

The Public

Fifth Year.

CHICAGO, SATURDAY, FEBRUARY 21, 1903.

Number 255.

LOUIS F. POST, Editor.

Entered at the Chicago, Ill., Post Office as second-class matter.

For terms and all other particulars of publication, see last page.

As if almost in response to our assertion of last week (p. 706) that the operating expenses of street car companies average much less than three cents per passenger, comes the report of the Chicago City Railway company, one of the corporations that has recently been negotiating with the Chicago councilmen with a view to an extension of franchises on the basis of a five-cent fare.

Upon the face of the report, it appears that the street railway in question carried, during the past year, 128,097,799 passengers, and that the operating expenses were \$4,336,504. This is at the rate of 3.38 cents per passenger. Before accepting that report as conclusive, however, we should like to see an itemized statement of the "operating expenses," with the "experts" on oath and an opportunity for cross-examination.

It is not at all probable that the average cost per passenger in Chicago is heavier than in small cities. On the contrary, it is highly probable that it is lighter; for the volume of business is larger in proportion to necessary expense. Yet an investigation of traction service in small cities reveals the fact that the average cost is not more than three cents. As an example, we may refer to a statement by Calvin Elliott, of Millersburg, O., in his recent work on "Usury." At page 164 of that book Mr. Elliott declares that after making a careful estimate of the accounts of a car line in a small city where the number of riders is small in comparison with those of our large cities, he is con-

vinced that the average cost of operation, per passenger, is less than two cents.

If we turn to the accounts for Glasgow, which are unquestionably veracious, we find this conclusion confirmed. According to the Glasgow street car statement for the year ending May 31, 1902, the number of passengers carried was 170,000,000, and the operating expense—power, traffic, and general expenses, repairs, sinking fund for renewal of permanent equipment, and depreciation—amounted (in dollars, at \$5 to the £1) to \$2,025,515. This gives an average cost per passenger of 1.19 cents. Operating expenses are somewhat dearer there than in Chicago, but it is probable that they are almost three times as much for every passenger carried?

Come, now, to a city nearer home—Toronto. The report of the street car system of that city for the past year is before us. This system is owned by the city. Its property includes the right of way, but does not include sleepers and rails; and one of the items of the report is \$255,551.07 paid to the city in rentals for the current year. The rates of fare are six tickets for 25 cents, eight tickets for 25 cents for early hours, seven tickets for 25 cents for Sundays, and 25 tickets for one dollar. According to this Toronto report, the number of passengers carried in the year 1902 was 44,437,678; while the operating expenses, including taxes, but not including rentals, was \$1,015,361.32. This is at the rate of less than 2.29 cents per passenger.

Other facts of interest to American cities appear in this report of the Toronto Street Railway company. It shows that the service could be furnished at a profit upon a

straight three-cent fare. As the number of passengers carried was 44,437,678, the gross earnings at three cents straight, without considering the increased patronage in consequence of the lower fare, would have been \$1,333,130. Against this the operating expenses, as reported, were \$1,015,361.32, which leaves a balance of \$317,769 as gross profits. No payment to the city should be required, for such payments tax street car passengers per capita for the benefit of landed proprietors, whose tax burdens are to that degree diminished. There would be nothing to pay, therefore, out of the gross profits of \$317,769, but interest on bonds, dividends on stock, and a contribution to a sinking fund for replacement of capital. The outstanding bonds amount to \$3,473,373.33, over two-thirds of which bear 4½ per cent. interest, and the remainder 6 per cent. The interest is accordingly about \$170,000. This would reduce the net profits to \$147,769, which, without any provision for sinking fund, would allow only 2 1-3 per cent. on the stock as reported. But the stock as reported is understood in Toronto to be fictitious. The bonds—\$3,473,373—are said to have paid for the road. Upon that assumption, there would be no necessity for dividends, and the whole \$147,769 could be put into a sinking fund for paying off the bonds. At that rate this would take less than 25 years, without considering the interest-earning power of the sinking fund. With the augmented business that a straight three-cent fare would bring, these calculations point to the probability that an interest in a three-cent fare street railway would be highly profitable.

Further evidence of the extreme probability that a straight three-cent

fare would be profitable, is offered by the street car situation in Cleveland. As is pretty well known, Mayor Tom L. Johnson, one of the best street car experts in the country, undertook two years ago to establish a three-cent fare system in Cleveland. In this he was supported by the city council, not only after it became Democratic but while it had a Republican majority. The franchise was offered for bids. Only one bidder responded, but he deposited \$50,000 cash as a guarantee of good faith, and when the franchise was awarded him, he promptly began the work of construction. Now, if he could not have made the road profitable at a three-cent fare, what could have been better for the old street car interests than to keep quiet and allow him to go on to his own destruction? Nothing could have been more convincing of the impracticability of the three-cent fare idea. But they did not keep quiet, except as burglars do. They pulled wires and fought under cover in the courts until they had succeeded in overturning the whole municipal system of the State—all for the purpose of heading off the three-cent fare railway. In that they have thus far been successful. But now they must meet the people of Cleveland, squarely upon the three-cent fare issue, and as the people decide so it will be. The old franchises are beginning to expire, and the issue is between Senator Hanna, the head of the street car ring of Cleveland, who seeks a renewal of franchises on the old terms, and Mayor Johnson, who advocates three-cent fares immediately and municipal ownership at the earliest possible opportunity.

While this issue was taking shape a significant thing occurred. The central organization of labor unions of Cleveland had appointed a committee on low fares, and this committee reported a few weeks ago, with studied elaboration of detail, that upon investigation they had found that it costs more than three cents per passenger to operate the street cars. Wherefore they advised

against the three-cent fare movement and in favor of extending all franchises to 1914, when the last one expires. As soon as that report became public Mayor Johnson declared that it bore internal evidence of having been prepared in the office of Senator Hanna's lawyers. This characterization was denounced by the committee, whose members, however, opposed a motion to invite Mayor Johnson to explain his charge before the central body. The invitation was extended, nevertheless, and the result proved disastrous to the street car ring.

When he appeared before the central body of the labor meeting in response to their invitation, Mayor Johnson read a carefully prepared paper in which he exposed the bad faith of the report. Referring to the advice to extend the franchises to 1914, he said:

This proposition to extend the franchises to the date of the expiration of the last is exactly the street railroad contention. It is what has been the most frequently suggested to me in the last year as a solution of the question. It is the plan of greatest advantage to the companies. This stifles any competition for new lines and postpones the settlement to such a distance that the railroads will very gladly take the chance of getting a favorable administration and city council any time within the next ten years to settle this question as they have attempted to in Cincinnati by a 44-year grant, made directly by the legislature.

He then proceeded to describe the report, taken as a whole, as—

an able brief presenting the street railroad side of the question in the strongest way for their interest. It is the ability and cunning in its preparation that first impressed me with the belief that it was prepared by street railroad attorneys, and I naturally came to the conclusion that their principal advisers, Messrs. Squire, Sanders & Dempsey, had written, directed, or in some way inspired the arguments found on its pages. I did not see them do it. I do not know that they did, but there are not many street railroad lawyers who could produce a better piece of work. I think a careful reading of the report, in view of the ingenuity and cunning I have pointed out, will convince you gentlemen that no member of your committee is sufficiently skilled in such work to produce so able a brief. If in this

I am mistaken, I would advise him to change his occupation, as the privileged classes pay exceedingly well for high-grade work of this kind.

Turning to the facts connected with the making of this extraordinarily able labor report, Mayor Johnson went on:

Now as to the facts connected with the making of this report: I have no desire to reflect upon the private character of any one. I repeat, that I have no facts that would warrant my going before a grand jury with charges, but there are some questions that I think would have weight. In this case we must at the outset admit that there is a powerful interest anxious to perpetuate franchises in the streets of the city, in which they think at least millions are at stake. And there is sufficient incentive on that side to warrant an attempt to influence directly or indirectly, either by argument or payment, those having in charge the preparation of this report to so shape it that it will amount to an indorsement at the hands of the labor organizations of their arguments and contentions, and will discredit as much as possible the people's side of the question. I believe that I have shown you this report does that very thing, and you will admit that there is sufficient at stake from the side of the railroads to warrant the disposing of large sums to accomplish their end. Now the point is, whether any members of this committee, directly or indirectly, have been deceived, unduly influenced, or corrupted in this work. I propose to show you some circumstances that I think, if unexplained, will, to say the least, cast doubt upon the sincerity of one or more members of this committee.

Here Mayor Johnson turned from his paper to say he would like to ask one member of the committee whose report was before the body one or two questions. "I would like to ask this member of the committee," he said, "whether he has lately had any large sum of money paid him?" Without waiting for an answer the mayor then suddenly faced the member to whom he had alluded and exclaimed: "Michael Goldsmith, have you had any large sum of money paid to you recently, either \$500, \$1,500 or \$2,500?" "Yes," came the reply from Goldsmith. The question and the answer are reported to have caused the most intense excitement among the delegates. Those present in the hall were fairly overwhelmed and the stillness that followed the