EASTON GAZETTE.

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Governor's Message.

Concluded.

By the operation of the sinking fund, as now established, the regular payment of the accruing interest on the State debt, will extinguish the principal of that debt, in thirty years from the present time.—This fund amounted on the first of December, 1844, to $1,276,806,70; on the first of December, 1845, to $1,411,911,51; and on the first of December, 1846, the close of the present fiscal year, to $1,510,922,30; thus fully manifesting its adequacy, to redeem the principal of the debt, within the period above designated. The people therefore are incited to the punctual payment of the State tax, not only by their obligation to sustain the public faith, but also by the knowledge that they are thereby paying off the debt itself, and gradually relieving themselves from the burthens, which it now imposes upon them. The citizens of Maryland now fully comprehend, not only their duty, but also their interest, in reference to this subject; and they will not in future, look with indifference, to the non-payment of the State tax, by any portion of their fellow-citizens.—They see, that the due observance of the revenue laws by all is not more essential to the credit of the State, than to their own interest, and will no longer submit to the injury, which the non-payment of the tax by any part of the community, would inflict upon the State and themselves.

The other subject to which I have adverted, is one, in which the people of Maryland are more deeply interested than in any other, which will claim your attention. The State debt has been incurred, exclusively by her investments in her various works of internal improvement; and I now propose with your indulgence, to invite your consideration of her investment in such of those works, as may be made to yield an increased revenue by proper legislative action on your part.

I have prepared for your convenience, a tabular statement showing the amount invested by the State as unpreferred stockholder, and as creditor and preferred stockholder, in each of the four works of internal improvement, to which I shall call your attention; and also the amount of interest paid on her investment in each beyond the amount received from them respectively:

For investment in the Baltimore and Ohio Rail Road company, as unpreferred stockholder,		$500,000 00
For investment in the Washington Branch of s'd road as unpreferred stockholder,		550,000 00
		$1,050,000 00
For investment in Baltimore and Susquehanna Rail Road company, as unpreferred stockholder,		$100,000 00
As preferred creditor, $2,132,045 00		
For preferred claim for interest paid above amount rec'd from this Co. 773,000 00		
		2,905,045 00
		3,005,045 00
For investment in Susquehanna and Tidewater Canal companies, as preferred creditor,		1,192,500 00
For interest unpaid by those companies.		61,750 00
		1,257,250 00
For investment in Chesapeake and Ohio Canal, as unpreferred stockholder,		622,000 00
As preferred creditor & stockholder, $6,572,666 67		
Prefer'd claim for interest paid by the State, 2,531,068 00		
		9,103,734 67
		9,725,734 67
Making the aggregate amount paid by the State in aid of those four companies,		$15,038,029 67

The annual report of the Baltimore and Ohio Rail Road company, which is herewith transmitted, will give you a detailed account of its present condition, and future prospects. As this company has never availed itself of the conditional subscription to its stock, authorized by the act of May session, 1836, chapter 395, I have assumed (as you will perceive by the tabular statement above submitted,) that the State is *only* interested to the amount of her anterior subscription to the main stem and Washington branch of that road. Although the dividends which the State has received upon her stock in this company have not been equal to the interest paid by the State on the money borrowed for that investment, it is proper to remark, that the tax of the one-fifth of the gross receipts for passengers on the Washington Branch of the road, imposed at my instance by the 8th section of the act of 1832, chapter 175, has more than met that deficiency in the dividends heretofore declared, and that the State's investment in the stock of this company, is the only one, which has hitherto yielded a revenue, equal to the interest on the investment. This company is therefore entitled on that account to your most favorable consideration, and to all the assistance which you can render it, in the prosecution of its designs, without detriment to the public revenue. But independent of this claim upon your consideration, it has another of a still stronger character, which cannot fail to be fully appreciated by you. This claim to your consideration is based upon the fact, that of all the companies chartered by the State, and in which she has invested so many millions of her capital, this is now the only one from which she can hope to realize the commercial prosperity and advantage, which induced her original investments in all of them. The paralizing effect produced, by the neglect of the State to meet her obligations, upon the credit, energies and prosperity of every class and every interest in the State, could not be more forcibly illustrated, than by its effects upon this company.

But for that dire calamity, this noble enterprise would have been completed to its destined terminus on the Ohio—the Chesapeake and Ohio Canal would have been finished to Cumberland—our commercial emporium would now occupy her true position amongst her sister cities of the Union; and the State would be probably receiving an increased revenue from the road, and certainly some revenue from the canal, to assist her in redeeming and maintaining the public faith. When you have exercised the enviable privilege of proclaiming the release of the State from her pecuniary embarrassments, you will remove the incubus which has weighed down the energies of her people, and restore to them the ability to complete every enterprise, essential to their prosperity.—But, gentlemen, it is my purpose to ask your consideration of the works of internal improvement, with which the State is connected, solely with the view to their revenue capacity; and I will not digress from that purpose. The Baltimore and Ohio Rail Road, is the only work to which I intend to refer, in which, the State is only interested as general stockholder; and over which she has no other control, than that which is incident to the vote of the ten directors appointed by the Legislature. You have not therefore over this company, the power which you possess in reference to the others, to methodise a system of management, which would most contribute to the revenue of the State. But I have no doubt that the appointment by you of directors on the part of the State, with the view to the concurrence of that company in the system which you may devise, will result in its acquiescence; as I am fully persuaded that the management of all those companies, with the design of deriving the greatest possible aggregate revenue from all of them, would result in the increase of the revenue of each.

In order to obtain from all those companies, the greatest possible aggregate revenue, they should not be regarded as distinct or rival companies, but as parts of one scheme, belonging (except the Baltimore and Ohio rail road,) to the same party, and designed to effect the same objects. Starting then with this view of the subject, and with the purpose of obtaining for the State the largest attainable aggregate revenue, you will accomplish this object, by systematizing and regulating by law the management of all those companies, so as to give to each work that portion of the business, which could be more profitably conducted by it, than by the others. In the examination of this subject, you must bear in mind, that the Baltimore and Ohio railroad, and the Chesapeake and Ohio canal, with different eastern termini, have the same western terminus—that they are consequently in some degree (but I think not legitimately) the competitors for the same trade, and that in digesting the system suggested, you must establish for the government of each, such a tariff of tolls as will prevent the competition, which now exists between them; and will secure to each, that portion of the trade which will be most conducive to the advantage of the State. The interest of the stockholders of the Baltimore and Ohio rail road company, would be certainly promoted by such an arrangement, and the assent of that company could be readily obtained, were it not that the opinion is entertained by some that the successful operation of the canal would be injurious to the city of Baltimore. Those who entertain this opinion do not reflect, that the canal is absolutely under the control of the State; and that the paramount interest of the State, in the prosperity of her commercial emporium, would ensure such an exercise of that control, as would prevent the injurious results apprehended by them. You will perceive by the report of the Baltimore and Ohio rail road company, that its President and Directors have declared a dividend of three per cent., to be paid in cash to all stockholders of *less* than fifty shares, and a dividend of *one* per cent. in cash, and two per cent. in the bonds of the company, payable twenty years after date, to the stockholders of more than fifty shares. I have been unable to recognize the force of the reasoning, intended to justify this novel method of declaring a dividend; by which the individual who has advanced less than five thousand dollars, for the construction of this road, receives at once his dividend in cash, whilst the State, which has advanced five hundred thousand dollars for the same purpose, is to receive her dividend at the end of twenty years. It does seem to me, that if this company possess the power under their charter, to discriminate in favor of any class of their stockholders, that it would have been more equitably exercised, by reversing their present action. It may be proper also, for you to consider, whether the company possess the power to issue such stocks, or possessing the power, whether its permanent interests or those of the public, would be advanced by the creation of a debt, (secured by a pledge of the property and future earnings of the company,) for the payment of dividends, declared of conjectural profits. The Treasurer, possessing no power, to use the bonds of this company for any purpose, and being unwilling to recognise the legality of this novel proceeding, which might lead to the future exercise of the same power, by this and other companies, has not received this dividend, and believes it to be his duty, to submit the subject to you, unembarrassed by any action on his part. This company has certainly been managed with more ability and energy, than either of the other companies, to which I design to refer; and this may be attributed to two causes eminently worthy of your consideration. It is to be referred chiefly to the fact, that the stock of that company has always continued of sufficient value to command the anxious supervision of the private stockholders, and the directors elected by them; and the second cause of its better success, which may perhaps be considered only as an incident to the first, is the comparatively large salaries paid by this company, to its officers and agents.

The importance of this view of the subject, will be seen and appreciated by you in the examination of the condition of the other companies: to which I now desire to ask your attention. The tabular statement which I have submitted, will show you, that the State is the perferred stockholder or creditor, in each of the other companies, to an amount, much more than sufficient to exhaust the revenues which have been hitherto received by them; and that the individual stockholders in each of those companies, have long since ceased to feel any interest *as such* in their success. The State is consequently the only party interested in having those works so managed, as to produce the largest possible revenue. Indeed I may say that the interest of the private stockholder is now antagonistical to that of the State; ceasing to look upon his stock as of any pecuniary value, the interest of the private stockholder would not be promoted by the establishment of that tariff of tolls, which would produce the largest revenue, but by fixing the lowest rates of toll which would be adequate to keep the road or canal in proper order for his use. If the private stockholders, or directors elected by them, are merchants or owners of real estate in a city, they would be interested in the establishment of precisely that rate of tolls which would be most calculated, by the concentration of trade in the city, in which they reside, to increase their business, or enhance the value of their property. It is therefore, manifest, that the State cannot safely rely upon the supervision of the private stockholders, or the directors elected by them, for the profitable management of her vast investment in those works.

Suffer me to present one other view of this subject. You are aware, that the the Tide Water & Susquehanna Rail Road, have the same northern terminus, and that the eastern terminus of the former, is at Havre-de-Grace, and of the latter, at the city of Baltimore. They are consequently competitors for the same trade, and I apprehend, that your investigation will show that they have been hitherto managed as antagonist works; not with the object of earning the greatest aggregate revenue for the State, but with the design of securing to each work, the greatest amount of trade, irrespective of the interest of the State. To show the practical effect of such an administration of the affairs of the two companies, upon the interest of the State we will suppose, that a thonsand tons of coal or other material are placed at the northern terminus of the two works, for transportation. If this produce is taken by the canal, the entire toll would be so much added to the profits of the work, for no injury is caused by the passage of the boat on the canal, and the motive power is supplied by the owner of the produce.—If the same produce is taken on the road, to ascertain the profits resulting from the transaction, you must calculate the cost of the motive power, and then the injury to the road, caused by the transpotation upon it; of heavy burthen cars, drawn by an engine of corresponding capacity and weight. The actual cost of the transportation of burthen upon a rail road, has been variously estimated, from one and one third, to two cents a ton per mile, and the result would be, that the transportation of the supposed amount of produce on the canal would give the company and consequently the State $20, for each mile of the canal, whilst its transportation upon the road, at the same charge would not only yield no nett revenue to the company or state, but would actually diminish the revenue of the State, by the amount of the toll which would have been received for its tranportation upon the canal. Now, if the revenue of those companies belonged to different parties, they might very properly compete for the same trade, and each might legitimately so regulate their tolls, as to draw from the other my portion of the business enjoyed by it, without regard to the decrease of revenue, which would result from each, a larger amount than their whole nett revenue, it is clear, that such a course would be incompatible with their existing relations to the State, and entirely subversive of her interest.

Gentlemen, if you were placed individually in relation to those works, precisely in the situation which State occupies, with the same power and control over them, and were now assembled to act for yourselves, personally, *you would establish such regulations for the government of each work, as would in your opinion most increase the revenue from all.* You would not entertain the Utopian idea (upon which the action of the State appears to have been based,) that because this vast outlay had been made *by you* that it required no supervison nor the equally fallacious opinion, that *you* could procure agents of capacity and energy adequate to supervision of so vast an interest, who would bestow the constant attention and labour, necessary to the successful management of such a trust, without compensation. *You would appoint an Agent or a Board of Agents, to superintend and enforce the execution of the regulations established by you, with such compensation as would command the entire energies and time, of the Agent or Board appointed by you.* All I ask, on behalf of the people, is, that you act for them, as you would act for yourselves.

Gentlemen, I am apprehensive that the detail necessarily incident to the examination of this subject, may render this communication irksome to many of you; but a sense of duty, and the conviction that the subject has never received from the Legislature, that minute investigation which the interest of the State requires, compels me to trespass still further upon your attention. I propose now, to refer, to the Susquehanna and Tide Water Canal, the Baltimore and Susquehanna Rail Road, and Ohio Canal for the purpose of suggesting for your consideration, such legislation in reference to each, as will in my judgment promote the public interest.

The Susquehanna and Tide Water Canal Companies, during the fiscal year which ended on the 1st of December, 1845, paid into the treasury the sum of $74,800, which only left due from them for all their liabilities to that date, the sum of $9,750. During the fiscal year ending on the 1st of December, 1846, the Treasurer has only received from those companies, the sum of $11,550, being the interest on their bonds for $192,500, passed to the State for arrears of interest. The diminution in the revenue from this work, has been caused by the extensive repairs rendered necessary by the destructive freshets which occured in the spring and summer of the present year; and by the loss of tolls consequent upon the suspension of navigation, whilst those repairs were being made. I was informed by the President of those companies, that the gross receipts for tolls on the canal, for the present year, have exceeded the receipts of the last year notwithstanding the interruption of navigation, during that period of the year, in which the business of the canal would have been most active; & I am therefore, of opinion that the Susquehanna and Tide Water Canal Companies would have met their liabilities to the State but for the unforseen expense and loss, to which they have been subjected. You have seen from the tabular statement which I have furnished, that the liabilities of the Susquehanna and Tide Water Canal Companies, consist of their bonds for $1,000,000, their bonds for $192,500, passed in liquidation, amounting to $64,750; making their aggregate liabilities $1,257,250. I have reason to believe, that an exchange might be effected of the bonds of the State, bearing the same interest. If this arrangement could be made, I have no doubt, that it would be beneficial to the State, and acceptable to her people. It would lessen the State debt to the extent of such exchange, and expedite the period at which the public debt would be extinguished by the operation of the sinking fund by the number of years which it would take that fund to pay off $1,257,250, the amount of the debt which it would take that fund to pay off $1,257,350, the amount of the debt which would be obliterated by this arrangement. I do not hesitate, therefore to recommand the legislation which may be necessary, to empower the Treasurer and Commissioner of Loans to make such an exchange as I have suggested.

The Baltimore and Susquehanna Rail Road Company have a construction to several Acts of Assembly, conferring certain powers, and imposing certain obligations upon them, in which I cannot concur. By their construction, they claim the right to apply the whole or any portion of the revenue of the road, which they may think proper, not simply to the payment of the ordinary expenses; but to the building of depots, and to the purchase of such additional cars, engines, &c. as they suppose might increase the business of the road. By the construction which I place upon those Arts of Assembly, I make it the duty of that company to pay into the State Treasury all the revenue received from the road, after the payment of the ordinary expenses, necessary to the conduct of the road, in view of its established business at the period of that legislation.

A reference to the eighteenth annual report of this company presented to the last Legislature, will furnish you at page 7, with the argument of that company in support of the construction for which they contend. They rely upon the 5th section of the act of 1837, chapter 302, as conferring the Power claimed by them *to make the extraordinary disbursements referred to in that report;* and by the continued exercise of which, the revenue of the company has been diverted from the State Treasury, and applied to objects supposed by them to be beneficial to it. This section of the act of 1837, makes it the duty of the company, to provide sufficient means for the transportation of all merchandize and commodities, that should be offered for transportation on the road; and the company, insist upon their right to use the current revenue for that purpose. The first section of this same act of 1837 provides, "that so soon as the Baltimore and Susquehanna Rail Road Company, shall have assented to the provisions of that act, and shall also have prepared and deposited with the Treasurer, an obligation, pledging the whole of the property *and revenues* of said company, for the purpose of securing to the State, the payment of the interest and principal of the loan which shall be made to said company," the Commissioner of Loans was authorized to issue and sell $500,000 of the bonds of the State and deliver the proceeds to the Treasurer, to be paid over to this company. You perceive that this company by the construction which they place upon the 5th section of the act of 1837 annul *the obligation* imposed upon it by the 1st section of the same act. The first and fifth sections both impose obligations upon the company, the one designed for the protection of the State, and the other for the convenience of the public; and the company were required to assume the faithful discharge of the obligations imposed by each section before they could legitimately receive the money granted to them by that act. You will find that the obligation imposed by the 5th section, was to be evidenced only by the acceptance of the law under the corporate seal of the company, and the signature of its President and Directors; whilst the obligations imposed by the first section, was to be evidenced by the additional solemnity of a written obligation, under the corporate seal of the company and signed by its President and Directors, pledging the whole of their property and revenues for the payment of the interest &c. It certainly was not the intention of the Legislature of 1837, that this company should make its performance of the minor obligation, imposed upon it by the 5th section of that act, the justification for its non-performance, of the much more important obligation, imposed by the first section of the same act. In my opinion the act of 1837, made it the duty of this company to use so much of the money received under its provisions, as was necessary to enable them to comply with the obligations imposed by its 5th section and I entertain no doubt that the power which has been exercised by this company, is unwarranted by the spirit and letter of that act, and in direct opposition to the provisions of all the other laws bearing upon the subject.

But, Gentlemen, the error of the construction of the act of 1837 contended for by this company, will be rendered more apparent by an examination of the act of 1838, chapter 395. By this act the additional sum of $750,000 is appropriated to this company, and the second section specifies the purposes for which this appropriation should be expended. It enacts "that the Treasurer shall pay to the President and Directors of said company, such sums of money not exceeding $650, as may be necessary for the construction and completion of the said road *with the necessary depots, engines and cars for the purpose of travel and transportation, &c.*" and the fifth section of the act of 1838 declares it to be the duty of this company, to perform the obligation imposed on it by the acts of 1837 and 1837, to pay into the treasury the whole of its nett revenues.

Gentlemen, the public interest imperatively demands that you should act definitely upon this question. If, in your judgment, this power has been rightfully excercised, you should say so, that the State may at once abandon the hope, which she has hitherto entertained, of pecuniary assistance from this company—if you should think with me, that the company had no right to withhold from the Treasury any part of the revenue after the payment of their ordinary expenses you should so declare; and you should see, that the management of the company is placed in the hands of those who will conform to your directions. In this connexion I must refer you to the 9th section of the act of 1838, chapter 395, which enacts "that in consideration of the additional advance to be made by this State, and of the power to increase its charges for transportation of passengers, the said company shall pay to the Treasury for the use of the State semi-annually, the sum of fifty cents on each passenger transported over not less than twenty-five miles of said road or one fifth of the whole amount received for the transportation of passengers; and it shall be the duty of the President of the company to exhibit on oath to the Legislature on the 1st of January in each year, an account showing the gross amount received for the transportation of passengers, *and the State's proportion thereof.*" I believe that this provision of the act of 1838 has been altogether disregarded and although the company received from the State $750,000, the amount appropriated by that law, and upon which the State is now paying interest, they have never exhibited the account or made the payment required by this section. Comment upon this subject is unnecessary.

Notwithstanding the increase of the receipts for the past year both for the transportation of passengers and produce, which are shown by the annual report of the company herewith transmitted, they have only paid to the State for the last fiscal year $6,000, whilst for the fiscal year ending on the 1st of Dec. 1845 they paid $20,000! This result cannot be accounted for upon any other hypothesis, than the one predicated in a previous part of this communication; viz. that it has been conduced as a rival to the Tide Water Canal and not with the view to revenue. Indeed the report itself conclusively demonstrates it, by exhibiting the extraordinary spectacle *of diminished nett revenue with a large increase of business!*

I have received and will transmit the annual report of the Chesapeake and Ohio Canal Company, which will show that this Company has been hitherto unable to avail itself of the provisions of the act of 1844, chapter 281, to complete the canal to Cumberland; and that the immense amount already expended by the State in this enterprize must without further legislation continue a burthen upon her people. In the examination of this subject, I desire without comment to ask your consideration of the following facts: 1st, That the Canal has been completed to its present terminus at Dam No. 6, for a sufficient time, to demonstrate its inbility to pay any thing to the State, so long as that shall continue its western terminus! 2d, That Maryland is the preferred stockholder and creditor to the amount of $10,103,734 which amount is annually increased by the sum of $371,625 the interest annually paid by the State on her investment in this work! 3d, That the construction of the canal to its present western terminus, has cost beyond the amount advanced by this State, the sum of $3,207,508, subscribed by the United States, Virginia, the District Cities and individuals! 4th, That Maryland is entitled to all the tolls which may be received on the canal, after the payment of the ordinary expense incident to its administration, until she shall receive the arrears of interest paid by her, and the accruing interest upon her preferred investments in that work! 5th, That the estimated cost of completing the canal to Cumberland is $ 1,100,000, and that the completion of the canal by the State would result in placing in her treasury, whatever may be the increase of tolls beyond the interest on the cost of its completion.

Gentlemen, it seems to me that in determining your action upon this subject, your attention will be properly directed only to two inquiries: 1st, Whether the completion of the canal by the State to Cumberland would cause an increase of nett revenue, beyond the interest on the cost of its completion; and 2nd, Whether the State possesses the ability to complete it.

The only information in reference to the first inquiry, not furnished by the numerous report of the committees on internal improvement, made at previous sessions of the Legislature, is the important fact that since those reports were made, the various coal and iron companies in the vicinity of Cumberland have connected their works by railroads with the basin of the canal at that point; and that the canal would consequently receive immediately upon its completion, a supply of these articles for transportation.

In regard to the second inquiry, I do not think a doubt can be entertained. The honesty and energy evinced by the people through their representatives, to meet the public engagements, and the additional security which the completion of the canal would afford to the State creditor, will enable you to embrace the prospect of relieving your constituents from taxation, which is offered by the completion of this gigantic enterprize.

It may be proper to remark, that by the retrocession of Alexandria, the eastern terminus of the canal is now placed within the limits of Virginia, and to suggest the probability that our sister State may be now found willing to join with Maryland, in completing this grand enterprise, commenced under her auspices, and projected by the Father of his Country.

May not Virginia, in view of the benefits which would result to her citizens from the completion of the canal by Maryland, be induced at least to concede to the Baltimore and Ohio Rail Road, (in which the people of this State have so deep an interest) the right to seek a western terminus, within her limits?

There were two laws passed by the last Legislature, to which I wish especially to invite your attention. The first is the law amending the Constitution, by the substitution of biennial, for annual sessions of the Legislature; and the second,

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