

INVESTIGATION OF PANAMA CANAL MATTERS.

HEARINGS

BEFORE THE

COMMITTEE ON INTEROCEANIC CANALS

OF THE

UNITED STATES SENATE

IN THE MATTER OF THE SENATE RESOLUTION
ADOPTED JANUARY 9, 1906,

PROVIDING FOR

AN INVESTIGATION OF MATTERS RELATING
TO THE PANAMA CANAL, ETC.

IN FOUR VOLUMES.

Vol. IV.

WASHINGTON:
GOVERNMENT PRINTING OFFICE.
1907.

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COMMITTEE ON INTEROCEANIC CANALS,
UNITED STATES SENATE,
Washington, D. C., Thursday, April 26, 1906.

The committee met at 10.30 o'clock a. m.

Present: Senators Kittredge (acting chairman), Dryden, Ankeny, Morgan, and Taliaferro.

TESTIMONY OF ALFRED ANDERSON, ESQ.

Mr. ANDERSON was duly sworn and testified as follows:

The ACTING CHAIRMAN. State your name, Mr. Anderson.

Mr. ANDERSON. Alfred Anderson.

The ACTING CHAIRMAN. Where is your residence?

Mr. ANDERSON. 32 West Ninety eighth street, New York.

The ACTING CHAIRMAN. What is your business?

Mr. ANDERSON. Assistant purchasing agent of the Panama Railroad and the Isthmian Canal Commission.

The ACTING CHAIRMAN. How long have you held that position?

Mr. ANDERSON. Of the Isthmian Canal Commission, a little over a year; of the Panama Railroad, about six years.

The ACTING CHAIRMAN. Prior to the time you became connected with the Isthmian Canal Commission you devoted your entire attention to your duties as purchasing agent for the railway company?

Mr. ANDERSON. Yes, sir.

The ACTING CHAIRMAN. What was your occupation prior to the time of your connection with the railway company?

Mr. ANDERSON. Prior to the time I was appointed purchasing agent I was in the secretary's office for about two years.

The ACTING CHAIRMAN. In what capacity?

Mr. ANDERSON. Clerk in the secretary's office.

The ACTING CHAIRMAN. And what was your business prior to that time?

Mr. ANDERSON. I was in the employ of various railroad companies in different capacities.

The ACTING CHAIRMAN. As purchasing agent?

Mr. ANDERSON. No, sir; in the maintenance of way department, and general manager's office, and general superintendent's office.

The ACTING CHAIRMAN. And for what length of time were you employed with the railway companies to which you have referred?

Mr. ANDERSON. From the time I was 17 until the time I went with the Panama Railroad Company.

The ACTING CHAIRMAN. What were your duties as purchasing agent of the Panama Railway Company?

Mr. ANDERSON. To purchase all material required at the Isthmus and in New York and for the Panama Railroad Steamship Line, their fleet of steamers.

The ACTING CHAIRMAN. Under whose supervision or direction did you conduct that business?

Mr. ANDERSON. That of the general manager.

The ACTING CHAIRMAN. Reporting to him?

Mr. ANDERSON. To the general manager; yes, sir.

Senator MORGAN. Who was he?

Mr. ANDERSON. Charles Paine was general manager for a while, and afterwards Mr. Drake was general manager.

The ACTING CHAIRMAN. When you became connected with the Canal Commission in the capacity you have mentioned, in what respect, if any, did your duties differ?

Mr. ANDERSON. The duties of the assistant purchasing agent of the Canal Commission are largely in the way of forwarding material. I devote more time to that than I do to the purchase of material.

The ACTING CHAIRMAN. You have conducted purchases for the Canal Commission?

Mr. ANDERSON. Yes, sir.

The ACTING CHAIRMAN. Under whose direction are you working with the Canal Commission?

Mr. ANDERSON. Under the general purchasing officer.

The ACTING CHAIRMAN. Mr. Ross?

Mr. ANDERSON. Mr. Ross; yes, sir.

The ACTING CHAIRMAN. Reporting to him?

Mr. ANDERSON. Reporting to Mr. Ross.

The ACTING CHAIRMAN. Do you report to the general manager of the Panama Railway Company in what you do for the Canal Commission?

Mr. ANDERSON. No, sir.

The ACTING CHAIRMAN. In what manner are your records kept to determine for which company you do work?

Mr. ANDERSON. The records are entirely separate, you know. We have separate requisitions and separate systems of filing. The records of the two concerns are absolutely distinct.

The ACTING CHAIRMAN. Have you, since you have been serving in the dual capacity you have mentioned, made any purchases for the Canal Commission through the railway company?

Mr. ANDERSON. No, sir; not that I know of.

The ACTING CHAIRMAN. State just what your duties are as purchasing agent of the railway company and as assistant purchasing agent of the Canal Commission, and the procedure you take in order to perform your duties.

Mr. ANDERSON. In regard to the purchasing for the Panama Railroad Company, the supplies required at the Isthmus come up on what is called Isthmian requisitions. They are subdivided into three different kinds. There is one requisition that is prepared by the commissary down there calling for commissary stores of various kinds. There is a separate requisition which is prepared by the storekeeper calling for what we term material stores—that is, all stores other than those required by the commissary department—and there is another

requisition that comes up for stationery. Those three requisitions are the ones we receive from the Isthmus.

In addition to that, there are requisitions made upon me for the requirements of the New York and pier offices—stationery and various office fixtures. Then we have a requisition which we fill every week for the various stores required by the steamers of the Panama Railroad Steamship Line. Those are all the requisitions that are filled by me for the Panama Railroad Company.

The ACTING CHAIRMAN. Who sends the requisitions from the Isthmus?

Mr. ANDERSON. The commissary requisitions are sent to me by Mr. Burnett, the manager of the commissary department. The material stores requisitions are sent to me by the superintendent.

Senator MORGAN. The superintendent of what?

Mr. ANDERSON. Of the railroad company.

Senator MORGAN. Who is he?

Mr. ANDERSON. Mr. Bierd; and all those requisitions are approved by Mr. Stevens, the vice-president and general manager of the Panama Railroad Company.

The ACTING CHAIRMAN. Prior to the time Mr. Stevens took charge, who approved these requisitions?

Mr. ANDERSON. Prior to that time there was no subdivision in the requisitions down there, as all the requirements were in charge of the commissary, and those requisitions were approved by the commissary and by the superintendent, Mr. Bierd.

The ACTING CHAIRMAN. Through whom do you receive requisitions for supplies for the Canal Commission?

Mr. ANDERSON. Mr. Ross.

The ACTING CHAIRMAN. Are they approved by anyone?

Mr. ANDERSON. The requisitions are prepared at the Isthmus, and signed by the head of the department requiring the material, approved by the chief engineer, and transmitted to Mr. Ross, and he sends over to me such parts of those requisitions as he wants me to fill in New York.

The ACTING CHAIRMAN. Did you furnish the new ships that were purchased last year?

Mr. ANDERSON. No; I had nothing to do with that transaction.

The ACTING CHAIRMAN. Who had that matter in charge?

Mr. ANDERSON. I do not know, but I think it was Mr. Drake.

Senator MORGAN. You say that when Mr. Ross sent you requisitions he would send you parts of requisitions?

Mr. ANDERSON. Yes; he would notify me to the effect that the following material was called for under a certain number (as we call it), Canal Zone requisition, and direct that I make purchase of that material.

Senator MORGAN. After you made the purchase, to whom did you report it?

Mr. ANDERSON. I would report to Mr. Ross; at the same time of course communicating with the general storekeeper at the Isthmus of the Isthmian Canal Commission, advising him what I had done, and sending him the necessary invoices, etc., so as to enable him to identify and accept delivery of the material upon its arrival at the Isthmus.

Senator MORGAN. When your purchases were made, to whom were they submitted? I mean those made for the Canal Commission.

Mr. ANDERSON. I sent to Mr. Ross a complete record of all transactions.

Senator MORGAN. Were any of them ever rejected?

Mr. ANDERSON. No, sir.

Senator MORGAN. As a matter of course, if you made a purchase under a requisition that he sent you, and you sent the account to him, he would approve it?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. To what extent have you made purchases since Ross went into office?

Mr. ANDERSON. They have not been considerable. They do not amount to much, Senator.

Senator MORGAN. Have you the record of it?

Mr. ANDERSON. I have not a record of the total cost of it; no, sir.

Senator MORGAN. What kind of materials do you buy on Ross's requisitions from the Isthmus?

Mr. ANDERSON. It would be hard to classify it. It is almost everything, you know—various kinds of material.

Senator MORGAN. In large amounts?

Mr. ANDERSON. No, sir; the amounts are not large.

Senator MORGAN. Let us have about the largest amounts, some of the largest amounts that you have purchased.

Mr. ANDERSON. The requisitions sent me by Mr. Ross for account of the Isthmian Canal Commission, I do not think, in any instance, exceeded \$1,500.

Senator MORGAN. What were they? What was the character of the material that you purchased?

Mr. ANDERSON. Oh, it would be stationery and drawing material, miscellaneous light hardware, small supplies for the sanitary department down there, and things of that kind.

Senator TALIAFERRO. Do they buy their stationery in New York?

Mr. ANDERSON. For the Isthmian Canal Commission?

Senator TALIAFERRO. Yes.

Mr. ANDERSON. Occasionally; small lots that are urgently required. It is only requisitions of that kind that are transmitted to me in New York. Requisitions received from the Isthmus calling for a considerable quantity of material, permitting wide advertisement, are always filled by the Washington office.

Senator TALIAFERRO. Are your purchases advertised?

Mr. ANDERSON. Yes, sir.

Senator TALIAFERRO. Always?

Mr. ANDERSON. Always.

Senator TALIAFERRO. For what length of time?

Mr. ANDERSON. In the purchase of small amounts, we would only advertise in this way—by posting on the bulletin board, and by requesting competitive bids from concerns that we know are competent to bid upon that class of material.

Senator TALIAFERRO. The bulletin board in your office?

Mr. ANDERSON. In the hall; yes, sir.

Senator MORGAN. Have you always made your purchases from persons who made biddings under those advertisements?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. None outside? Did they make regular biddings?

Mr. ANDERSON. We try to get as many bids as we possibly can.

Senator MORGAN. Are the bids formal? Are they written out?

Mr. ANDERSON. Oh, by all means; yes, sir. We have a regular circular prepared, you know.

Senator MORGAN. Have you made any purchases except those on which you received formal written biddings?

Mr. ANDERSON. Not that I know of; no, sir.

Senator TALIAFERRO. You would know if you had made any purchases without that?

Mr. ANDERSON. Yes; I would know that.

Senator TALIAFERRO. Then why do you answer "not that I know of?"

Mr. ANDERSON. It is possible one may have escaped me that I do not know about, you know, Senator. It is quite improbable, however.

Senator TALIAFERRO. I just wanted you to be sure of it.

Mr. ANDERSON. Yes, sir.

Senator TALIAFERRO. I did not mean to imply that you were not stating the case fairly.

Senator MORGAN. Does anybody inspect the purchases after you have made them?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. Who?

Mr. ANDERSON. We have an inspecting engineer, with a corps of assistants, whose duty it is to inspect materials purchased.

Senator MORGAN. An inspecting engineer and a corps of assistants? Is that for the railroad company, or for the canal?

Mr. ANDERSON. For both.

Senator MORGAN. You have one for each?

Mr. ANDERSON. No, sir. The inspecting engineer serves for both the Panama Railroad Company and the Isthmian Canal Commission.

Senator MORGAN. What is about the extent of that establishment? How many assistants has he?

Mr. ANDERSON. As a general thing, I should say he had about eight or ten in his office—not all employed in the inspection of material, but in preparing plans and specifications and drawings, and things of that kind.

Senator MORGAN. For what?

Mr. ANDERSON. For the various materials called for by the requisitions from the Isthmus. The requisitions sometimes are very indefinite, and in order to get intelligent bids it is required that we send blueprints and specifications with our circular letters of inquiry, and those are prepared by our inspecting engineer.

Senator MORGAN. That only relates to machinery, does it not?

Mr. ANDERSON. It relates to a good many things besides machinery.

Senator MORGAN. What is the name of this inspector general there?

Mr. ANDERSON. Mr. Allwork.

Senator MORGAN. That is a good name. You say he has a corps of about ten assistants?

Mr. ANDERSON. I should think about that number.

Senator MORGAN. So whenever you made a purchase you turned over the account to him and he went and inspected the goods?

Mr. ANDERSON. Not in every instance.

Senator MORGAN. Why not?

Mr. ANDERSON. Sometimes we made inspection of the material ourselves.

Senator MORGAN. You and who else?

Mr. ANDERSON. We have a warehouse in New York which was created for the purpose of inspection of material, and we have a warehouseman up there who sometimes makes inspections for account of my office.

Senator MORGAN. Is he an officer of the railroad?

Mr. ANDERSON. Jointly with the Isthmian Canal Commission.

Senator MORGAN. He inspects for the railroad purchases?

Mr. ANDERSON. And for the Isthmian Canal Commission, both, occasionally.

Senator MORGAN. Who authorizes him to inspect for the Canal Commission?

Mr. ANDERSON. Mr. Ross.

Senator MORGAN. By a special order?

Mr. ANDERSON. That was the general understanding.

Senator MORGAN. The general understanding?

Mr. ANDERSON. That was under the general instructions to myself.

Senator MORGAN. You really made the appointment?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. Do you suppose Mr. Ross knows the name of that man?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. Do you suppose that the governor of the Zone knows it?

Mr. ANDERSON. The name of the warehouseman?

Senator MORGAN. Yes.

Mr. ANDERSON. I do not think he does.

Senator MORGAN. It was business that was left pretty much in charge of the officials, or so-called officials, of the railroad company and of the Panama Canal Commission, acting together and cooperating; it was left in charge of the management in New York?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. Now, the controlling management in this affair was the railroad company, was it not?

Mr. ANDERSON. In what respect?

Senator MORGAN. In regard to the purchases and the inspection and the shipment and everything about it.

Mr. ANDERSON. No, sir; it is the Isthmian Canal Commission.

Senator MORGAN. Nominally, yes; but I am talking about actually.

Mr. ANDERSON. No, sir; the Isthmian Canal Commission.

Senator MORGAN. Does not Mr. Drake superintend all these things?

Mr. ANDERSON. No, sir. I am under the direct instructions of Mr. Ross.

Senator MORGAN. I know about your instructions, but I want to know what you did under them.

Mr. ANDERSON. I act entirely under the instructions of Mr. Ross.

Senator MORGAN. And you acted independently of Drake?

Mr. ANDERSON. I occasionally consult with Mr. Drake about the larger matters.

Senator MORGAN. Relating to Isthmian purchases?

Mr. ANDERSON. Not so much about that, except in the larger class of material.

Senator MORGAN. I am speaking about the larger ones.

Mr. ANDERSON. Yes, sir.

Senator MORGAN. You conferred with Mr. Drake about it?

Mr. ANDERSON. Yes, sir; but I only take instructions, you know, from Mr. Ross.

Senator MORGAN. But you took advice from Mr. Drake?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. Did Mr. Ross instruct you in those cases what to do?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. You have records of all of that?

Mr. ANDERSON. Yes, sir. Mr. Ross's instructions are final.

Senator MORGAN. You report all of your purchases made for the Isthmian Canal Commission to Mr. Ross?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. Mr. Ross has not been there personally to make any inspection, has he?

Mr. ANDERSON. Frequently.

Senator MORGAN. He has frequently been there?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. To overlook your business?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. How do you get the money to pay for these purchases?

Mr. ANDERSON. For the Isthmian Canal Commission?

Senator MORGAN. Yes.

Mr. ANDERSON. I certify on invoices covering the cost of the material to the effect that the material has been received and forwarded to the Isthmus, and the inspecting engineer, or his representative, certifies that the material is in accordance with the specifications. I transmit all those documents to Mr. Ross with a record of the entire transaction showing that the material was advertised and who were requested to bid; and copies of all bids go to Mr. Ross with my certificate showing what action I have had. Then I understand that they are approved by him and referred to the auditor for payment.

The ACTING CHAIRMAN. May I ask a question here, Senator Morgan?

Senator MORGAN. Certainly.

The ACTING CHAIRMAN. Is your action final in the matter of the acceptance of bids?

Mr. ANDERSON. Yes, sir.

The ACTING CHAIRMAN. Does Mr. Ross have no concern with the bids that are intrusted to you to look after?

Mr. ANDERSON. Only occasionally, if he specifically instructs me to that effect; not otherwise.

Senator MORGAN. In accepting bids for the material that you purchase for the Isthmian Canal Commission, do you always accept the lowest bid?

Mr. ANDERSON. Generally—nearly always.

Senator MORGAN. In the cases where you made differences, what was the ground of the difference? Why did you leave the lowest bid and go to a higher one?

Mr. ANDERSON. Sometimes the time of delivery is a very important factor in determining the award.

Senator MORGAN. But that is put in the bidding?

Mr. ANDERSON. That is in the bid; yes, sir.

Senator MORGAN. Very good.

Mr. ANDERSON. If we require material very urgently, and one man can make delivery in a week and another man in a month, it is sometimes economy to accept the bid that is based on the quickest delivery.

Senator MORGAN. But the time of delivery is put in every specification?

Mr. ANDERSON. Exactly. We always ask to have them state the earliest possible date of delivery.

Senator MORGAN. As early as possible?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. You do not require delivery at a certain time?

Mr. ANDERSON. Not at a specific date; no, sir.

Senator MORGAN. Is that the only reason for changing from the lower to the higher bid?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. That is the only one?

Mr. ANDERSON. Yes, sir; unless we have reason to suppose that the material will not be in accordance with the specifications.

Senator MORGAN. Unless you have reason to suppose that?

Mr. ANDERSON. Yes, sir; or if for any reason we will not be able to inspect the material, and the concern is not responsible, it is possible that we may, in a case of that kind, reject the lowest bidder.

Senator MORGAN. Such things have occurred?

Mr. ANDERSON. I dare say they have.

Senator MORGAN. Do you not know it?

Mr. ANDERSON. I think they have in one or two instances

Senator MORGAN. What instances?

Mr. ANDERSON. I do not remember; but those things have occurred years ago, you know, and I have forgotten what they were.

Senator MORGAN. After you get the requisition you go out and make the purchase?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. You do not see the goods before you purchase them?

Mr. ANDERSON. No, sir.

Senator MORGAN. Then you have the goods inspected?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. And then they are shipped?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. By whom?

Mr. ANDERSON. By me.

Senator MORGAN. They are delivered to you in New York?

Mr. ANDERSON. They are either delivered to the warehouse or they are delivered direct to the pier.

Senator MORGAN. They are really delivered to you?

Mr. ANDERSON. Exactly.

Senator MORGAN. You become the actual legal custodian of them after they are delivered?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. They are either delivered free on board the ship or they are delivered at the wharf or at the warehouse?

Mr. ANDERSON. At the warehouse.

Senator MORGAN. And you have the entire charge of them?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. Do these inspectors that look over the goods which you have bought make a report to you?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. In writing?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. You have those reports?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. Do you always follow their reports in buying?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. You take no goods except such as have been inspected by them and reported upon by them?

Mr. ANDERSON. We do with the Panama Railroad Steamship line. The material for the steamship line is not inspected by the inspecting engineer.

Senator MORGAN. Who inspects for that concern?

Mr. ANDERSON. We have a man on the dock who makes inspection of that material.

Senator MORGAN. And who appoints him?

Mr. ANDERSON. He is appointed by the secretary.

Senator MORGAN. What secretary?

Mr. ANDERSON. Mr. Drake.

Senator MORGAN. Do you call Mr. Drake the secretary?

Mr. ANDERSON. Well, the secretary's office—yes, sir. We call his office the secretary's office.

Senator MORGAN. I thought he was assistant to the president.

Mr. ANDERSON. He is also secretary.

Senator MORGAN. And what else?

Mr. ANDERSON. And treasurer.

Senator MORGAN. And what else?

Mr. ANDERSON. That is all.

Senator MORGAN. He is really the general manager, the superintendent, and the factotum of the whole business there, is he not?

Mr. ANDERSON. He has charge there in the absence of the president; yes, sir.

Senator MORGAN. He is the real man in actual authority there?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. And he controls both sides—the isthmian side of it and the railroad side of the purchases?

Mr. ANDERSON. No, sir; he does not.

Senator MORGAN. He does not?

Mr. ANDERSON. No, sir; he does not. He has nothing to do with me in so far as the Isthmian Canal Commission is concerned.

Senator MORGAN. Except to give advice?

Mr. ANDERSON. I do not ask him for advice about the Isthmian Canal Commission.

Senator MORGAN. I misunderstood you, then.

Mr. ANDERSON. About the Panama Railroad, I meant, Senator.

Senator MORGAN. He never gave you advice about purchases for the Isthmian Canal Commission?

Mr. ANDERSON. No, sir; he knows nothing about it.

Senator MORGAN. Who supervises you in regard to those purchases?

Mr. ANDERSON. Mr. Ross, at Washington.

Senator MORGAN. Mr. Ross lives here, and you live in New York?

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Mr. ANDERSON. Yes, sir.

The ACTING CHAIRMAN. What was your occupation prior to the time of your connection with the railway company?

Mr. ANDERSON. Prior to the time I was appointed purchasing agent I was in the secretary's office for about two years.

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Mr. ANDERSON. Clerk in the secretary's office.

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The ACTING CHAIRMAN. As purchasing agent?

Mr. ANDERSON. No, sir; in the maintenance of way department, and general manager's office, and general superintendent's office.

The ACTING CHAIRMAN. And for what length of time were you employed with the railway companies to which you have referred?

Mr. ANDERSON. From the time I was 17 until the time I went with the Panama Railroad Company.

Mr. ANDERSON. I was directed to make purchase and ship as early as possible; no specific date was given.

Senator TALIAFERRO. And in asking for bids you followed that suggestion?

Mr. ANDERSON. Yes, sir.

Senator TALIAFERRO. You followed that idea?

Mr. ANDERSON. Yes, sir.

Senator TALIAFERRO. So that the question of promptness of delivery entered frequently into your conclusions as to which bid you should accept, without regard to whether it were the higher or the lower bid?

Mr. ANDERSON. Yes, sir.

Senator TALIAFERRO. Have your purchases for the railroad company been extensive?

Mr. ANDERSON. I have a memorandum showing what they were for the last year—for the year 1905. It is the only copy I have, Senator.

Senator TALIAFERRO. You can read it, Mr. Anderson.

Mr. ANDERSON. This covers purchases made last year.

Senator MORGAN. Between what dates?

Mr. ANDERSON. Between January 1 and December 31.

Senator MORGAN. That is the fiscal year for the railroad company?

Mr. ANDERSON. Yes, sir; but I want to remark that I was not purchasing agent for the Panama Railroad for a part of that period. When I was appointed purchasing agent for the Isthmian Canal Commission I resigned my position as purchasing agent for the railroad company, at the request of Major Gallagher, my superior. But when Mr. Ross was appointed to succeed Major Gallagher he consolidated the two offices, and a large part of these purchases (nearly all the heavier items) were purchased during the time I was acting for the Commission solely. This heavy equipment, you know, was purchased by the then purchasing agent, not myself.

Senator MORGAN. These purchases are for which establishment?

Mr. ANDERSON. For the Panama Railroad.

Senator MORGAN. Please read that statement.

(Mr. Anderson thereupon read aloud the following statement:)

Material shipped to Isthmus, 1905.

MATERIAL STORES.

Locomotives	\$148,200.00
Cargo launches	32,495.00
Coal	186,657.33
Freight on coal	87,890.40
Lumber, etc	69,222.15
Freight on lumber	28,569.24
Rails, frogs, etc	83,069.28
Freight charges, New York to Colon	42,785.73
Bar iron	39,409.90
Pipe, etc	12,274.26
Oil and lubricants	18,932.29
Bolts and nuts	6,350.73
Nails and spikes	12,947.18
Cement, etc	5,592.30
Rope and twine	23,277.90
Rubber goods	10,259.83
Shovels, etc	972.96
Paints, leads, etc	33,110.20
Forage	1,625.95

Stoves	\$3,388.66
Glass	1,571.25
Miscellaneous	22,514.22
Plumbing material	2,487.64
Lamps, etc	8,289.41
Stationery, office fixtures, etc	30,745.15
Miscellaneous light hardware	49,315.46
Electrical material	46,580.49
Wagons	1,552.43
Alcohol	2,836.30
Equipment supplies	3,919.53
Air-brake material	185.64
Cargo trucks	970.75
Trucks	2,550.00
Leather and belting	1,177.05
Air compressor	3,738.50
Pig iron	468.75
Metals	672.72
Pneumatic tools	1,053.06
Foundry supplies	1,837.25
Boilers	5,697.25
Total	1,035,174.15

Mr. ANDERSON (referring to the fourth item in the above statement). "Freight on coal"—I include that in that statement as an item to be charged to the Isthmus, you understand—\$87,890.40.

That makes a total of \$1,035,174.15. Those are what we call material stores, supplies other than those intended for the commissary department. The commissary supplies I have kept separately.

The commissary supplies amounted to, in food stuffs, \$224,155.36; other materials, \$154,694.06; making a total of \$378,849.42.

Senator MORGAN. Was all of this purchased for the railroad company?

Mr. ANDERSON. For the railroad company; yes, sir.

Senator TALIAFERRO. You bought those locomotives on bids?

Mr. ANDERSON. Oh, yes, sir.

Senator TALIAFERRO. Did you take the lowest bid on those?

Mr. ANDERSON. I did not buy the locomotives. They were bought while I was not with the Panama Railroad Company.

Senator TALIAFERRO. What does that miscellaneous item, as a rule, represent—\$22,000?

Mr. ANDERSON. It is a whole lot of things; like waste and special things.

Senator TALIAFERRO. Have you not an item of waste in there?

Mr. ANDERSON. I do not remember. It may be there. It is made up of small things, you know, that would be hard to classify. The subdivisions would be innumerable if we did classify them.

Senator MORGAN. You can make a similar statement for the purchases that you made for the Isthmian Canal Commission during this same period?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. You were acting for that Commission during all of this year?

Mr. ANDERSON. Yes, sir; yes, sir.

Senator MORGAN. I want to get that statement. Can you furnish it now?

Mr. ANDERSON. No, sir; I can not. I did not prepare that. I had no idea you wanted me in connection with that.

Senator MORGAN. Just make a memorandum of it, then. Will you make a statement just like that?

Mr. ANDERSON. Similar to that?

Senator MORGAN. Yes.

Mr. ANDERSON. Covering that same period?

Senator MORGAN. Yes; covering this same period, which is for the year 1905.

Mr. ANDERSON. Yes, sir.

Senator MORGAN. Beginning in January and ending on December 31.

Mr. ANDERSON. I could not give that statement beginning in January, Senator, because I was not appointed until some time in February.

Senator MORGAN. From the time you were appointed, then.

Mr. ANDERSON. Yes, sir.

Senator MORGAN. That means after the offices were consolidated?

Mr. ANDERSON. After they were consolidated?

Senator MORGAN. Yes.

Mr. ANDERSON. They were not consolidated until about June.

Senator MORGAN. Oh. But you were acting from February under an appointment from somebody for the Isthmian Canal Commission?

Mr. ANDERSON. No, sir.

Senator MORGAN. As purchasing agent?

Mr. ANDERSON. Oh, yes; but from February until June I was not acting for the Panama Railroad.

Senator MORGAN. But you were acting for the Canal Commission?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. Now, I want that statement to cover the whole of this period of time.

Mr. ANDERSON. All right, sir.

Senator MORGAN. Including all your purchases for the Panama Canal—I will call it the Isthmian Canal Commission.

I want to go through some of these items and ask you something about them. First, I will get you to state what you do in regard to making a purchase. First, you get a requisition?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. On this schedule here, from the railroad company?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. Who makes that requisition?

Mr. ANDERSON. The requisition is prepared by the general store-keeper and approved by the superintendent or the general manager.

Senator TALIAFERRO. On the Isthmus?

Mr. ANDERSON. On the Isthmus; yes, sir.

Senator MORGAN. Does not this include purchases you made for the railroad company in New York, too?

Mr. ANDERSON. No, sir.

Senator MORGAN. These are Isthmian supplies entirely?

Mr. ANDERSON. Those are Isthmian supplies; yes, sir.

Senator MORGAN. Then, in addition to that, you have another list for the New York supplies?

Mr. ANDERSON. I did not prepare that list, because the only supplies we purchase in New York are for the offices and for the steamship line, for the fleet of steamers.

Senator MORGAN. They are all made in New York?

Mr. ANDERSON. They are made in New York.

Senator MORGAN. So that you have two departments that make requisitions; one is on the Isthmus and one is in New York?

Mr. ANDERSON. One is in New York.

Senator MORGAN. But the requisitions that are made on account of the railroad company, ordered from the Isthmus, pass through the office at New York?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. And they are sent to you?

Mr. ANDERSON. They are sent to Mr. Ross, and Mr. Ross sends them to me.

Senator TALIAFERRO. The canal purchases?

Mr. ANDERSON. No; the Panama Railroad purchases also.

Senator MORGAN. They go to Mr. Ross?

Mr. ANDERSON. Yes, sir; and he sends them to me.

Senator TALIAFERRO. Is he the purchasing agent for the Panama Railroad Company?

Mr. ANDERSON. Yes, sir; he is. He is the general purchasing officer of the Panama Railroad and of the Isthmian Canal Commission.

Senator MORGAN. So this list here that you handed us now came from the Isthmus?

Mr. ANDERSON. It came from the Isthmus.

Senator MORGAN. And that passed through Ross's hands?

Mr. ANDERSON. It came to Mr. Ross, and he approved it and sent it to me.

Senator MORGAN. He approved it and sent it to you?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. You therefore had no consultation with the general deputy, president, or manager, Mr. Drake, about this list?

Mr. ANDERSON. No, sir.

Senator MORGAN. This was all confided to you in New York?

Mr. ANDERSON. Yes, sir.

Senator TALIAFERRO. You consult with Mr. Drake in large transactions, whether they are for the railway company or the Commission, do you not?

Mr. ANDERSON. I do not.

Senator TALIAFERRO. You do not?

Mr. ANDERSON. I never consult with Mr. Drake about the Isthmian Canal Commission. I am absolutely independent of Mr. Drake in so far as the Isthmian Canal Commission is concerned.

Senator TALIAFERRO. I understand that, Mr. Anderson; but it seems to me that that would be a natural thing.

Mr. ANDERSON. No; I never do consult with him. I never started that.

Senator TALIAFERRO. You do not care to burden him with the canal affairs?

Mr. ANDERSON. That is the idea.

Senator MORGAN. These particular requisitions on this list come from the Isthmus and are made by what officer there?

Mr. ANDERSON. Either by the commissary or the general storekeeper.

Senator MORGAN. This particular list?

Mr. ANDERSON. Yes; those lists—either by the general storekeeper or by the commissary.

Senator MORGAN. Well, which one?

Mr. ANDERSON. It depends upon what it is. There is some commissary material there, Senator, and also some material stores.

Senator MORGAN. So that the requisitions came from two sources?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. On this list?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. And they both passed through the hands of Mr. Ross?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. Because they had originated in the Isthmus?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. That was the reason for it?

Mr. ANDERSON. Why, no; he is the general purchasing officer, and they were sent to him of course.

Senator MORGAN. I say, but he does not purchase anything for the railroad company in New York?

Mr. ANDERSON. Not in New York, but he directs about the larger items. On some of the requisitions received from the Isthmus there will be items on which Mr. Ross requests that I send him a record of all transactions had about the bids and everything of that kind. I pass to him all documents for final action on some of the items called for in the requisitions.

Senator MORGAN. I am speaking about this particular table. I want to confine myself to this, because if we get outside of it we are in a maze that we will never escape from. So far as I am concerned, I have not the intelligence to do it.

Mr. ANDERSON. I will try to confine myself to that, if I can.

Senator MORGAN. These particular requisitions were sent to Mr. Ross. He approved the requisitions and sent them to you?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. And you made the purchases?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. When you got them what did you next do—after you got the requisitions?

Mr. ANDERSON. We would prepare an advertisement calling for proposals, and send out circular letters of inquiry to a list of concerns that we have on file in the office, asking for bids to be opened at a certain time, and select the bid which we considered the most advantageous.

Senator MORGAN. To whom?

Mr. ANDERSON. The most advantageous.

Senator MORGAN. But to whom?

Mr. ANDERSON. To the Panama Railroad Company.

Senator MORGAN. Those biddings were advertised in the newspapers?

Mr. ANDERSON. In the newspapers.

Senator MORGAN. Sometimes not?

Mr. ANDERSON. All those were, except the commissary stores. All the commissary stores were not advertised for.

Senator MORGAN. You had a house in New York that you purchased your commissary stores from?

Mr. ANDERSON. Oh, many, many of them.

Senator MORGAN. Many of them. Why did you not advertise for commissary stores?

Mr. ANDERSON. We did, except for such items as were specifically called for.

Senator MORGAN. Then the biddings were sent in in accordance with the specifications and the advertisements?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. Who drew the specifications?

Mr. ANDERSON. We drew the specifications in our office.

Senator MORGAN. In your office?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. So that when the requisitions were sent up they were not accompanied with the specifications?

Mr. ANDERSON. Sometimes they were. Sometimes the specifications were prepared at the Isthmus.

Senator MORGAN. But most usually in your office?

Mr. ANDERSON. If they were indefinite, they were prepared by the inspecting engineer.

Senator MORGAN. Prepared by the inspecting engineer?

Mr. ANDERSON. When I say "our office," I mean the inspecting engineer's office.

Senator MORGAN. Yes.

Mr. ANDERSON. I mean the New York office, you know, Senator.

Senator MORGAN. Yes. He is a railroad officer?

Mr. ANDERSON. And an Isthmian Canal Commission officer.

Senator MORGAN. Both?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. His office was consolidated, like the other?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. By the order of whom?

Mr. ANDERSON. Mr. Ross.

Senator MORGAN. Then, after opening the bids, what did you do?

Mr. ANDERSON. I had my chief clerk prepare what we call an abstract of award—a résumé showing the different tenders received, the prices, and the time of delivery, which was submitted to me, and I would determine where the order should be placed.

Senator MORGAN. You would select the party with whom the contract was to be made?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. What did you next do?

Mr. ANDERSON. I placed the order for the material.

Senator MORGAN. And it was accepted by the party that had put in the bid?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. In writing?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. The price ascertained?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. The date of delivery?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. And then it was shipped from New York to the Isthmus at whose expense?

Mr. ANDERSON. It was bought f. o. b. New York generally, and it would be forwarded from New York by the Panama Railroad Steamship Line. I would arrange for the forwarding of it.

Senator MORGAN. Was it a part of the understanding in these biddings on this list here that the goods were to be shipped by the steamship line?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. In all cases?

Mr. ANDERSON. No, sir; except where we bought it at a price delivered at the Isthmus.

Senator MORGAN. You had the option to do either?

Mr. ANDERSON. The only material we bought c. i. f. the Isthmus was such as was shipped in cargo lots. Everything less than that we purchased f. o. b. New York, and forwarded by the Panama Railroad and Steamship Line.

Senator TALIAFERRO. What do you mean by "c. i. f.," Mr. Anderson?

Mr. ANDERSON. That is a term that is used, meaning, literally, "cost, insurance, and freight," included in the price delivered at final destination.

Senator MORGAN. That is all you had to do with it?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. You made no personal inspection of the goods?

Mr. ANDERSON. No, sir.

Senator MORGAN. And your action really was in getting out the biddings, the specifications of the requisitions, and in locating the purchaser?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. And designating the purchaser?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. That is all you had to do with it?

Mr. ANDERSON. Making purchases of the material.

Senator MORGAN. Of course, you made the purchase by accepting the proposition—the bid—of somebody?

Mr. ANDERSON. Exactly.

Senator MORGAN. That was done in writing?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. Then you did not have to see the people at all that you made the purchases from?

Mr. ANDERSON. Oh, frequently we did, you know, so that there would be no possibility of misinterpreting specifications, and giving more specific information as to what was required.

Senator MORGAN. After you had made an acceptance of a bid, after advertisement, did you refer that to anybody for ratification?

Mr. ANDERSON. No, sir.

Senator MORGAN. That was all left to you?

Mr. ANDERSON. Yes, sir; except that in the case of purchase of large quantities of material we prepare a regular form of contract; we enter into a regular contract. If the material is going to be delivered over a lengthy period of time, say, like three months or sixty days, we have a regular contract prepared covering those commodities.

Senator MORGAN. When you have a regular contract prepared, to whom do you submit that contract?

Mr. ANDERSON. To the general counsel of the company, and it is prepared by him.

Senator MORGAN. Who is he?

Mr. ANDERSON. The firm of Sullivan & Cromwell.

Senator MORGAN. And they pass upon it?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. They formulate the contract, and it is signed and—

Mr. ANDERSON. And executed.

Senator MORGAN. Yes. There is one item here of "electrical material, \$46,580.49." Have you an idea what that material was—the general character of it?

Mr. ANDERSON. Yes, sir. There have been extensive improvements in the telephone service at the Isthmus and in our electric plants at the Isthmus, at La Boca, Colon, etc., requiring the purchase of a large quantity of electrical material—wire and transformers, wattmeters, and a miscellaneous lot of electrical supplies.

Senator MORGAN. Is that the electrical establishment that is situated in the city of Colon?

Mr. ANDERSON. I do not know of any establishment there at Colon.

Senator MORGAN. You do not know where the headquarters of the electrical establishment there may be?

Mr. ANDERSON. No, sir.

Senator MORGAN. I have never heard of any except in Colon. I see an item here of \$69,222.15 for lumber, etc.

Mr. ANDERSON. Yes, sir.

Senator MORGAN. Do you recollect where that lumber was purchased?

Mr. ANDERSON. That lumber was purchased either f. o. b. New Orleans or c. i. f. the Isthmus, or, rather, both ways. The lumber is purchased through the assistant purchasing agent at New Orleans.

Senator MORGAN. Is any of it purchased on the western coast?

Mr. ANDERSON. I have never purchased lumber on the western coast.

Senator MORGAN. You have not gone farther than New Orleans?

Mr. ANDERSON. No, sir. Well, I could not, because the specification called for yellow pine.

Senator MORGAN. Therefore you had to go to New Orleans?

Mr. ANDERSON. Yes, sir; I did not necessarily have to go to New Orleans, but it had to be bought either on the Atlantic or Gulf coast.

Senator MORGAN. Then you had a branch office in New Orleans which was under your charge, under your direction?

Mr. ANDERSON. There is an assistant purchasing agent at New Orleans of the Isthmian Canal Commission, and I avail of that office to make purchases there of material for the Panama Railroad.

Senator MORGAN. That is, the bidding that was made for yellow-pine lumber at New Orleans was turned over to this purchasing agent at New Orleans?

Mr. ANDERSON. It was done through the purchasing agent there at New Orleans; yes, sir.

Senator MORGAN. You never saw the lumber?

Mr. ANDERSON. I never saw the lumber; no, sir.

Senator TALIAFERRO. Does that statement cover all the purchases by the purchasing agent at New Orleans?

Mr. ANDERSON. Yes, sir; it does.

Senator MORGAN. I see here a charge of \$28,569.24 for freight on lumber.

Mr. ANDERSON. Yes, sir. That was for lumber that was purchased f. o. b. at either New Orleans or on the Atlantic seaboard, the for-

warding of which was done by me for account of the Panama Railroad—the amount we had to pay for its transportation from New Orleans to the Isthmus.

Senator MORGAN. Do you remember what kind of lumber that was that this freight bill was for?

Mr. ANDERSON. It was either untreated yellow pine or creosoted pine; some cypress cross-ties and some creosoted switch ties and piling.

Senator MORGAN. The purchasing agent at New Orleans did the purchasing?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. And the inspecting?

Mr. ANDERSON. No; we have an inspector down there who inspects lumber and that class of material.

Senator TALIAFERRO. How is he paid, Mr. Anderson?

Mr. ANDERSON. He is paid upon the amount of work he does—so much per thousand feet, board measurement, plus any traveling expenses incurred from his home to the mills.

Senator TALIAFERRO. He is not regularly in the service of the Government?

Mr. ANDERSON. He is our regular inspector, but we pay him on that basis.

Senator TALIAFERRO. I suppose you pay him the usual price, the market price?

Mr. ANDERSON. Thirty cents a thousand, I think it is; yes, sir.

Senator MORGAN. Do you know of any reason, either economical or commercial, why you should order the purchase of this lumber through an agent in New Orleans without ever seeing it, or seeing the man, or anything about it?

Mr. ANDERSON. That is quite customary, Senator. Lumber is purchased under standard specifications, with which all inspectors are familiar, and it is accepted only upon report of our inspectors.

Senator MORGAN. You have to keep an office in New Orleans; you have to keep an inspector there and you have to keep a purchasing agent there?

Mr. ANDERSON. That purchasing agent is really the purchasing agent of the Isthmian Canal Commission.

Senator MORGAN. When I say "you," I mean the establishment down there.

Mr. ANDERSON. Yes, sir.

Senator MORGAN. It is mixed up so that I can not separate one from the other in my mind at all.

Mr. ANDERSON. It is very easy for me to do it.

Senator MORGAN. You have to have those officers down there?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. And yet the specifications and requisitions come to you in New York, through Ross in Washington?

Mr. ANDERSON. Yes, sir.

Senator MORGAN. And then you pass upon them, and then you send them down to New Orleans?

Mr. ANDERSON. The only thing I send to New Orleans for is for products that are tributary to that country—lumber and things of that kind and a few other things.

Morgan has said a few minutes ago, the Government is, at the back of the line, responsible)—that that line of steamships made so high a freight rate that it was impossible for the American manufacturers, over that single line of steamers going down to the Isthmus of Panama, to compete with the foreign steamers, making a profit on a haul of twice the distance.

In other words, to get back to the point, the original letting of the Panama Canal cement, the first letting, which was in 1904, under the first Commission, gave the bidder two means of delivery—one, to ship by way of New York, by the Panama Railroad steamers, with freight from New York to Colon paid by the Commission; second, to ship from any convenient port, freight and all other charges paid by the bidder.

That opened the supplying of materials to the Panama Canal to the coastwise commerce of the United States. It also gave you the privilege, if the rates were not too high, to ship via the line of steamers which was controlled by the Panama Railroad at that time.

Subsequently, however, after this change of organization and change in the control of the Panama Railroad and change in the constitution of the Commission, a new letting—which is the letting referred to in the letter of Mr. Bishop where the 20,000 barrels were purchased and where this \$7,400 would have been saved—a circular, No. 268, for those 20,000 barrels of cement, came out on August 23, 1905, and it abandoned the coastwise shipments entirely. It required deliveries only by steamship. At that time there was only this one line from the Atlantic coast to Panama. And it made the lots so small, namely, as the purchasing agent has just described, so small that they had to go by the steamship line. They were not cargo lots. Under that particular letting the words "American Portland cement" were changed to "Portland cement," leaving the word "American" out. The delivery was restricted only to steamships. The lots were made so small that no one could charter a steamship, and the American coastwise commerce was absolutely excluded, as well as the American manufacturer.

Senator TALIAFERRO. So that these specifications that you have referred to operated as a distinct discrimination against the American producer?

Mr. LESLEY. Absolutely; and against the American coastwise commerce. Absolutely. I propose to go a step further—

Senator MORGAN. I want to call attention to what I consider the fact here, though perhaps I may be mistaken about it: Mr. Drake, in his testimony, gave an account of an arrangement between the Panama Railroad and certain established lines of steamers that had connections through with the Pacific—from the Atlantic to the Pacific—by which the railroad company agreed to take 25 per cent of their freights for the transmission of goods across the railroad. As I remember it now, that combination of ship lines included seven or eight great lines.

Mr. LESLEY. Yes, sir.

Senator MORGAN. Are those the lines that you speak of as being under the control of the railroad?

Mr. LESLEY. No, sir. I say that the one line that is under the control of the railroad is this one American line. They may have relations with the foreign lines, whose freight rates I have here, but

I am not aware of that. The quotations which I secured from Europe for this cement to Panama, in order to compare our American rates with foreign rates, I took merely from steamships all over the world. I did not know whether there was any relation between the foreign steamships and our Panama line, and of course I could not speak on that.

Senator MORGAN. Perhaps I had better explain, because you do not seem to have considered that view of the situation. The testimony taken two years ago sets out one of these contracts with one of these lines, as a sample contract.

Mr. LESLEY. Yes, sir.

Senator MORGAN. And it gives to the steamers who enter into these contracts and make bills of lading for transmission across into the Pacific Ocean or from the Pacific to the Atlantic the advantage of a rate of 25 per cent upon their freight charges for the voyage, I believe, out and in, which other and disconnected steamers can not avail themselves of—what we call tramp steamers, or visiting steamers, that visit different ports at their will and pleasure, without having particular schedules or sailing dates. So I suppose that the reference that you make there is or may be to those lines of steamers which in this way have privileges granted to them by the railroad company that the others have not.

Mr. LESLEY. I dare say that that is the case, sir. The delivery is especially stipulated only by steamship. In the first lot, Senator, the shipment was by American schooners. We supplied cement there by American schooners, and it went down, and our coastwise commerce got the advantage of it. But in this later letting it was absolutely confined to steamers, and schooners were excluded; and the lots were too small to warrant anyone hiring a steamer.

Senator TALIAFERRO. Did you call to the attention of the canal authorities these circumstances that you are relating to the committee?

Mr. LESLEY. My recollection is that at the time our representative came down to Washington here and called their attention to them verbally. We saw that there was no possible opportunity for doing any business.

Senator TALIAFERRO. Did you call to the attention of the canal authorities the fact that if you were left free to ship your cement to the Isthmus by our coastwise shipping that you could compete with the foreign markets?

Mr. LESLEY. I do not know that myself; no, sir. I am not aware of that. There was a large correspondence at the time, but I did not take any active part in it.

Senator MORGAN. That was a fact, was it not?

Mr. LESLEY. I should say so; but they made the second specifications identical, within the last three weeks.

Senator TALIAFERRO. Has their attention been called to it since?

Mr. LESLEY. By correspondence. A number of manufacturers said that they would write on this subject to the Commission.

Senator MORGAN. Whether their attention has been called to it or not, I understand that the fact is that the exclusion of schooners from this trade was, in effect, an exclusion of vessels that had the privileges of the coast line.

Mr. LESLEY. That is right.

Senator TALIAFERRO. And a discrimination against American products?

Mr. LESLEY. Yes, sir; a double discrimination.

The ACTING CHAIRMAN. Did the purchase of the cement mentioned in Mr. Bishop's letter call for delivery at New York or Colon?

Mr. LESLEY. At Colon, sir.

The ACTING CHAIRMAN. And in the specifications asking for bids, what was the exact language employed in that feature of the proposal?

Mr. LESLEY. I will give you the exact language. Here is the language of the specification, sir: "All cement to be delivered c. i. f. by steamer at either Colon (Atlantic port) or La Boca (Pacific port), Isthmus of Panama; and it is to be understood that the prices bid cover delivery of goods on dock, without any additional cost to the Government beyond the prices named. Inspection will be made at the place of manufacture or purchase, to determine whether material meets the requirements set forth in the specifications, and on the Isthmus as to condition on arrival there."

Those are the identical words of the specifications.

Senator TALIAFERRO. You are quite satisfied that the authorities of the Canal Commission had their attention brought to the fact, some time ago, that that language was discriminatory against our coastwise shipping and against your product?

Mr. LESLEY. I am very sure that there was so much indignation among the cement manufacturers that everybody said they would write a letter; but I do not mean that I have any personal knowledge at this time that it was done.

Senator TALIAFERRO. Were you not the president of one of the companies?

Mr. LESLEY. Yes, sir; and my representative did call on the purchasing agent in Washington and make a verbal statement at the time of this first bidding.

Senator TALIAFERRO. You know that he was instructed to do that?

Mr. LESLEY. Yes, sir; but I did not want to give you anything that I did not know actually of my own knowledge.

Senator MORGAN. You know that schooners were dropped out and steamers put in?

Mr. LESLEY. Yes, sir; because we supplied schooners and the foreigners supplied the steamers.

Senator MORGAN. Is this steamship line that is owned by the railroad company a cargo line or a cargo and passenger line?

Mr. LESLEY. As I understand, it is a general line, controlled by the railroad, and taking mixed shipments of all kinds of things in small lots.

Senator MORGAN. And passengers?

Mr. LESLEY. Yes, sir; so far as I know. It is the only line from New York down.

Senator MORGAN. What you want, for the convenience of the cement trade, is to be able to command the services of sailing ships, or cargo ships if they are steamers?

Mr. LESLEY. Right. Yes, sir.

Senator TALIAFERRO. Our coastwise shipping?

Mr. LESLEY. Yes, sir. That is what I think we ought to have.

The next point that I want to make here is in connection with a lot of freight rates that I had received at the time of the letting of this contract, to show what the foreign freight was at that time.

The foreign lines of steamers running from London, Hamburg, and Bremen, which I understand are coastwise steamers along the Atlantic and South American coast, do a general steaming business with return cargoes. I had rates from them from 67 cents, from 45 cents, from 55 cents, and various figures, which I have here in cables, which I would be glad to have translated if you so desire. They are all in the code, and I have had lead-pencil translations made. Therefore the fact was that, under those particular specifications, the American manufacturer was driven to a single line, which charged him \$5 for a net ton of cement, per short ton—that is, 2,000 pounds—or, as a barrel of cement is reckoned at 400 pounds including the package, at the rate of \$1 a barrel, 5 barrels to the 2,000-pounds ton.

And, against that, the foreign ships were transporting this same material at rates from 45 cents, in some large tramp vessels, to 10s. 6d. per long ton, or from 45 cents to 60 cents or 65 cents a barrel, a discrimination or a difference in favor of the foreign shipper as against the American shipper of more than the difference that Mr. Bishop shows is the reason that this cement was bought from a foreign shipper; or, in other words—while I am on this point I will just give you one little sum in arithmetic: In other words, if this Panama line, owned by our Government, through the Isthmian Canal Commission, could transport a barrel of cement 1,972 miles at the same price that the foreign steamship line could transport it 5,000 miles, each line making a reasonable profit, the fact would have been, taking the average of the foreign freights at 57 cents, that there is a difference of 43 cents against the American manufacturer; but if the Panama Railroad Line Steamship Company had made the same rate as the foreigner—

The ACTING CHAIRMAN. From what point?

Mr. LESLEY. From New York; 1,900 miles.

Senator TALIAFERRO. From what foreign point?

Mr. LESLEY. From Antwerp or London. From London to Colon is 4,742 miles, and from Hamburg it is 5,049 miles.

Senator TALIAFERRO. Could you not just as well incorporate the rates as you go along, to make it clear in the record?

Mr. LESLEY. Yes; I will give it to you right away. The distance from London to Colon is 4,742 miles.

Senator TALIAFERRO. And the rate is what?

Mr. LESLEY. Ten shillings and 6 pence per long ton.

Senator TALIAFERRO. Which is how much a barrel, in dollars and cents?

Mr. LESLEY. I will give that in a few minutes. It is about 55 cents.

Senator TALIAFERRO. I think it would be clearer to have it appear in the record together. I am very much interested in it, and I would like to have the record show it just as it is.

Mr. LESLEY. I can figure that out in a moment. I was dealing with averages in this thing before, but I think I have the figures on which I based them. I have my cable dispatches. Here is a cable dispatch from Hamburg, with a rate of 68 cents for the 5,048 miles from Hamburg. That is a short ton. Here is a London rate, 10 shillings and 6 pence per gross ton, per long ton. That is from London by the

Royal Mail Steam Packet Company, which runs from London to Colon fortnightly. That would be practically 6 barrels to the ton, which makes about 52 cents a barrel. One moment; taking 10 shillings and 6 pence and the short ton, without going into the 2,240 pounds, it makes it even greater; it would be \$2.62, and dividing that by 5 barrels would give 52 cents a barrel practically. But I was fairer than that. I took 57 cents as an average. There is one, and that is the successful contract.

Senator TALIAFERRO. Now, from New York to Colon? Give the distance first.

Mr. LESLEY. This is given to me by the secretary of the Maritime Exchange, in Philadelphia. The distance there is 1,972 miles.

Senator TALIAFERRO. And the rate?

Mr. LESLEY. And the rate given by the letter signed by R. L. Walker, traffic manager, was \$5 per short ton from December 31, 1905, to March 31, this year. Right after this last letting they made a change in the rate.

Senator TALIAFERRO. That is substantially a dollar a barrel?

Mr. LESLEY. Yes, sir; as against 52 cents, the English rate.

Senator MORGAN. Is a barrel 400 pounds?

Mr. LESLEY. Yes, sir; 380 pounds. and with the weight of the barrel it would be 400 pounds, technically speaking.

Senator TALIAFERRO. Where is the inspection of this cement?

Mr. LESLEY. The inspection is stated to be at the place of manufacture. [Reading:] "Inspection will be made at place of manufacture or purchase, to determine whether the material meets with the requirements set forth in the specifications, and on the Isthmus as to the condition upon its arrival there."

Senator TALIAFERRO. That is covered, then, and there can be no contention that the cement would be injured by going in a sailing vessel?

Mr. LESLEY. No, sir; it is covered in both cases.

The ACTING CHAIRMAN. If you were permitted to have a free-hand in the matter of shipment, could the American manufacturer compete with the world in cement?

Mr. LESLEY. Absolutely. I think in any case wherever we have got shipping we are competing.

I want to say one thing that may be of interest to you, because I am, probably, the oldest man in the industry, and have been on every tariff commission since 1883, trying to keep a low but a stable condition in this industry. I have seen it grow from 50,000 barrels to 36,000,000 barrels as the record for 1905, and it will be 40,000,000 for 1906. I have seen that growth.

The ACTING CHAIRMAN. Do I understand that you are prevented from having the free-hand in shipping because of specifications?

Mr. LESLEY. These particular specifications; yes, sir.

The ACTING CHAIRMAN. Has that continued for any length of time?

Mr. LESLEY. Every letting under D. W. Ross, general purchasing officer, has come out in these terms. The old bidding was under a different purchasing agent, as I remember it, and had this permission to ship in schooners, as I stated.

Answering your question, Senator, as to whether we can export this cement, I have seen the imports of this cement dwindle from

nearly 4,000,000 barrels down to about 600,000 barrels, and the American exports increase from nothing to, I think, considerably over a million and a quarter barrels this year.

The ACTING CHAIRMAN. The real cause, then, as I understand, of your complaint, lies in the specifications?

Mr. LESLEY. Yes, sir.

The ACTING CHAIRMAN. The specifications that are put out by the Commission?

Mr. LESLEY. Yes, sir.

The ACTING CHAIRMAN. In what manner can this committee recommend a remedy for that condition?

Mr. LESLEY. Well, I would say this, that it can recommend a remedy, this being a department of the War Department of the United States, by adopting the specifications, or making the specifications conform to the ordinary specifications adopted by the chief engineer and the board appointed by the War Department for that purpose, which put in the words "American Portland cement" in every specification issued by the War Department.

Senator TALIAFERRO. You would not require that, Mr. Lesley, if these other difficulties could be removed, would you?

Mr. LESLEY. I do not think we would; but I believe it would be the fairest to the producers of this country and the public at large.

Senator TALIAFERRO. If this committee should make a recommendation of that sort, it would be construed by the people at large that they desired this material bought in this country regardless of the difference in price, whereas, if I understand you correctly, you are entirely willing to compete with the foreign market, if these specifications of this Canal Commission give you the opportunity to do so?

Mr. LESLEY. We have been able to do it, when the cement was required to be American and when the shipments were in coastwise ships. I have a note here of the coastwise shipments, and the schooner rates are from 55 cents to 65 cents a barrel, according to the character of shipments, according to the quantity. The lots named in the specifications, from 2,500 to 3,000 barrels, would cost 75 cents a barrel, or would make American cement cost more than the figures in my statement. If the shipments were allowed to be large enough so that we could ship in cargo lots, in that case the freight rate would be 55 cents, at the present condition of the market, and our prices would be lower than those of foreign cement.

The ACTING CHAIRMAN. Can you give us the names of any gentlemen who have specifically called this matter to the attention of the Commission?

Mr. LESLEY. I think I can, but not at the moment. I think Mr. King, of our New York company, did.

Senator KITTREDGE. Will you furnish that?

Mr. LESLEY. Yes. I know Mr. King came down here on this matter.

The ACTING CHAIRMAN. Will you furnish us the names of the gentlemen who have done so?

Mr. LESLEY. Yes, sir.

The ACTING CHAIRMAN. Perhaps you can find correspondence with the Commission on the subject?

Mr. LESLEY. I will go through my files. I know at the time we were very much interested in it.

Senator TALIAFERRO. Perhaps some of the other houses would have among their files copies of letters that they had written on this subject.

Mr. LESLEY. Yes. I will use every endeavor to find out.

Here is one letter from one of my New York agents, in which he refers to the rate of a dollar a barrel from New York to Colon, and he said: "Kindly advise if we are to bid, after considering these clauses," that is, the clauses as to these deliveries. "As the proposals permit the furnishing of foreign cement in relatively large lots, it seems to us here unwise to put in a bid at this time."

That is the feeling among the different people dealing with the product.

Senator TALIAFERRO. The specification for steamer delivery is what prevented you from competing?

Mr. LESLEY. Yes, sir.

Senator TALIAFERRO. It prevented you from competing with the foreigner on that cement?

Mr. LESLEY. Yes, sir; and, further than that, I believe the striking out of the word "American" tended to discourage the general American manufacturer. At the first letting under these new specifications, I think half the bidders were American and half foreign. At the last letting there was not a single American bidder—absolutely not one.

Senator MORGAN. In regard to this last letting, let me ask you: It seems from Mr. Bishop's letter here that the American producers of cement did put in biddings under that?

Mr. LESLEY. This one here; yes; but there has been one since. There has been one within a month—on March 19—at which there were no American bidders. They were all foreign. It was simply given up.

Senator MORGAN. The letter of Mr. Bishop is dated April 16, is it not?

Mr. LESLEY. Yes, sir; but he refers to a purchase on October 7, 1905.

Senator MORGAN. The Americans put in biddings at that time?

Mr. LESLEY. Yes, sir.

Senator MORGAN. At that time had the change been made from schooner to steamer?

Mr. LESLEY. Oh, yes, sir.

Senator MORGAN. So that your biddings when they were put in had reference to the rate of transportation?

Mr. LESLEY. Absolutely.

Senator MORGAN. He says: "After full investigation and test, the lowest bid was accepted and the cement furnished on the contract has proven to be very satisfactory. As the quantity of cement purchased at that time was 20,000 barrels, you will note that this lot of cement would have cost \$7,400 more if the use of foreign cement had been prohibited."

Mr. LESLEY. Yes, sir.

Senator MORGAN. If Mr. Bishop understood what he was writing about, and I suppose naturally he must have done so, why he seemed to ignore entirely the difference in freight rates between shipments from Europe and those from New York?

Mr. LESLEY. Over their own line; yes, sir. If they had taken these 20,000 barrels and given themselves the credit for the difference

between the freight rate asked by them and that freight rate which is the average, not of the lowest, but the average of the highest and the lowest for foreign cement, and his line had been able to transport half the distance for the same money, he would have made \$8,600 for the Panama Steamship Line, the Panama Railroad, and the Isthmian Canal, to set off against his loss of \$7,400, and he would have been \$1,200 to the good, and would have used the American product. That is the situation.

Senator MORGAN. I suppose Mr. Bishop really did not know what he was writing about. He is not a business man, is he?

Mr. LESLEY. I do not know him at all.

Senator MORGAN. I do not either.

The ACTING CHAIRMAN. Why was the provision requiring delivery in lots inserted in the specifications?

Mr. LESLEY. That I do not know, sir. They are just lots too small for a ship. It may be for the convenience of the Canal Commission in the handling of the material. That I do not know.

Senator TALIAFERRO. Would they not, perhaps, say that they required that character of delivery to avoid the risk of loss by holding the cement on the Isthmus?

Mr. LESLEY. That might be possible, sir. I do not doubt that they have a good reason for that.

The ACTING CHAIRMAN. Your proposition, then, is that you should be permitted to have lots of the character indicated in the specifications and a lower freight rate, as was permissible from the old country?

Mr. LESLEY. That is right; that we should either on the isthmian canal steamers have the same rates for half the distance as London makes for twice the distance, or that it should be open to the coast-wise commerce of the United States and the lots made large enough to warrant chartering a fair-sized schooner.

The ACTING CHAIRMAN. So that, in stating the real complaint a moment ago, you wish to make that addition?

Mr. LESLEY. I want to make that addition; and, further, still standing on my American—

The ACTING CHAIRMAN. I understand.

Mr. LESLEY. I am quite an American, and I have seen this business grow, and I believe that we can supply cement all over the world at better prices than it could be bought for, at equal freight rates; and I believe it is important.

Senator MORGAN. I wish to ask you whether cement, after it is manufactured, is amenable to loss or destruction by becoming damp?

Mr. LESLEY. Cement properly housed and in good packages will not be materially affected by damp.

Senator MORGAN. What kind of packages do they ship it in?

Mr. LESLEY. In this particular case the requirement is for barrels which are lined with water-tight paper.

Senator MORGAN. Is that superior to the packages in canvas?

Mr. LESLEY. Well, I have shipped from New York to New Orleans in canvas. I have shipped still farther distances, across the ocean, in canvas, and they have been good shipments. I am not familiar enough with the particular atmospheric conditions in Colon to give an opinion on that subject.

Senator MORGAN. If cement becomes thoroughly saturated with water after it is produced, does that destroy its value?

Mr. LESLEY. If it is completely saturated with water it ceases to be cement and becomes stone; but if it absorbs water—and that is the point you mean, of course—if the barrel absorbs water gradually, and takes up the dampness, it will harden a little on the outside. The likelihood of that hardness extending through is very doubtful. It will probably cake in for an inch or so, and when you break the cake there is a great deal of dry powder in the center.

Senator MORGAN. The dangers of a long voyage to cement are in proportion to the length of the voyage, in reference to a shorter one? Cement produced in Europe is more likely to deteriorate than cement produced in the northern parts of the United States, in consequence of the length of the voyage?

Mr. LESLEY. Well, I would not like to say that. I think that, considering the packages to be equal, the difference in distance would not cause any material deterioration in the foreign as compared with ours.

Senator TALIAFERRO. The risk is greater?

Mr. LESLEY. Yes, sir. But I wanted to be fair with the other fellow.

I believe this in this matter: That the great advantage of buying American cement is twofold. One is the great advantage of inspection in this country, the advantage of having the testers at the mills and having the inspection promptly at a place where the testers are under the supervision of the engineers and of the body of men who have to do with the using of that material. Here is the case of the building of a tremendous dam down there, involving the spending of perhaps hundreds of millions of dollars, and it would certainly not seem to be wise to have that stuff inspected by some inspecting bureau over in London, who hire some man at \$5 a week who goes and inspects. That man is not under the eye of the chief, and the chief is responsible for the job.

There is where, I say, the American cement has the advantage, being subject to the same inspection that the War Department gives to its cement in this country, with the same type of men under the same sort of engineer officers, which will insure the right kind of material. I know what it means to inspect cement three or four or five or six thousand miles from the place which it will be used. It is a different proposition. This has been demonstrated in a number of cases where cargoes have gone out from England to New Zealand and Australia and places like that. There is where I feel that with the American producer you have some advantage, by reason of the better location and of the better opportunities for inspection of that material under American engineers.

Senator MORGAN. But in every case the inspection ought to take place at the point where it is used?

Mr. LESLEY. I think, Senator, that the better practice is to inspect it, in shipments of this kind, for the quality—that is, the requirements of the specifications—at the place where it is manufactured or at the point where it is to be shipped, and then, as it arrives at its destination, to inspect it again, to see that it has not suffered in the journey.

Senator MORGAN. That is right.

Mr. LESLEY. And not make a double inspection for quality.

Senator MORGAN. And you want an American inspection, because then you can inspect the inspectors?

Mr. LESLEY. That is the whole point, Senator. You have hit the nail on the head. This work is too serious to trust it to a \$5 a week man working for testing laboratories 5,000 miles away.

Senator MORGAN. If by any accident or incident a bad quality of cement should find its way into a dam that is required to be as nearly perfect as possible through all of its part, would not that be a disastrous affair?

Mr. LESLEY. Most disastrous.

Senator MORGAN. So that it is necessary to have, in the use of cement, close inspection at the time of manufacture and close inspection at the time of use?

Mr. LESLEY. Yes, sir.

Senator MORGAN. Otherwise you expose a great dam to weaknesses, if I understand it correctly, because of its want of uniformity of strength throughout the whole extent of the structure?

Mr. LESLEY. That is right. I will give you an illustration in point: The largest dam in the world of a solid mass of masonry, only surpassed by the Pyramids as a solid block, is the Croton dam, near New York City, that has some 900,000 cubic yards of masonry, I think. The engineer there was only 100 miles from the place where he was buying his cement, and yet he would not establish his inspector up at the mill to test that cement, because he said: "I want him under my eye."

He sent him up to sample carloads of cement, or bins of cement, and then he made him bring those samples down to his laboratory, which was next to the engineer's office, and absolutely make those tests where the engineer could catch anything that was going wrong at any time. So, also, at the Clinton dam, which is the largest body of water, I think, in this country held by a single dam, some 40,000,000,000 gallons—precisely the same precaution was taken. Mr. Stearns, the engineer, who has been before you here, would not let his inspector live at our mill. He said: "I do not believe that is right. I will let a fellow send the box down, but I will not let the inspector live at the mill. My reputation is at stake."

Senator MORGAN. That indicates that extreme care is to be taken in the use of cement in building dams?

Mr. LESLEY. Absolutely.

The ACTING CHAIRMAN. The Clinton dam that you refer to is for the Wachusett reservoir?

Mr. LESLEY. Yes, sir.

The ACTING CHAIRMAN. The one now being constructed as a reservoir for the water supply of Boston?

Mr. LESLEY. Yes, sir.

The ACTING CHAIRMAN. Your company had the contract for supplying the cement?

Mr. LESLEY. Yes, sir.

Senator MORGAN. You have knowledge of the production of cement in the United States by all the large establishments?

Mr. LESLEY. Yes, sir.

Senator MORGAN. You have investigated the subject very thoroughly?

Mr. LESLEY. Yes, sir.

Senator MORGAN. Portland cement is made after a chemical formula?

Mr. LESLEY. Yes, sir; it is made within certain limits of lime, silica, and alumina. There are two formulas—what is known as Newberry's and what is known as Le Chatellier's formula. They relate to the proportion of the argillaceous materials (silica and alumina) to the calcareous (lime).

Senator MORGAN. That affects the proposition as to whether it is Portland cement or not?

Mr. LESLEY. Yes, sir.

Senator MORGAN. There is an allowance of a variation of 5 per cent from the formula?

Mr. LESLEY. Yes, sir; or you might say that the lime content in a good Portland cement might vary from 58 per cent in the old dome-kiln practice to 63 or 64 under the modern rotary-kiln practice.

Senator MORGAN. Take either of these formulas as the standard that the Commission might adopt for the cement—would there be any difficulty in getting a number of American producers to supply the cement corresponding to the formula?

Mr. LESLEY. Absolutely none whatever.

Senator MORGAN. None at all?

Mr. LESLEY. No, sir. They make not only the chemical formula, which is the basis upon which the manufacturer makes what he calls his composition, and which is the raw material, before calcination, but they discover whether that is right by a clause which gives them the right to chemical analysis of the finished product. In other words, given a composition containing carbonate of lime, alumina, silica, carbonate of magnesia, and representing this by VXYZ, chemical analysis of the finished calcine product would show all these materials, the carbonic acid gas having been driven out of the lime, and the magnesia and the calcine product, or Portland cement, showing the percentages of these different materials readjusted in a new unit less the carbonic-acid gas. The analysis of the finished cement will show whether the chemical formula of the composition was or was not right.

Senator MORGAN. The other questions relating to the production of cement would be those between competitive producers?

Mr. LESLEY. Right.

Senator MORGAN. As to who would make it the cheapest, and who would find the cheapest transportation to the Isthmus?

Mr. LESLEY. Yes, sir.

Senator MORGAN. And so on?

Mr. LESLEY. Yes, sir.

Senator MORGAN. We need not consider those?

Mr. LESLEY. Not at all.

Senator MORGAN. But your statement is that there is an abundance of material in the United States for producing cement according to any formula that the Commission may choose to adopt for the supply of that canal in all parts and at every place?

Mr. LESLEY. There is no doubt about it—on the Pacific coast and on the Atlantic coast and down the Mississippi Valley, and all points between, on a line right across the United States. There is no doubt about it.

Senator MORGAN. Then, when you speak of American cement you mean cement of the very best quality, uniform in its properties, and reliable as a structural material?

Mr. LESLEY. Absolutely.

Senator MORGAN. That is what you mean by American Portland cement?

Mr. LESLEY. Yes, sir.

Senator MORGAN. Taken in these aspects, is it equal to Portland cement made in foreign countries?

Mr. LESLEY. Absolutely; and the general opinion to-day among engineers the world over is that we are making better cement.

Senator MORGAN. That is the point that I wanted to get at. In what respect could the cement produced in America be better than the foreign cement, or is it?

Mr. LESLEY. The answer to that would be this: Originally cement was pretty much all labor. The raw materials—chalk and clay—were ground together in a wet paste or cream, which was run out into setting tanks or vats, where this material was allowed to dry by evaporation and decantation. After several months it was brought in onto heated floors, where further moisture was driven out. Then it was put into kilns, similar to the old-fashioned limekilns or bottle kilns, with a dome or chimney to them, and interlaid with layers of coke. These set kilns were then allowed to burn out, and the clinker produced was ground in old-fashioned millstones. Of course improvements followed this practice in Europe of late years, and the early mills in this country were, to a certain extent, improvements on some of the old dome-kiln plants of Germany and England.

Those processes were too slow for this country, and our labor was too high to admit of the successful growth of the industry under those conditions. Our quick manufacturing minds and clever inventors produced the great growth of the American industry by discoveries in new methods of grinding and new methods of burning. These two lines of discovery the iron mills, such as the Griffin, Kent, Huntington, and Gates & McCully crushers, gave an impetus to the preparation industry by perfecting and economizing on the grinding side of the business, while the development of the rotary kiln, which is essentially an American practice in Portland-cement manufacture, substituted possibly a little higher amount of fuel for a greatly lessened amount of labor, as contrasted with the older processes. The result is to-day that American practice is being adopted all over Europe.

Senator MORGAN. I was about to ask you that.

Mr. LESLEY. Yes.

Senator MORGAN. They are quitting the old mud practice?

Mr. LESLEY. Yes; they are coming to our practice. At the Lehigh to-day, or a few weeks ago, there was a Japanese, a Chinaman, and some fellow from New Zealand, to say nothing of some other men, all studying in that school how to make cement, or desiring to study it. We to-day are ahead of the world.

Senator MORGAN. You spoke about the rapid increase in the production of cement in America. That is because of the great demand for that material for structural purposes?

Mr. LESLEY. Yes, sir.

Senator MORGAN. It is the increasing demand that caused the rapid increase of production here?

Mr. LESLEY. Yes, sir; and the number of new purposes for which it is used.

Senator MORGAN. That is a field that, apparently, at this moment, is inexhaustible?

Mr. LESLEY. Absolutely. There are some figures, up to 1892, showing how the industry has grown. [Exhibiting pamphlet to Senator Morgan.]

Senator MORGAN. Yes; I understand how it has grown. I was trying to get at the causes of it—whether they were speculation or causes that arose out of necessity.

Mr. LESLEY. Senator, I am afraid I may have to digress again.

Senator MORGAN. All right. Go ahead.

Mr. LESLEY. I think it is due to this: A few hundred years ago this was a new country, and we had to have houses.

Senator MORGAN. Yes.

Mr. LESLEY. And we had to have stores and we had to have bridges and we had to have sidewalks. We took the first material that came to hand, which was wood. We had plenty of that. Europe destroyed her forests probably fifteen hundred years ago and came to permanent construction long before America was ever discovered.

Senator MORGAN. Yes.

Mr. LESLEY. America has come to the time when, by reason of her great wealth, she is coming to permanent construction for fire insurance and sanitary reasons. Further than that, she is coming to permanent construction because the lumber is giving out.

Senator MORGAN. Yes.

Mr. LESLEY. When you come to that question, then, you get up to the line of least resistance. If you have no wood you come to brick, which has labor unions; you come to stone, which is not to be found in all parts of the country—good building stone; and the only other thing is cement, which, with the broken stone, or the burned clay that can be made of gravel that is found everywhere, will build your houses anywhere that you could formerly build a wooden house.

Senator MORGAN. And in any shape you want it?

Mr. LESLEY. Yes, sir.

Senator MORGAN. And to any height you want it?

Mr. LESLEY. Yes, sir; and it will stand more abuse than any man would dream of.

Senator MORGAN. Well, Mexico and Egypt and Syria all passed through the same process.

Mr. LESLEY. Yes, sir.

Senator MORGAN. And that caused the Mexicans to adopt the adobe houses.

Mr. LESLEY. Yes, sir.

Senator MORGAN. So that everything points to cement as a structural material?

Mr. LESLEY. I believe so.

Senator MORGAN. Therefore the market is inexhaustible in the future?

Mr. LESLEY. It seems to be. I am frank to say that in the early days of the industry one man said that he was going to make a mill that would make 3,000,000 barrels of cement. I said he was a crazy

idiot. To-day he must be making 10,000,000 barrels a year. I was the man who was wrong, and yet I was one of the pioneers in the industry, and believed in it. But I did not believe it would grow as it has grown.

Senator MORGAN. Looking forward to the construction of this canal, we see that that is the material that can be most usefully employed in all dams and fences against the water of every kind?

Mr. LESLEY. Yes, sir.

Senator MORGAN. Therefore the quantity of cement that is to be used in this canal, no matter on what plan it is built, is at present not known?

Mr. LESLEY. I think that is a perfectly safe proposition.

Senator MORGAN. And it is more liable to increase than to decrease, and to increase very greatly.

Mr. LESLEY. Yes.

Senator MORGAN. So that this question of the supply of cement is one of the essential points in the cost of these structures and in their endurance?

Mr. LESLEY. Yes, sir.

Senator MORGAN. What is the effect of earthquakes upon cement structures, or have you any experience or knowledge in that direction?

Mr. LESLEY. I shall have inside of the next three weeks a series of special photographs from the Pacific coast on that subject. There is a man out there taking them for me now. I would not like to say until I get those photographs. [Laughter.]

Senator TALIAFERRO. You may not want to show them. [Laughter.]

Mr. LESLEY. I may not want to show them. But I am going through the motions, and doing the best I can to find out about it.

Senator MORGAN. I hope you will show them to the committee, when you get them, because we want to know, whether they go right or wrong to you.

Mr. LESLEY. I shall be very glad to put them at your service.

Among other things, I edit some sort of a cement paper, when I have nothing else to do, and these are pictures for that paper. I shall be glad to hand you all pictures of anything we have, and any private ones, also.

Senator MORGAN. We may find use for those in the Senate. They will be of material interest.

Mr. LESLEY. I shall be glad to put them at your service.

Senator MORGAN. So that we can rely upon the quantity to be produced, and the uniformity of production, as compared with any formula that may be prescribed?

Mr. LESLEY. Yes, sir.

Senator MORGAN. And the delivery at Colon would require only half the distance of ocean travel that would be necessary if we go to Europe to get the cement?

Mr. LESLEY. Yes, sir.

Senator MORGAN. Those are the advantages of the American cement?

Mr. LESLEY. Yes, sir.

Senator MORGAN. I have no further questions.

Senator ANKENY. You mentioned in your former contract that you were enabled to ship this at a lower rate by schooners in what were called "lots?"

Mr. LESLEY. Yes, sir.

Senator ANKENY. Of course "lot" is an indefinite term. What is a lot? What do you mean by a lot on a schooner?

Mr. LESLEY. I think I can give you that in one moment.

Senator ANKENY. I mean, approximately.

Mr. LESLEY. I have two freight rates. The freight rate by schooner of 2,500 barrels to 3,000 barrels—

Senator ANKENY. Two thousand five hundred barrels is a fair schooner lot?

Mr. LESLEY. Yes, sir. They want 75 cents for that lot, but if the lot is made 5,000 or 6,000 they want 55 cents per barrel—a difference of 20 cents a barrel, according to the size of the lot. The schooner will take 5,000 barrels very comfortably.

Senator ANKENY. If you get such a contract as you contemplate there you propose to ship by schooner, do you?

Mr. LESLEY. If it was permitted. But under those specifications we are absolutely excluded from both those propositions.

Senator ANKENY. I understand now; but what is the remedy that you want? Your privilege to ship by schooner?

Mr. LESLEY. Yes, sir.

Just one more thing before I stop, for a moment, in connection with this last letting of cement, which was on the 19th of March. I have a letter dated March 30, from the traffic manager, where he makes a tariff of \$4.50, to take effect immediately after this letting on the 19th, or every element of a midnight tariff that I have ever been able to see. In other words, we were asked up to the 19th to bid on a rate of \$5 a ton, and here is a letter showing that up to the 19th, which was on a Saturday, I think, the freight was \$5 a ton, and that is what we were up against in bidding, and on the 21st the new rate became effective, immediately after the letting. That helps the American producer, likewise! This information is furnished in a letter from Mr. Walker, a copy of which will be found at the end of the statement that I have submitted to the committee.

The ACTING CHAIRMAN. What reason do you give for the condition that you have just stated?

Mr. LESLEY. I have no reason to give. I do not think that there is any willful intention to do anything wrong on the part of the Government or the Commission. I think it is just one of those things that happen, possibly, with a number of officers in different lines, without any direct purpose, probably, who have done these things, each man intending to get what he wanted, without relation to a homogeneous whole. I do not believe that the Government meant to do what I have indicated. I do not believe there was any deliberate intention or malice, but that it happened because of a lack of concentration or purpose with relation to all the things to be accomplished.

Senator TALIAFERRO. How do you account for the repetition of these objectionable specifications, these unfair specifications, from your point of view, after the attention of the purchasing agent had been called to the facts?

Mr. LESLEY. I do not believe I can account for it, sir.

Senator TALIAFERRO. I wish I could get your expression in the record. [Laughter.]

Mr. LESLEY. I would rather not express an opinion. I try to be straight and fair, and I have nothing to say on that subject. I do not want to give guesses.

Senator MORGAN. It might possibly have all come through a desire to make the income of the railway and these steamers very large?

Mr. LESLEY. That would be one way.

Senator MORGAN. That is all the income the United States gets out of this establishment at the present time.

The ACTING CHAIRMAN. The United States secured no income from the cement shipped from the old country?

Mr. LESLEY. None whatever. It is all dead loss.

The ACTING CHAIRMAN. That came in the British steamers?

Mr. LESLEY. That came by the Hamburg-American Line, for one line, and another, the Royal Mail Steam Packet Company, running between London and Colon fortnightly. We did not derive a cent by those shipments; nothing whatever.

Senator DRYDEN. I have been unavoidably prevented from being here during Mr. Lesley's testimony, and I would like to ask whether the matter of making cement on the Isthmus has been taken up?

Senator MORGAN. It has not been taken up this morning.

Senator DRYDEN. It has not?

Senator MORGAN. No. I would have taken it up, but the specimens that Mr. Shonts was requested to have General Hains bring up have not yet been received. At least, I suppose they have not. We have had no notice of them. I propose, when they come, to have chemical analysis made of that indurated clay that they have there, to see whether it is cement rock, or whether it would do.

Senator DRYDEN. If the matter has not been taken up, I would like to ask Mr. Lesley why cement can not be manufactured right on the Isthmus at a great saving to the Government?

Mr. LESLEY. I would say that there is no reason, except one. I do not believe that the Government should manufacture the cement on the Isthmus. I believe individual enterprise is better than Government manufacture. I think that has been rather proven in a Government enterprise in connection with the Irrigation Bureau. They have been very slow and have produced very little cement. I think it is rather an experimental thing to take a new brand of cement and risk a tremendous piece of work on that. That would be my theory.

Senator DRYDEN. Do you know whether there is material on the Isthmus out of which good cement could be made?

Mr. LESLEY. I believe this: Years ago, when the Nicaragua plan was up, I had some experts, who brought me materials from the west coast of Nicaragua, and there was some limestone out of which, I think, cement could be made. At that time oil on the Pacific coast, I think, had not been discovered, and the proposition as a cement-making proposition was turned down because there was no fuel. Fuel represents a very large amount of the cost of cement.

Senator DRYDEN. If the Government itself did not go into the manufacture of cement, could not private enterprise manufacture the

cement on the Isthmus and sell it to the Government at a less cost than it would cost them to get it from the United States?

Mr. LESLEY. I believe that that will be a purely commercial question. I believe investigations are being made now on those lines, and I think that the whole problem will work itself out on the line of a demand and a supply at the lowest price to meet the demand.

There is this to be considered: On all important work there is generally a clause that the cement must have been three years in use before it can be allowed to be used. That is the Government requirement, and I think they should adhere to that on this great work.

Senator MORGAN. That it should be three years in use before it was used by the Government?

Mr. LESLEY. Yes; it must have a reputation of having stood for three years in a public work of some kind.

Senator MORGAN. If the cement that is used by the Government varies 3 per cent from the formula, and the cement that is offered for sale to the Government varies 2 per cent, that would settle that question, although it had not been used three years?

Mr. LESLEY. The general opinion is that cement is like a man—it has got to show its character by its life, and not by its analysis.

Senator MORGAN. If that is so, we had better not use any, because it would be under water, and the structure will be completed, and we would not know whether it was going to go to pieces, because it would not be three years old when it was put in.

Mr. LESLEY. I do not mean that, Senator. I mean the brand of cement must have been used three years. It must be the product of a particular mill, the cement from which has been used for three years. Each of these mills has a brand, such as the Atlas, Vulcanite, Lawrence, and so on, and each mill has a product sold under its brand. The Government says: "Before we will use a cement on an important piece of work you must show that your cement has a brand and has been in the market for three years, and has stood under similar climatic conditions or on a similar character of work to that for which you offer it."

Senator DRYDEN. That is an old rule of the Government?

Mr. LESLEY. Yes, sir.

Senator MORGAN. Is it a law or a regulation?

Mr. LESLEY. It is a regulation of the army engineers.

Senator MORGAN. That was probably put in by some engineer who was afraid to trust chemistry and who wanted to draw on experience.

Mr. LESLEY. A good many engineers out of the Army have put it in, too, I think. It is very fair.

I think that is all I have to say, gentlemen.

The ACTING CHAIRMAN. As I understand, gentlemen, Mr. Lesley's statement is the only one that you desire to have made?

Mr. ACKERMAN. Yes, sir.

(The committee thereupon adjourned.)