

ANNUAL REPORT

OF THE

PRESIDENT

OF THE

Western Union Telegraph Company

TO THE

STOCKHOLDERS,

SUBMITTED TO AND APPROVED BY THE EXECUTIVE COMMITTEE,

AT THEIR MEETING, OCTOBER 7th, 1873.



NEW YORK:

RUSSELLS' AMERICAN STEAM PRINTING HOUSE,

17, 19, 21, 23 ROSE STREET.

1873.

OFFICERS

OF THE

Western Union Telegraph Co.

GENERAL SUPERINTENDENTS.

ANSON STAGER, <i>Central Division</i>	Chicago, Ill.
THOMAS T. ECKERT, <i>Eastern Division</i>	New York.
JOHN VAN HORNE, <i>Southern Division</i>	Louisville, Ky.
JAMES GAMBLE, <i>Pacific Division</i>	San Francisco, Cal.

DISTRICT SUPERINTENDENTS.

Eastern Division.

J. C. HINCHMAN.....	New York.
ROBERT T. CLINCH.....	St. John, N. B.
JAMES S. BEDLOW.....	Portland, Me.
GEORGE W. GATES.....	White River Junction, Vt.
CHARLES F. WOOD.....	Boston, Mass.
A. B. CHANDLER.....	New York.
S. B. GIFFORD.....	Syracuse, N. Y.
D. H. BATES.....	Philadelphia, Pa.
W. J. HOLMES.....	New York.
A. G. DAVIS.....	Baltimore, Md.

Central Division.

J. J. S. WILSON.....	Chicago, Ill.
R. C. CLOWRY.....	St. Louis, Mo.
W. B. HIBBARD.....	Salt Lake City.
C. O. ROWE.....	Pittsburgh, Pa.
E. P. WRIGHT.....	Cleveland, O.
JOHN F. WALLICK.....	Indianapolis, Ind.
GEO. T. WILLIAMS.....	Cincinnati, O.

Southern Division.

1st District.	J. R. DOWELL, Sup't.....	Richmond, Va.
	J. W. KATES, Ass't Sup't.....	Richmond, Va.
2d District.	J. B. TREE, Sup't.....	Louisville, Ky.
	GEO. W. TRABUE, Ass't Sup't.....	Nashville, Tenn.
3d District.	J. A. BRENNER, Sup't.....	Augusta, Ga.
4th District.	C. G. MERIWETHER, Sup't.....	Mobile, Ala.
5th District.	D. FLANERY, Sup't.....	New Orleans, La.
	JAMES COMPTON, Ass't Sup't.....	Jackson, Miss.
6th District.	L. C. BAKER, Sup't.....	Little Rock, Ark.
	W. M. A. L'HOMMEDIEU, Ass't Sup't.....	Monroe, La.
7th District.	D. P. SHEPHERD, Sup't.....	Houston, Texas.

Pacific Division.

FRANK JAYNES.....	San Francisco, Cal.
FRANK BELL.....	Reno, Nevada.
O. P. S. PLUMMER.....	Jacksonville, Oregon.
F. H. LAMB.....	Olympia, Washington Terr.
R. R. HAINES.....	San Diego, Cal.

Supply Department.

WILLIAM HUNTER, <i>Sup't and Gen'l Purchasing Agent</i>	New York.
A. H. WATSON, <i>Storekeeper</i>	“
THOMAS ORTON, <i>Supply Agent</i>	Chicago, Ill.

Manufactories.

GEORGE M. PHELPS.....	New York.
W. H. JOHNSON.....	Louisville, Ky.

THE

Western Union Telegraph Company.

Board of Directors.

WILLIAM ORTON,	E. S. SANFORD,	CHESTER W. CHAPIN,
ALONZO B. CORNELL,	JOHN STEWARD,	CYRUS W. FIELD,
NORVIN GREEN,	WILLIAM H. VANDERBILT,	DAVID JONES,
EDWIN D. MORGAN,	EDWARD B. WESLEY,	GEORGE H. MUMFORD,
WILLIAM K. THORN,	JAMES H. BANKER,	GEORGE M. PULLMAN,
FRANK WORK,	HARRISON DURKEE,	HIRAM SIBLEY,
EZRA CORNELL,	JOSEPH HARKER,	MOSES TAYLOR,
WILSON G. HUNT,	AUGUSTUS SCHELL,	WASHINGTON R. VERMILYE,
CAMBRIDGE LIVINGSTON,	CORNELIUS VANDERBILT,	STILLMAN WITT.
O. H. PALMER,	E. D. WORCESTER,	

Executive Committee.

WILLIAM ORTON,	JOSEPH HARKER,
JAMES H. BANKER,	EDWIN D. MORGAN,
ALONZO B. CORNELL,	AUGUSTUS SCHELL,
HARRISON DURKEE,	WILLIAM K. THORN,
NORVIN GREEN,	CORNELIUS VANDERBILT,
	FRANK WORK.

Officers.

WILLIAM ORTON, <i>President.</i>		
ALONZO B. CORNELL,	}	<i>Vice-Presidents.</i>
NORVIN GREEN,		
GEO. H. MUMFORD,		
AUGUSTUS SCHELL,		
HARRISON DURKEE,		
GEORGE H. MUMFORD,		R. H. ROCHESTER,
<i>Secretary.</i>		<i>Treasurer.</i>
GEORGE B. PRESCOTT,		J. B. VAN EVERY,
<i>Electrician.</i>		<i>Auditor.</i>

TO THE STOCKHOLDERS

OF THE

Western Union Telegraph Company.

I have the honor to submit the following Report of the operations of the Company for the fiscal year ending June 30, 1873, and of the condition of its affairs on that day. The capital stock of the Company at the close of business on that day was \$41,073,410, of which there was outstanding \$33,778,175, and owned by the Company, \$7,295,235. The debt of the Company on that day was \$6,038,410, of which there was due Oct. 1, 1873, for American Telegraph Company bonds, \$89,500; in November, 1875, for Western Union currency bonds, \$4,448,900; in 1902, for Western Union gold bonds, \$1,500,000.

The gross receipts of the Company for the year, from all sources, were \$9,333,018.51; the gross expenses, \$6,575,055.82; and the net earnings, \$2,757,962.69.

This amount has been applied as follows :

Construction and purchase of new lines.....	\$1,242,205 97
Interest on bonds.....	317,793 00
Real estate.....	62,214 40
Purchase of sundry stocks of Telegraph Companies in Western Union Company's system.....	41,576 69
Paid for \$50,000 Western Electric Manufacturing Company's stock	39,000 00
Patents (on account of Stearns Duplex).....	19,258 00
Miscellaneous.....	402 50
Total.....	\$1,722,450 56
The balance has been carried to the credit of income account...	1,035,512 13
Total.....	\$2,757,962 69

On the 1st day of July, 1872, the Company operated 62,032 miles of line, 137,190 miles of wire, and 5,237 offices. At the close of the year ending June 30, 1873, it operated 65,757 miles of line, 154,471 miles of wire, and 5,740 offices. The increase during the year has been 3,725 miles of line, or 6 per cent.; 17,281 miles of wire, or 12.5 per cent., and 503 offices, or 9.5 per cent. For the construction, reconstruction and repair of lines there were used 141,498 poles, 261,715 cross-arms, 1,033,270 insulators, and 1,100,265 pins and brackets. There were in the employ of the Company, on the 30th of June, 1873, 9,190 persons. Of these, four were general superintendents of divisions, 29 superintendents of districts, 5,514 managers and operators, 1,830 messengers, 661 clerks, 589 foremen of construction and repairmen, 116 mechanics in factories, 84 battery-men, and 275 miscellaneous. There were in use on the lines of the Company at that date 6,350 sets of instruments for reading by sound, 1,878 recording instruments, 8,601 relay magnets, 8,905 transmitting keys, 227 repeaters, 15 printing instruments, 94 sets of duplex instruments, 2,662 switch-boards, 3,472 cut-offs, 3,029 lightning arresters, 21,777 cups of main battery, and 11,717 cups of local battery. The cost of new instruments and apparatus supplied during the year was \$140,877.52, and of battery material and supplies, \$146,793.68.

The number of messages transmitted during the year ending June 30, 1872, was 12,444,499, and for the year ending June 30, 1873, 14,456,832—being an increase of 2,012,333, or 16.1 per cent. This includes press reports reduced to messages on the basis of 30 words to each message. The average toll collected upon each message for the last year was 61 cents, the average cost of trans-

mission 42 cents, and the average profit per message 19 cents.

REPAIRS AND RECONSTRUCTION.

During the past year, \$706,789.58 were expended for repairs of line, and \$632,753 for reconstruction, making a total expenditure for maintenance of line of \$1,339,542.58—an increase over the previous year of \$409,537.41, or 44 per cent. The increase during the past year in the cost of maintenance of line is mainly for reconstruction, the cost of which was \$354,213.28 in excess of the previous year. This increase is principally confined to the Eastern and Western States, and much of it is of an exceptional character, and I hope not likely to recur. Severe storms have prevailed, particularly in January and March, causing great injury to the lines and necessitating large outlays for repairs. Great expense has also been incurred in the removal of lines to accommodate railroad extensions, additions of tracks and sidings, and the removal and erection of buildings, principally on the Pennsylvania Central, New York Central, and Lake Shore railroads, and to a considerable extent on many other railroads in the Eastern and Western States. The annual cost of maintenance of the plant for the past five years has been as follows: Cost of maintenance per mile of line—1869, \$14.50; 1870, \$15.30; 1871, \$15; 1872, \$16.59; 1873, \$20.37. Cost of maintenance per mile of wire—1869, \$7.23; 1870, \$7.72; 1871, \$7.23; 1872, \$7.67; 1873, \$8.66. The cost of reconstruction was heavier than usual in the Eastern States, on account of the large number of poles which required renewal during the past year.

The maintenance of the plant in the best possible state of efficiency is a necessity which will be readily appreciated, as the capacity of the wires for the transmission

of messages, and consequently for earning money, depends upon their condition for work in all weather. While every effort has been made to keep the cost of maintenance down to the lowest practicable limit, the average cost per mile has not materially changed during the past five years, and it is not likely that the annual expense will be materially less per mile for the next few years.

Great pains have been taken, during the past seven years, to secure a better and more durable kind of timber for the poles than was formerly used, and it is hoped that the cost of reconstruction will hereafter be somewhat decreased.

In Europe a cheaper class of timber is employed for poles, which are treated with sulphate of copper or creosote to make them more enduring, but investigation shows that the duration of the treated poles in Europe is no greater than that of our best natural timber. The lines which we are now reconstructing were built before the consolidation, and are inferior to those which we are now building, and when reconstructed they are better than when originally built.

It has been the policy of the Company, under its present management, in the direction of repairs and reconstruction, not merely to effect such repairs as would enable the lines to be worked, but to put them in better condition than they had been in before, keeping always in view the inevitable growth of the business, and the constant necessity for providing additional facilities. To illustrate: A line of poles bearing three wires require renewal; they are replaced by poles capable of bearing a dozen wires, and which will last twice as long as the old ones. If only the three wires are placed upon these poles, the whole outlay is charged to profit and loss, although the value

of the renewed line is much greater than that of the one replaced when the latter was new. As additional wires are put up on such poles, the cost, merely, of such additions is charged to construction. Under this policy the whole property of the Company is improved every year more than that year's portion of natural decay; so that the apprehension, sometimes expressed, of what appears to be the natural result of annual deterioration of the Company's property, is groundless. The average condition of the whole property is better at the end of every year than at the beginning.

MONEY TRANSFER SERVICE.

On the first of July the transfer system had been in operation 21 months, with very satisfactory results. The increase of the business has been greatly beyond the expectation of its results when established. The revenue of the Company from this source, for the first nine months, was \$8,936; for the same nine months, one year later, it was \$45,811—an increase of more than five-fold. The revenue from this service, during the past year, was \$58,000; the number of transfers, 20,000; the amount transferred, \$1,602,000. The average amount of each transfer was about \$80. Ninety-two new money order offices have been opened during the year. The service has increased in promptitude and efficiency, and measures are now in progress which, it is expected, will still further improve it. Judging of the future by the past, it is not easy to estimate the growth of this business, or to appreciate the results which it may ultimately reach. If the same rate of increase is maintained during the present year that has been developed during the past twelve months, our monthly revenue from transfers will be over \$8,000, or at

the rate of \$100,000 per annum. It is a gratifying and healthy feature of the business, that while the number of transfers is increasing rapidly, the average amount transferred is diminishing; for, as the average amount of transfers grows smaller, the risk of loss diminishes, and the profits of the business are proportionately greater. Experience seems to prove that our transfer system is the best that can be devised. The alterations in the details that have been found advisable since its inauguration have been few and unimportant, while an enlarged knowledge of the business, and familiarity with its working, seem to indicate the necessity only of a rigid adherence to all the regulations established in order to make its operation a complete success.

FREE MESSAGES.

The free messages, so classified in our accounts, transmitted by the Company during the past year, amount at regular tolls, to \$766,000. Of this sum \$565,000, or 72 per cent., was performed for railroad and other transportation companies, all of which render us similar service in return. Without this service our lines could not be kept up so cheaply, nor our business so well conducted. Such messages are not free business in the proper sense of the term. They are sent under contracts which stipulate to give the Company an equivalent in right of way, transportation of men and material, and labor to maintain and operate our lines. While the contracts vary in terms they are in the aggregate very favorable to this Company. Of the remainder of the free service \$83,000 worth is performed for the directors, officers and operators of the Company; \$22,000 on account of rent; \$18,000 for connecting telegraph companies; \$58,000 for complimentary, and \$20,000

for miscellaneous messages. The \$83,000 of Western Union business includes the telegraphic correspondence of all the officers and agents of the Company. It has been the constant effort of the management to curtail this business, and the figures now reached are believed to be low and reasonable. The rent account explains itself. The items thus charged are generally limited to a specific sum per month, and the total business is constantly and carefully scrutinized. Instead of paying in cash we pay in telegraphing, and the telegraphing, as a rule, pays more rent than the same amount in money. The items of railroad transportation, telegraph, and rent messages, amount in the aggregate to nearly \$700,000, or 90 per cent. of the whole free business.

THE TARIFFS.

During the past year two important modifications have been made in the tariffs. The first change was the abrogation of all Western Union rates above \$2.50, which took effect Feb. 1. The second important change was the extension of the square rate over the territory west of Omaha and east of Utah, and the equalization of the rates in the Eastern, Central and Southern States, which took effect July 1, 1873. The rates previous to July, 1873, were about 23 per cent. higher in the Western, and 40 per cent. higher in the Southern than in the Eastern States. This inequality was the subject of complaint in the Western and Southern States, and formed one of the strongest arguments in favor of the extension of competing lines and of governmental interference. Another serious objection to these unequal rates was that the special rates between competing points were so low in comparison, that messages for distant points in the West or South could be sent to certain central points over our lines at special

rates, and then be forwarded at local rates to their destination, at a considerable reduction from the through rate. For example: The square rate to offices in the vicinity of Chicago was \$2. The special rate between New York and Chicago was \$1, and, as the local rate from Chicago was only 40 cents, our customers or the opposition lines could send messages for such points to Chicago, and deliver them by our own lines, at a reduction of 50 to 60 cents from our through rates. This condition of things existed throughout the South and West, and to some extent in the East, and could only be remedied by an equalization of the rates, such as has been recently inaugurated.

EARNINGS IN SEVEN YEARS.

The following statement shows the net earnings of the Company since the consolidation, in 1866, and the disposition which has been made thereof:

The surplus of Income Account, July 1, 1866, was.....	\$275,357 21
The net profits for seven years, from July 1, 1866, to June 30, 1873, have been.....	20,312,618 81
Making an aggregate, June 30, 1873, of.....	\$20,587,976 05
Of this sum there has been	
Distributed in dividends to stockholders.....	4,857,239 34
Disbursed for interest on the Company's bonds.....	2,216,194 98
The balance.....	\$13,514,541 73
is represented as follows:	
Construction of new lines and the erection of additional wires....	\$4,405,180 44
Purchase of telegraph lines and of the stock of companies controlled by the Western Union Company, on which interest or dividends are paid as rental.....	695,428 95
Western Union stock (72,952 shares)	4,054,483 07
Gold and Stock Telegraph Company's stock (47,710 shares).....	1,173,509 00
International Ocean Telegraph Company's stock (10,384 shares)...	961,556 42
Pacific and Atlantic Telegraph Company's stock (49,917 shares)..	510,274 50
Anglo-American Telegraph Company's stock (£1,308 0s. 0d.)....	10,000 00
Western Electric Manufacturing Company's stock (500 shares)....	39,000 00
Western Union Bonds redeemed and cancelled.....	974,075 00

Western Union Broadway and Dey street Mortgage Sinking Fund	\$30,000 00
Real Estate (exclusive of Broadway and Dey street property)....	318,263 14
Patent—the Page and Duplex Telegraph.....	73,758 00
Cable steamer.....	12,665 19
Western Union bonds not cancelled (\$7,500).....	6,750 00
Fraction of share (old issue) redeemed and cancelled.....	42 50
	<hr/>
Total	\$13,264,986 21
Leaving an excess of.....	249,555 52

which excess is applicable on account of Sinking Fund appropriations not yet used for redemption of bonds.

All the above items are entered at the actual cost to the Company, in cash, except the \$1,173,509 in stock of the Gold and Stock Telegraph Company, which is stated at par. Many of the other items are worth much more than cost.

THE INTERNATIONAL OCEAN TELEGRAPH COMPANY.

During the past year the Western Union Company have acquired control of the International Ocean Telegraph Company, whose lines extend from Lake City, Fla., to Havana, Cuba. The capital stock of this Company is \$1,500,000, of which \$850,000 is in common, and \$650,000 preferred, stock. The Western Union Company purchased of the common stock \$538,500, and of the preferred stock \$499,900, making a total of \$1,038,400 at the par value. The actual cost to us was \$961,556 42. The International Ocean Company possesses a fifty years' exclusive grant from the Spanish Government to lay and operate cables between Cuba and the United States, and a fifteen years' exclusive grant from the Government of the United States to lay and operate cables between the coast of Florida and the West India Islands. When the controlling interest in the stock of this company was purchased, communication by cable between Florida and Havana was interrupted. In April last one of the cables between

Key West and Havana was repaired, and a new one also laid down, and both are now in good working order. The lines of the International Ocean Company are now doing a good and profitable business with Cuba, Porto Rico and Jamaica, and when the cables connecting Jamaica with the other West India Islands, and to Central and South America, are completed, which, it is confidently expected, will be in a short time, the traffic upon these lines, which constitute the only outlet for the telegraphic correspondence of these countries with the United States and Europe, will become very large and important. The net profit of the International Ocean Company is now at the rate of about \$200,000 per annum.

PACIFIC AND ATLANTIC TELEGRAPH COMPANY.

We have also acquired during the last year a majority of the stock of the Pacific and Atlantic Telegraph Company, and negotiations have been in progress for some time with a view to leasing their lines. The capital of that Company is \$2,000,000. Their lines extend from New York *via* Philadelphia and Baltimore to Pittsburg, Columbus, Indianapolis, St. Louis and St. Paul, branching at Dubuque to Chicago, and from Chicago to Cincinnati, Louisville, Nashville, Memphis and New Orleans. They own about 5,000 miles of line and 10,000 miles of wire, and the gross receipts last year were about \$500,000. It is believed that an arrangement will be made, satisfactory to the holders of the balance of the stock, by which the lines will be turned over to the Western Union Company at an early day.

PNEUMATIC TUBES AND SUBTERRANEAN LINES.

In February last the Executive Committee authorized me to send Mr. George B. Prescott, the Electrician of the

Company, and Gen. Thomas T. Eckert, the General Superintendent of the Eastern Division, to Europe, for the purpose of making a careful inspection of the system of pneumatic tubes and subterranean telegraph lines now in operation in the principal cities, and also to examine the working of the telegraph lines generally. They found the most complete system of pneumatic tubes and subterranean lines in London, although both systems were extensively employed in Paris, Berlin, and other cities. In London about 13 miles of pneumatic tubing have been laid down, at a cost of £16,000, and about 10,000 messages per day are sent through them. The average time occupied in the transmission of messages through the pneumatic tubes is about two minutes, and the number of messages transmitted in each carrier is from eight to twenty, according to the size of the tubes. There are thirteen stations in the City of London connected by pneumatic tubes; and it is the opinion of Mr. Scudamore, the Manager of the English telegraphs, that it would be impossible to properly transmit the large number of messages between these offices in any other way than by pneumatic tubes. The system of underground lines in England embraces 3,000 miles of wire, and nearly 100 miles of iron piping. There are upon an average 60 wires in each pipe, and the average cost per mile of wire is £23. While the first cost of underground lines is considerably greater than for those on poles, the interruption in the working of them and the cost of maintenance are claimed to be less, and the system is favorably regarded for the large cities. Messrs. Prescott and Eckert obtained minute and accurate information as to the best methods of constructing pneumatic tubes and underground lines, as well as much other valuable information in relation to the

working of the telegraphs generally, which will be found of great importance in the future operation of our lines.

When our new building on the corner of Dey street and Broadway is completed, it is proposed to connect it by pneumatic tubes with the Stock and Produce Exchanges, and other important branch offices in the city. It is also contemplated to lay down subterranean lines in the lower part of the city, with the view of testing their efficiency and economy as compared with the present mode of construction.

STEARNS' DUPLEX TELEGRAPH.

The purchase of the patents for the United States and Canada of this most important and valuable of all the improvements which have been made since the Morse telegraph was first established, was mentioned in my last Annual Report. During the past year we have largely increased the number of Duplex instruments and apparatus, by means of which messages can be transmitted in opposite directions upon a single wire at the same time. We have now in operation over 100 sets, and it is the intention to have all our principal stations completely equipped with them as soon as they can be supplied from the factory. We are now operating more than 150,000 miles of wire, and during the past two years have been extending at the rate of nearly 20,000 miles of wire per annum. The Duplex apparatus is capable of doubling the capacity of these wires at a comparatively small cost. The value of this increase of facilities can be approximately ascertained by estimating the saving in the investment for wire, and the annual saving in repairs and maintenance of additional wires. But the great value of the Duplex does not consist in the saving in the investment in wires and the cost

of repairs and maintenance, but in its ability to double the capacity of a wire when we have but one, and when no amount of money previously invested in wires, or even possible to be expended in repairs, can provide another. Sometimes a storm or conflagration causes the interruption of all the wires on an important route at a time when every wire is needed to keep business moving. Communication is restored upon one wire at a time, and it is then that the great value of the Duplex becomes apparent. With it the moment one wire is restored we have two, and when we have a second we have four, and so on.

During the extraordinary excitement of the past three weeks our wires between the principal cities have been taxed to their utmost capacity, and if we had double the number on some routes they would have been insufficient. Every set of Duplex has been brought into requisition, and only our inability to procure them has prevented the use of a larger number. A minor consideration, and yet important one, is the fact that the Duplex can be substituted for, and its use does not involve the duplication of the ordinary apparatus. It works equally well double or single. As our operators acquire experience in its use, the difficulties which attended it at first wholly disappear. They now adjust with such facility that the change from single to double is made in less than a minute, and I confidently expect that, by the time the necessary instruments can be manufactured, they will be largely introduced on railroad and other way wires.

GOLD AND STOCK TELEGRAPH COMPANY.

The Western Union Company own 47,710 shares, of the par value of \$25 per share, of the stock of the Gold and Stock Telegraph Company, out of the capital of 100,000

shares. The Gold and Stock Telegraph Company transmits its reports over the Western Union lines, and during the past year paid us in tolls \$77,995, and one dividend of 3 per cent., amounting to \$35,970. Within the last two years the Gold and Stock Telegraph Company have added to their property, in instruments, poles, wires, fixtures, etc., about \$400,000. The gross receipts of that Company in 1871 were \$236,215; in 1872, \$534,780, and in 1873, \$623,900. They had earning revenue:

In 1869.....	572 instruments.	In 1872... ..	1,594 instruments.
In 1870.....	741 do.	In 1873.....	1,783 do.
In 1871.....	830 do.		

The Private Line Department in the City of New York has a rental of \$49,290 per annum, and is steadily increasing. The net income of the Company from private lines in other cities is equal to that of this city, and is also increasing steadily.

In order to be prepared for the large increase of business, the expenditure for construction has been very large, and has interfered with the payment of regular dividends, but the Company is now becoming well supplied with lines and equipments, and it is confidently anticipated that regular dividends will be paid hereafter.

THE COMPANY'S FACTORY.

In January last the factory in New Church street was completed, at a cost of \$139,772, of which \$85,000 was paid for the land and building. The lot is 104 feet on New Church street, by an average depth of 36 feet. The building is admirably adapted to the manufacture of telegraph apparatus, and is in close proximity to the permanent headquarters of the Company in their new building. The factory is now capable of supplying all the

apparatus required by the Company, and its capacity can be more than doubled when required. The operations of the factory for the past six months show a small profit after deducting the interest on the investment. The apparatus made at this factory greatly excels any other manufactured in this country, and it is the superior quality of the material and workmanship, rather than the saving in the cost of the instruments, which constituted the great inducement for establishing it.

THE NEW BUILDING.

The avails of the \$1,500,000 of bonds issued on the mortgage of the real estate at the corner of Broadway and Dey street amounted to.....	\$1,497,883 69
Accrued interest received.....	15,106 34
Interest on avails unexpended July 1, 1873.....	30,075 00
Received for sale of old material.....	1,000 00
	<hr/>
Total received up to July 1, 1873.....	\$1,544,065 03
Expenditures for purchase of the real estate at the corner of Broadway and Dey street, up to July 1, 1873.....	855,000 00
Interest on bonds.....	\$121,012 50
Taxes, etc., etc.....	10,869 56
Interest on Dodge contract.....	3,320 76
Commission on sale and expense of preparing bonds.....	14,730 84
Amount paid to architect and builders.....	220,048 04—
	369,981 70
	<hr/>
Total expended to July 1, 1873.....	\$1,224,981 70

The work on the building has not progressed as rapidly as was expected; and it will be impossible to occupy it, as originally contemplated, in the Spring of 1874. The delay has been occasioned wholly by the inability to procure the granite within the time required. Some changes have been made in the original plan, by which the cost will be somewhat increased. All the work is

being done in the most thorough and substantial manner, and the building promises to be, when completed, one of the finest in the city. The total cost for land and building, furnished and equipped with the machinery and apparatus required by the Company, will be about \$1,700,000. The basement and cellar will be occupied by the Company. The first, second, and at least one other story will be offered for rent. It is not expected that the annual cost to the Company in excess of the income from rents will be much, if any, greater in the new building than has been paid for the premises now occupied, while we shall have double the space, and superior accommodations in every particular.

GENERAL REVIEW.

At the date of the consolidation with the American telegraph Company, July 1, 1866, the capital of the Western Union Company issued and liable to be issued was, as it now is, \$41,073,410. The Company was then in possession of about 75,000 miles of wire, on which were transmitted during the year following about 5,800,000 messages. At that time all the lines on the Pacific Coast, and nearly all in the States of Iowa, Illinois, and in Northern Missouri, although working in connection with ours, were owned and controlled by other companies. Although the Western Union Company owned a line between the Missouri River and Salt Lake City, at which point connection was had with the California and Pacific Coast lines, its business from Chicago to the Missouri River was obliged to pass over the lines of another company. Since that time we have acquired, by lease and purchase, the lines of the Illinois and Mississippi Company which occupied the States of Illinois and Iowa; of the Chicago and Mississippi Company which occupied Northern Missouri; and of the California

State Company which occupied the territory on the Pacific Coast and west of Salt Lake City.

On the 1st of July, 1873, the Western Union Company controlled and operated more than 150,000 miles of wire and owned the controlling interest in companies operating over 10,000 miles more.

During this period of seven years, in which the Company's lines and wires have been doubled in extent, and the capital stock outstanding has been reduced by more than \$7,000,000, and other property acquired representing in the aggregate more than \$13,000,000, the volume of business has increased from less than 6,000,000 messages in 1866 to about 14,500,000 in 1873. The gross receipts during the same period have grown from \$6,500,000 to \$9,333,000, but the profits have not increased either in proportion to the volume of business or to the gross receipts, the excess of 1873 over 1866-7 being but about \$130,000. A brief statement of the causes which have produced this result seems proper at this time. They are mainly these:

1. The enhanced cost of labor, of poles, wire, and all material used in constructing, maintaining and operating the lines.

2. The reduction of rates rendered necessary by the action of competing companies between stations on the route of their lines, in the first instance; and later reduction in other sections in order to equalize rates, and thereby remove the inducement for competing lines to extend still further.

No public business of equal importance is so sensitive to competition as that of the telegraph, and with no other can competition be inaugurated by the outlay relatively of so small an amount of capital. Two classes of persons are

always interested in promoting telegraphic competition—first, those who organize the companies, and hope to profit by contracts for construction of the lines, or by stock bonuses and commissions on the sales of stock; and second, the senders of messages, who are willing to risk the income from a moderate investment if thereby a larger sum can be saved annually from the reduction of telegraph tolls which a competing line is expected to secure.

In 1866 the only telegraph lines in the country competing with the Western Union were those of two companies—one extending from Boston to Washington and the other from New York to Washington. The latter, let me remark, after sinking its capital of about \$750,000, was sold for debts contracted amounting to \$120,000 more, and afterward leased by the purchaser to the Western Union for six per cent. per annum on that sum. But in 1867 and 1868 several new companies were organized, and the work of constructing competing lines was pushed with much earnestness during the next three years. Parties willing to subscribe liberally to the capital stock of these companies were readily found, some influenced by the promise of ten per cent. annual dividends on the par of shares, for which they were asked to pay but forty per cent., and that in quarterly instalments, and others by the argument that, at the reduced rates promised, a handsome profit would result from the saving on their own messages, even if no dividends were paid on the capital. The effect of this competition upon the Western Union Company's business may be readily seen by an inspection of the results of 1870, as compared with 1869. For the latter year the gross receipts were about \$7,300,000, and the net profits \$2,750,000, while for 1870, although the gross receipts were nearly the same, the profits were less than the

previous year by more than \$500,000, and it was not until 1872 that our profits exceeded those of 1869, and then by only \$40,000.

At the same time that competition has been operating to reduce the rates and increase the expenses, we have been called upon at every session of Congress, for the last four years, to defend the policy and management of the Company from charges made by members of both Houses of Congress, by officials of the Government, and in a few instances by the press. The effect of these hostile proceedings against the Company has been to induce the Executive Committee to proceed more rapidly with the work of increasing the facilities and reducing the rates than the actual condition of the Company's affairs may, at first sight, seem to justify. But little reflection will, however, be necessary in order to satisfy you of the wisdom of their action.

The scale of rates fixed by competition on the most important routes, and between the principal cities, we have applied recently to the whole country east of the Rocky Mountains, so that the inducement to subscribe capital for the extension of competing lines, in order to secure the benefit of competing rates, no longer exists. At the rates now established it is impossible for any competing company to realize profits, and some of them are known to be, and all are believed to be operating at a loss. As a result, the extension of competing lines has ceased, and it is not believed that capital can be found wherewith to inaugurate new enterprises in any quarter. The time is not distant, therefore, when the Western Union Company will be without a substantial competitor in the conduct of a business which, notwithstanding the enormous growth of the last seven years, is still in its infancy. With the

increase of wires, already provided and now in progress, the capacity of which the Duplex Apparatus, hereinbefore spoken of, will be able to double at small cost, it is believed that the constantly increasing volume of business, the growth of which will be stimulated by the present low and uniform rates, can be successfully handled with a less annual investment in new construction than has heretofore been necessary ; so that, with competition checked and in process of being extinguished, the percentage of expenses may be reduced, and the patience of the stockholders be rewarded at an early day by the resumption of regular dividends.

Respectfully submitted.

WILLIAM ORTON,

President.

APPENDIX.

Letter to the Hon. HAMILTON FISH, Secretary of State.

EXECUTIVE OFFICE, WESTERN UNION TELEGRAPH COMPANY, }
NEW YORK, June 21, 1873. }

Sir: I have had the honor to receive your communication of the 11th instant, replying to mine of the 10th, concerning the letter of General Robert C. Schenck, United States Minister to England, published in the *New York Herald* of Sunday, June 8th, instant, and which you inform me is substantially a correct copy.

It appears, therefore, that the Minister of the United States in London has addressed an official letter to the Department of State, in which grave charges are made affecting the reputation for honorable dealing of certain citizens of the United States. A copy of these charges was, as you inform me, transmitted to the Post-office Department, and by the latter was given to the press for publication. It does not appear that any effort was made, either by the State or Post-office Department, to ascertain if the charges were true, and therefore it may be fairly inferred that they were assumed to be true by the officials of both departments, who appear to have also assumed that the correction of the abuses alleged would be secured by making them public.

The charges made by General Schenck, which concern the managers of the Western Union Telegraph Company, are these:

1. That the Anglo-American Telegraph Company, which controls the submarine cables in operation between Europe and America, "have an arrangement with the Western Union Telegraph Company *through which a systematic imposition is practiced which ought to be exposed,*" which arrangement "binds the Western Union" to allow the cable companies to retain "one third of what is charged" for the transmission of cable messages over the land lines in the United States.

2. That under this arrangement the charges for the transmission of cable messages over the wires, beyond New York, are double the regular tariff prices charged on domestic messages, "an overcharge to be divided between

the companies who are parties to it," and that "the Western Union *pocket*, for their share, much more than twice their whole proper charge."

3. That "communications transmitted by ocean cable on Government business are subject to the same overcharges as are the messages of individuals."

To these charges I respectfully submit the following reply:

1. It is true that the Western Union Company have made an arrangement with the companies controlling the Atlantic cables for connection, and for the mutual exchange of business, which, as General Schenck says, "is proper enough, and a convenience to every one, as well as to the contracting parties."

2. But it is not true that this arrangement "binds the Western Union Company" to allow the cable companies to retain one third, or any other share of what is charged for the transmission of cable messages over the land lines in the United States, nor that the charges for such transmission are in excess of the average charges for other telegraphic messages.

The facts are these: The cable business is controlled by the cable companies, who fix the rates to be charged, and make and modify the rules governing its conduct. The Western Union Company have agreed to apply these rates and rules to cable messages in the United States, whether received from or transmitted to the cables, and to accept certain fixed rates per word as their compensation for all services connected with the transmission of such messages, including the keeping proper accounts, and collecting and paying over the moneys accruing therefrom.

There are more than 6,000 telegraph stations in the United States, and, it being impracticable to supply European offices with a tariff to each of such stations, this country is divided into four districts, for each of which a uniform rate is established. The cable rate of one dollar per word between England and New York includes eight cents a word, payable to the Western Union Telegraph Company for their part of the service. The rates beyond New York are:

For all stations in New Jersey, Pennsylvania, Delaware, Maryland and District of Columbia.....	3 cents a word.
For all other territory east of the Mississippi river, including the City of St. Louis.....	15 cents a word.
For all other stations in the United States west of the Mississippi river.....	20 cents a word.

The rates to points on the Pacific coast have been slightly reduced since the date of General Schenck's letter.

Under the rules of the Western Union Company the message rate in the United States is for a minimum of ten words, with a rate per word for additional words above ten; but the rules of the cable companies permit any number of words to be sent at the word rate, and the result is that a majority of the cable messages contain less than ten words—those of three, four and five words being common, and occasionally a message is offered containing only two words. The Western Union Company charges one dollar for ten words or less between Chicago and New York. The majority of cable messages from Chicago contain less than ten words, the average for an entire month having been as low as six words.

In the case of St. Louis and St. Paul, the rate on domestic messages to New York is \$1.50 for ten words or less, while the cable rate is fifteen cents a word. But between New York, New Orleans and Mobile the local rate is \$2.00 for ten words, or never less and sometimes more than 20 cents a word, while the rate on cable messages is only 15 cents a word. The result is that on cable messages the Western Union Company actually receive only the average of their local rates, while they are obliged to transmit cable messages of three words from New Orleans and St. Louis to New York for 45 cents, or from San Francisco and Oregon for 60 cents. Such messages are handled at considerable loss, and if charged by Western Union rules, would be treated as containing ten words. Concerning the rates collected in England, or other portions of Europe, for messages to stations in the United States, the Western Union Company have no voice, and in respect to many of them have had no knowledge until prompted to inquire by the published charges made by General Schenck.

The Western Union Company agree to perform specific services for a fixed compensation, all of which they receive, and no part of which is in any manner divided, refunded, or otherwise paid as a consideration for having the cable business given exclusively to them. They are no more responsible for the tolls charged on cable messages in Europe than a railway company in the United States would be for the freight charged at Liverpool on merchandise destined for Chicago or San Francisco, which should include the charges payable to the railway company.

3. It is also untrue that "communications transmitted by ocean cable on Government business are subjected to the same overcharges as are the messages of individuals," or to any overcharges whatever, as will clearly appear by the following statement, which can be verified by a reference to the vouchers in the State department:

The tariff on cable messages from London to Washington, paid in London, is 4 shillings and 3 pence a word. When paid in Washington the charge is \$1.03 a word. But, although there is no obligation on the part of the cable companies to transmit messages "on Government business" at less rates than for individuals, such messages are transmitted at *half rates between London and New York*. Instead, therefore, of the rate of 4 shillings and 3 pence a word, London to Washington, the State Department pays only 2 shillings and 3 pence, and from Washington to London 53 cents a word, instead of \$1.03.

Gen. Schenck's zeal and efficiency in exposing "systematic imposition" upon the public, as sometimes practiced by the promoters and managers of swindling corporations, are widely known and fully appreciated, especially in England; but he could not have been aware, when he attached his official signature to erroneous charges, which probably he did not prepare, nor even carefully examine, that his reputation and office were being used by the active and unscrupulous agents of an opposition cable scheme. Yet such is evidently the fact. I submit, however, whether it is a part of the official duty of the American Minister at London either to seek to relieve the people of England from what he is pleased to style the "systematic imposition" of an English corporation, whose conduct is satisfactory to the British public and Government, or to arraign citizens of the United States before our Government and people upon charges concerning the conduct of their private business, which, although absolutely groundless, are certain to prove injurious.

To the success of the great enterprises in which the cable companies and the Western Union Company are engaged the United States Government has not contributed one dollar. More than this, it has refused, in at least one instance, to pay for official messages exchanged with a foreign Government, until its obligation to do so was affirmed by the decision of a Federal Court. It would seem not unreasonable, then, that these companies, whose capital and enterprise have connected the United States with the telegraphic systems which are rapidly encircling

the globe, if not entitled to receive special favors from our Government, should at least be exempt from the open hostility of its officials.

It seems unfair for a representative of the United States at a foreign Government to lend a willing ear and the influence of his office to the scheme of those who have no other interest in the business than the hope that something may be made out of it; but it seems still more unfair that the official charges reported by this representative to his Government should be by the latter given to the public, with an implied endorsement of their accuracy, without notice to the parties charged, and without inquiry as to the truth of the allegations.

I have the honor to be, very respectfully,

Your obedient servant,

WILLIAM ORTON.

The Hon. HAMILTON FISH, Secretary of State,
WASHINGTON, D. C.

[From the NEW YORK TIMES.]

EXECUTIVE OFFICE, WESTERN UNION TELEGRAPH COMPANY, }
NEW YORK, Sept. 16, 1873. }

To the Editor of the New York Times.

Sir: An editorial in *The Times* of the 9th inst., headed "Stock Watering," contains the following:

"(1.) In the United States telegraphing to the private individual is dearer than in most civilized countries, and so dear as to prevent largely its use except for business purposes. (2.) The average charge of the Western Union Company in 1872 was seventy-two cents for each message. (3.) This enabled the Company to pay six and a half per cent. dividend on the nominal capital. (4.) But if the capital had not been watered, and represented the actual cost of the property, the Company could have reduced their rates to an average of twenty-four cents, and still paid six and a half per cent. dividend."

Believing that you do not intend to do an injustice to the Western Union Company, nor to give currency to erroneous impressions concerning the telegraph business of the United States, as compared with that of other countries, I ask permission to reply to the statements above quoted, as follows:

1. Sixty per cent. of the cost of carrying on the telegraph business of the Western Union Company is paid for labor. The wages paid are more than double the rate allowed by the Governments which control the business in other countries. Wire, and nearly all other materials used in constructing and operating telegraph lines in the United States, cost from forty to sixty per cent. more here than in any European country. Ten miles of line must be erected and maintained in the United States to reach the same number of population that in Europe may be reached with one mile. Taking these facts into account, it seems clear that the telegraph service is necessarily much more expensive in the United States than in Europe. But, notwithstanding the less favorable conditions under which the business is carried on, the average message costs no more in the United States to-day than it does in Europe.

2. The receipts of the Western Union Company per message in 1872 were not seventy-two cents, as stated, but sixty-two cents. The average receipt per message of all the Governmental telegraphs in Europe for the year 1870 was forty-five cents. This was the average per message paid by those who used the telegraph; but the average

cost per message to the Governments which carried on the business was sixty-one cents, the deficiency having been paid by taxation. Since 1870 the average cost per message in Europe, whether to the sender or to the Governments which carry on the business, has not been reduced. On the contrary, the excess of expenses over receipts seems to be increasing, and in order to check this tendency, and to lessen, if possible, the annual deficit, the French Government last year advanced the rates on messages in that country from twenty to forty per cent., and I venture the prediction that an advance of rates will be made by other European Governments within a short time. The managers of the Western Union Company have not failed to give to the subject of message rates the most careful consideration. They have desired to give the public the benefit of rates as low as appeared consistent with their duty to the stockholders. In the Fall of 1869 the attempt was first made in this country to establish a telegraphic tariff system, based on air-line distances. In consequence of the reductions then made the receipts for 1870 were less by about \$200,000 than for the preceding year, while the expenses were increased more than \$300,000, and the net profits diminished more than \$500,000. There was an increase of over 1,000,000 in the number of messages sent. A year later another important reduction was made by the establishment of the night message system at half rates. On the 1st of February, 1873, \$2.50 was made the maximum rate for messages between all points on the Western Union lines. This was equivalent to a reduction of fifty per cent. on the entire telegraphic business between the Atlantic and Pacific coasts. The reduction was also quite large on the rates between the Southwestern and Northeastern States, and between the stations west of the Mississippi and Missouri and those in the Atlantic States. On the 1st of July, 1873, a further reduction was made by the more complete substitution of the air-line system of rates, first introduced in 1869. As a result of these reductions the average rate per message in the United States for the year 1873 will be considerably less than in 1872. I have just completed an examination of the reports for the month of July last, which shows that the average receipt per message was fifty cents, and this average is not likely to be exceeded hereafter.

3. The Western Union Company did not pay a dividend of six and a half per cent. either on its nominal or actual capital for or during the year 1872. No dividend whatever

has been paid to the stockholders of this Company during the last three years.

4. The question whether the capital has been watered, or represents the actual cost of the property, does not, therefore, seem to have any bearing upon the rates paid during that period; but if the rate had been an average of twenty-four cents per message, instead of enabling a dividend of six and a half per cent. to be paid on the actual cost of the property, as you state would have been the result, we should not have received sufficient revenue to pay the expenses of conducting the business.

I have now before me an exhibit of the cost per message for operators and messengers' salaries for the last five years, as follows: 1869, 28 cents; 1870, 26½ cents; 1871, 25 cents; 1872, 24½ cents; 1873, 23½ cents. The cost per message of the messenger service has not varied more than one quarter of a cent during this time.

The cost per message of maintaining the lines, exclusive of superintendence—that is to say, the labor and material expended in reconstruction and repairs during the same period—is as follows: 1869, 8¾ cents; 1870, 8¾ cents; 1871, 7¾ cents; 1872, 7½ cents; 1873, 9¼ cents.

It will be seen by this exhibit that no amount of telegraphic business which it would have been possible to handle would have yielded, at twenty-four cents a message, sufficient money to pay the salaries of operators and messengers and the cost of maintaining the lines.

Any considerable increase in the number of messages involves the provision of additional wires, and, as the mileage of poles and wires increases, the aggregate cost of maintenance increases, so that the cost per message of maintaining 100,000 miles of wire is not materially reduced when the mileage of wire and the number of messages have been increased fifty per cent.

I have said nothing of other expenses quite as inevitable in the conduct of the business, such as printing and stationery, rent, light and fuel, office furniture, instruments and battery, law expenses and damages, and State and local taxes.

The facts connected with the growth and conduct of telegraphic business in the United States and other countries are so important as to merit more careful study than has heretofore been given, and I am glad to see that *The Times* is disposed to consider them. One of the first results of intelligent and impartial investigation of this subject will be to satisfy the inquirer that the cost per message of

sending telegraphic communications by any of the processes now employed is much greater than has been supposed, and that the cost does not diminish in the ratio of the increase in the number of messages.

Whatever mistakes may have been made, the present managers of the Western Union are not liable to public censure, either for "stock watering" or for the payment of excessive dividends to stockholders, as they have neither increased the capital stock nor made a distribution of profits. But they have done this: They have constructed more miles of telegraphic lines and wire than all other parties in the United States in the same time; have steadily reduced their rate of charges, and have improved the character of the service; and the figures for July, 1873, which I have given, show that they now charge on the average eleven cents less per message than the average cost of transmitting a message on the continent of Europe in 1870.

Very respectfully,

WILLIAM ORTON.

[From the NEW YORK HERALD.]

EXECUTIVE OFFICE, WESTERN UNION TELEGRAPH COMPANY, }
NEW YORK, October 23, 1873. }

To the Editor of the New York Herald.

The editorial of the *Herald* of Sunday, Oct. 19, headed "The Postal Telegraph," etc., contains certain erroneous statements, and is otherwise liable to convey erroneous impressions concerning the business of the Western Union Telegraph Company, which I ask permission to correct.

First.—The average charge per message was sixty-one cents, as stated in the annual report, and not sixty-four and a half cents, as given by the *Herald*. The explanation of the apparent discrepancy is found in the fact that the gross receipts of the Company include moneys derived from other sources than from tolls on messages.

Second.—The statement that "the working expenses of the European lines, owned and operated by the Government, average only forty per cent. of the gross receipts," is still more erroneous. The telegraph is operated at a loss by nearly every Government in Europe, and the aggregate loss is several millions per annum, which is paid by taxation. In no case are the expenses less than eighty per cent. of the receipts. The average cost per message in Europe to the Governments which carry on the business is greater than the average charge of the companies doing the business in the United States.

Third.—The statement that "it is admitted that the lines owned by the Western Union could be duplicated with the best English wire, the best instruments now in use, and the best poles, for \$12,000,000," is erroneous, so far as the admission of any competent authority is concerned. Such statement would be grossly inaccurate by whomsoever made. The annual report to which reference is made by the *Herald* shows the acquisition of new property by the Western Union Company during the last seven years, which cost over \$13,000,000. The Western Union Company now own considerably more telegraph property than that for which the British Government has already paid over \$40,000,000 gold, and an estimate of Sir Frank Ives Scudamore, now before me, states the probable cost of their telegraph property on the 31st of March, 1875, at more than \$50,000,000 gold. They will not then have as great an extent of poles and wires as the Western Union now own.

Fourth.—"The stock of the Western Union is" not "watered up to three and a half times the real value of the plant." It did contain some "water," but I have already

shown that over \$13,000,000 has been squeezed out in seven years, and when you recall the fact that thousands of miles of line have been acquired at a small fraction of the cost to the original owners, and that millions have been contributed by railway companies to secure connection and the extension of lines upon their roads, it will be seen that the present capital of the Company is not greatly in excess of, if it exceeds at all the sum which was originally expended to produce the property.

Fifth.—The Western Union has paid no dividends in several years. What difference does it make, then, whether its lines cost \$10,000,000 or \$40,000,000, so far as the cost of sending messages is concerned. "One half the present rates" would not pay the cost for operators, messengers, stationery and battery, to say nothing of maintenance, rents and interest on capital.

Sixth.—The increase of sixteen per cent. in the number of messages in 1873 over 1872 is erroneously attributed to reductions of the tariff. The only reduction made was "the abrogation of all rates over \$2.50," and this did not take effect till February 1, 1873, and was, therefore, in force but five months of the year, which ended June 30, 1873. The other and greater reduction referred to went into effect July 1, 1873, the beginning of the present fiscal year.

Seventh.—The new "square rates" are, with but few exceptions, the same as the former "special rates" established upon competing routes. The exceptions are the rates between Boston and Washington and intermediate stations. The new rates are uniform for like distances in the Eastern, Middle, Southern and Western States.

Eighth.—The *Herald* is probably correct in assuming that further reductions will not be made by the companies now doing the business for some time to come. The average message rate in the United States since July 1 is but fifty-five cents, which is five to six cents below the average in Europe, where the cost of telegraph material and the wages of operators are thirty to fifty per cent. less than here. More than a year ago France increased her rates twenty per cent. on one class of messages and forty per cent. on another—the latter increase being on rates which yielded over sixty per cent. of her telegraphic receipts; and yet the increase in the number of messages during the year succeeding this increase of rates was greater than during any one of several preceding years. It will not be claimed that the increase of rates caused the increase in messages, but this fact does appear, viz., that the natural growth of the busi-

ness was not sensibly retarded by a considerable increase of rates.

Ninth.—The phrase “the best English wire, the best instruments, and the best poles” is liable to be construed to mean that the poles, wire and instruments of the European lines are superior in quality and working capacity to those of the Western Union. Such a construction would not accord with the facts. A very large majority of the poles used in the United States are superior to those in use in Europe. As to wire, the Western Union have been using of the “best English” 10,000 miles per annum for several years past. It is proper to say, however, that wire is now made by several parties in the United States of a quality equal to the best English, and the reasons why we use the latter at all are—(1) it is not always possible to procure domestic wire in sufficient quantities to supply our wants, and (2) we are generally able to buy English wire a little cheaper than American, notwithstanding the duty of about sixty per cent. *ad valorem*. As regards instruments, those of American manufacture are superior in efficiency to the more cumbersome and more expensive apparatus used abroad. Another fact is worthy of mention in this connection. American operators using American instruments perform much more telegraphic work in the same time on the lines in the United States than is performed by the same number of operators in Europe. The telegraph office in London employs more than three times as many clerks and operators as are employed by the Western Union Company in New York to handle about the same number of messages daily.

The relations of the telegraph to the public are so important, and with the press are so intimate, as to justify the expectation that the press will not give currency to erroneous statements concerning the telegraph which may prejudice the latter in the public mind. The facts hereinbefore stated do not rest merely upon my assertion. They are completely established by the official reports of the Governments by which the business is carried on abroad and of the companies conducting it in the United States; and to deny them, in the face of the evidence which is now accessible, would seem to imply an indisposition to do justice to the American telegraphic system, which cannot actuate the conductors of so successful a specimen of American enterprise as the *New York Herald*.

Very respectfully,

WILLIAM ORTON.