

NEWS NARRATIVE

To use the reference figures of this Department for obtaining continuous news narratives:

Observe the reference figures in any article; turn back to the page they indicate and find there the next preceding article on the same subject; observe the reference figures in that article, and turn back as before; continue until you come to the earliest article on the subject; then retrace your course through the indicated pages, reading each article in chronological order, and you will have a continuous news narrative of the subject from its historical beginnings to date.

Week ending Tuesday, July 3.

The Traction Question in Cleveland.

Mayor Johnson's traction policy in Cleveland (p. 299) appears now to have passed every crisis and to be approaching a victorious culmination. Its aim, it will be remembered, is municipal ownership, which the laws of Ohio do not yet permit, and improvement of the service and reduction of fares meanwhile.

In his first campaign for Mayor, 1901, Mr. Johnson made three-cent fares the issue, and from the beginning of his first administration he has steadily endeavored, against great pressure from the companies and great opposition from the local Republican "machine," to secure this result. Sometimes the City Council was against him, often it was equally divided, and but seldom during the worst of the fight did he have a reliable majority; while the courts were prolific of injunctions, and the legislature and the State government stood like a stone wall against him, and even went so far aggressively as to revolutionize the city government in order to baffle him.

To promote his three-cent fare policy, he secured the organization of a new traction company, the Forest City, for which he obtained three-cent fare franchises with a view to their being turned over to the city as soon as a municipal ownership law could be obtained. This company began work, but was soon stopped by injunctions, the last of which has but recently been removed. After a long and baffling fight, Mayor Johnson proposed to the monopoly company a year ago the settlement of the whole question by means of the organization of a "holding" company. It was his idea that the "holding" company should take over the entire street railway interests of the city as lessee at a fair rental; that it should be absolutely controlled by five of the most reliable and competent citizens of Cleveland, on salaries and not for profit; that it should manage the property in the interest of the city and virtually as a self-perpetuating city bureau; and as security to the present private interests, that a 20-year franchise should be granted which would revert to them if the "holding" company did not perform its obligations under the lease. But the monopoly company would not agree to the financial terms which Mayor Johnson proposed—namely, a valuation of 85 per cent. of the par value of their

stock. This amount would have given them about three times as much for their plants and unexpired franchises as it would have cost to rebuild the system in first-class condition; but they refused, and thereupon Mayor Johnson turned to the plan which is now about complete and in actual operation.

He organized a "holding" company—the Municipal Railway Company (p. 299). The organization was completed on the 2d by the installation of A. B. du Pont as president and director; Chas. W. Stage, Frederic C. Howe, Edward Wiebenson, and Wm. Greif as the other directors; and W. B. Colver as secretary. The directors are a self-perpetuating body, who are paid salaries, and neither they nor their company are to profit otherwise; and their books are to be always open to the public and they are to make all their transactions public. The "holding" company owns and is to own no property whatever; but it has become the lessee of the Forest City Co.—the 3-cent fare line—and is by virtue of its lease to operate all franchises that have been or hereafter may be granted to the Forest City Co. The capital for construction is raised by the Forest City Co. by the sale of its stock at 90 cents on the dollar, and deposited in trust for the use in construction of the "holding" company. The "holding" company agrees to construct and operate, to pay 6 per cent. on the capital, to pay off the capital at 10 per cent. above par, and to devote the entire surplus to extensions and improvements.

When the stock of the Forest City Company to the amount of \$400,000 was offered, the Cleveland Press, one of the Scripps papers, and among the few papers of great influence in Ohio, editorially advised the public to buy it, recommending it as a safe investment for persons of small means and more profitable than savings bank deposits. In its editorial of the 1st The Press described the plan as follows:

The Forest City Railway Co. has sold \$350,000 worth of stock at 90. It has offered for sale and is now soliciting subscriptions for \$400,000 more of the stock. All of this stock is to be put out at 90. The Municipal Traction Co., under the terms of its lease of the Forest City Railway Co., has guaranteed 6 per cent. cumulative dividends on the par value of this stock. The entire amount received from the sale of this \$750,000 worth of stock at 90 is to be invested in about 13½ miles of street railway construction and equipment. This means a capitalization of about \$50,000 a mile; no bonds; no water. The Cleveland Electric Railway Co. [the old monopoly company] is bonded and capitalized at about \$150,000 a mile. The difference in these two propositions must be apparent to the merest tyro in finance.

In vouching for the plan The Press said:

Financially the project seems to be as clean as a hound's tooth. Legally there seems to be no vulnerable point. Economically the proposition appeals to "The Press" and its experts as safe and sound. "The Press," without reservation, indorses the project as a practicable solution of the most vital and vexatious problem with which American municipalities have to deal. And "The Press" goes still further than a mere indorsement of the project; it indorses it as a safe and sound 6 per cent. investment for people of small savings who are drawing but 4 per cent. interest on their savings bank deposits.

Continuing its advocacy of the plan, The Press asked:

Who is better entitled to the profits of a street railway than the thrifty citizen of small means? What investment is safer than in the stock of a public utility honestly capitalized on physical value; managed by men of character, in honor bound not to participate in the profits and to manage the property in the interest of the public. It seems to "The Press" that every element which makes the usual public service corporation a public menace instead of a public benefit has been eliminated from this 3-cent fare project. "The Press" would like to see every share of the \$400,000 worth of Forest City Railway Co. stock, which is now for sale, taken by the thrifty, conservative small investors of this city in blocks of from one to 20 shares. This issue of stock has already been fully subscribed by large investors, but "The Press" is assured that in allotting the stock, small local investors will be given the preference. The people of this city at last have the chance for which they have long fought, to solve the traction problem for themselves. And further than this, they have the chance to point the way for other municipalities; and, what is of more importance to the individual, they can keep the profits themselves.

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Immediately challenged by a correspondent who asked The Press why it didn't guarantee the stock as well as recommend it, if it thought so well of it, The Press responded on the 2d as follows:

"The Press" thanks its anonymous correspondent for the suggestion and accepts it. There is \$400,000 worth, par value, of Forest City Railway stock now offered for sale. To each original subscriber or his personal representative whose subscription has been made through "The Cleveland Press," and who subscribes for an amount not exceeding two thousand dollars (\$2,000) of the par value of this stock, "The Cleveland Press" agrees to purchase the stock so subscribed on 60 days' notice given within ten (10) days after any dividend or interest period, and to pay therefor the amount paid by each subscriber with six per cent. (6 per cent.) interest thereon from the date of his payment, less any interest or dividend which he has received, this offer of purchase to be open for two (2) years from the date of the subscription.

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Mayor Johnson makes the following formal statement regarding the enterprise:

Inasmuch as I am associated, in the public mind, with the enterprises herein set forth, I deem it fitting that I make a full statement of my position. I am not now and never have been financially interested in the Forest City Railway Company. I have, however, in the discharge of my pledges to the people of Cleveland, aided in every way in my power the efforts to construct and operate a system of low fare railroads in this city. I have in the past a number of times when requested become liable as surety on bonds and guaranteed the payment of obligations of the Forest City Railway Company, but the net result is that while I have in the past stood to lose if the enterprise failed, I never have and never will reap any financial benefit from its success. I believe that it will succeed and that the people who ride on street cars will benefit from reduced fares and that those who invest money in the low fare road will reap fair dividends and profits from the venture. To my mind this is not a philanthropic enterprise, but rather a plain and sound business proposition. I believe that publicity and the high personal integrity of the directors of the Municipal Traction Company will guarantee the carrying out of the plans set forth in absolute fairness to the public and to the stockholders of the Forest City Railway Company. Secrecy and over-capitalization are two cardinal vices of the modern public service corporation. Neither of these can have any place in this plan. With the utmost regard for all the rights of existing companies, I shall do all in my power to further the success of the Forest City Railway Company and the Municipal Traction Company, but my interest shall not be of a pecuniary nature. In lending such aid and encouragement

I feel that I shall be doing no more than I have promised the people of Cleveland. For five years a struggle has been waged in Cleveland to secure reasonable fares. In all that time I have, as mayor, and as a citizen, waged no unfair war on any private interest. This enterprise shall have my hearty support and I confidently invite the support of the public, both as citizens and as investors. The grants to the Forest City Railway Company will establish street railroad facilities where they are very much needed, and will, on a capitalization of \$50,000 a mile, in my judgment, produce a net revenue of more than 14 per cent. on the actual capital invested. The Cleveland Electric is earning 8 per cent. net on a capitalization of about \$150,000 a mile. This would mean, if capitalized at actual cost, between 20 per cent. and 24 per cent., so that the estimate of 14 per cent. net earnings is conservative. The City of Cleveland has made the greatest growth in its history in the last six or eight years, and during all that time the building of street railroad tracks has been almost at a standstill. Extensions equaling one-third of the present system are now greatly needed. The lowering of the fare will greatly stimulate traffic, and make more tracks and equipment necessary. When asking for grants for extensions, both in new territory, and for grants on streets where franchises have or will expire, the Forest City Railway Company is likely to receive at the hands of the city favorable consideration not only because the fare is lower, but because all earnings above the fixed payment to the investors are to accrue indirectly to the benefit of the city. The city should provide in all grants to that company proper safeguards, but can afford to be much more liberal in making grants under these circumstances than where there is no limitation of future profits. This plan really secures to the people of Cleveland better service and lower fare and the benefit of all future growth in franchise values and economies in the operation of street railroads.

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Ohio Politics.

Although the highest State official to be elected in Ohio this year is the Secretary of State, the campaign promises to be an active one. This is due to the burning issues that have been either raised or intensified since the gubernatorial election of last year. At that election (vol. viii, p. 565) the Democratic candidate for Governor was elected by a heavy majority, but the Senate was Democratic by a narrow majority and the House was Republican. But little could be done, therefore, in the way of realizing the demands of the voters as expressed in the Governor's election. The two-cent fare bill for railroads was carried early in the session, but the home rule measures, the Howe taxation bill and the initiative and referendum amendment to the constitution, which were carried in the Senate against the Republican "machine," were defeated by the Republican "machine" in the House. Another matter was the investigation of the Cox regime in Cincinnati. A House resolution for this purpose was defeated by the Republican "machine," but in spite of its opposition a similar resolution was carried in the Senate, and the Drake investigation at Cincinnati thereby set on foot.

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All these questions are now being agitated throughout the State, namely, home rule, the Howe taxation bill, the initiative and referendum, and the Cincinnati investigation. The latter has risen in importance as the result of the efforts of the Republican "machine," acting in the interest of Cox, to suppress it. When the efforts to prevent this investigation had failed in the Senate, and the investigation had begun to disclose scandalous corruption