

**HEARING BEFORE THE  
COMMITTEE ON INTERSTATE AND  
FOREIGN COMMERCE OF THE  
HOUSE OF REPRESENTATIVES, ON  
RESOLUTION 410**

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Hearing Before the Committee on Interstate and Foreign Commerce of the House of Representatives, on Resolution 410 by Various

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**VARIOUS**

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# HEARING

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## COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

OF THE

U.S. HOUSE OF REPRESENTATIVES

ON

### RESOLUTION 410

REQUESTING THE SECRETARY OF WAR TO  
FURNISH INFORMATION AS TO COAL  
CONTRACTS, PANAMA RAILROAD



WASHINGTON  
GOVERNMENT PRINTING OFFICE  
1908

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## HEARING ON HOUSE RESOLUTION 410.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,  
HOUSE OF REPRESENTATIVES,  
*Saturday, May 16, 1908.*

The subcommittee met at 3 o'clock p. m., Hon. Irving P. Wanger in the chair.

The subcommittee had under consideration the following resolution:

[House Resolution No. 410, Sixtieth Congress, first session.]

*Resolved*, That the Secretary of War be, and he is hereby, requested, if it is not incompatible with the public interests, to inform the House whether or not the Panama Railroad Company advertised for proposals for the furnishing of all the semibituminous coal required by said Panama Railroad Company for the ensuing year, and if the said Panama Railroad Company did so advertise for proposals, what bids were received by the said Panama Railroad Company in response to such advertisement, the names of the bidders, the amounts of said bids, and the specifications under which said bids were submitted; and the Secretary of War is further requested to transmit to the House copies of all chemical analyses of the coal offered to be supplied by all the bidders, and all other statements concerning or descriptions of the quality of the coal offered to be supplied by the bidders; and the Secretary of War is further requested to inform the House as to whether any of the bids were accepted by the Panama Railroad Company, and if any bids were accepted, which bid or bids; and whether the bid accepted was the lowest bid submitted; and if the bid accepted was not the lowest bid submitted, why preference was given to any but the lowest bidder.

### STATEMENT OF HON. JOHN GILL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND.

Mr. GILL. Mr. Chairman, this resolution was submitted to the House for the purpose of ascertaining from the War Department, which Department has control and supervision of the Panama Railroad Company, under existing statute, what bids had been advertised by the Panama Railroad Company for semibituminous coal for the ensuing year, and further to have furnished by the Department a statement of what those bids were, the names of the bidders, the amounts of the bids, and, further, to ascertain from the War Department whether or not the highest or lowest bid had been accepted by the Panama Railroad Company, and if the lowest bid was not accepted by the Panama Railroad Company, the reasons why the Panama Railroad Company had purchased coal at a higher rate than it could have been purchased for under the returns to their advertisement for the supply of coal. It is probably well to say to you that the specifications set forth that the coal should be Pocahontas or New River coal, or coal equally as good. That is the general purport of the resolution. It seems to me to be a most proper inquiry for information that the House of Representatives certainly should have in

regard to a contract so large as this contract is. The advertisement, I understand, was for 360,000 tons of coal, and the difference in price would increase or decrease the cost of that coal to a very considerable sum to the Government, at least as much as \$75,000. Therefore it is information which the House should have, so that the House may act in regard to this measure, if from the information received there is any reason why action should be taken by the legislative branch of the Government, and I thought it only fair to the committee that we should here submit to you the reasons why the resolution was introduced. A detailed statement can be made to the committee by one of the bidders under this advertisement, so that the committee will have very full knowledge upon which to act upon the resolution. I therefore present to you Mr. Keech.

#### STATEMENT OF MR. E. P. KEECH, JR.

Mr. KEECH. I will run over the details of the evidence very rapidly and simply give you the outline of facts, so that you may be able to seize upon those which would seem material. The bids were advertised under the date of March 11, 1908, by F. C. Nordsiek, assistant purchasing agent of the Panama Railroad Company. They state as follows:

CIRCULAR NO. P-122.—PANAMA RAILROAD COMPANY.

#### OFFICE OF ASSISTANT PURCHASING AGENT.

24 State street, New York, March 11, 1908.

Sealed proposals will be received at this office until 3 p. m. Monday, March 23, 1908, at which time they will be opened in public, for furnishing all or any part of 360,000 tons of semibituminous coal required by this company during the twelve months ensuing from date of contract under the conditions hereinafter specified. *Bids for gas or bituminous coals will not be considered.*

Proposals must be signed by the bidder, inclosed in sealed envelopes, addressed to "E. A. Drake, vice-president, Panama Railroad Company, 24 State street, New York," and envelopes marked "Proposals for coal, to be opened March 23, 1908."

F. C. NORDSIEK,

*Assistant Purchasing Agent.*

Then, under the head of "For information of bidders," they state:

Coal to be of the best quality, equal in grade to the product of "Pocahontas" or "New River" regions, as shown by certified analyses and tests; to be run of mine, with a fair proportion of lump, dry and free from slate, sulphur, dirt, and other impurities, and subject to the usual inspection and tests.

The only other provision of these instructions that would seem to be at all material is the following:

The quality of the coal offered, the ability of contractors to furnish it, and the responsibility of the parties submitting bids thereon will be considered in making the award.

As to the other specifications, the conditions could hardly arise. As a matter of fact, the bids were submitted, and every one of them was alike, with one exception. There were 15 bidders.

Mr. WANGER. From what are you reading?

Mr. KEECH. I am reading from a page from one of the trade journals.

Mr. BOSWELL. It is the Coal Trade Journal. This gives the awards, who got the contracts, and the price.

Mr. KEECH. There were 15 bidders. The following companies bid \$2.80 per ton, f. o. b. Hampton Roads, for the supply of Poca-

hontas or New River coal for the period from September 1, 1908, to March 31, 1909:

Berwind-White Coal Mining Company, C. E. Sprague & Son Company, Castner, Curran & Bullitt, Chesapeake and Ohio Coal Agency Company, Chesapeake and Ohio Coal and Coke Co., Smokeless Fuel Company, W. T. Atwater & Co., New River Consolidated Coal and Coke Company, and the Maryland Coal and Coke Company. The two latter companies also bid \$2.65 for coal from April 1 to August 31, 1908.

Apportioning, therefore, the supply as though the requirements were approximately equal throughout the twelve months of the year, they bid at the rate of \$2.65 for 150,000 tons and at the rate of \$2.80 for 210,000 tons, dividing it between five and seven months. The other bids were as follows:

Davis Coal and Coke Company, Thomas coal, f. o. b. Baltimore, \$2.18. Pennsylvania, Beech Creek and Eastern Coal Company, Webster coal, 100,000 tons, f. o. b. Philadelphia, \$2.60; f. o. b. Baltimore, \$2.53. Somerset Real Estate Coal Company, Somerset coal, f. o. b. mines, \$1.15 net. E. W. Williams, Birmingham district coal, at Pensacola, \$2.60. National Coal Company, Georges Creek coal, f. o. b. at Baltimore, \$2.73; f. o. b. at Philadelphia, \$2.80. Merchants Coal Company, Tunnelton coal, at Baltimore, \$2.08; at Philadelphia, \$2.15. Elk Lick No. 3 Georges Creek coal, at Baltimore, \$2.23; at Philadelphia, \$2.30. Orenda coal, at Baltimore, \$2.53; at Philadelphia, \$2.60. Maryland Coal and Coke Company, Imperial coal, at Baltimore, \$2.33; at Philadelphia, \$2.40.

The above prices are about 10 cents lower than those bid for the supply last year. It will be noted that all bids on Pocahontas and New River coal are the same. Of the 12 companies bidding for the contract last year, only 5 were bidders for the supplying of the coal this year.

There were on the Pocahontas coal 9 bidders, all bidding precisely the same price for deliveries at precisely the same points and covering precisely the same period of time—that is to say, they all bid \$2.80 for the same period of seven months and bid \$2.65 for the other period of five months. The bids of the Merchants Coal Company—and I may say that I represent the Merchants Coal Company here, having been its general counsel for many years—were on three grades of coal. As you will observe, the statement of the circular for the information of bidders is that the coal shall be Pocahontas or New River coal, or coal equally as good, and of the three grades of coal on which the Merchants Coal Company bids there is one grade of coal which is almost identical, for all practical purposes, in its analyses and tests, with the New River or Pocahontas coal, and that coal was bid at \$2.53; that is the so-called Orenda coal, and the actual gross cost to the Government during the five months at which the coal would cost \$2.65 under the bids as accepted was \$18,000, and under the bids as accepted for the remaining seven months the difference was \$35,700, making a total of \$53,700.

We have in addition to that this state of facts: Under date of April 29 Mr. F. H. Rossbottom, the secretary of the Panama Railroad Company, addressed a letter to the Merchants Coal Company, in reply to a letter of theirs written under date of April 25, as follows:

PANAMA RAILROAD.  
PANAMA RAILROAD STEAMSHIP LINE,  
24 State Street, New York, April 29, 1908.

MERCHANTS COAL COMPANY,  
Maryland Trust Building, Baltimore, Md.

GENTLEMEN: Your letter of April 25 to the general purchasing officer of the Isthmian Canal Commission has been referred to us for reply. Our company purchases all the



coal required on the Isthmus for the railroad and canal purposes, and when we were in the market last month I believe you submitted bid for same.

For your information I may state that Pocahontas and New River coals are called for by our Isthmus officials, and as a result of the bids that were received orders were placed with the Chesapeake and Ohio Coal and Coke Company for up to 40,000 tons; with the Berwind-White Coal Mining Company for up to 100,000 tons, and with Messrs. Castner, Curran & Bullitt for up to 260,000 tons, f. o. b. Newport News in the case of the New River coal, and Norfolk in the case of Castner, Curran & Bullitt for Pocahontas coal, at the rate of \$2.65 and \$2.80 per ton.

Yours, truly,

F. H. ROSSBOTTOM,  
*Secretary.*

In other words, in accordance with the information contained in the Trade Journal, the particular point in that letter is that Mr. Rossbottom states not that they were after coal as specified in the advertisement, but that they were after New River and Pocahontas coal. In other words, either that the Panama Railroad Company were leading the bidders to make bids without the slightest anticipation of awarding bids to any others but those particular people, or simply that he did not understand, and that the officials of the railroad did not understand, the conditions of their own bidding; that they stood prepared to buy just as good coal that might be offered.

I have here also various reports of tests and analyses of this Orenda coal particularly, because that is the one coal which, strictly speaking, competes with the New River and the Pocahontas coal. I have various reports of analyses of that coal, several of them made by the United States Government, through its various officials and bureaus, some of them by private consumers, some of them by the city of Baltimore, and others by other people. If you care for them we will just file them.

Mr. GILL. Would you like to have these filed?

Mr. WANGER. Yes.

Mr. KEECH. According to the specifications, a copy of one of these analyses made by Captain Pendleton, then superintendent of the Naval Gun Factory at Annapolis, accompanied the bids.

Mr. BOSWELL. We had a very thorough test made at the Brooklyn Navy-Yard, originally.

Mr. KEECH. In addition, I have here several letters from various private persons, giving the practical commercial tests of the coal. One of these letters, under date of March 27, from the eastern manager of the Merchants Coal Company, has no relation to this inquiry here, but in the letter he says:

Messrs. H. L. Taylor & Co., of Haverhill, dealers, will probably buy 1,000 to 1,500 tons of Orenda coal for shipment from Philadelphia, either entire cargo or bin loads in Reading barges. Mr. Taylor expressed his feelings regarding Orenda coal by stating that it was the best they had ever used, they having had one or two bin loads the year before last. This business will probably materialize later.

Here is another letter:

PAW PAW TANSERY,  
*Paw Paw, W. Va., February 18, 1908.*

MERCHANTS COAL COMPANY, *Baltimore.*

GENTLEMEN: We have used two cars of coal shipped from your Orenda mine, and I wish to say that barring the coal from the Georges Creek mine of the Consolidation Company, it is the best we have had, and it holds up equally with the Georges Creek.

Yours, truly,

W. A. WISE, *Superintendent.*

Here is another letter from the South Atlantic Coal Company, by its president, John Stoddard. This reads as follows:

SAVANNAH, GA., May 2, 1908.

THE MERCHANTS COAL COMPANY,  
Baltimore, Md.

DEAR SIR: Answering your letter of the 30th, beg to advise that the tests made by the Savannah Electric Company on coal hauled from our yard, which was taken from a mixture of the David Baird and McFadden cargoes, analyzed as follows:

	Per cent.
Fixed carbon.....	74.09
Volatile.....	17.91
Ash.....	6.31
Moisture.....	1.69
	<hr/>
	100.00
Sulphur.....	0.87
British thermal units per pound dried coal.....	14,253

We will get your Government analysis from these people within a few days and send it to you per your request.

Yours, very truly,

THE SOUTH ATLANTIC COAL COMPANY,  
JOHN STODDARD, *President and General Manager.*

Mr. BOSWELL. Those samples of cargoes were not samples drawn from the mine.

Mr. KEECH. The next letter is from the Johnston line of steamships, running between Baltimore and Liverpool. This is dated May 15, 1908, and reads as follows:

BALTIMORE, May 15, 1908.

THOMAS T. BOSWELL, Esq.,  
*President Merchants Coal Company, City.*

DEAR SIR: Referring to conversation this morning, we beg to state that we have used Orenda coal for years, and have never had any complaint to make with regard to same. Formerly we used Consolidation coal, and had more complaints with regard to that, but have never had the same satisfaction as with Orenda. We have always found it an excellent coal, giving splendid results, and we consider it fully equal to Pocahontas, the reports with regard to which we are very much inclined to believe are considerably exaggerated.

We do not know in all our years of experience of having used a better coal than Orenda coal.

Yours, very truly,

JOHNSTON LINE FOREIGN AGENCY (LTD.),  
ROBERT RAMSAY, *Managing Director.*

Here is another letter from M. A. Hanna & Co., from their Chicago office, dated May 14, 1908, which reads as follows:

CHICAGO, ILL., May 14, 1908.

THE MERCHANTS COAL COMPANY,  
*Maryland Trust Building, Baltimore, Md.*

GENTLEMEN: Referring to our recent correspondence and to the new arrangements which we are making, we desire to state that as the result thus far of the coal which we have handled from you, it is our opinion that this is far superior to any Pocahontas or New River coal which we have handled. We have placed this coal with a number of the largest dealers in Chicago, and sold Messrs. Bunge Brothers, the largest retail dealers on the west side, some 10,000 tons. These people have always insisted heretofore that they must have Pocahontas coal, but they now prefer Orenda and say that it gives better satisfaction to their customers.

Among other large dealers who have adopted this coal in preference to Pocahontas or New River are R. B. Arnold, Illinois and Eastern Coal Company, Western Fuel Company, O. H. Hedrich & Co., Northern States Coal and Mining Company, and we could give you a long list of others.

We have also found that in every place where we have put this coal for smelting it has given the greatest of satisfaction, and we have yet to receive our first complaint

on its qualities for smithing purposes, which, as you know, is the hardest test of a good smokeless coal.

Just at present, as you know, conditions are such that we are not using the maximum quantity, but we write this to assure you that we believe in this coal thoroughly and within a short time will be sending you larger orders than ever.

We have had one or two analyses made of this coal ourselves, and got even better results as to carbon, low ash, and low sulphur than the United States Government analysis which you furnished us, and we shall expect to handle double the amount of this coal during the ensuing year.

Yours, very truly,

M. A. HANNA & Co.,  
W. D. PRESTON, Agent.

With those of us, Mr. Chairman, who live in Baltimore and are bred and born in the belief of Georges Creek coal it was rather hard to persuade anyone that there was ever any coal quite as good as Georges Creek. The Georges Creek coal is, in effect, a standard grade coal, and New River and Pocahontas coal are also high-grade coal, and not only high grade, but of the highest grade; but we contend, and we think the evidence here and the other evidence produced will prove, that this so-called Orenda coal, of the Merchants Coal Company, is of equally high grade with these others. I may say this: That in some of those analyses the name of the coal there specified is Quemahoning coal. That was the name of a township and creek in the northern part of Pennsylvania, and when the mines were first opened it was called Quemahoning coal. On account of the word being a geographical name it was not susceptible of appropriation to the exclusion of other coals which came from the same township and along the waters of the same creek. There were other coals in the same basin of a very different and inferior character, and therefore the name was changed to Orenda. In the earlier analyses the name is given as Quemahoning, but it is the same coal as the Orenda coal. The president of the Merchants Coal Company is here, and he can, of course, state far more fully than I can the facts surrounding the matter and the value of the coal; and likewise the superintendent of the mine at Boswell is here, who can testify to the fact that the mines are amply capable of supplying the contract requirements, which, of course, must be taken into consideration, for every practical purpose, and, in addition to that, in express accordance with the terms of the specifications under which the bid was made.

Mr. WANGER. How long has the mine been operated?

Mr. KEECH. The mine has been operated for some years. You will have to go to headquarters for the exact date.

Mr. BOSWELL. This mine has been operated at Boswell since August 22, 1902.

Mr. WANGER. Where is it located?

Mr. GILL. In the northern part of Somerset County, Pa.

Mr. BOSWELL. Yes; we changed the name from Quemahoning to Orenda because we attempted to copyright the name Quemahoning to keep others from using it and shipping coal under that name, but on account of its being a geographical name we could not do that, and then we adopted the name "Orenda."

Mr. WANGER. And that name is copyrighted?

Mr. BOSWELL. Yes, sir.

Mr. WANGER. Have you anything else to offer?

Mr. KEECH. Nothing, except if you would like to have these letters copied by the stenographer we can leave those with you.