

case the licensee so contracts with the city the licensee shall be obligated to pay over all the net profits to the city. . . . If the consolidation plan is worked out satisfactorily the City Council will be asked to pass a license ordinance designating the new company as the licensee and authorizing it to take over the properties of the present companies at the price of 20 per cent above the purchase price of the city. This ordinance, however, will provide that the 20 per cent bonus shall not be added to the capital account on which the 5 per cent interest is allowed by the present ordinances. By this plan the consolidated company would hold the same relation to the city as is held by the present companies. The same financial arrangement would exist, and the city would receive the same proportion of the net receipts as at present.

+ +

#### The Traction Situation in Cleveland.

After a lengthy conference over the Cleveland traction problem (p. 176), between Mayor Johnson, Judge Tayler and John G. White (of the Tayler peace committee), held on the 17th, intimations of a satisfactory settlement were made. When interviewed about it by the Plain-Dealer for its issue of the 18th, Mayor Johnson said: "All I can say now is that some headway was made at a meeting between Judge Tayler, John G. White and myself this afternoon. A meeting of the Council Committee of the whole will be held in a day or two."

+

Prior to meeting with the peace committee on the 17th, Mayor Johnson met with the street railway committee of the Chamber of Commerce. He told this committee of progress made and went into general details of the plan that has been worked out under the Tayler idea, expressing a hope also that a settlement will be made.

+

Mayor Johnson's public statement mentioned last week (p. 176) is of sufficient general interest and importance to be given here in full:

RECEIPTS EXCEEDED EXPENDITURES BY \$230,111.18. EVEN AFTER ALLOWING FOR A PROFIT OF \$220,134 TO THE STOCKHOLDERS. THE RECEIPTS EXCEEDED THE EXPENDITURES BY \$9,977.18.

The receivers in a communication to the City Council, January 13, 1909, reported a deficit for October, November and December of "approximately \$125,000." Later reports to the court reduced this to \$120,815.52 and revealed that it was reached after allowing not only for accrued interest of \$120,470.59 on the funded and floating debt, but \$220,134 which the Municipal Traction Company would have paid under the lease as a 6 per cent dividend rental. Including this unpaid dividend rental as if paid, the receivers reported the following deficits:

Deficit reported by receivers in October.....	\$ 29,547.12
Deficit reported by receivers in November.....	37,911.89
Deficit reported by receivers in December.....	53,356.51
<b>Total .....</b>	<b>\$120,815.52</b>

In making up this statement the receivers set aside,

as though actually expended, 5c per car mile for maintenance and 0.7c per car mile for damages. This amount the Municipal Traction Company under the lease had been obliged to set aside, although this maintenance charge greatly exceeded the expenditures of the Cleveland Electric Railway Company for these items and was much more than the expenditures of most other roads. Since the court has ruled that for the purposes of this receivership the lease shall be considered void, it is not clear why the receivers in claiming a deficit of \$120,815.52 did not explain the nature of this so-called deficit. The actual expenditures for maintenance and damages were \$130,792.70 less than the expenses reported by the receivers in those three months.

Month.	Total excess reported expenditures over actual expenditures.	Reported deficit.	Actual surplus.
October .....	\$ 31,362.79	\$ 29,547.12	\$ 1,815.67
November .....	42,906.37	37,911.89	4,994.48
December .....	56,523.54	53,356.51	3,167.03
<b>Total .....</b>	<b>\$130,792.70</b>	<b>\$120,815.52</b>	<b>\$9,977.18</b>

Thus the receipts exceeded the actual expenditures and the unpaid dividend rental set up as an expense by \$9,977.18. Yet the total operating expenses per car mile, aside from maintenance, were higher under the receivers in November and December than during August and September under the Municipal Traction Company.

#### CERTAIN EXTRAORDINARY EXPENSES THAT WERE NOT NORMAL AND THAT SHOULD BE ADDED TO THIS SURPLUS.

The receivers in their October report to the court relative to the deficit of \$29,547.12 of that month gave the "normal deficit" as \$7,191.00 and then described the items making up the rest of the deficit (\$22,356.12). The receivers have done the same thing with respect to \$12,838.01 of legal and expert expenses for November and December. Of this \$35,094.13 of extraordinary expenditures \$23,387.60 was for legal services that appear to have been due almost entirely to the receivership litigation, while \$9,522.93 appear to be special charges. The latter charges were as follows:

So-called "deferred charges" of the Cleveland Trust Company and the Citizens' Savings and Trust Company of \$6,000.00, which are declared by the receivers to have been incurred "for services for the entire period since January 1, 1908," and \$3,522.93 which is declared by the receivers to have been a "transfer stock adjustment for the re-adjustment of the ledger balance to agree with the actual available transfers on November 1st. The stock was moved from Lake View Station to an office in the Electric Building during October and all old and obsolete transfers were destroyed." About three-fourths of this \$9,522.93 of special charges or \$7,142.20 might be properly applicable to the previous three-quarters of 1908.

The total of the above \$23,387.60 of extraordinary legal expenses and of \$7,142.20 of other special expenses was not part of the ordinary operating costs of the road in October, November and December, 1908. Therefore, if this \$30,529.80 of extraordinary expenditures had not been included in the operating expenses and if the receivers had reported only the actual expenses for maintenance and damages, there

would have been a surplus as shown by the table below during those three months of \$40,506.98 instead of a deficit of \$120,815.52.

It may have been proper to put some of the receipts of October, November and December into a renewal fund as the receivers have done, though repudiating the lease which required this allowance far in excess of that set aside by most street railways, but why was it not stated that the actual expenditures were more than met by the receipts? It is also likely that the extraordinary expenses of the receivership litigation should have been paid as they were in October, November and December, but why was not some reference made to the extraordinary character of these expenses when the receivers announced a deficit of \$120,000.00?

**TRANSFERS.**

The transfers during the last three months of 1908 were 11,282,820 or 31.2 per cent of the total fares (36,170,412). Even if only 25 per cent had taken transfers with a penny charge, this would have yielded \$90,426.00 or more than the reported deficit of \$120,815.52 if the extraordinary and unusual expenditures of \$30,529.80 already described be deducted even though the \$130,792.70 of bookkeeping but not actual expenditures for maintenance and damages be allowed.

**SUMMARY OCTOBER, NOVEMBER, DECEMBER, 1908.**

Undivided profits set aside for stockholders as a 6% dividend rental .....	\$220,134.00	
Actual surplus over actual expenditures and undivided profits....	9,977.18	
Extraordinary legal and expert expenditures .....	23,387.60	
Other extraordinary expenditures.....	7,142.20	
<b>Actual surplus over ordinary normal expenditures .....</b>	<b>\$ 260,640.98</b>	
<b>Estimated revenue from 1c charge for transfers .....</b>	<b>90,426.00</b>	
<b>Total profits, October, November and December with 1c charge for transfers on the basis of actual expenditures, but excluding \$30,529.80 of unusual expenses and a reserve for larger renewals and damages in the future than were actually required in the last quarter of 1908 .....</b>	<b>\$ 351,066.98</b>	

**ESTIMATES FOR 1909.**

At this rate the surplus for 1909, without any growth of business, would be.....	\$1,404,267.92
Probable increase of over 10% in receipts in 1909, with continuance of 3c fares, and with little, if any, increase of monthly expense above the last quarter of 1908.....	500,000.00
<b>Gross profit .....</b>	<b>\$1,904,267.92</b>
Even the deduction for 1909 of four times the Receiver's bookkeeping allowance of \$130,792.70 for the last quarter of 1908 for extraordinary renewals and damages or \$523,170.80 and four times their extraordinary expenses on account of the receivership, etc., of \$30,529.80, or \$122,119.20 for the year, would only reduce this surplus by.....	645,290.00
<b>The profit would still be.....</b>	<b>\$1,258,977.92</b>
<b>This would pay 6% dividends of.....</b>	<b>880,536.00</b>
<b>And still leave a net surplus of.....</b>	<b>\$ 378,441.92</b>

To this should be added the large increase of profit sure to result from the general introduction of pay-enter cars and fare boxes.

+

The receivers were authorized by Judge Tayler on the 18th, says the Plain Dealer—

to pay the semi-annual interest on \$6,000,000 worth of bonds of the Railway Company, falling due on March 1, and the quarterly interest due on a \$50,000 loan held at the Guardian Savings & Trust Co., and another for the same amount at the Citizens' Savings & Trust Co. The interest on the loans falls due on March 1 and April 1. The interest on the \$1,000,000 East Cleveland bonds will amount to \$25,000; on the \$5,000,000 Cleveland Electric consolidated bonds \$125,000, and on the bank loans \$1,500, a total of \$151,500. The bank loans are secured by the deposit of bonds and if the interest is not paid when due the collateral could be sold. Interest is overdue on other unsecured bank loans representing the general floating debt in excess of 1,200,000, but as there is no collateral back of these loans the interest has been allowed to run, and the banks are still holding the notes as overdue paper.

+

Local market reports on the 20th gave the value of the traction stock as 81½.

+ +

**Government by Committee.**

Senator La Follette of Wisconsin charges his party with having abandoned deliberation in Congress and fallen back upon government by committee. It was in a speech in the Senate on the 18th. He had asked time for consideration of the postoffice appropriation bill for a day, it having but just come into the Senate; and Senator Penrose, in charge of the bill as chairman of the committee on postoffices and post roads, had resisted the request. Mr. La Follette thereupon charged that important legislation is placed in these appropriation measures which could not pass as separate bills. He said that the salary increase for the judiciary, for the high executive offices and for the Vice-President and the Speaker of the House had been put through in that way, and he insisted that committees unduly delayed bills which might be reported earlier so that the Senate would have more opportunity to study and understand them.

+ +

**Centralization of Libel Prosecutions.**

Indictments for libel were found on the 17th by the grand jury of the District of Columbia against the editors and owners of the World (pp. 73, 86) of New York and the News of Indianapolis. The persons named are Joseph Pulitzer, Caleb M. Van Hamm and Robert H. Lyman, of New York, in respect of the World, and Delavan Smith and Charles R. Williams, of Indianapolis, in respect of the News. The libels charged are articles making accusations against Theodore Roosevelt, William