

Wm. A. J. Crosswell
Postmaster General

ANNUAL REPORT

OF THE

PRESIDENT

OF THE

Western Union Telegraph Company

TO THE

STOCKHOLDERS,

SUBMITTED TO AND APPROVED BY THE BOARD OF DIRECTORS

AT THEIR MEETING, JULY 13th, 1869.



NEW YORK :

RUSSELLS' AMERICAN STEAM PRINTING HOUSE,
28, 30, 32 Centre Street.

1869.

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WESTERN Union Telegraph Company.

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ROBERT HENNING, <i>Superintendent,</i>	Ottawa, Ill.

THE

Western Union Telegraph Company.

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**WILLIAM ORTON, President.**

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**ALONZO B. CORNELL,** } *Vice-Presidents.*  
**GEORGE WALKER,** }

**O. H. PALMER, Secretary and Treasurer.**

**W. H. ABEL, Auditor.**

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TO THE STOCKHOLDERS

OF THE

Western Union Telegraph Company.



Article six of the new By-laws of the Company, adopted July, 1868, prescribes that the President shall make a report to the Stockholders at their annual meeting, showing the condition of the affairs of the Company, and submitting such recommendations as he thinks proper.

In accordance with this requisition I respectfully submit the following

REPORT.

During the first few years after the introduction of the Electric Telegraph into this country its progress was very slow and its future success doubtful. The first line was constructed between Washington and Baltimore in the spring of 1844, through aid furnished by Government; but the results of its operation were so unsatisfactory that the Postmaster-General, in his report for 1845, expressed the opinion that the revenues could not be made to equal the expenditures under any rate of charges which might be adopted. As the Government declined to assume the ownership and control of so doubtful an undertaking, the inventor had no recourse but to appeal to the enterprise of the people for the means required for its development. Capitalists, however, were slow to invest in a scheme so novel and precarious, and, as a natural consequence, there was great difficulty in obtaining funds wherewith to build lines. Companies were, nevertheless, organized in various parts of the country, and lines were built in detached sections between the more important places, but without any general plan of coöperation.

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In the beginning of 1851 there were more than fifty separate telegraph organizations within the limits of the United States; but during the autumn of that year a few of the more important companies were united under one management, and with beneficial results to the system and to public convenience. The consolidation of these companies was a step in the right direction, as it increased their facilities while it lessened their expenses. Still, the great number of separate lines in operation prevented that unity and despatch in conducting the business so essential to its success, and the public failed to secure everywhere the benefits of direct and reliable communication. Telegraphic correspondence between the Eastern, Western and Southern sections was not only burdened with several tariffs but with unnecessary delays. Messages under this system required copying and re-transmission at the termini of each local line, and this process not only occupied time but was frequently the cause of errors, which rendered the service of little value. Another serious evil which the system had to contend with was the existence of competing lines upon the more important routes. The effect of the construction and operation of rival lines of telegraph between the same points is to augment the expenses without increasing the business. While, therefore, one line might have been worked successfully, the construction of a second, and sometimes a third, resulted in the operation of all of them at a loss. Practical men saw that there was but one remedy for these difficulties, and that was by a consolidation of all the rival interests into one organization.

ORGANIZATION OF THE WESTERN UNION COMPANY.

The Western Union Telegraph Company was originally organized as the New York and Mississippi Valley Printing Telegraph Company, on the 1st of April, 1851, for the purpose of building a line from Buffalo, N. Y., to St. Louis, Mo.

On the 30th of March, 1854, they purchased the lines of the Lake Erie Telegraph Company, extending from Buffalo to Detroit and from Cleveland to Pittsburg; and, on the 29th of April, 1854, secured the control of the lines of the Cleveland and Cincinnati, the Cincinnati and St. Louis, and the Ohio

Telegraph Companies. They also obtained an important interest in the New York and Erie, Cleveland and Pittsburg, and Cleveland and Zanesville lines; and, in September, 1855, consolidated those of the Erie and Michigan Company, extending from Buffalo to Milwaukee. During that year they constructed lines from Cleveland to Chicago, and from Toledo to Grafton and Detroit, and on the 13th of February, 1856, acquired the control of the lines of the Ohio and Mississippi Telegraph Company, extending from Cincinnati to St. Louis.

On the 4th of April, 1856, by act of the New York Legislature, the name of the New York and Mississippi Valley Printing Telegraph Company was changed to that of the Western Union Telegraph Company. On the 24th of May, 1856, this company acquired the Pittsburg, Cincinnati and Louisville lines; on the 17th July, 1857, the Southern Michigan line; and on the 25th of December, 1863, the New York, Albany and Buffalo lines; on the 15th of April, 1864, the Atlantic and Ohio lines; on the 17th of March, 1864, the Pacific Company's lines; on the 8th of August, 1864, those of the Alleghany Company, and on the 29th of August, 1864, the line of the Ithaca Company.

In April, 1866, the lines of the United States Telegraph Company were consolidated with the Western Union. That company was organized in 1863, and constructed a system of rival lines, embracing sixteen thousand miles of wire, and covering considerable portions of the territory occupied by the Western Union and American lines. The United States Company, however, under the most vigorous administration, with all of its lines new, and worked to their utmost capacity, was unable to meet its current expenses—the net loss, during the last year of its operation, amounting to an average of more than ten thousand dollars per month.

On the 1st of July, 1866, the lines of the American Telegraph Company were consolidated with those of the Western Union. That Company—chartered by the State of New Jersey—was organized in 1859 by a consolidation of the lines of the American Telegraph Company of New York, the New York and Washington House Printing, the Magnetic, and New York and New England Union. It also acquired possession of the Maine, New Brunswick, Nova Scotia, Troy and Canada Junc-

tion, Long Island, St. John and Frederickton, and Richmond, Charlotteville and Staunton lines; and subsequently those of the Cape Cod, Cape Cod Marine, Vermont and Boston, Lynchburg and Abingdon, East Tennessee, Delaware and Hudson, Philadelphia and Wilkesbarre, Susquehanna, Baltimore and Ohio, Washington and New Orleans, and Southwestern Telegraph Companies' lines. The American Company, in short, had followed in the Eastern and Southern sections of the country a similar course to that pursued by the Western Union Company in the West; and by purchase, consolidation and construction, controlled lines extending throughout the Atlantic coast and the Mississippi and Ohio valleys.

On the 1st of June, 1867, the Western Union Company absorbed the lines of the California State Telegraph Company; on the 1st of July, 1867, those of the Illinois and Mississippi Telegraph Company, and on the 1st of April, 1868, those of the Chicago and Mississippi Telegraph Company.

The numerous consolidations of lines throughout the country which have been going on almost uninterruptedly for nearly a score of years, have now resulted in a complete unification of the great majority of the telegraph lines in the United States, and rendered the system the most extensive and efficient in the world.

THE EXTENT OF THE WESTERN UNION LINES.

The territory now occupied by the lines of this company embraces almost the entire civilized portion of the continent of North America. On the eastern coast our lines extend from Plaister Cove, on the Gulf of the St. Lawrence, to Indianola, on the Gulf of Mexico; and on the western coast from Los Angeles, California, to the fisheries on the Kishyox river, eight hundred miles north of New Westminster, British Columbia. They reach across the continent, from the Atlantic to the Pacific Ocean, and embrace every State and Territory in the Union but Minnesota, New Mexico and Arizona, and include the British Provinces of Nova Scotia and New Brunswick. Our lines also have an exclusive connection with those in Newfoundland, Canada, Minnesota, Wisconsin and New Mexico, and with the Atlantic and Cuba Cables.

The consolidations which have resulted in the Western Union

system mark a new and important era in the progress of the telegraph in this country. By them the means of communication at all points have been greatly increased, while between all the large cities and many of the less important a system of direct circuits has been established, which affords facilities for rapid and reliable communication at all times. Instead of several repetitions of messages between the great commercial centres of the country, as formerly, transmission is now in most cases direct and instantaneous; and the operation of our system over the vast territory covered by our lines is fast assuming the certainty and uniformity of mechanism. Not only, however, have the public gained in time and in greatly increased facilities by these consolidations, but they have received also the benefit of large reductions in the rates for both public and private despatches.

RE-ORGANIZATION OF THE SYSTEM.

The present organization of the Western Union system is the result of numerous and important changes. Direct and prompt communication between all points, whether near or remote, being the leading purpose of a telegraph company whose lines cover the greater portion of the continent, but many of which were originally designed to accommodate local rather than distant communities, it became necessary to reconstruct some of them upon new routes, while the increase of railroads and the settlements of new territory required the building of additional lines in all sections of the country. Among the more important lines which have been or are now being re-built, is that extending from Omaha to San Francisco. This line was originally constructed in 1862, along the emigrant route *via* Forts Kearney and Laramie, crossing the Rocky Mountains at the South Pass, and thence, *via* Salt Lake City, Forts Crittenden and Churchill, across the Sierra Nevada Mountains to Placerville, Sacramento and San Francisco.

When this line was first operated very little annoyance was experienced from the Indians, but subsequently, when they ascertained that it communicated, by some mysterious agency, with the soldiers, they took every opportunity to destroy it. This unfortunate change in their disposition rendered the situation of the operators—stationed in many cases miles from

human habitation—extremely hazardous, and some of the stations were necessarily abandoned.

The opening of the Pacific railroads has fortunately remedied these grave difficulties, and the lines have been transferred from the old route to the railroads as fast as possible. Within the past year the new lines have been completed over the entire length of the Union Pacific road from Omaha, Nebraska, to Promontory Summit, Utah, a distance of twelve hundred miles; and over the Central Pacific road from Sacramento, California, to Elko, Nevada, a distance of four hundred and sixty-eight miles. Nearly all the poles are distributed for the construction of the line over the intervening section between Promontory Summit and Elko, a distance of two hundred and twenty miles, and it will be completed during the present season.

The following table gives the aggregate amount of line which has been constructed and reconstructed during the past three years, showing it to be more than thirty per cent. of the entire extent of line belonging to the Company:

Statement showing the number of miles of Poles and Wire Constructed and Reconstructed from July 1, 1866, to July 1, 1869.

| | CONSTRUCTED. | | RECONSTRUCTED. | |
|--|-----------------|----------------|-----------------|----------------|
| | Miles of Poles. | Miles of Wire. | Miles of Poles. | Miles of Wire. |
| From July 1, 1866, to December 31, 1866..... | 1,624 | 2,748 | 3,255 | 6,490 |
| “ December 31, 1866, to December 31, 1867.. | 2,518 | 4,443 | 2,356 | 4,751 |
| “ “ 31, 1867, “ 31, 1868.. | 2,202 | 6,036 | 2,032 | 4,604 |
| “ “ 31, 1868, to July 1, 1869..... | 1,624 | 4,900 | 430 | 1,735 |
| Total..... | 7,968 | 18,127 | 8,073 | 17,580 |

*Detailed Statement of Lines constructed from January, 1868,
to July, 1869.*

| | Miles of
Poles. | Miles of
Wire. |
|--|--------------------|-------------------|
| From Bangor, Maine, to Oldtown, Maine..... | 14 | 14 |
| “ Concord, New Hampshire, to Meredith Village, N. H..... | | 40 |
| “ Concord, New Hampshire, to Portsmouth, N. H..... | 40 | 40 |
| “ Lancaster, New Hampshire, to Northumberland, N. H.... | 10 | 10 |
| “ South Royalton, Vermont, to Chelsea, Vt..... | 13 | 13 |
| “ Chicopee, Massachusetts, to Chicopee Falls, Mass..... | 3 | 6 |
| “ Providence, Rhode Island, to New Haven, Conn..... | | 112 |
| “ Winfield, Long Island, to Flushing, L. I..... | 8 | 10 |
| “ Hicksville, Long Island, to Northport, L. I..... | 14 | 28 |
| “ Garrettsen, New York, to Quarantine Station, N. Y..... | 1 | 6 |
| “ Tynne, Pennsylvania, to Lock Haven, Penn..... | | 65 |
| “ Baltimore, Maryland, to Annapolis Junction, M. D..... | | 20 |
| “ Newark, New Jersey, to Bloomfield, N. J..... | 4 | 8 |
| “ Hackettstown, New Jersey, to Easton, Penn..... | | 21 |
| “ Pittsfield, Massachusetts, to North Adams, Mass..... | 18 | 18 |
| “ Greenfield, Massachusetts, to North Adams, Mass..... | 42 | 42 |
| “ Boston, Massachusetts, to East Boston, Mass..... | | 5 |
| “ Boston, Massachusetts, to Albany, N. Y..... | 102 | 102 |
| “ New Haven, Conn., via Middletown, to Springfield, Mass.. | | 82 |
| “ Lakeville, Connecticut, to Millerton, N. Y..... | 4 | 4 |
| “ Comstock's Landing, New York, to North Granville, N. Y.. | 5 | 10 |
| “ Owego, New York, to Elmira, N. Y..... | | 36 |
| “ Rochester, New York, to Avon, N. Y..... | | 18 |
| “ Utica, New York, to Schenectady, N. Y..... | | 52 |
| “ Cambridge, New York, to Schuylerville, N. Y..... | 16 | 16 |
| “ West Rutland, Vermont, to Clarendon Springs, Vt..... | 4 | 8 |
| “ Freehold, New Jersey, to Farmingdale, N. J..... | 8 | 8 |
| “ Elizabeth, New Jersey, to Easton, Pa..... | | 75 |
| “ Jamestown, Pennsylvania, to Homewood, Pa..... | | 55 |
| “ Pittsburgh, Pennsylvania, to Manchester, Pa..... | | 4 |
| “ Titusville, Pennsylvania, to Pleasantville, Pa..... | | 6 |
| “ Pittsburg, Pennsylvania, to Altoona, Pa..... | | 132 |
| “ Pittsburg, Pennsylvania, to East Birmingham, Pa..... | 3 | 3 |
| “ Philadelphia, Pennsylvania, to Havre de Grace, Md..... | | 62 |
| “ Washington, District of Columbia, to Baltimore, Md..... | | 36 |
| “ Baldwin's Cross Roads, Maryland, to Bel Air, Md..... | | 10 |
| “ Pomeroy, Ohio, to Gallipolis, Ohio..... | 21 | 21 |
| “ Cleveland, Ohio, to Toledo, O..... | | 112 |
| “ Athens, Ohio, to Gallipolis, O..... | 18 | 36 |
| “ Cleveland, Ohio, to Berea, O..... | 13 | 13 |
| “ Clyde, Ohio, to Tiffin, O..... | 18 | 18 |
| “ Louisville, Kentucky, to Cincinnati, O..... | 107 | 214 |
| “ Indianapolis, Indiana, to Vincennes, Ind..... | 110 | 110 |
| “ Cambridge, Indiana, to Newcastle, Ind..... | 53 | 53 |
| “ Bushnell, Illinois, to Keokuk, Iowa..... | | 51 |
| “ Chicago, Illinois, to Quincy, Ill..... | | 265 |
| “ Port Byron, Illinois, to Rock Island, Ill..... | | 15 |
| “ Chicago, Illinois, to Calumet, Ill..... | | 14 |
| “ Chicago, Illinois, to Lockport, Ill..... | | 32 |
| “ Chicago, Illinois, to Janesville, Wisconsin..... | | 91 |
| “ Waverley, Indiana, to Nashua, Indiana..... | | 17 |
| “ Quincy, Illinois, to Canton, Missouri..... | 17 | 17 |

| | Miles of
Poles. | Miles of
Wire. |
|--|--------------------|-------------------|
| From Quincy, Illinois, to Galesburg, Illinois..... | | 100 |
| " Camp Point, Illinois, to Quincy, Ill..... | 22 | 22 |
| " Cortland, Illinois, to Sycamore, Ill..... | 5 | 5 |
| " Peoria, Illinois, to Warsaw, Ill..... | | 123 |
| " Junction St. L. and T. R. R., Illinois, to Edwardsville, Ill.. | 18 | 18 |
| " Jackson, Michigan, to Chicago, Ill..... | | 204 |
| " East St. Louis, Illinois, to Odin, Ill..... | | 68 |
| " Ashley, Illinois, to Odin, Ill..... | 22 | 22 |
| " Des Moines, Iowa, to Grove City, Iowa..... | 88 | 88 |
| " St. Joseph, Missouri, to Council Bluffs, Iowa..... | 140 | 290 |
| " Nashua, Iowa, to Charles City, Iowa..... | 12 | 12 |
| " Muscatine, Iowa, to Washington, Iowa..... | 40 | 40 |
| " Waverly, Iowa, to Nashua, Iowa..... | 16 | 16 |
| " Boone, Iowa, to Council Bluffs, Iowa..... | | 150 |
| " Omaha, Nebraska, to Council Bluffs, Iowa..... | 5 | 25 |
| " Davenport, Iowa, to Des Moines, Iowa..... | | 176 |
| " Nebraska City, Nebraska, to East Nebraska City, Iowa..... | | 2 |
| " Lexington, Michigan, to Port Sanilac, Mich..... | 17 | 17 |
| " Kalamazoo, Michigan, to Chicago, Ill..... | | 140 |
| " Kalamazoo, Michigan, to Grand Rapids, Mich..... | 42 | 42 |
| " Detroit, Michigan, to Jackson, Mich..... | 76 | 76 |
| " Freerster, Michigan, to Port Huron, Michigan..... | 55 | 55 |
| " Jackson, Michigan, to Kalamazoo, Michigan..... | | 68 |
| " Bismarck, Missouri, to Belmont, Mo..... | 125 | 125 |
| " Quincy, Illinois, to Canton, Mo..... | 17 | 17 |
| " Rolla, Missouri, to Jerome, Mo..... | 13 | 13 |
| " Bismarck, Missouri, to Pilot Knob, Mo..... | | 12 |
| " Lexington, Missouri, to Junction North Mo. R. R..... | 4 | 8 |
| " Leavenworth, Kansas, to Lawrence, Ks..... | 34 | 34 |
| " Coyote, Kansas, to Fort Wallace, Ks..... | 87 | 87 |
| " Ellsworth, Kansas, to Hayes City, Ks..... | | 46 |
| " Chicago, Illinois, to Omaha, Nebraska..... | | 500 |
| " Omaha, Nebraska, to Promontory Summit, Utah..... | 1,200 | 3,074 |
| " Central City, Colorado, to Georgetown, Col..... | 20 | 20 |
| " Pass Creek, Wyoming, to Benton, Wy..... | 14 | 28 |
| " Fort Sanders, Wyoming, to Laramie City, Wy..... | 3 | 6 |
| " Helena, Montana, to Fort Benton, Mon..... | 145 | 145 |
| " Sacramento, Cal., to Elko, Nevada..... | 468 | 936 |
| " Hooker's, Arkansas, to Clarendon, Ark..... | 5 | 10 |
| " Pine Bluff, Arkansas, to Camden, Ark..... | | 85 |
| " West Point, Arkansas, to Searcy, Ark..... | 9 | 18 |
| " Humboldt, Tennessee, to Clarksville, Ten..... | | 120 |
| " Knoxville, Tennessee, to Bristol, Ten..... | | 130 |
| " Memphis, Tennessee, to Grenada, Miss..... | | 100 |
| " Trenton, Louisiana, to Camden, Ark..... | 110 | 110 |
| " Meridian, Mississippi, to Selma, Ala..... | | 107 |
| " Marion, Alabama, to Greensboro, Ala..... | 18 | 18 |
| " Montgomery, Alabama, to Wetumpka, Ala..... | 16 | 16 |
| " Washington, District of Columbia, to Lynchburg, Va..... | | 272 |
| " Petersburg, Virginia, to Weldon, N. C..... | | 63 |
| " Florence, South Carolina, to Wilmington, N. C..... | | 105 |
| " Greensboro, North Carolina, to Charlotte, N. C..... | | 93 |
| " Columbia, South Carolina, to Charlotte, N. C..... | | 108 |
| " Savannah, Georgia, to Live Oak, Fla..... | | 180 |
| " Rome, Georgia, to Blue Mountain, Ala..... | 63 | 63 |
| " Live Oak, Florida, to Lake City, Fla..... | | 23 |
| " Tallahassee, Florida, to Saint Mark's, Fla..... | 22 | 22 |
| " Columbus, Texas, to Indianola, Texas..... | 120 | 120 |
| " Bryan, Texas, to Calvert, Texas..... | 30 | 30 |

*Detailed Statement of Lines Reconstructed from January, 1868,
to July, 1869.*

| | Miles of
Poles. | Miles of
wire. |
|---|--------------------|-------------------|
| From Cincinnati, Ohio, to Columbus, O..... | | 120 |
| " Loveland, Ohio, Leavittsburg, O..... | 50 | 92 |
| " Woodland, Ohio, to Dayton, O..... | 74 | 222 |
| " Bradford, Ohio, to Piqua, O..... | | 10 |
| " Leavittsburg, Ohio, to Youngstown, O..... | 17 | 17 |
| " Cleveland, Ohio, to Erie, Pa..... | 43 | 172 |
| " Cleveland, Ohio, to Toledo, O..... | 95 | 95 |
| " Spring Grove, Ohio, to Dayton, O..... | | 212 |
| " Loveland, Ohio, to Scott's Landing, O..... | | 185 |
| " Cincinnati, Ohio, to Indianapolis, Ind..... | | 115 |
| " Piqua, Ohio, to Columbus, O..... | | 127 |
| " Wellsville, Ohio, to Bridgeport, O..... | | 45 |
| " Indianapolis, Indiana, to Terre Haute, Ind..... | | 73 |
| " Terre Haute, Indiana, to Alton, Ill..... | | 169 |
| " Greencastle, Indiana, to Lafayette, Ind..... | | 59 |
| " Indianapolis, Indiana, to Richmond, Ind..... | 70 | 490 |
| " Detroit, Michigan, to D. and M. R. R. Junction, Mich..... | 4 | 32 |
| " Saginaw, Michigan, to Bay City, Mich..... | 15 | 15 |
| " Kalamazoo, Michigan, to Chicago, Ill..... | | 140 |
| " Aurora, Illinois, to Burlington, Iowa..... | 168 | 168 |
| " East St. Louis, Illinois, to Alton, Ill..... | 23 | 80 |
| " East St. Louis, Illinois, to Xenia, Ill..... | 82 | 164 |
| " East St. Louis, Illinois, to Chicago, Ill..... | 3 | 30 |
| " Turner Junction, Illinois, to Freeport, Ill..... | 91 | 91 |
| " St. Louis, Missouri, to Jefferson City, Mo..... | | 25 |
| " Independence, Missouri, to Lexington, Mo..... | | 36 |
| " Omaha, Nebraska, to St. Joseph, Mo..... | | 150 |
| " From Omaha, Nebraska, to Denver, Col..... | 572 | 572 |
| " Boone, Iowa, to Council Bluffs, Iowa..... | 30 | 60 |
| " Beverly, Massachusetts, to Rockport, Mass..... | 14 | 110 |
| " Yarmouth, Massachusetts, to Orleans, Mass..... | 19 | 19 |
| " New Haven, Conn., to Springfield, Mass..... | | 62 |
| " New Haven, Conn., to New London, Conn..... | | 49 |
| " Winans, Maryland, to Baltimore, Md..... | | 49 |
| " Milburn, New Jersey, to Washington, N. J..... | 2 | 30 |
| " Frederick, Maryland, to Frederick Junction, Md..... | 4 | 8 |
| " Boone, Iowa, to Summit, Iowa..... | 110 | 110 |
| " Albany, New York, to Greenbush, N. Y..... | 6 | 36 |
| " Albany, New York, to Troy, N. Y..... | 7 | 35 |
| " Utica, New York, to Rome, N. Y..... | | 14 |
| " Syracuse, New York, to Rochester, N. Y..... | | 81 |
| " Buffalo, New York, to Erie, Pa..... | 131 | 364 |
| " Citronelle, Alabama, to Brookville, Miss..... | 170 | 170 |
| " Little Rock, Arkansas, to Bayou Metre, Ark..... | 11 | 11 |
| " Delhi, Louisiana, to Vicksburg, Miss..... | 38 | 38 |
| " Columbia, South Carolina, to Charlotte, S. C..... | 108 | 108 |
| " Memphis, Tennessee, to Madison, Ark..... | 38 | 38 |
| " Greensboro', North Carolina, to Danville, Va..... | 50 | 50 |
| " Greensboro', North Carolina, to Charlotte, N. C..... | 93 | 93 |
| " Louisville, Kentucky, to Covington, Ky..... | 193 | 193 |
| " Lebanon Junction, Kentucky, to Lebanon, Ky..... | 38 | 38 |
| " Nashville, Tennessee, to Gallatin, Tenn..... | 25 | 25 |
| " Newcastle, Pennsylvania, to Jamestown, Pa..... | 10 | 10 |

The ordinary repairs of the lines have embraced a large amount of work of a permanent value, such as the painting of cross-arms and the renewal of insulators; the soldering of joints in the wires; the straightening of the old and the setting of new poles; putting down new cables at river crossings; trimming trees and brush, and the performance of many other necessary operations for the more efficient working of the wires.

While the repairs of the lines serve to keep them in good working order, the reconstruction of those which have become deteriorated by age and decay prevents the property from depreciating in value. Leaving the item of construction out of the account, our lines are in far better condition at the present time than they were three years ago, from the fact that our reconstruction has exceeded the decay during this time. Although telegraph property is of a very perishable character, still, if the poles, wires and insulators are replaced as fast as they break, decay, or wear out, it is evident that the lines will always be practically as good as new.

STATIONS, LINES AND MACHINERY BELONGING TO THE COMPANY.

The following inventory shows the number of stations, miles of line and wire, and amount of machinery belonging to the Company :

The Western Union Telegraph Company has—

| | |
|---------|--|
| 3,469 | Stations. |
| 52,099 | Miles of line. |
| 104,584 | “ “ wire. |
| 103 | “ “ submarine cables. |
| 2,607 | Instruments for reading by sound. |
| 1,334 | Recording instruments. |
| 3,807 | Relay magnets. |
| 4,180 | Transmitting keys. |
| 132 | Repeaters. |
| 19 | Printing instruments. |
| 710 | Switch boards. |
| 1,887 | Cut-offs. |
| 1,666 | Lightning arresters. |
| 14,929 | Cups of main battery. |
| 7,210 | Cups of local battery. |
| 9 | Punching Machines for the “Fast” system, not in use. |

REAL ESTATE OWNED BY THE COMPANY.

In the following statement of real estate belonging to the Company the property is inventoried at its actual cost. The present value is considerably greater :

| | |
|-----------------------------|--------------|
| In New York City..... | \$29,284.82 |
| In Philadelphia, Penn..... | 30,866.67 |
| In Buffalo, N. Y..... | 40,000.00 |
| In Memphis, Tenn..... | 20,000.00 |
| In Ottawa, Ill..... | 5,300.00 |
| In Cheyenne, W. T..... | 2,585.00 |
| In Plaister Cove, N. S..... | 2,060.91 |
| In Sandy Hook, N. J..... | 1,313.74 |
| In Fort Lee, N. J..... | 1,000.00 |
| In Pug Wash, N. S..... | 269.67 |
| In Green River, W. T..... | 77.75 |
| | <hr/> |
| | \$132,758.56 |

KINDS OF APPARATUS IN USE.

It will be observed, by referring to the inventory, that nearly all the machinery employed by the Company belongs to the Morse system. This telegraph, indeed, is now used almost exclusively everywhere, and the time will probably never come when it will cease to be the leading system of the world. Of more than a hundred devices that have been made to supersede it not one has succeeded in accomplishing its purpose, and it is used at the present time upon more than 95 per cent. of all the telegraph lines in existence. The almost universal use of this apparatus is due to its simplicity and peculiar adaptability to the telegraphic traffic of every country. It employs electro-magnetism in the simplest form; and its alphabet, when produced at a distance through the aid of the electric current, is read with equal facility by sight and sound, and can be readily interpreted by two of the other senses.

While this instrument is so generally employed, however, there is another of the recording class which possesses peculiar popular advantages, which make its use in certain exceptional cases very desirable: this is the Printing Telegraph, which produces the messages printed upon strips of paper in

plain Roman letters. Being one of the most rapid and accurate telegraph instruments ever invented, it is admirably adapted for use between large commercial cities. They are employed by this Company—which controls the patent—between New York and Boston, Albany, Philadelphia and Washington. An important improvement has been made in these instruments during the past year, by which electro-magnetism is substituted as a motive power for manual labor, thereby removing a considerable item of expense in their operation. This improvement will probably lead to their more extended use.

Formerly messages destined for stations several hundred miles distant were transmitted to some intermediate office, whence they were retransmitted. This operation required the employment at the repeating station of two additional operators for each wire: one to receive the messages from the transmitting station and the other to forward them to their place of destination. This service is now performed by automatic instruments, called repeaters, which require only a general supervision at the translating station. By the aid of this apparatus we have successfully operated a line seven thousand miles in length, and we find that with their assistance long circuits can be worked more rapidly than without them. The patent for the best translating instrument which has yet been invented is owned by this Company.

The most complete apparatus ever devised for measuring the conductivity of the wires, and determining the location of faults, or imperfections in the conductors or insulators, has been obtained by the Company and put into constant practice. The employment of these instruments for the past year has been of great value to our lines, and their use in the future will materially aid us in the perfection of the service.

THE COMPANY'S MANUFACTORIES.

The success of an extensive telegraph system depends in no small degree upon the quality of the machinery employed in its operation. In order to secure the most perfect apparatus possible, the company has established two manufactories for the production of every variety of instruments required in the service. One of these establishments is situated in New York, and

the other at Ottawa, Illinois. Great care is taken to get the best quality of material from which to make the machinery of every kind, and also to obtain the most desirable forms for service. The Company now possesses instruments by which the conductivity of the wire can be accurately measured, and the proper size and form for every variety of service ascertained, so that nothing may be left to chance. Not only, however, does the Company gain greater excellence in the style and quality of its machinery by the operations of its own manufactories, but it saves a considerable sum annually in the cost of the apparatus.

MANAGEMENT OF THE LINES.

The administration of a telegraph system embracing the greater portion of a continent, and exceeding in extent of line, number of stations, and amount of business, that of any two nations in Europe, may justly claim a brief notice.

The affairs of the company are managed by an Executive Committee, chosen by the Board of Directors, consisting of the President, Vice-Presidents, and Treasurer. This Committee controls the appointment and rate of compensation of all employés, and maintains a general supervision over every department of the service. The territory covered by our lines is separated into four Divisions, called respectively the Eastern, Southern, Central, and Pacific, each of which is in charge of a General Superintendent; and these Divisions are sub-divided into Districts—of which there are thirty three in the United States and the British Provinces—each under the immediate control of District Superintendents.

The lines are kept in working order by repairmen, stationed at convenient points, four hundred and twelve of whom are required for the whole country.

Each station is in charge of a Manager, who has control of his office, and is accountable to the District Superintendent for the proper performance of his duties and those of his subordinates. The District Superintendents are accountable to the General Superintendents, and the latter to the Executive Committee. On the first of every month each office forwards to the District Superintendent a report, showing the number of messages sent and received, the gross receipts, the amounts received on messages for each office with which business was done; the amounts re-

ceived at all other offices with which messages were exchanged ; the amounts received for or paid to other lines, and all expenditures in detail. The District Superintendents, after carefully examining the reports and approving the vouchers, forward them to the Auditor for final examination and comparison. Monthly balances due the Company are transmitted directly to the Treasurer, and those due the employé's are paid by him.

All disbursements for the construction or maintenance of the lines are made by the District Superintendents, who furnish, monthly, detailed statements of the same to the General Superintendents, and after examination and approval by them they are forwarded to the Auditor.

The Auditor carefully examines all reports and accounts and furnishes a statement of discrepancies to the District Superintendents, whose duty it is to have them promptly corrected.

Material and supplies of every description required for constructing and operating the lines are purchased under the supervision of the Executive Committee, and are disbursed by the Supply Department on the requisition of the Superintendents.

At the end of every year the General Superintendents prepare reports, showing the amount of construction, reconstruction, and repairs required in their respective divisions during the ensuing season, together with the estimated cost. These statements are classified as positively, probably, and possibly necessary, and form the basis for determining the amount of material and supplies required.

Although the vast extent of our lines and the magnitude of the business render the management of our affairs arduous and complicated, yet every department is so thoroughly organized and systematized in all its details, that a harmonious and efficient performance of the entire service is obtained.

FINANCIAL STATISTICS OF THE COMPANY.

CAPITAL STOCK.

The capital of the Company at its organization in April, 1851, was \$360,000. For more than seven years thereafter no dividends were made, the surplus earnings being devoted to the construction and purchase of additional lines. On the 23d of December, 1863, the amount of stock outstanding was \$7,950,700, the increase in the eleven years which had intervened being

due to consolidations of other lines and the capitalization of profits. The united capital of the various companies whose lines were consolidated with ours during this period amounted to over \$7,000,000. The Company subsequently issued its stock upon favorable terms in the acquisition of other telegraph lines to the extent of \$2,116,200, and on the 11th of May, 1864, made a stock dividend of \$100 per share, thus increasing the capital to.....\$20,133,800

It has since been increased as follows:

| | |
|---|--------------|
| For Atlantic and Ohio Telegraph stock..... | \$833,400 |
| “ Erie and Michigan “ “ | 68,000 |
| “ House “ “ | 5,700 |
| “ Pemberton and Golden Trustees..... | 3,800 |
| “ Cash | 77,000 |
| “ Western Union bonds. | 91,500 |
| “ Ithaca Telegraph stock..... | 14,500 |
| “ California State Telegraph stock..... | 164,900 |
| “ Syracuse and Binghampton Telegraph stock... .. | 4,800 |
| “ Missouri and Kansas “ stocks.. | 80,400 |
| “ United States “ stock... .. | 3,885,200 |
| “ “ “ Pacific “ “ ... | 3,333,300 |
| “ Equalization of stock, as per consolidation agree-
ment..... | 468,000 |
| “ Fractions..... | 55,100 |
| “ Trumansburg and Seneca Falls stock..... | 3,500 |
| “ Hicks and Wright Repeater..... | 1,500 |
| “ Lodi Telegraph stock..... | 500 |
| “ American Telegraph stock..... | 11,833,100 |
| “ Pittsburg, Cincinnati and Louisville stock..... | 4,100 |
| | <hr/> |
| Total capital stock..... | \$41,063,100 |
| Owned by Company, exclusive of the Sinking Fund | 494,800 |
| | <hr/> |
| Balance on which dividend of July, 1869, was paid, | \$40,568,300 |

THE BONDED DEBT.

The bonded debt of the Western Union Company was begun in 1864, by the issue of \$2,000,000 of seven per cent. bonds, for the purpose of buying the control of the stock of the California State Telegraph Company, and for the construction of new lines. These bonds were convertible into the

stock of the Company at par, and \$91,500 were subsequently so converted, leaving the balance outstanding, January 1st, 1866.....\$1,908,500

The amount since issued is as follows :

| | |
|--|-------------|
| For Russian Extension Telegraph stock..... | \$3,170,292 |
| For California State " " | 218,940 |
| For Western Union " " | 10,000 |
| For Washington and New Orleans Telegraph stock.. | 53,175 |
| For real estate..... | 50,000 |
| For cash..... | 570,688 |
| American Telegraph bonds..... | 89,500 |
| | <hr/> |
| | 6,071,095 |
| Bonds paid and cancelled..... | 1,436,995 |
| | <hr/> |
| Amount of bonded debt, July 1, 1869..... | \$4,634,100 |

These bonds mature as follows :

| | |
|--------------|-------------|
| In 1873..... | \$89,500 |
| In 1875..... | 4,544,600 |
| | <hr/> |
| | \$4,634,100 |

The bonds issued in 1864 became due in May, 1866, and May, 1867, and were paid partly from the proceeds of new bonds and partly from the net earnings of the Company. One dividend was passed because it was deemed prudent, in the then existing state of financial affairs, to appropriate the earnings to the payment of the \$540,695 of bonds maturing in May, 1867, rather than to divide them among the stockholders, and thereby compel the negotiation of a new loan with which to meet the maturing debt.

The greater portion of the debt of the Company was incurred in the grand attempt to build a line on the Northwest coast and across Behring's Straits, to connect with the Russian line at the mouth of the Amoor River, known as Collins' Overland Line to Europe, which was abandoned after the successful submergence and operation of the Atlantic Cable.

In May, 1867, it was decided to establish a sinking fund to provide for the bonded debt, and the sum of \$20,000 per month has since been appropriated to that object.

Up to December, 1868, the sinking fund was invested in the

bonds of the Company, which, as fast as they were purchased for that account, were cancelled. Since that date the Executive Committee have been authorized by the Board of Directors to invest the sinking fund in the stock of the Company, when it can be purchased for one half the market price of the bonds.

STATEMENT OF SINKING FUND ACCOUNT.

Cr.

| | |
|---|--------------|
| By application of profits from May 1, 1867, to July 1, 1869, 26 months, at \$20,000 per month..... | \$520,000.00 |
| By dividend of January, 1869, on 500 shares Western Union Telegraph stock, purchased for account of sinking fund, December 8, 1868..... | 1,000.00 |
| | \$521,000.00 |

Dr.

| | |
|---|--------------|
| To cost of \$488,500 Western Union bonds of 1875, purchased and cancelled..... | \$418,971.80 |
| 2,008 shares Western Union Telegraph stock in the hands of the Trustees of the sinking fund, purchased as follows : | |
| December 8, 1868, 500 shares cost..... | \$18,431.25 |
| " 23, " 500 " " | 16,906.25 |
| February, 1, 1869, 500 " " | 16,938.75 |
| March 6, " 8 " " | 288.00 |
| June 10, " 500 " " | 19,687.50 |
| | 72,251.75 |
| Balance uninvested..... | 29,776.45 |
| | \$521,000.00 |

At the annual meeting of the stockholders, held July 8, 1868, the following By-law was adopted :

"The Board of Directors may hire or purchase the lines, or purchase stock of any other telegraph company ; but neither the capital stock nor the bonded debt of the company shall be increased beyond the amount now authorized, except by the written consent of two thirds of the directors, entered in the secretary's records of proceedings of the board, and by a vote of the stockholders holding a majority of the capital stock, at an annual meeting, or at a special meeting called for that purpose."

STATEMENT OF INCOME AND EXPENSES FROM JULY 1, 1866, TO
JULY 1, 1869.

| | Gross Receipts. | Expenses. | Net Profits. |
|---------------------|-----------------|----------------|----------------|
| 1866. | | | |
| July | \$562,292.97 | \$410,382.40 | \$151,910.57 |
| August | 548,716.96 | 346,742.31 | 201,974.65 |
| September | 556,955.95 | 298,931.99 | 258,023.96 |
| October | 623,528.31 | 344,245.07 | 279,283.24 |
| November | 571,036.02 | 322,508.66 | 248,527.36 |
| December | 551,971.40 | 302,596.41 | 249,374.99 |
| 1867. | | | |
| January | 580,560.53 | 341,104.71 | 239,455.82 |
| February | 483,441.77 | 314,617.26 | 168,824.51 |
| March | 530,642.66 | 297,076.59 | 233,556.07 |
| April | 545,586.30 | 320,869.41 | 224,716.89 |
| May | 525,437.94 | 326,829.83 | 198,608.11 |
| June | 488,754.55 | 318,100.99 | 170,653.56 |
| | <hr/> | <hr/> | <hr/> |
| | \$6,568,925.36 | \$3,944,005.63 | \$2,624,919.73 |
| July | \$536,156.89 | \$360,917.53 | \$175,239.36 |
| August | 570,676.85 | 375,970.17 | 194,706.68 |
| September | 601,548.79 | 375,641.50 | 225,907.29 |
| October | 628,836.74 | 393,459.52 | 235,376.82 |
| November | 583,723.66 | 370,429.57 | 213,294.09 |
| December | 576,135.19 | 379,291.35 | 196,843.84 |
| 1868. | | | |
| January | 539,794.00 | 366,446.02 | 173,347.98 |
| February | 600,183.32 | 345,855.52 | 254,327.80 |
| March | 587,962.23 | 335,947.64 | 252,014.59 |
| April | 602,257.05 | 356,349.18 | 245,907.87 |
| May | 597,374.47 | 349,165.41 | 248,209.06 |
| June | 579,911.00 | 353,375.50 | 226,535.50 |
| | <hr/> | <hr/> | <hr/> |
| | \$7,004,560.19 | \$4,362,849.31 | \$2,641,710.88 |
| July | \$601,730.61 | \$396,163.66 | \$205,566.95 |
| August | 602,304.73 | 376,452.03 | 225,852.70 |
| September | 630,665.36 | 372,197.50 | 258,467.86 |
| October | 680,311.81 | 410,604.17 | 269,707.64 |
| November | 607,728.05 | 383,024.46 | 224,703.59 |
| December | 634,630.11 | 398,342.96 | 236,287.15 |
| 1869. | | | |
| January | 606,051.90 | 349,578.70 | 256,473.20 |
| February | 575,249.07 | 354,855.72 | 220,393.35 |
| March | 594,279.84 | 373,645.09 | 220,634.75 |
| April | 602,827.30 | 383,844.17 | 218,983.13 |
| May | 590,145.21 | 387,861.54 | 202,283.67 |
| June | 590,994.31 | 381,546.85 | 209,447.46 |
| | <hr/> | <hr/> | <hr/> |
| | \$7,316,918.30 | \$4,568,116.85 | \$2,801,457.48 |

| | |
|---|----------------|
| Net profits for three years, ending July 1, 1869... | \$8,015,432.06 |
| Miscellaneous profits..... | \$146,213.44 |
| Balance on hand, July 1, 1866..... | 17,828.94 |
| | <hr/> |
| Total..... | \$8,179,474.44 |

DISBURSEMENTS OF NET PROFITS.

Of the above net earnings there has been disbursed for

| | |
|--|----------------|
| Construction of new lines..... | \$1,238,870.11 |
| Purchase of telegraph property..... | 294,621.53 |
| Redemption of bonds..... | 616,355.00 |
| Purchase of real estate..... | 44,591.69 |
| Interest on bonds..... | 940,248.98 |
| Sinking fund..... | 520,000.00 |
| Dividends..... | 4,044,595.34 |
| Miscellaneous..... | 24,976.43 |
| Balance on hand, July 1, 1869, as follows: | |
| Due from Russian Extension Company | \$227,339.64 |
| Supplies on hand undistributed..... | 172,097.69 |
| Cash..... | 55,758.03 |
| | <hr/> |
| | \$455,215.36 |
| Total..... | \$8,179,474.44 |

EXAMINATION OF THE TREASURER'S ACCOUNTS.

At a meeting of the Board of Directors, held June 6th, 1867, a committee was appointed, consisting of Messrs. E. S. Sanford, B. R. McAlpine and N. Green, to examine the stock books, Treasurer's accounts, and cancelled stock and bonds of the Company, and report at the next stockholders' meeting. In view of the large amount of labor necessarily involved, Mr. F. H. Stow, an expert accountant, was employed to make the investigation, under the supervision and direction of the committee. After a thorough and exhaustive examination of the whole matter, Mr. Stow made an elaborate report, of which the following is the conclusion:

"I have examined the stock and bond accounts of the Western Union Telegraph Company from the commencement of its operations to the 1st July, 1867, and do hereby certify that

they have been proven to be correct. I have also compared the receipts and disbursements in the Treasurer's office, and find all the entries correct.

"I would remark that my examinations have been much facilitated by the promptness with which the Company's accounts are kept up, even in their most minor details. The whole system of book-keeping, not only in the home office but with the branch offices, is so complete and so perfectly systematized, that every department is a check upon each other against errors or peculation."

In submitting this report to the stockholders the committee added the assurance of their confidence in its correctness.

RE-ORGANIZING THE TARIFFS.

The want of uniformity in the tariff of charges for the transmission of despatches in all sections of the country has always been seriously felt. This peculiarity was the result of the great number of separate organizations, having tariffs upon various bases, which required adding together at the termini of two or more lines, so that upon a despatch which was transmitted a few hundred miles two or three rates were sometimes charged. For instance, a few years since there were five telegraph companies owning the lines connecting Portland, Maine, with Cleveland, Ohio, and the tariff between these two places was ascertained by the addition of the local rates from Portland to Boston, Boston to Springfield, Springfield to Albany, Albany to Buffalo, and from Buffalo to Cleveland. The same system prevailed throughout the United States until after the consolidation of the lines made it possible to transmit messages between places thousands of miles apart without the necessity of booking or re-checking at intermediate points. This result necessitated a remodeling of the tariffs, and the work has been going on uninterruptedly ever since; but when it is considered that a complete revision of the system required a separate tariff book to be made out for over three thousand offices, changing and equalizing the rates to more than three thousand other offices, the immense labor and responsibility incurred in the undertaking may be imagined.

Various plans have been considered for simplifying and

equalizing the tariffs, but some practical difficulties developed in all of them. The existence of rival lines, built by speculators whose profit is in their construction, and which essay to do business at rates less than the cost of the service, necessitates the reduction of our rates upon certain routes disproportionately, and prevents the adoption of a general rate strictly proportioned to distance.

Considerable reductions in the rates for both private and press despatches have been made within the past year, amounting in some cases to fifty per cent., and while these abatements have taken place to the greatest extent in those sections of the country where there are rival lines, the tolls over some of these routes being less than the cost of service, yet they have not been confined to these points, the rates having been decreased at more than one thousand offices where there is no opposition. A new tariff of rates is now preparing and will shortly go into operation, based upon air line distances, irrespective of the routes over which the lines run.

Two years of labor have been expended upon the new tariff, which is based upon an entirely original plan. The country between Calais, Maine, and Omaha, Nebraska, including all the Southern States, is accurately mapped and divided into squares of fifty miles each, making a total of five hundred squares. By giving a rate from square to square, instead of from station to station, the labor of preparing the tariff book is greatly reduced. Each office is supplied with a tariff sheet showing the rate from the square in which it is situated to all other squares. In preparing this sheet but five hundred entries have to be made, or one for each square, instead of one for each office, as formerly. The tariff sheet made for one office will give the rate from any other in the same square, and therefore, to establish the tariff for a new office under this system, it is only necessary to designate the number of the square in which it is situated.

The adoption of an air-line tariff will, of necessity, greatly lessen many existing rates. Offices fifty miles apart geographically, but whose messages to each other must pass over a circuit of twice or thrice that distance, will have, so far as cost is concerned, all the advantages of a direct line. A large number of places will be thus benefited.

The adoption of the new system will make an average reduc-

tion of the present rates of about fifteen per cent. These reductions do not result from competition, but are made in spite of it. Were it not for competition we could reduce the rates still more.

These reductions will give us strength in two important respects. They will weaken the existing opposition, and discourage their efforts towards extensions, and tend to satisfy the public and lessen the possibilities of Governmental interference. This Company can control the telegraph business of the country if it has the courage to reduce the rates to a point that will satisfy the public and make the existence of small competing lines impossible, and the patience to wait for an increase of dividends until the results of the policy have had time for development. For the present year, and perhaps for the next, our property is worth more on the payment of a four per cent. dividend than if it were made six, provided that the rates are popular, and the surplus revenues are judiciously expended in the construction of new lines and the reduction of the debt.

TAXATION OF TELEGRAPH PROPERTY.

A serious obstacle to the reduction of rates is the extent and variety of taxation to which our property and business are subjected. These imposts embrace those of a national, state, county and municipal character. They include assessments upon our capital stock, gross receipts and dividends; the value of our property, real and personal; the number of miles of wire in operation; and in the form of licenses a special tax is imposed for the privilege of opening offices and conducting the business. These exactions amount, in the aggregate, to nearly three hundred thousand dollars per annum, and consume the profits on over eight hundred thousand dollars of our gross receipts. We are compelled to transmit annually about one and one half millions of despatches to earn a profit sufficient to meet these demands. If they were removed we could afford materially to reduce our rates for the transmission of messages, and still earn the same profits.

The national tax of three per cent. upon the gross receipts for the telegraphic correspondence of the country is both unwise

and unjust. It is unwise, because it places an onerous burden upon an enterprise of national importance, which is striving to meet public expectation by a low rate of service. It is unjust, in that it assesses one class of correspondence to pay the expenses of another. This Company is compelled to pay annually more than two hundred thousand dollars into the national treasury, while the Government draws therefrom over six millions of dollars per year to meet the deficiency in the post-office department. Now, if it is proper for the Government to tax the people to pay for the correspondence by mail, it is certainly reasonable that it should at least remove the tax imposed upon the correspondence by telegraph.

In the paper submitted to Congress last winter, on the proposed union of the telegraph and postal systems, we offered, provided the Government would abolish the tax on our gross receipts, to lower our rates until the reduction upon the gross amount of business done should be twice as much per annum as the tax remitted.

RELATIONS WITH THE PRESS.

The relations existing between this Company and the press of the United States are of the most intimate and satisfactory character.

In no other country in the world do the newspapers employ the telegraph so generally as in this, and nowhere else is the service so well and cheaply performed. The newspapers of this country are associated together on the coöperative principle, for the purpose of collecting and distributing telegraphic news. A general association, having its headquarters in New York, gathers news from every part of the world; and local associations in various sections of the country arrange for the compilation and distribution of telegraphic reports among their own members, furnish their quota of intelligence to the general association, and receive in return such news as the papers comprising them require.

The greater portion of the press despatches are transmitted during the night, when the wires are not required for private or commercial correspondence, and we are thus enabled to establish a very low tariff upon this class of business.

The aggregate amount of news delivered to the newspapers of the United States by our lines during the past year was 369,503,630 words, for which we received \$883,509, being at the rate of two and three tenths mills per word.

This immense amount of matter was not transmitted to each paper separately, but, through a combination of wires only possible to a vast system such as ours, it was sent to a large number of places simultaneously with only one transmission.

Direct wires convey news reports between New York and Chicago, Cincinnati, St. Louis, Washington, New Orleans, Plaister Cove and other important points.

Every press association in the United States receives its news by our lines—a conclusive proof that our performance of this service is satisfactory.

It is a fact worthy of remark that the amount of news which this Company delivered to the press of the United States during the year 1868, for an aggregate sum of \$883,509, in currency, largely exceeded the entire telegraphic correspondence of continental Europe, for which there was paid \$7,837,238 in gold.

THE VALUE OF THE COMPANY'S PROPERTY.

There are various methods of estimating the value of the Company's property, some of which we will briefly consider, commencing with the cost of the lines, equipments and real estate.

The cost of building a telegraph line depends, like that of any other structure, upon the value of the materials and labor employed in its construction. It has been the policy of this Company to use the best material and the most skilful labor in building the lines, and they are without doubt equal in their construction and equipment to any other telegraph system in the world.

The cost of our lines has varied, according to the location and circumstances under which they were built, from one hundred and fifty dollars to one thousand dollars per mile—the lines on all the important routes having from three to ten wires each. Estimating them to average four hundred dollars per mile of poles and wires, the value of the property would be as follows :

| | |
|---|--------------|
| 52,099 miles of line | \$20,839,600 |
| 103 " submarine cable | 618,000 |
| Office furniture and fixtures | 169,000 |
| Machinery, tools and stationery | 600,000 |
| Productive stock in other telegraph companies | 53,261 |
| Real estate | 132,758 |
| | <hr/> |
| Total | \$22,412,619 |

The above sum is equal to \$56.00 per share for the stock, without taking into the account the value of the franchises and patents belonging to the Company, which are certainly worth a sum equal to the bonded debt.

Another basis for ascertaining the value of the property may be found by the addition of the market values of the various properties which have been consolidated with and merged into this Company.

After the stock of the Western Union Company had been increased to \$22,000,000 it sold at par and above for nearly a year. Subsequently, in March, 1866, the United States Lines were absorbed, representing a capital, issued and contracted for, of \$11,000,000, the subscription price of which was \$66.66 per share, equal to \$7,333,333. On the 1st of July, 1866, the lines of the American Telegraph Company were absorbed by the Western Union Company. The capital of the American Company was \$4,000,000, and its stock sold a short time before the consolidation at \$125 per share, equal to \$5,000,000. Adding to the above, say \$666,667, to represent the value of interests acquired in various small companies—in all cases worth the cost, and in some much more—we have an aggregate of \$35,000,000 to represent that which now constitutes the property of the Company. Certainly it will be admitted that, with the lines consolidated and the business harmonized and systematized, the property of the Company is worth quite as much as when controlled and operated by separate and independent organizations. But, in addition to the improvement by consolidation and systematization, there have been expended in increasing and improving the lines and property more than \$2,000,000 appropriated from current earnings. Leaving this out of the account, however, and assuming that the expenditure

of this sum covered only the previous depreciation of the property, and deducting from the aggregate of \$35,000,000, the bonded debt of the Company, there remains to represent the value of the stock over \$30,000,000, which would give \$75.00 as the value per share. Now one of these two propositions must be true—either the public were greatly mistaken in their former estimate of the value of telegraph property in the United States, or else they are equally so now.

At \$40.00 per share, which is about the present market price of the stock, our property would cost but \$16,224,440, and after the payment of the bonded debt less than \$21,000,000. Upon the latter amount we are earning over thirteen per cent.; and while we are paying ten per cent. upon the stock at \$40.00 per share, we are reducing the debt and increasing the property.

The net earnings of the Company for the past three years have been \$8,161,645.50, or at the rate of \$2,720,548.50 per annum, which is over six and one half per cent. upon the capital. Estimating a property which earns ten per cent. per annum at par, our property is worth \$26,000,000, or \$65.00 per share for the stock.

Another mode of estimating the value of the property is by comparison with the extent and value of the lines belonging to the original organization.

This Company was organized in the year 1851, with a capital of \$360,000, and constructed a line of telegraph from Buffalo, N. Y., to Louisville, Ky., a distance of about six hundred miles. The cost of the lines on a gold basis was thus \$600.00 per mile. The present extent of our lines, if estimated by the cost of the original line, would amount to \$31,259,400, or \$78.00 per share for the stock.

If our property were estimated on the basis of the price paid per mile for the construction of the Atlantic and Pacific telegraph lines, it would amount to \$86,796,934, or \$216.00 per share for the stock.

The capital of the Franklin Telegraph Company represents \$1,750,000, and the length of their lines is 686 miles, making the cost per mile in stock \$2,551.00. Upon this basis our property is worth \$132,904,549, and the stock \$332.00 per share.

The Bankers and Brokers' Telegraph Company extends from

New York to Washington, 226 miles, and their capital is \$1,050,000, making the cost of their lines per mile in stock \$4,641.00. Upon this basis our property is worth \$231,791,459, and the stock \$579.00 per share.

These comparisons between the proportion which our lines bear to the capital stock, and that which is borne by competing companies, are not made for the purpose of creating dissatisfaction among the holders of stocks of rival organizations; but, inasmuch as it is a favorite device of their canvassers to dilate upon the large volume of our stock, as compared with theirs, we are justly entitled to whatever advantage results from showing the great disparity in values based upon actual property between these stocks and our own. If a comparison could be made based upon business and profits the difference would be vastly greater.

There are still other modes of estimating the value of our property, one of which is by the cost of similar property in other countries. The average cost of the telegraph lines per mile in England, as sworn to before the committee of the House of Commons in July, 1868, was \$718.75 in gold. Upon this basis our lines are worth \$37,446,156, which, after the payment of the bonded debt, would leave \$83.00 per share in gold for the stock.

If the value of our lines is based upon the average cost of all the telegraph lines in Europe, of which any statistics have been obtained, it will amount to \$31,002,177, which will give us \$77.00 per share for the stock.

Another mode of arriving at the value of the property is by comparing the amount to be paid by the British Government, for the lines in the United Kingdom, with the sum that our lines would bring under a similar arrangement.

The price which the British Government have agreed to pay for the telegraph lines in Great Britain and Ireland is a sum equal to twenty times the net profits derived by or secured to the companies from the transmission of messages during the past year. Under this arrangement, on the basis of last year's net earnings, our property would bring \$56,236,287. This sum would pay the debt of the Company and leave \$130.00 per share for the stock.

These suggestions concerning the value of the stock are not

made for the purpose of encouraging speculation, but to satisfy those who desire to hold it as a permanent investment that, in addition to dividends at a higher rate upon the average market value than are paid by corporations generally, they will undoubtedly realize a large advance when the policy of the present management has had time to develop the results which are confidently believed to be inevitable.

The prospective value of the property of this Company, in view of the rapid development of the system through the construction and purchase of new lines, can scarcely be over-estimated. Referring to the brief history of the telegraph in this country, the first line of which was constructed but twenty-five years ago, and considering what has been accomplished during this short period of time, who can estimate the value of its future extension, when its network shall spread through every village and hamlet, bringing all parts of our country into the closest and most intimate relations of friendship and interest. In estimating the growth of the telegraph in the future, however, we must not neglect to observe the additional rate of progress which each year develops. Thus, in 1859, when the telegraph had been in operation fifteen years, there were only 1,400 stations in the United States, while at the present time there are nearly 5,000, being an increase of over three hundred per cent. in ten years. The number of offices belonging to this Company in December, 1867, was 3,106, while the number of its stations for the corresponding month of last year was 3,469, being an accession of 363 offices in a single year, or more than the total number belonging to all the competing lines. Of the increase of over 18,000 miles of wire by construction, from July, 1866, to July, 1869, more than 6,000 miles were built during the past year. If this rate of extension should continue for the next ten years our Company would then possess 164,584 miles of wire and over 7,000 offices; and this enormous accession to the property of the Company could be created out of its net receipts, besides paying the bonded debt, and without diminishing the dividends.

EXTENT OF RIVAL ORGANIZATIONS.

In estimating the future value of our property we should take into consideration the extent and importance of the various rival organizations which are competing with us, and the probable effect of future extensions of their lines upon our receipts and profits. The following statistics will show the comparative extent of the lines, wire and offices belonging to the Western Union Company, and those working in exclusive connection therewith, and of those of all the rival organizations :

| | |
|---|---------|
| Number of miles of line belonging to W. U. system, | 66.263 |
| “ “ “ wire “ “ “ “ | 121.595 |
| “ “ stations “ “ “ “ | 4.692 |
| Number of miles of line belonging to Rival Companies, | 6.773 |
| “ “ “ wire “ “ “ “ | 9.100 |
| “ “ stations “ “ “ “ | 337 |

Thus it will be seen that, of the total number of miles of line in the United States and the British Provinces, the proportion belonging to all rival organizations is about ten per cent. and of wire and stations about seven per cent.

The increase of the lines of the Western Union Company by construction alone, during the past three years, exceeds by 1,195 miles the total amount of lines belonging to all the rival organizations in the United States and Canada ; while the amount of wire erected by this Company during the same time is 9,000 miles more than that owned by all the rival companies combined.

The effect of these rival lines upon the business of this Company has not been seriously felt. While their operation has occasioned reductions in rates between many places, in some cases below a just and remunerative scale, still the number of their offices is so small in comparison to those belonging to this Company that the loss of all the business which they obtain is barely appreciable in our receipts. At some points where they have established themselves our earnings are greater than they were before the rival offices were opened. This increase is to be ac-

counted for by the extension of our lines and the opening of new offices, and would unquestionably be larger were it not for the operation of competing lines. The fact is interesting and instructive, however, that most, if not all of the existing rival lines, although they compete with this Company at the chief commercial centres, where success could be obtained if it were possible anywhere, nevertheless operate at a loss, while the superior facilities of this Company enable it do business at a profit. The greater reliability and more universal connections of our lines secure to them a vast majority of the business, even at competing points, while a considerable portion of the messages originating at various stations upon rival lines are necessarily given to us for transmission to such places as they do not reach. The best evidence of the comparative insignificance of these lines upon our business, however, is found in the large increase in the number of messages annually transmitted by this Company, which, during the year ending December 31, 1868, exceeded that of the previous year by 1.618.584.

PRESENT CONDITION OF RIVAL LINES.

The present condition of all the competing lines is precarious. The Franklin Company was made by a consolidation of the "Insulated" Company, having four wires between Boston and Washington, with the old "Franklin" Company, having two wires between Boston and New York. The capital of the former was \$1,250,000 and of the latter \$500,000, being at the rate of \$2,551.00 per mile of line. The new organization has been in operation about two years, during which time the receipts have fallen so far below the expenses that the Company has contracted a debt, including that of the "Insulated," which was assumed by the new Company, of about \$150,000, and its lines have deteriorated to such an extent that a large sum would have to be expended to put them in a proper condition for business.

The "Atlantic and Pacific" Company owns a line extending from New York to Chicago, *via* Albany, Buffalo, Cleveland and Sandusky, averaging about two wires, which was built under a contract to take stock in payment, at the rate of \$1,666 66 per mile. It is erected along the highway, where no rights of way have to be paid for, and the cost of the line probably does not

exceed \$200 per mile, so that the contractors who receive their pay in stock at the rate of \$1,666 66 per mile can make money by selling it at fifteen cents on the dollar; but they frequently get several times this amount, the price depending mainly upon the credulity of the customer. In some instances parties who have subscribed to this stock have refused to pay their assessments, on the ground that the subscriptions were obtained by fraudulent representations, and the truth of the charge has been virtually acknowledged by the withdrawal of the suits which were begun to compel payment.

The origin of nearly all the competing lines is the same. They are the offspring of a class of speculators whose only object is to make money by their construction, and who have no interest in their future operation. In order to give an air of respectability to their schemes they generally secure the names of some prominent men to act as directors, and extensively advertise them in their prospectuses. The time may come, however, when the deluded stockholders will attempt to recover the instalments which they have paid, from the *honorable* men who thus lend their names to varnish a sham for the pittance of a few shares of worthless stock. Great ingenuity is displayed by the promoters of these speculative telegraph schemes in deceiving the public and disposing of their stock. Agents are employed to go from town to town to solicit subscriptions. The first instalment is generally a small one, just enough to pay the canvassers their commissions. Landlords are induced to take stock for hotel bills, and by every means the bubble is floated. Occasionally the farce is carried to the extent of declaring a dividend after the line has been in partial operation for a short time, and this *ruse* is extensively advertised for the purpose of selling more stock.

When the true character of the Company becomes well known, and no more stock can be sold under the old name, a new one is taken. Thus the "Atlantic and Pacific" is succeeded in Canada by the "Dominion" Telegraph Company, and in Illinois and Wisconsin by the "Great Western," all of them being manipulated by the same parties. The "Franklin" Company gives place east and north of Boston to the "International" and the "Northern;" while the "Pacific and Atlantic," "Mississippi Valley," and the "National" Telegraph

Companies alternately appeal to the credulity of the southern and western public. The latter Company, which claims to have organized three years ago under an Act of Congress, and has filled the country with runners begging for subscriptions to its stock, has never set a pole.

The operation of these separate and irresponsible lines, during the brief period of their existence, retards the progress of legitimate telegraphy, and impairs the general unity of the system. Any assistance which is given to further such schemes has the direct effect of aiding a class of speculators to fleece a credulous public, by inducing them to invest their money in the construction of lines which never have paid, and never can pay, the expenses of operating them, and which are of no benefit to any persons but those who originate them, and profit by their construction.

So far as we are concerned, there is no cause to fear the effects of such competing lines. They have diminished our receipts at only a few points, and at those but very little, while at others they have increased in spite of them. Our gross earnings are steadily augmenting in consequence of the opening of additional offices upon new lines, which thus far have yielded more revenue than the opposition lines take away. Of course our expenses will show an addition slightly disproportionate to the growth of the receipts, because as tariffs are reduced and new offices established, more labor is required to produce the same return. As long, however, as we open more stations and erect more miles of wire annually than the opposition companies, we shall be relatively stronger at the end of every year than at the beginning, while the opposition will be both positively and comparatively weaker.

The few half built competing telegraph lines in operation in various parts of the United States are not to be placed in the same category with the Western Union lines. A few poles with a wire thereon do not constitute a telegraph. A ditch five feet by three might be dug parallel to the Erie Canal at but trifling cost, compared with the latter; but would its stock, if both were owned by corporations, be worth as much in proportion to cost as that of the canal? An established and profitable business, with facilities kept at all times equal to its growing demands, has a value far beyond the mere cost of the property

necessary to carry it on. Indeed, cost, although sometimes considered in ascertaining value, is rarely an essential element; "What will it pay?" when correctly answered, being of more consequence than "What did it cost?"

"FAST" METHODS OF TELEGRAPHY.

It is a favorite device of the promoters of speculative telegraph schemes to pretend to control some important improvement in the art of telegraphy, which will give their lines special and peculiar advantages over all others. It is currently reported that a new telegraphic bubble is about to be floated, having for the inflating power a wonderfully rapid means of transmitting despatches by the automatic process. The patent for the automatic or "fast" system is owned by the Western Union Company, and no cause, therefore, exists for apprehending its use upon rival lines; but inasmuch as we have given it a long, thorough and expensive trial, the result of which is that we have discarded it as totally impracticable, I deem it proper to give the subject a brief mention.

For many years past efforts have been made to perfect a system of rapid telegraphing, which should be able to transmit several times as many despatches per hour over a telegraph wire as can be done by the Morse instrument. The theory upon which all the experimenters in this direction have proceeded is that electricity has a definite velocity like light, and that all that is necessary to produce the most rapid writing at any distance is an instrument to record the signals produced by an automatic process, similar in principal to Professor Morse's original type and port rule transmitter.

In 1844 Mr. Bain, of Edinburgh, devised a plan of perforating the despatches for transmission through a strip of paper, in the characters of the Morse alphabet. The prepared paper was then passed between a metallic comb and roller, which were in connection with the line wire, the circuit being completed when the teeth of the comb passed through the holes in the paper. At the receiving station he used chemically prepared paper, upon which the messages were recorded in colored dots and lines. The apparatus, although very attractive in theory, has never been of any practical value, as the time occupied in preparing the messages for transmission is many times greater than

that required for sending by the Morse system, and an equal, if not greater length of time is consumed in copying them, while the Morse operator, who reads by sound, copies his messages as fast as they are sent. Subsequently, Mr. Humaston and others invented instruments for more rapidly perforating the paper, which it was thought by some would bring the "fast system" into general use, but these anticipations have never been realized. Mr. Humaston's apparatus, although very ingenious in design, is of so complicated a character as easily to get out of order, while its capacity for producing the Morse characters, when worked by an expert operator, is only about one third as great as that of the ordinary hand key. Added to these difficulties are the still more serious ones that messages cannot be sent by this system at a faster rate of speed than by the ordinary Morse apparatus, except over comparatively short distances; that it cannot be used upon a wire strung upon poles with other wires; nor will it work during a magnetic storm, except by the employment of a double line. Taking all of its merits and demerits into account, it is so greatly inferior to the Morse, and other systems in use, that it cannot be profitably employed either in connection or in competition with them. When the fast method was invented the relative proportion of telegraphic facilities to the requirements of the public was very small, but during the score of years which have intervened the rate of increase of the lines has exceeded that of the business, so that at the present time there are not only enough wires to transmit all that is offered, but they are equal to the performance of a much larger service, provided the messages could submit to a delay as great as that required to prepare them for transmission by the punching process. Therefore, the introduction of the complicated automatic system, even if it were practicable, is unnecessary.

The bulk of the business is received at our offices for transmission between the hours of eleven A. M. and two P. M., and all must receive immediate dispatch—both law and custom requiring that every message shall be forwarded in the order of its receipt. This peculiarity of the service necessitates the erection of many more wires than would be necessary if the work could be spread over the whole day. In Belgium speed rates are established to compensate for the loss by the reduced tariff, and a telegram requiring immediate transit is charged

three times the ordinary rate. This innovation is embodied in the so-called postal telegraph system sought to be introduced in this country. Were this plan inaugurated here, business men, to whom time is money, would be obliged to pay an extra price to secure that promptness and certainty of transmission without which the telegraph is of little value for all important transactions.

The value of the telegraph does not consist in the amount of time which can be saved by it over the mail or other means of communication, but in its practical annihilation of time. A telegraphic despatch, for example, might occupy two days in going from New York to London, and yet reach there eight days in advance of the mail, but this would not be a proper performance of the functions of the telegraph. Instant and constant communication is what is required, and hence the introduction of any apparatus which interposes an unnecessary delay in the preparation of despatches, either for transmission or delivery, is a change for the worse. This is a disadvantage which the so-called "fast systems" labor under, and which will forever preclude their use.

The automatic system, however, is especially unfitted for the transmission of press reports, as this process enables but one station to receive at the same time, while the Morse wires can be connected throughout the country, and the news sent to every office with a single manipulation. The preparation for transmission of so great an amount of matter by the punching process as we daily transmit for the press, would entail an expense for labor and machinery far greater than the entire receipts of this Company for regular press reports.

The double transmitter—an apparatus for working both ways over one wire at the same time—has also long occupied a prominent place among speculative telegraphers, and has recently been extensively advertised by the promoters of various competing lines. During the past twenty years there have been several inventions for accomplishing this result, the first being that of Dr. Gintl, of Germany; but while it is possible, under certain exceptional circumstances, to transmit messages both ways at the same time, over one wire, the conditions under which this result is obtained are such as to render the general use of the system impossible. If there were, however, any practical

value in this apparatus, its use—like that of the Morse telegraph—is freely open to all.

GOVERNMENTAL INTERFERENCE IN TELEGRAPHING.

The possibility of Governmental interference in the business of telegraphing has a direct and important bearing upon the value of our property. For several years past strenuous efforts have been made by various interested parties to secure this object, but thus far without success.

Among the reasons given why Government should assume the control of this enterprise were these: that "the telegraphic system has made less progress toward perfection, and has been practically of less value to the masses of the people in our country than in any other civilized country on the globe, and that our average rates are several times higher than the foreign." In reply to these erroneous assertions this Company published a statement on the proposed union of the telegraph and postal systems, containing among other matters the following tables, showing the statistics of the telegraph in Europe and America for 1866, the latest year of which there are full returns:

Statistics of the Telegraph in Europe and America for the year 1866, from Official Reports.

| COUNTRIES. | Number of Stations. | Miles of Line. | Miles of Wire. | Total Number of Messages Transmitted. | Population. | Proportion of Offices to Population. |
|--------------------------------|---------------------|----------------|----------------|---------------------------------------|-------------|--------------------------------------|
| Austria..... | 856 | 24,618 | 73,854 | 2,507,472 | 39,411,309 | 1 to 46,311 |
| Belgium..... | 356 | 2,187 | 6,146 | 1,128,005 | 4,530,228 | 1 to 12,416 |
| Bavaria..... | | 2,115 | 4,945 | | | |
| Denmark..... | 89 | | 2,515 | 308,150 | 1,684,004 | 1 to 18,921 |
| France..... | 1,209 | 20,628 | 68,687 | 2,842,554 | 38,302,625 | 1 to 31,681 |
| Great Britain and Ireland..... | 2,151 | 16,588 | 80,466 | 5,781,189 | 29,591,009 | 1 to 13,750 |
| Italy..... | 529 | 8,200 | 20,120 | 1,760,889 | 21,550,845 | 1 to 49,000 |
| Norway..... | 73 | | | 269,375 | 1,433,488 | 1 to 19,773 |
| Prussia..... | 538 | 18,386 | 55,149 | 1,964,003 | 17,739,913 | 1 to 32,955 |
| Russia..... | 308 | 12,013 | 22,214 | 838,653 | 68,224,832 | 1 to 221,508 |
| Switzerland..... | 252 | 1,858 | 3,715 | 668,916 | 2,534,240 | 1 to 10,000 |
| Spain..... | 142 | 8,871 | 17,743 | 533,376 | 16,302,625 | 1 to 100,000 |
| United States..... | 4,126 | 62,782 | 125,564 | 12,904,770 | 31,148,047 | 1 to 7,549 |
| Dominion of Canada..... | 382 | 6,747 | 8,935 | 573,219 | 3,976,224 | 1 to 10,400 |

Since the above table was prepared the number of offices in the United States has increased to 4,599, making the proportion of offices to population at the present time 1 to 6,772.

AVERAGE COST OF TELEGRAMS IN EUROPE AND AMERICA.

Official Statistics of the Telegraphs in Europe for the year 1866.

| Name of Country or Company. | Total Number of Messages transmitted, including inland, international and transit. | Receipts. | Value in U. S. Gold Coin. | Value in U. S. Currency.* |
|-----------------------------------|--|------------------------------|---------------------------|---------------------------|
| Austria..... | 2,507,472 | Florins 1,644,742 × \$0.48 = | \$789,476.16 | \$1,168,424.71 |
| Belgium..... | 1,128,005 | Francs 961,112 × 0.19 = | 182,611.28 | 270,264.69 |
| Bavaria..... | | Florins 322,886 × 0.41 = | 132,383.26 | 195,927.22 |
| Denmark..... | 308,150 | Dollars 308,150 × 1.09 = | 335,883.50 | 497,107.58 |
| France..... | 2,507,472 | Francs 7,707,590 × 0.19 = | 1,464,442.10 | 2,167,574.30 |
| Great Britain and Ireland..... | 5,781,189 | £ sterling 12,707 × 4.86 = | 2,491,756.02 | 3,687,798.90 |
| Italy..... | 1,760,889 | Lire 4,120,311 × 0.10 = | 782,859.09 | 1,158,631.45 |
| Norway..... | 263,375 | Dollars 343,645 × 1.09 = | 374,573.15 | 554,368.26 |
| Prussia..... | 1,964,003 | Thalers 1,275,785 × 0.72 = | 918,565.00 | 1,359,476.20 |
| Russia..... | 838,653 | Roubles 1,872,659 × 0.77½ = | 1,451,310.72 | 2,147,939.86 |
| Switzerland..... | 668,916 | Francs 684,471 × 0.19 = | 130,049.49 | 192,473.24 |
| Spain..... | 533,376 | Dollars 554,475 × 1.04½ = | 576,654.00 | 853,447.92 |
| Submarine Telegraph Co..... | 410,760 | £ sterling 60,368 × 4.86 = | 293,388.48 | 434,214.95 |
| Malta and Alexandria T. Co..... | 28,067 | £ sterling 52,142 × 4.86 = | 253,410.12 | 375,046.97 |
| Mediterranean Extension Tel. Co.. | 77,400 | £ sterling 31,200 × 4.86 = | 151,632.00 | 224,415.36 |
| | 18,683,727 | | \$10,328,994.37 | \$15,286,911.61 |

Average cost of telegrams in Europe †.....81½ cents.

Statistics of the Western Union Telegraph Company of the United States, and of the Montreal Telegraph Company, Dominion of Canada, for the year ending June 30, 1867.

| Name of Company. | Total Number of Messages. | Receipts. | United States Currency. |
|--------------------------------------|---------------------------|------------------|-------------------------|
| Western Union Telegraph Company..... | 10,067,768‡ | | \$5,738,627.96 |
| Montreal Telegraph Company..... | 573,219 | \$258,000 gold = | 381,840.00 |

Average cost of telegrams in the United States.....57 cents.

Average cost of telegrams in the Dominion of Canada.....66 cents.

* The *Commercial and Financial Chronicle* gives the lowest price of gold in 1866 as 124½, and the highest 167½, making the average 148, which we have adopted as the standard value for that year.

† The European message is reckoned at 20 words, including date, address and signature; the American message at 10 words, exclusive of date, address and signature. If these are added, the average length of the American message is more than 21 words.

‡ These are exclusive of railroad messages, of which this Company sends many millions per annum. In fact, the safety of all the roads in the United States is largely due to the free use of our wires in running trains.

Another illustration of the comparative cost of European and American telegrams was presented in the form of a table, showing the cost of a message sent from New York and from London to 61 principal places on the two continents, of similar distances, the American distances being generally greater. In almost every instance the European rate is much higher, exceeding the American by nearly 40 per cent.

During the third session of the fortieth Congress, 1869, three bills were presented to the House of Representatives for the construction and operation of telegraph lines.

The first bill was introduced by Mr. Washburne, of Illinois, for the construction by Government of a line of telegraph, with four wires, from Washington to New York, to be operated, as far as practicable, by the employés of the post-office; the rate for the transmission of messages to be one cent for each word, exclusive of date, address and signature, in addition to three cents for postage and two cents for delivery. Press reports to be transmitted at a reduction not exceeding 50 per cent. on the established rates. By its concluding section the sum of \$75,000 is appropriated for the purpose of carrying out the provisions of the Act.

The second bill provides that Congress shall grant to Mr. G. G. Hubbard and his associates an act of incorporation, under the name of the United States Postal Telegraph Company, for the purpose of constructing, operating and maintaining lines of telegraph over all post-roads and routes within the United States and Territories.

The bill also authorizes the Postmaster General to establish telegraphic offices in connection with the post-office in every city and village of 5,000 inhabitants and over, and at such other places on the lines of the wires as the business of the country may from time to time demand. Messages to be prepaid by stamps, and received at every post-office and street letter box. *Priority in the transmission of messages to be obtained by the payment of an extra charge.*

The Postmaster General is to furnish at each postal telegraph office suitable and convenient room for the office, employés, instruments and machinery of the Company; to provide a proper supply of stamps and stamped paper to be kept for sale; to publish and distribute, from every office where messages are re-

ceived, a full statement of the postal telegraph rates, for the information of the public; all needed blank books, stationery and printed blanks; to examine and test the lines from time to time; to make monthly returns and payments to the Company for business done; and to reduce the rates from time to time, *provided such reduction does not diminish the profits of the Company below ten per cent. a year.*

The third bill authorizes James F. Hall and associates, under the direction and supervision of the Postmaster General, to construct, with metallic poles and air cables, lines of telegraph between Boston, New York, Philadelphia, Baltimore and Washington, upon any line of travel, by post route or otherwise, and be protected in the use thereof. The rate of transmitting messages is limited to one cent per word, counting date, address and signature, but each message must have a three cent stamp affixed.

The bill provides for the *importation, free of duty, of such materials as may properly be used in the construction of the lines, including poles, wires, cables and instruments*; and that the Government shall purchase the lines, after three years of successful operation, paying therefor their actual cost, with interest.

It also provides that, *if it should happen, by reason of excessive competition of other lines, the rates of transmission should be reduced below the rates charged in the Act, then the Post-office Department, out of the receipts from the stamps on messages, shall make up the net earnings of the line to ten per cent. on its cost.*

The above mentioned bills were referred to the Committee on Post-offices and Post-roads of the House of Representatives, who, after a thorough and exhaustive examination of the subject, made a report containing the following conclusion:*

“That they have carefully examined and considered the propositions contained in all the bills and papers thus submitted to them, and have given much time to the hearing of parties interested for and against said measures respectively; and, after very thorough consideration of, and ample reflection upon the whole subject, they are of the opinion that neither of said bills ought to receive the approbation of Congress.”

* Copies of this valuable report, and also of the statement of the Western Union Company on the proposed union of the Telegraph and Postal Systems, can be obtained on application at the General Office of the Company, 145 Broadway, New York.

This full and explicit disapproval of all the postal telegraph schemes, by the unanimous report of the Committee which had the subject under examination for several months I deem conclusive proof that our property is safe from governmental competition in any form. I have no doubt that many speculative schemes, similar to those embodied in the above bills, will be brought before Congress hereafter; but I have entire confidence that the same regard for vested rights and private property, which has hitherto left to the people the management of all purely private enterprises, will continue to govern the action of Congress in this regard.

While I believe that the telegraph can be more satisfactorily and economically conducted under private than public control, and that its assumption by our Government would be a mistake, still what I have so strenuously opposed is not the purchase of existing lines, for the purpose of establishing a national system, as has been done by England and other European countries, but the unjust proposition for the Government to build rival lines and engage in the telegraph business as a competitor. Upon these points I coincide with the views expressed by the Committee on Post-offices and Post-roads, that "*two systems of telegraphs, one public and one private, cannot operate side by side with success to either or with benefit to the public. The functions of the Government are necessarily exclusive, and whenever it formally undertakes any service as proper to be exercised by it, private parties must be excluded from the performance of the same service.*"

The chief argument relied upon by the advocates of the postal telegraph system to prove the beneficial results of governmental control is, that it would greatly cheapen the rates; and in confirmation of this assertion they cite the experience of Belgium, France and Switzerland, which have established a low tariff for transmitting telegrams within their own territories, but a higher one for those passing into neighboring States. These countries are among the most densely populated in Europe, averaging nearly 250 persons to the square mile, while in the United States the average is but 10. They jointly occupy less territory than Texas, while their population is greater than that of the entire continent of North America. A comparison of our telegraphic rates with those of either of the above named countries is therefore unfair. The average cost of a message in France or Belgium is less than in America, but it is not less than in New

England or New York. The proper mode of arriving at the relative expense of the service in any two countries is by comparing the rates charged with the distance over which the correspondence is carried. The greatest distance that telegrams can be sent in Belgium is 175 miles, while in America they may be transmitted over 5,000 miles. Would it not be absurd, therefore, to demand that our rates should be the same as those of Belgium? It would be much more just to compare the tariffs in this country with those of the whole of Europe, as the average distances traversed by American messages are greater than the European. The telegraphs in continental Europe are owned and operated by the Governments, not for the purpose of revenue, but as an element of power; *and in no country at the present time is the telegraph under Government control self-sustaining.* If, therefore, the rates were shown to be less, instead of more, than they are here, the fact would prove nothing against the American telegraphs, as the owners of our lines are certainly entitled to a fair return for the capital invested in them. Our system, however, instead of receiving aid from the Government, is burdened by taxation upon the property and gross receipts, and with customs duties upon the materials employed in building and working the lines, to such an extent as to absorb the annual profits on over a million dollars of our gross earnings.

An important item of expense is the large amount of free business which we are obliged to perform for railroad companies, in order to secure rights of way over those routes, and which, if paid for at regular rates, would exceed a million dollars a year. From all of these burdens, amounting in the aggregate to at least a million and a half dollars per annum, the telegraphs under Government control are exempt. Another great advantage possessed by the European systems is in the difference in the cost of the service. Sixty per cent. of our operating expenses is paid for labor, which, as is well known, is less than half as much in Europe as here. If we could be placed upon an equality with the European telegraphs in regard to all the facilities required for conducting the business, we should be able to reduce our rates to an average decidedly below the European charges.

THE POLICY OF THE COMPANY.

The policy which the Company has pursued during the past three years has been to pay only moderate dividends, and to devote the remainder of the net earnings to the reduction of the debt and the improvement and extension of the lines. It has not sought the appreciation of the market value of the stock by the payment of large dividends, believing that the true interests of the stockholders require that a considerable portion of the current revenue should be expended in increasing the facilities for doing business, in order to be able to cope satisfactorily with the constantly increasing traffic. The property has not been managed as a leased estate, from which the largest amount of revenue was to be obtained in the shortest possible time, but as a valuable permanent investment, to be improved and enlarged with a just regard to its future value as well as its present income. For the same reason the tariffs have not been made with the view to obtain the greatest immediate returns, but the aim of the Company has been to give the use of the wires to the public on the lowest terms consistent with a proper self-support, and the just return which capital and skill are entitled to receive.

We have sought, by the enlargement of our facilities, the employment of the best skilled labor, and a constant but gradual reduction of tolls, to transmit telegraphic correspondence better and cheaper than it can be done by any other organization, and thus, through these inducements, to secure and permanently control the greater portion of the telegraphic business of the country.

THE POLICY OF THE FUTURE.

As the telegraph is already essential to the proper conduct of the varied business which constitutes inter-state commerce, it follows necessarily that its extension into new territory, and the increase of facilities in that now occupied, must keep pace with the growing demands of this rapidly increasing traffic. Not only must the telegraph keep pace with the railroads, but hereafter, as heretofore, frequently precede them. The lines of this Company now occupy every important railroad route in the country, and upon most of them arrangements exist whereby small

offices are maintained and the lines kept in repair at the joint expense of the railroad and telegraph companies. By this means many communities enjoy the benefit of telegraphic facilities whose business alone would not defray the cost of operating an office. It is an established rule of this Company to open an office at any place through which our lines pass where the receipts will equal the expenses. If such a result appears doubtful, the guaranty of a few responsible citizens against loss is accepted. The immediate benefit to the Company in such cases is of course inconsiderable, yet they are rare in which some profit is not realized. The business sent to such offices, however small the amount, is gain, and the use of the telegraph begets necessities for its further employment, so that an office which is barely self-sustaining the first year is pretty certain to yield a profit the second. If it is good policy to open offices wherever they can be made self-sustaining, it would be manifestly unwise to stop the extension of our lines at their present termini, and leave the avenues opening by railroads to new and profitable business beyond to be occupied by our competitors. With but few exceptions, wherever a railroad can be profitably operated, the telegraph is a necessity, and will return a liberal interest on the capital required to provide it.

The extension of railroads in the United States during the past three years has been at the rate of more than two thousand miles per annum. This rate will undoubtedly be increased for many years to come. It is for the stockholders to decide whether our lines shall occupy these routes on mutually favorable terms, or whether, by declining to do so, they will invite the formation of rival companies, or the extension of those now in operation, so as to reach and cover the new routes which are and are to be established. But the opening of new territory is not the only field which will invite telegraphic extension and development in the immediate future. The growth of business between the principal cities east of the Mississippi already requires an increase of facilities; and, with the added stimulus of lower rates and a prompter service, this requirement will compel the erection of still more wires on existing routes. The capital invested in one thousand miles of wire, required by the increase of business on existing lines, will generally be returned much sooner than that used for the erection

of a like extent of new line. To keep an additional wire in order involves no special increase of cost, as a repair-man can traverse his route with about the same rapidity whether the line bears one wire or ten, and a single operator at intermediate stations can often test and operate two or three wires as well as one.

The construction of new lines must necessarily go on so long as the Company aims to control the telegraph business of the country; for if we fail to supply telegraphic facilities as they are demanded they will be furnished by others, and this might result in the creation of a system ultimately rivalling our own. Our true policy, therefore, is to extend our lines as rapidly as they are required; and, while we may regret that a larger share of the profits cannot be divided now, we shall soon perceive the wisdom of the course we are pursuing in the greatly increased value of the property by such extensions.

The time is not distant when we shall receive liberal returns from the large additions now being made to our property and facilities. Our present monthly receipts at offices opened upon lines constructed last year are more than \$10,000; while the aggregate receipts from those built within the past three years, as well as from the new connections established with the Atlantic and Cuba cables, are now at the rate of nearly half a million dollars per annum. It is from these sources that we expect to make good whatever loss of revenue we sustain by the reduction of rates and the competition of rival companies; and it is believed that the net earnings of the lines which we are now building will, at no distant day, be equal to the annual outlay required for the new construction which will be made necessary by the extension of railroads and the general growth of the business of the country.

In conclusion, I desire to testify to the cordial and hearty support which the Executive Officers have received from the General and District Superintendents, as well as from the Managers of important offices and their assistants, and the employés of the Company generally.

WILLIAM ORTON,
President.