

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 Wednesday, Jan. 16, 1907.

Mayor Johnson's Traction Victory.

Tom L. Johnson's victory over the monopoly traction company (p. 966) in behalf of the city of Cleveland grows in magnitude with each new development.

+

At the public meeting called by the City Council for the 10th, upon receiving news of the sweeping anti-monopoly decision of the Supreme Court, the "Concon" (Cleveland Electric, the private monopoly company) made an offer to operate during a truce of 30 days the Central and Quincy avenue lines (expired grants according to the Supreme Court decision), upon a three cent fare, including transfers, and at the termination of the time, if three cents shall have proved to yield a profit, to pay the profit over to the city. It also offered arbitration as to the amount of its profits since March 22, 1905, when its franchises expired, agreeing to pay over the arbitrated amount.

+

At the same public meeting, the Low Fare Railway Co. offered to operate on Central and Quincy avenues (the same territory to which the "Concon" offer applied) for a three cent cash fare, with transfers to and from all other street railways; this company to use the "Concon" tracks, poles and wires, and to pay for the use thereof a rental of 6 per cent. on their value, to be appraised by two arbitrators and a referee. The offer included also an alternative proposal to buy the "Concon" property outright at its appraised value plus 10 per cent. It was further proposed by the Low Fare Company that its own franchise rights on the streets should be terminable by the city upon demand.

+

The Municipal Traction Company (the "holding" company for the city), of which A. B. du Pont is president, offered at the same meeting, through Mr. du Pont, to operate the Cleveland Electric property on a leasing basis similar to that under which it is operating the Forest City ("Threefer") lines, the plan to include a readjustment of the Cleveland Electric's stock upon a basis of the value of the company's tangible property, with the right of purchase at \$1.10 on the dollar. The purpose of this offer is to enable the Municipal Traction Company to acquire the whole traction system of Cleveland at a liberal tangible property value, for the purpose of turning the system, fully equipped, over to the city as soon as the city acquires legal power to own it.

After these offers had been made, the Council adjourned to the 11th, and at this meeting an all-around arrangement was made which is to last 30 days. During this period the Forest City Railway Co. ("Threefer") is to extend and operate its lines to the Public Square; the Cleveland Electric ("Concon") is to operate the Central-Quincy lines on three-cent fares; and a permanent arrangement is to be made if possible. The temporary arrangement was perfected by the adoption of a resolution by the Council in committee of the whole. Concurrently therewith the committee of the whole adopted a further resolution declaring it to be the sense of the city officials that a general settlement should be reached, and recommending to the immediate consideration of the Cleveland Electric ("Concon") officials, as a basis for settlement, the proposition made on the 10th by the Municipal Traction Company, namely, the execution of a contract similar to that existing between the latter company and the Forest City or "Threefer." This offer was made by Mayor Johnson a year ago to the "Concon," at the purchase price of 85 cents on the dollar for its stock, which was then selling at 80. Its stock is now fluctuating between 61 and 68. The three-cent service actually began on the 12th.

+

When the City Council met in regular session on the 14, it approved the action of the committee of the whole, accepted the arbitration offer of the Cleveland Electric ("Concon"), and received a formal proposal from this company for final settlement. The proposal asked for a franchise on the basis of seven tickets for a quarter, with universal transfers, and requested a referendum thereon, but added:

The company, however, realizes the existence of a general public sentiment in favor of the settlement of the long drawn out controversy on the subject of the operation of street railways in this city, and if in your judgment it is not in the public interest to settle the matter by granting to this company a franchise upon the lines above referred to, we are, of course, willing to consider propositions or suggestions along other lines; and, if as we understand the action of your body last Friday, it is your wish that we do so, this company will give careful business consideration to a proposition for a lease of its property and franchises to some other company, together with an option to the city to purchase, and to this end our president will be glad to confer with Mr. A. B. Du Pont.

The Council referred this communication to the street railway committee, at the same time adopting a resolution declaring it to be the sense of the Council that negotiations between Presidents Andrews and du Pont be entered into, and that conclusions reached be reported to the Council.

+

The injunction asked for against the Low Fare Company (p. 967) was refused by Judge Babcock on the 9th, after a full hearing.

+

Commenting on the whole situation on the 12th. in reply to a question propounded by the Cleveland Press, Mayor Johnson made the following interpretation of the significance of events:

The two significant developments are: First, the fact

that 3-cent fare has actually come on both sides of the river, and has come to stay—3-cent fare and universal transfers; and, secondly, that the minds of all parties concerned have turned towards the holding plan as the only practical solution. The only question now in dispute is the price which must be paid by the public company to the private company.

The Cleveland Electric Railway Co.'s stockholders have a right to be fairly and fully paid for their physical property, and they are fairly entitled to the present worth of their unexpired franchises.

In previous negotiations the fixing of a value on physical property has never been difficult, but the franchise value has had two elements upon which agreement has been hard to get. One was the actual date of franchise expiration, and the other was whether or not the remnants of franchises should be appraised on a monopoly basis, or with consideration of the fact that there is actual and low fare competition to be reckoned with.

The United States Supreme Court has settled forever the theory of perpetual grants or indefinite extensions by implication, and the existence of low-fare competition is a physical fact.

So then the only question is one of price, and this can be arrived at between the parties, subject to the consent of the people of the city and the Council.

The holding plan, as proposed by Mr. du Pont to the Council should be well understood by every citizen of Cleveland.

Mr. du Pont has offered the Municipal Traction Co. as an instrument ready to hand, but when he did this he suggested that the membership of that company should be changed in any way that may be agreeable to the Cleveland Electric Railway Co., and all other interests.

The purchase of the stock or of the property of the Forest City Railway Co. by the Cleveland Electric Railway Co., is, of course, out of the question. That cannot be thought of for an instant in the face of the public ledges of the lessees of the Forest City Railway Co.

The holding plan is intended, primarily, to remove private interest from public service. This is done by limiting earnings and forever forbidding the watering of securities. The plan as now applied to the Forest City Railway Co. is by du Pont's offer applied to the Cleveland Electric Railway Co., with one exception, namely, at while the Forest City Railway Co. is leased on a basis that strips it of all franchise value, the Cleveland Electric Railway Co. is conceded the right to be paid franchise value—but not so much as may be thought considering the elements of low fare competition and exceeding short life of those expiring grants.

The practical way to work this out would be for the Cleveland Electric stock issue to be shrunken in volume so that it is on an equal basis with the Forest City Railway Co.; that is, until each \$100 share of the Cleveland Electric stock represents an actual value of \$90, and this stock a rental-dividend of 6 per cent. would be paid by the holding company. The total issue of the watered stock would then be equal to the total physical and franchise values of the Cleveland Electric properties as agreed upon. Each \$100 share would then be paid, by option, to a top value of \$110.

The water being as far as possible eliminated from stock no more could get in, as further securities issued only for new money actually put into new construction, and no stock to be issued for betterments for out of surplus earnings.

The plan worked out, we will have in Cleveland a division of men, chosen and trusted alike by the city, gives the franchises, the people who use the cars the investors who furnish the money. These men have but two obligations: one to pay a fixed return on absolutely limited capital, and the other to give the best possible service to the public. With speculation eliminated, private gain cut out and a practical trustee-between public and public servant, Cleveland will be

able to turn her energies to new and greater things—to be Free Cleveland.

✦ ✦

The Traction Question in Chicago.

Chicago is not advancing toward municipal ownership of her traction system (p. 967) as satisfactorily as Cleveland. A belief is gaining ground among municipal ownership advocates, which appears to have been for some some time a settled conviction among the adversaries of municipal ownership, that the pending ordinances will, if adopted, make municipal ownership almost an impossibility. These ordinances, however, are not yet completed. Although reported into the City Council on the 15th they are still subject to amendment. They were agreed to by the local transportation committee on the 14th.

✦

Aside from the intrinsic merits or demerits of the ordinances, a serious question regarding referendum has arisen. Mayor Dunne is pledged not to sign any ordinance for a settlement of the traction question unless it is approved by referendum. So are the members of the Council and the Council itself. It was in consequence of the apparent disposition of the local transportation committee to evade a referendum that Mayor Dunne appealed to the Council last week (p. 967) to make good its referendum pledge, and upon the refusal of that body that he issued his letter to the people (p. 968). Three organized bodies responded to that letter: the Referendum League, the Chicago Federation of Labor, and the Municipal Ownership Delegate Convention. Through a joint committee they proposed and began to solicit signatures for the submission of the following questions:

Shall the City Council proceed by condemnation under the Mueller law to acquire and equip a complete, modern, unified street railway system, with one fare and universal transfers for the entire city, instead of passing the pending franchise ordinances?

Shall all ordinances granting franchises to public service corporations be submitted to the people and by them approved before final adoption by the City Council?

Shall the Legislature repeal the Sunday closing laws, which forbid, under penalty, attending or taking part in amusements or diversions, maintaining open bars, and engaging in business or work on Sunday?

✦

On the 14th the local transportation committee completed its work on the ordinance and by a vote of 9 to 3 recommended their disposition by the Council and with reference to referendum as follows:

Resolved, That 100,000 copies of a petition in the following form be printed forthwith by and at the expense of the City of Chicago:

"To the Board of Election Commissioners of the City of Chicago: We, the undersigned, registered voters of the city of Chicago, respectfully petition that the following question of public policy be submitted to the voters of the city of Chicago at the regular election to be held in and for the said city of Chicago on the first Tuesday in April, A. D. 1907:

"For the approval of ordinances substantially in the form of the pending ordinances reported to the City Council of the City of Chicago on January 15, A. D. 1907, authorizing the Chicago City Railway Company and the Chicago Railways Company, respectively, to construct,