Co. (operating three steamers of 18,551 gross tons) has outstanding \$2,635,300 of common stock and \$3,007,070 of bonds and notes, and is controlled by the Spreckles interests.

The Inter-Island Trade of Hawaii.—This trade is carried almost exclusively by the Inter-Island Steam Navigation Co. (Ltd.), which is a successor to the firm of Thos. R. Foster & Co. (the original founders of the company), and which, in 1905, acquired the Wilder Steamship Co. The latter company was organized in 1883 with a capital of \$500,000, and although to some extent a competitor of the Inter-Island Steam Navigation Co., it seems that the two companies effected a territorial division of the trade. In the meantime, the directors of the Inter-Island Co. individually purchased the shares of the Wilder Steamship Co. until they had 3,019 of the 5,000 shares outstanding. These were offered to the stockholders of the Inter-Island Co. at actual cost and in proportion to the number of shares held by them. Subsequently, an increase in the capital stock of the Inter-Island Co. was authorized and the entire holdings of the Wilder Steamship Co. were purchased with \$750,000 of this authorized increase.¹ This acquisition of the Wilder Steamship Co. gave the Inter-Island Co. practically a monopoly of the inter-island traffic, and left it virtually unaffected by the few small schooners operating in the trade. Toward the close of 1912 the company operated 17 steamers (of 10,896 gross tons) on 9 routes between the islands. The company owns stock and bonds in numerous Hawaiian corporations, including a controlling interest in Alexander and Baldwin (Ltd.), which is said to operate steamers at one or two Hawaiian ports.

Relations between the lines operating in the Hawaiian trade.—All the lines operating between San Francisco and Hawaii filed printed tariffs with the Committee, and a comparison of these tariffs shows that the rates as published are the same for all the lines both eastbound and westbound. According to the returns to the Committee's Schedule of Inquiries, the Matson Line (the dominant carrier in the trade between San Francisco and Hawaii) and the Inter-Island Steam Navigation Co. (the dominant carrier in the inter-island trade) are closely affiliated. The Inter-Island Co. reported that it has a traffic arrangement with the Matson Co. for the carrying of freight arriving from San Francisco to the various Hawaiian ports, which arrangement stipulates that the vessels shall

¹ The method of acquiring the Wilder Steamship Co. was reported by the Inter-Island Co. in its answers to the Committee's Schedule of Inquiries.

operate over certain designated routes and that the charges shall be as per the regular schedule. Moreover, Alexander & Baldwin (Ltd.) (controlled by the Inter-Island Co.) owns \$200,000 of the stock of the Matson Co., and August Drier (Ltd.) and Chas. M. Cooke (Ltd.) are also stockholders in both companies for considerable amounts. It may be added that Mr. A. B. Spreckels, Vice-President, Treasurer and Director of the Oceanic Steamship Co. is one of the 10 largest individual stockholders in the Matson Navigation Co., and that Mr. W. D. K. Gibson, a director of the Oceanic Steamship Co., is also a director and one of the 10 largest individual stockholders in the Matson Co.