

# Canadian Railway and Marine World

January, 1921

## How Sir William Van Horne Built the Cuba Railroad.

By Walter Vaughan.

After four hundred years of Spanish misrule, and a century of successive revolutions, the United States had liberated the Cuban people. Spain had finally evacuated the colony a year earlier, and the island was being administered by a military governor, General Leonard Wood, pending the institution of a stable civil government based on popular election. The eastern provinces had been devastated by incessant guerilla warfare. The cane fields had been largely destroyed, and the cane had been overgrown with weeds and brush. Cattle raisers had lost everything, and it was difficult to find a cow or an ox. Horses were few and in wretched condition. Mining had ceased, all industries were virtually dead.

The railway system of the island comprised 1,135 miles of railway. Ninety per cent. of these radiated from Havana and were owned by English companies. There were also 965 miles of private railway lines, constructed to carry sugar cane to the mills. In what are now the three eastern provinces of Santa Clara, Camagüey, and Oriente, the largest and richest in the country, and comprising three quarters of the total area of the island, there were only a little over 100

domain, and without any assurance whatever beyond his own faith that the future Cuban Government would grant the necessary charter powers, involved great risks and implied great courage. But having hit upon the plan, Van Horne did not hesitate to adopt it.

On his arrival in New York in March he immediately consulted Howard Mansfield, a lawyer of his acquaintance.

"Do you know anything of the Foraker Act?" he asked.

"I do."

"Is there anything in it to prevent an individual or a corporation owning or acquiring lands in Cuba from building a railway on various pieces of such property, taking a chance of ever being able to operate the railway as a whole?"

"No."

"Well, I'm going to form a company to do that, and want you to get out the necessary incorporation papers."

Van Horne's next step was to get the sanction and, if possible, the support of the U.S. Government, and, accompanied by General Grenville Dodge, he went to Washington to lay his plans before President McKinley. From a political point of view the project had much to com-

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profits as well—a few dozen Rembrandts and such things, which, I think, will quite fill my capacity for enjoyment."

From the moment the Cuban enterprise took shape in Van Horne's mind he regarded the building and operation of a few hundred miles of railway merely as a first step to larger and more comprehensive schemes. Incorporating the Cuba Company under the laws of the State of New Jersey in April, 1900, he stated its object to be "to develop the resources of the island in all practicable ways."

He retained a vivid recollection of the checks imposed from time to time upon his plans for rapid development of the Canadian Pacific, both by the caution and conservatism of his co-directors and by the difficulty, often the impossibility, of obtaining the necessary capital. He was determined to labor under no such difficulties in his new undertaking. He would, therefore, keep in his own hands the entire control of the Cuba Company, and seek as his associates in the enterprise men who would have faith in his management and whose means were so large that they could afford to wait indefinitely for dividends, yet could be relied on to furnish any additional capital that might be required. To ensure the



which was its financial backer for several years.

Van Horne's love of the Canadian Pacific Railway was the master passion of his life. He cherished its interests unswervingly. It was his dearest offspring, the Absalom of his loins. Three years later Ryan consulted him concerning the project of a new railway from the Kootenay Valley to the Pacific Coast. His condemnation was decisive. "The Canadian Pacific Railway cannot and will not surrender that region to any other company. . . . The only commendable thing I see in this enterprise is the prospectus, which should take high rank among imaginative works."

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constructive mind, with its decades of experience, to bury itself down in the jungle." He asked Henry M. Whitney to join with him in urging Van Horne to drop his Cuban plans and take up something else. At a dinner given by Whitney, Ryan proposed that he and his group should obtain control of the Canadian Pacific, and that Van Horne should return to it as its president and work out immense ramifications of its existing system on both sides of the international boundary. Such a scheme would give them industrial dominion over North America and Van Horne an empire to rule over.

Van Horne would not entertain this startling proposal for a moment. It was in direct conflict with the aims of the builders of the Canadian road, and his participation in it would savor of the rankest treachery. He told Ryan that the Canadians, who looked upon the Canadian Pacific as the backbone of their country, would never allow it to pass into the control of Americans. Finally, he pointed out that it would be extremely difficult, if not impossible, for any group of Americans to get control of the system, for in consequence of the policy steadfastly pursued by Lord Mount Stephen and supported by himself, the great bulk of Canadian Pacific stock was distributed among thousands of small holders, a large majority of whom were resident in England. Ryan, who was amazed to learn that the builders of the Canadian Pacific held only a few thousand shares of its stock and had profited little from their opportunities, found the last argument conclusive, and, with great reluctance, abandoned his scheme. Converted by Van Horne's magnetic persuasiveness, he agreed to join the Cuba Company and give it the support of the Morton Trust Company,



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right kind of men" with the greatest  
ease. The entire capital stock was sub-  
scribed within a week, and as soon as his  
plans became known, he was obliged to  
dodge eager applicants for shares. To  
one of these he wrote:

"When I went down to New York with my  
Cuban scheme I found myself in the position of a  
small school boy with his pockets full of bon-  
bons, and all the shares that I would not let go  
willingly were taken away from me. I came  
away stripped of all but a small holding for my-  
self. There is no chance to get any, unless the  
capital should be enlarged later on."

On the clear understanding that his  
project was one of slow, but profitable,  
development, he had obtained the most  
imposing list of subscribers ever asso-  
ciated in the foundation of a single com-  
mercial enterprise. It included, among  
others, John W. Mackay, J. J. Hill, E. J.  
Berwind, General Dodge, Henry Bull,  
Gilbert Haven, Henry M. Flagler, Levi  
P. Morton, Henry M. Whitney, P. A. B.  
Widener, Anthony Brady, W. L. Elkins,  
Thomas Dolan, General Thomas, W. C.  
Whitney, H. Walters, R. B. Angus, T. G.  
Shaughnessy, Sir George Drummond, C.  
R. Hosmer, George B. Hopkins, and  
Thomas F. Ryan. The aggregate wealth  
of this group was estimated in many  
hundreds of millions of dollars.

Van Horne had difficulty in persuad-  
ing Ryan to join. Ryan, who had made a  
large fortune in tobacco and street rail-  
ways, and who was a prominent figure  
in financial circles as the active force  
behind the Morton Trust Company,  
thought it "a great waste of time for Van  
Horne to turn his back on an empire  
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Cuban resources. When completed, it  
would ensure the speedy transportation  
of troops to the eastern end of the island  
and to any part of the interior, and would  
itself be the best possible agency for the  
preservation of order and peace. The  
President expressed approval of the pro-  
ject, and promised to do what he could  
to have it protected in law before the  
occupation ended.

Within two months from his departure  
for Cuba, Van Horne was back in Mont-  
real, as busily occupied in the organiza-  
tion of a new company as he had been  
eighteen years earlier in the building of  
the Canadian Pacific Ry. He shed like a  
garment the comparative apathy and las-  
situde which had characterized the last  
few years of his presidency of the Cana-  
dian road. With new and important crea-  
tive work before him, he was once more  
in his element and completely happy.

"Perhaps you are right in thinking,"  
he explained to a friend, "that I am mak-  
ing a mistake in putting on more harness  
and going into the Cuban and other en-  
terprises, but my trip to California a year  
ago satisfied me that my happiness was  
not in the direction of taking things easy  
that I would have to keep as busy

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the purposes of the United States, and fearful lest they had only changed masters, suspected every form of U.S. activity. But during his visit to the island Van Horne had formed the opinion that they had a fine sense of honor and would respond to fair and courteous treatment. Before starting negotiations, therefore, for the right of way, he employed two able and influential Cubans to go through the eastern provinces and explain the good will and intentions of the company and the benefits which the community would derive from its operations. He also addressed courteous and diplomatic letters to the governors of the eastern provinces, giving detailed information of the project. Invariable and impeccable courtesy was to be the keynote of all dealings with the Cubans. He wrote to his Chief Engineer:—

“Deal with them throughout with politeness, whatever the provocation to do otherwise may be, for we cannot afford to antagonize even the humblest individual if it can be avoided. Our engineers will give the first impression of the Cuban Company to the people in the districts where they are operating, and they should seek in every way to create among these people a pleasant impression. . . . Any one unable to control his temper and who violates the rule which should be made in this regard should be promptly got rid of. I am anxious that the people throughout the country should become impressed as quickly as possible with the desire of the Cuba Company to treat everybody with the greatest con-



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These methods of approach were richly rewarded. Convinced of the company's good will and of the benefits they would receive from the operation of the railway, proprietors gave the land necessary for the railway without compensation. In cases where absentee Spanish landlords were inclined to hold out for payment, their neighbors united in creating a public opinion which forced them to a similar liberality. At the close of the year Van Horne told his shareholders: "So far our rights of way have cost us nothing but the salaries and expenses of our agents." When, sometime later, President McKinley asked him how he had accomplished the purchase of the right of way and begun to build a railway without a charter, he replied:

"Mr. President, I went to them with my hat in my hand."

"I think I understand," said the President.

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the enterprise. Getting off his mule at a point called Palmerito one evening, his waistcoat caught on the pommel of the rock saddle, and he fell heavily to the ground on his back. Miller A. Smith, the Chief Engineer, rushed up, ejaculating:

"My God! Sir William, are you hurt?"

"No," replied Van Horne, getting to his feet and dusting himself. "That is the way I always get off."

The company now had definite ownership of lands for terminals, construction bases, and several townsites, together with a fairly continuous strip for the right of way 30 meters in width and about 350 miles in length. Power to cross streams, roads, and public property was becoming a matter of pressing necessity. There were, too, a few landowners whom he could not bring to terms, and to deal with them expropriation powers were essential. A general election had been held throughout Cuba in September for the purpose of choosing delegates to a convention to frame and adopt a constitution and to determine with the U.S. Government the relations to exist between that Government and the Cuban Government. The con-



in advance of their use. Grading was begun at both ends of the line in November, 1900, with Spanish and Cuban laborers. The final location of the railway was on a line which, running from Santa Clara through Camagüey to the port of Santiago, would bisect the greater part of the island and serve as a trunk line for the branches running north and south, which could be constructed later. It was found necessary to follow the watershed and head the streams, which widen and deepen rapidly in their descent to the sea upon each side.

In 1901 Van Horne went again to Cuba, to see construction well started and take a look at the interior for himself. Six weeks work and travel, which included a ride from San Luis to Nipe Bay, strengthened his enthusiasm for the enterprise. Getting off his mule at a point called Palmerito one evening, his waistcoat caught on the pommel of the stock saddle, and he fell heavily to the ground on his back. Miller A. Smith, the Chief Engineer, rushed up, ejaculating:

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While his engineers were locating the line and his agents obtaining rights of way, Van Horne was preparing for the work of construction with all his old zest for detail. He shipped construction supplies and materials for assemblage at Santiago, Cienfuegos, and Santa Clara in advance of their use. Grading was begun at both ends of the line in November, 1900, with Spanish and Cuban laborers. The final location of the railway was on a line which, running from Santa Clara through Camagüey to the port of Santiago, would bisect the greater part of the island and serve as a trunk line for the branches running north and south, which could be constructed later. It was found necessary to follow the watershed and head the streams, which widen and deepen rapidly in their descent to the sea upon each side.

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their subdivision and resale in small parcels to those who would immediately cultivate them. This, he thought, should be followed up by taxation of land. He wrote to General Wood:

"A system of land taxation is the most effective and equitable way of securing the greatest possible utilization of lands, and affords at the same time the best safeguard against holding lands in disuse for speculative purposes. It affords, moreover, the most certain and uniform revenue to the state. Freedom from land taxation or merely nominal land taxation comes from landlordism, which you certainly do not wish to continue or promote in Cuba. The country can only reach its highest prosperity and the greatest stability of government through the widest possible ownership of the lands by the people who cultivate them. In countries where the percentage of individuals holding real estate is greatest, conservatism prevails and insurrections are unknown."

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To his friends Van Horne explained that whenever he met a Cuban, he bowed first and he bowed last. In these early days of his company he was well served by his double nationality. U.S. officials concerned in the administration of the island had full confidence in him as being one of themselves. The Spanish Cubans, who looked upon U.S. people with jealousy and suspicion, trusted him as a Briton. They knew that there were no knights in the United States.

Although possession of rights of way had been easily and inexpensively acquired from private owners, difficulties were frequently experienced in obtaining a clear legal title to them. Regarding a loose system of land titles as prejudicial to all future settlement, Van Horne recommended to General Wood the introduction of the Torrens system of registration, which was used in Manitoba and other western provinces of Canada. He urged that speedy attention should be given to so fundamental a matter and that surveys of the land should be made and base lines and meridians established as a preparatory step to the re-establishment of agriculture. He also advocated the expropriation by the government of large areas held idle by absentee owners or on account of disputed ownership, and



Van Horne now approached General Wood, and in diplomatic fashion asked for something more than he knew he would get; namely, an unconditional permission to effect the necessary crossings. General Wood was heartily in favor of the railway, had noted the petitions from the municipalities, and was sincerely desirous of helping him; but the Foraker Act stood in the way. He could grant no concessions, but promised to give the matter his most serious consideration and see what he could do. Van Horne withdrew, and hastened to the Cuban who was General Wood's confidential adviser on such matters. He unfolded to him his idea of a revocable license, and intimated that if he and General Wood could devise nothing better, he was willing to continue construction on it. These tactics were successful. The Governor took counsel with his adviser and decided to grant the revocable license.

Construction was resumed, and continued without further interruption. Some trouble developed with the London executive of the Cuba Central Railways, which opposed Van Horne's building farther west than Sancti Spiritus, and still more strongly opposed his building into Santa Clara, where they had their terminus. He met these objections in a conciliatory manner, returned sweet and friendly answers, and intended to keep the correspondence going all through the summer until his line had advanced beyond all danger of interference.

Exercising an immediate supervision over the details of construction, Van Horne continued to press the passage of the general railway law, and to assist the U.S. administration in combating the doubts and fears of the Cuban people concerning the sincerity of the United States in establishing their independence. He first suggested to Secretary Root that the Cuban flag should fly with the U.S.

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vention had met in Havana in November, and was still engaged in framing the constitution.

With the difficulties of a charterless position ever in his mind, Van Horne had already drafted a general railway law for the island. General Wood had told him that he had thought of applying to Cuba the railway law of Texas. But this was, in Van Horne's opinion, distinctly inferior to the railway law of Canada, and he based his draft on the Canadian model. He spent several evenings with General Dodge over its revision and adaptation to Cuban needs and submitted it to General Wood. After careful scrutiny and a few amendments by the Interstate Commerce Commission, it was presented by General Wood to Hon. Elihu Root, Secretary of War at Washington, who pronounced it to be the best railway law ever drawn up. General Wood said:

"Sir William contributed a very large portion of the foundation work on this law, which covered everything from the local procedure necessary to make preliminary surveys to the final winding up of the affairs of a railroad in case of its dissolution. The law covered the relations between the public and the road, and looked to the adequate protection of the railroad personnel and the public. It was so fair and evidently just to all interests that very few changes were suggested by the U.S. Interstate Commerce Commission, whose railway experts were invited to Cuba and went very thoroughly over the law."

The Cuban convention adopted a constitution for the Republic of Cuba on Feb. 21, 1901, but before that date the necessity for expropriation powers and rights to cross public property had become acute. Van Horne went twice to Washington to plead with the President,



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But on carrying his project through,



## CANADIAN RAILWAY AND MARINE WORK

er, the law in order to promote the building of railways for the development of the country and to enable it to take speedy advantage of the road under construction. He devised the method of obtaining the petitions. Construction would be suddenly stopped at some crossing in every municipality along the line, and the laborers thrown out of work. Farmers and merchants, as well as laborers, suffered from the interruption of the flow of U.S. dollars, and were given an object lesson of the benefits they enjoyed from the company's operations. They were glad to sign petitions which might ensure their continuance. These had due effect at Havana and Washington. The U.S. Government promised to forward Van Horne's plans and the general railway law in every possible way.

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Exercising an immediate supervision over the details of construction, Van Horne continued to press the passage of the general railway law, and to assist the U.S. administration in combating the doubts and fears of the Cuban people concerning the sincerity of the United States in establishing their independence. He first suggested to Secretary Root that the Cuban flag should fly with the U.S. flag over the naval and coaling stations which the U.S. Government planned to retain on the island. This was a small detail, but it had the effect of propitiating the Cubans and removing some of their objections to the stations.

With 6,000 men employed, as rapid progress was made in the construction of the road as was possible in an undeveloped tropical country. Streams and public highways were crossed under authority



of lining the law and fearing that it was he devised to injure their properties in order dy that he might buy them cheaply, the ac- officials of the western Cuban railways in- received the law with suspicion. He ald stoutly denied such a motive to the pre- in sident of one of the companies, assert- and ing that if he had wished the collapse of m- the railways, the Texas law would have rs, better served his purpose. He contended the that, in basing the Cuban upon the Cana- an dian law, he had conserved the interests yed of all the other companies as well as his hey own. The correctness of this contention ght was eventually conceded. due

The Following adoption of the general ard railway law, a board of railway commis- ail- sioners, similar to the Canadian board, was appointed to regulate and control the traffic rates of all Cuban railways. eral The railways in operation were request- ked ed to frame and submit a schedule of he uniform rates and classifications. This per- they failed to do, and well intentioned ngs. officials of the Government compiled an c of intricate classification similar to western rom U.S. schedule, which was described by de- Van Horne as "approximately the old aker Missouri classification of 'plunder and rant lumber.'" He assisted the commis- the sioners in framing a new schedule, which and prescribed maximum rates substantially



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Van Horne again took a hand in the affair. He was experiencing once more the difficulty, which he had often found in his early days in Canada, of securing unity of action from, and setting up harmonious relations with, remote boards of directors in London. He wrote to financial friends in that city, asking them to prevail upon these boards to abandon "their supreme belief in the efficacy and fitness of the rules and instructions laid down in London"; to give their Cuban officials full powers to deal with questions as they arose, or, failing this, to send out to Cuba the best and broadest minded man among them, not "one of the narrow minded, self sufficient damn fools so often sent out from London to various centers in such cases."

He fixed upon the ancient city of Camagüey, then called Puerto Principe, for the headquarters of the railway, and decided to mark the turning of the first sod at that point with a public celebration. The influence of the officials of a small railway running from the city to the northern coast was exerted, however, to prevent the public from attending the ceremony. The attendance was wretchedly small, but, undaunted by his chilly



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reception and determined to win the  
favor of the people, Van Horne accepted  
the situation as though every circum-  
stance was propitious. With courtly de-  
ference he handed the spade to Niña  
delina, the little daughter of Mayor  
Arreras, and she performed the cere-  
mony. On his return to New York he  
bought her a gold watch, which bore a  
suitable inscription, and had an illumi-  
nated address prepared to commemorate  
the interest she manifested in the com-  
pany's undertaking" and for "so gra-  
tiously inaugurating its work at Puerto  
Principe. When he next visited the city,  
bringing with him the watch and the ad-  
dress, the people had come to realize the



benefits they would derive from the new railway, and the presentation ceremony, which took place in a flower decked patio, was a genuine festival. Some months later the tide of good feeling had risen so high that he was formally adopted by the civic authority as a "son of Camagüey."

The grading of the road was completed in March, 1902, but a labor shortage, the non-arrival of bridge material, and damage by rains delayed completion of the line. Its estimated cost was largely exceeded, and construction was handicapped by financial pressure and the need for rigorous retrenchment. On Dec. 1, 1902, the Cuba Railroad was opened for traffic. Till then it had taken ten days to travel from one end of the island to the other; now the journey could be made in a luxurious sleeping car in 24 hours. Van Hörne, who had gone to Cuba for



the occasion, found himself not merely the adopted son of Camagüey, but of all the eastern provinces.

Meanwhile the government of the Republic of Cuba had been inaugurated in the preceding May and had taken over the administration of the affairs of the country. The Foraker Act had thereupon become inoperative. But by that time, while all others who wished to promote railway building in Cuba had been held back by the provisions of the act, Van Horne had substantially completed his line. The road had been built without subsidy or public aid of any kind, through a region where, despite an offer of government guaranties, the old regime had been unable to find men bold enough for the task. It was a monument to Van Horne's faith in the honor of the Cubans and in the future of their country. Furthermore, it was a monu.

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**of Transportation Men i**



ment to the Cubans' sense of honor and fair dealing. Remarkable, if not unique, in Spanish-American countries, it was built without buying any man or any one's influence. Farquhar, who had an intimate knowledge of the undertaking, said:—

"The Cuban Railway was the purest big enterprise I've ever heard about in North or South America. There was not one dollar spent directly or indirectly in influencing legislation or the people. Sir William relied upon the fact that he was supplying a desirable public utility. He merged the company's interests with the community's, and went ahead, buying no man. There was one time I wondered if we could stick to Sir William's rule in this respect. However, we got through, holding to our principles. It was a fine and most rare side of a business of this sort, as creditable to the Cuban people as it was to Sir William."

The foregoing, reproduced from The Century Magazine, is from the biography of Sir William Van Horne, by Walter Vaughan, since published in book form.