DIRECTOR TWINING AND RAPID TRANSIT ATTORNEY DISCUSS TRANSIT LEASE AT CITY CL

TWINING DODGES AS BALLARD MAKES CHALLENGE ON LEASE

Continued from Page One

"I did not come here today to discuss the lease. In the matter of the lease the estimates will be in the report of the Department of City Transit, which will be out soon.

"The question as to the matter of equipment is not a trifling one. The matter is a serious one, and I think that you are entitled to know what the report will have to say.

"The coming report will say that the lease in this respect is not all clear. It can be read in either way.

"In our own interpretation we gave it the benefit of the doubt, but it is quite likely that the city wil lnot have to pay twice for the equipment. Mr. BaBllard says the city will not have to pay for it at all.

"When the city would pay for it a second time would come when the city pays part of the bonds now 'amortized' after part of the equipment has been bought. The city would pay for it once when under the terms of the agreement the city would pay the lessee for the cost of equipment."

Without making any further answer to Mr. Ballard's inquiry as to whether he ever had made the statement attributed to him, the Director took up his formal address.

MR. BALLARD'S STATEMENT

Mr. Ballard began his attack upon the equipment question as follows:

"It is charged that under the contract the city would have to pay for the equipment twice. In this vicious statement there is no word of truth. It is false and malicious, and it is the thing what has stirred up the trouble. Mr. Twining and I are friends, but I think it was King David who said all men are liars.

"Mr. Twining has stated this and so, has Mr. Hancock, and Mr. Potter and I mean to give Mr. Twining a chance to take it back."

William Hancock on the transit board was seated near Mr. Ballard when the latter called his name into the controversy. As Mr. Ballard concluded this sentence, Mr. Hancock jumped to his feet and explained:

"I beg your pardon. I did not say that."

"I beg your pardon," continued Mr. Ballard, "but Mr. Potter has said this often enough for both of you. I would say that if he were here today."

Turning then to Director Twining, Mr. Ballrad continued:

"On February 21 a statement alleged to have been made by you before a committee of the United Business Men's Association with relation to the proposed transit lease was published and circulated throughout the city under two column headlines. These headlines read:

"'City will not own what it pays for, asserts Twining.'

"In the body of the alleged statement this quotation appears as coming from you with relation to the equipment.

"'The lease would reserve for the city the right to repurchase what it already paid for, at the end of the term of the lease.'

"Following the publication o fthis alleged statement the United Business Men's Association adopted it as the principal reason for opposing the lease. Individuals also have adopted it as a basis for public attacks upon the transit lease.

"Will you please inform us;

"First, did you actually make the statement attributed to you,

"Second, was this statement by whomsoever made a true statement of fact?"

Mr. Ballard then continued with this set speech after a final remark addressed to the Director to the effect tha he woul dgive him an opporunity to reply later.

Mr. Ballard in his address flatly denied pessimistic prophecies of Transit Director Twining that the ratification of the proposed transit lease between municipality and the Philadelphia Rapid Transit Company could mean either an increase in the city's tax rate or a fare in excess of five cents.

The rapid growth and expansion of Philadelphia, which has been experienced during the past two years, and which may justly be expected to continue, Mr. Ballard said, will return to the city through the operation of the high-speed system and through increased tax returns every dolar of interest and sinking fund charges upon the bonds issued for the construction of the entire system.

CLAUSE TO ASSURE CREDIT

The provision in the lease reserving to the transit company the right to establish the present exchange tickets at a rate above the proposed five-cent universal fare to meet any deficit was inserted, Mr. Ballard explained, not because there would be the slightest possibility of a deficit, but because the company had to take precautions to give it the credit necessary to borrow $40,000,000 to equip any new lines.

Director Twining expressed views diametrically opposed to those of the spokesman for the transit company.

He declared:

That the transit program as now authorized will impose a burden that must be borne either by the city or by the operating company,

That the city and company instead of drawing closer together in negotiations are actually diverging and are now farther apart than they were in 1914.

That the 1916 figures of the company show that there would have been under the terms of the lease a deficit of almost $4,000,000 in the amount necessary to carry the charges of the unified surface and high-speed system.

Ignoring entirely the optimistic views of Mr. Ballard as to the future possibilities of this city and without any reference to the rapid industrial development of the last two years, which is rapidly advancing Philadelphia as the most progressive city in the Union, he repeated the statement that the system now will cost $90,000,000 instead of $63,000,000 and declared that the prophecies of former Director Taylor as to the profit from the system cannot be realized now because the various lines have been extended far beyond the original limits.

TAYLOR FRUSTRATED FIRST PLAN

Mr. Ballard made it plain during his speech that the company had intended to demand more liberal terms in the lease. This plan was frustrated, he said, by Mr. Taylor, whose assistance they sought in the negotiations "not because we wanted to, but because we had to."

As a result of the conferences with Mr. Taylor the company is now willing, Mr. Ballard continued, to accept an assured return of five per cent, although the figures for the present year thus far show that the 1917 profit will be at least nine per cent.

Mr. Ballard declared untrue the charge made by Director Twining and others that the city will have to pay twice for the equipment installed on the high-speed system. He likewise denied the charge that the city will pay $41,000,000 for the abolition of the present eight-cent exchange tickets.

TRANSIT LEASE FAIR TO CITY, DECLARES ATTORNEY FOR P. R. T.

Mr. Ballard said:

"The city of Philadelphia has committed itself to a broad program of transit development which has received the approval at the polls of nearly three-fourths of the voters of this city. It has been admitted by every one that these lines can give the best and most economical service to the most people if they are operated by the Philadelphia Rapid Transit Company in such a manner that the present surface system can act as feeders to the high-speed lines, while taking care of the shorter rides upon the surface.

TAYLOR'S DEMANDS

"At the very beginning Mr. Taylor demanded of the Rapid Transit Company that it agree to his terms of operation, the basis of which was that whatever net income the company might have (except from exchange tickets) when the high-speed lines were opened should be assured to it by a preferential payment from the receipts of the city's lines. It was fair in principle, yet cumbersome and unsatisfactory in its practical operation. This negotiation took place in May, 1914, and just prior to that time figures had been prepared by the Department of City Transit estimating what the earnings of the transit company would be each year for the next twenty or more years. These figures are today, at the expiration of three years, at least five years out of line. I mean, the company's receipts have actually increased in the years 1913 to 1917 $5,400,000 more than the department's experts estimated they would increase. The experts estimated that our receipts for this year would be $25,000,000, including exchange tickets. Our receipts for this fiscal year will amount to $28,400,000. These estimates were made by a firm of New York experts. Well, you know all New Yorkers think that Philadelphia is standing still, which accounts for their having been so wide of the mark.

"You are shortly to be favored with an estimate of what these receipts will [illegible] the future. It has already been but it has not yet been given to the public. I hope that these New York experts have learned something about Philadelphia in the last three years and have been granted some share of the vision open for those who have eyes to see of the magnificent growth which lies immediately ahead of us.

"But let us come back to the present. The city voted $63,000,000 for this work. Contracts were let, and the time had come when the actual agreement for equipment and operation of the lines had to be made. In the fall of 1916 negotiations were opened by the Mayor. He sent to Councils what was called a first draft of a contract with us, and we were asked by Councils to define our position. We made a formal statement to Councils that while the situation had changed materially since May, 1914, we still stood ready to carry out the spirit of the arrangement of that date.

"Well, as the preliminary arrangements had been made with Mr. Taylor, as this whole development was his plan, as he knew more about it than any one else and commanded the absolute confidence of the people, we naturally went to him. We knew that the press and the public would not favor any contract that did not bear the stamp of his approval, and we felt as preliminary to submitting our position to the Mayor and Councils we should if possible satisfy Mr. Taylor as to the fairness of any proposition.

HAD TO SEE TAYLOR

"So we went to Mr. Taylor—not because we wanted to, but because we had to. We started with the basis reached in 1914, viz., that oru net income (other than from exchange tickets) should be assured to us; showed him that our earnings for the present fiscal year would approximate $2,700,000, or nine per cent on our stock (or, eliminating the net earnings from exchange tickets, seven per cent on our stock), and got no further. We were met at once with the proposition that while private capital invested in public utilities was entitled to [illegible] we would have to suffer because we were paying too big a rent to the Union Traction Company, and under no circumstances would he approve a greater assured return than five per cent.

"There is no use going over the whole negotiation. It lasted a month. The result was we were made to give up all claim for accumulated dividends under the 1907 contract—about $17,000,000; we were limited to five per cent on our actual cash capital; our share in the future of the combined properties was restricted to one-tenth, and then to cap the climax a recapture clause was inserted to protect the city in case it was found in the future we were making too much money. We fought against that hard, but as Mr. Taylor said he would not approve the contract without it we took our medicine. As we were giving up so much we asked that the five per cent should be assured to us against possible contingencies. Of course, it was agreed that the whole arrangement was subject to an audit of our accounts showing that we were making the money that we claimed to make, and in view of the concessions which Mr. Taylor had got from us, he approved of the provision for a temporary transfer charge, if needed to protect the minimum amount which had been accorded to us.

"The proposition was then formally submitted to the Mayor and the chairmen of the two Councilmanic committees, Mr. Gaffney and Mr. Seger, at a conference, to which the Mayor invited also Mr. Twining and Mr. Taylor. It was received with approval by the press of this city. The next thing to do was to draw a formal contract, and it was suggested by the Mayor that we follow as far as possible the form already before Councils. A month later we submitted the contract. It was checked throughout by Mr. Taylor. It does not deviate in any way from the terms of our offer."

REPORT ASKED

"Now what has happened in the last two months? The Mayor asked his Director for a report on how this contract would affect the city. The Director stated he could not make this report until he received the audit of the company's books, already authorized, and an analysis of the contract to be made by a firm of expert railway engineers. So Ford, Bacon & Davis were again employed by the city, and before either the accountants or the experts got to work we began to hear insinuations — which became stronger as the days went by—that our books were not right (Mr. Twining); that our stock was all water (Mr. Fluck); that there would be a deficit to the city of $5,000,000 a year (Mr. Twining), or even $7,000,000 (Mr. Ryan); that it would mean an increase in tax rate of a dollar (Mr. Ryan); that there ought to be a seven-cent fare on the high-speed lines (Colonel Potter); that the city was paying $41,000,000 to get rid of the exchange ticket which the company would put back in six months (again Colonel Potter); that there was a nigger in the woodpile (Mr. Hancock); and that the City was going to have to pay for the equipment twice (duet by Mr. Twining and Colonel Potter). Have I overlooked any of these little pleasantries?

NOT MUCH TIME

"Ten minutes isn't much time to get through these barbed-wire entanglements, but I will do my best.

"First. Our accounts. Messrs. Lybrand, Ross Brothers & Montgomery are at present auditing our accounts. Their reports will show you that our statement of earnings is correct. Fortunately, when Mr. Stotesbury took charge of this property in 1911, in order to avoid any question in the future as to the proper amounts that were being charged for maintenance of the property and replacing equipment, he sent a letter to Councils definitely dealing with both subjects. In that letter he stated that in addition to setting aside a million and a half in cash and securities, then on hand, as a special reserve, the company would each year take out of its gross receipts for maintenance, and charge to operation, whether spent or not, fifteen per cent of those gross receipts. He also stated that the company would purchase during the next five years 1350 new cars and that half of this purchase would be met from current earnings and charged to operation. At the same time the company adopted a new balance sheet and system of accounting which had been prepared by the city's auditors, Messrs. Vollum, Fernley, Vollum & Rorer, and the same were approved by Councils.

"Now the fifteen per cent has been set aside each year and charged to operation, but it has not all been spent. As a result of the policy which Mr. Stotesbury stated to Councils the company now has on hand in a special fund, in cash and securities, which it will spend upon this property when need arises and construction and material prices are normal, $2,175,000.

"Instead of buying 1350 new surface cars over a period of five years, we bought 1500 new cars within two years and a half. They cost $7,177,482.86. Already $3,510,639.37 of this amount has been paid out of current receipts. A further payment will ne made on May 1 next, which will complete the payment of half the cost out of earnings. There isn't another street railway company in this country that ever took $500,000 a year for six consecutive years out of earnings and put it into equipment.

"Second. It is charged that under the contract the city will have to pay for the equipment twice. Mr. Twining has stated this; Mr. Potter and Mr. Hancock have reiterated it, and I read in a circular sent out in the name of the United Business Men's Association the following:

"'In addition, under the proposed lease, the city of Philadelphia pays the Philadelphia Rapid Transit Company for financing the equipment at the rate of six per cent. This plan for equipment continues for the period of fifty years, and at the end of the period, if the city desires the equipment returned to it, then it must purchase the same from the Philadelphia Rapid Transit Company, notwithstanding that it has already paid for it, and, further, that it has also paid for new equipment to replace old worn-out equipment which the Philadelphia Rapid Transit Company had at the beginning of the lease.'

A SERIOUS QUESTION

"I want to ask seriously the members of that very important organization which has done so much for the city of Philadelphia in the past how it comes that they permit their name to be used for this and other misrepresentations of fact contained in that circular, when the truth could easily have been ascertained by reading the [illegible] equipment twice. It doesn't even pay for it once. The company makes no profit on the equipment. It would have made a profit of 1 per cent per annum on the cost of equipment under the 1914 contract, but that is one of the things Mr. Taylor took away from us. The exact facts are: The company must provide the money to buy this equipment. It is permitted to borrow this money at the best rate of interest possible, and any saving in interest rate goes into the general fund and the city gets nine-tenths of it.

"Now there will be paid out of the current earnings of the property interest on these bonds until they are paid off, and an amortization fund of one per cent a year, which the city has calculated will fully pay off the bonds during the life of the contract, and in addition the equipment will be kept in good order and condition out of the earnings of the property, so that at the end of the contract the city will get the equipment in first-class shape without the payment of a single dollar. The company will make no profit whatever out of the furnishing the equipment and it will come to the city at the end of the term without its having cost it anything. And yet the false and malicious statement has been heralded about this town on the stump, and now in this circular, that we are making the city pay for this twice, and the impression has been created, to quote Mr. Hancock, that there was a nigger in the woodpile—that we had tried to put something over but had been caught with the goods.

"Third. It is charged that the company will get $41,000,000 for exchange tickets. This is not correct. While the company will be relieved for the term of the contract from the charge of street paving and the tax on dividends, and will postpone for ten years payments into the sinking fund (which it must then resume and make up), this relief was granted to the company for three considerations: First and directly, for abolishing exchange tickets, which have a gross value at the present time of $900,000. Secondly, so to strengthen the credit of the company that it would be enabled to borrow the $40,000,000 which it will have to borrow to carry out the terms of this contract. Thirdly, to so establish the net receipts of the unified system as to make it certain that the company would not need the transfer charge provided for in the fare section unless there was some great and unlooked-for calamity. But call it what you will, the company does not get it.

"The company can get nothing from the city except its $1,500,000 and one-tenth of any surplus from joint operation. Any saving in payments, all receipts from every source whatever, go into the common pot, of which the city gets nine-tenths after payment of the five per cent dividend to the company. Let me illustrate this by analyzing a year's operation under this contract, and for greater certainty we will take this fiscal year's figures. Our year ends June 30. Eight months are behind us.

"At the present rate of earnings the company will show a surplus for the year of over $2,700,000. Now if this contract had been effective last July we would have been saved the $735,000 of payment we are making to the city (paving $500,000, tax on dividend $115,000, sinking fund $120,000). Adding this saving would make our earnings in round figures $3,500,000. But it has been estimated that the exchange ticket is of a net value to us of two-thirds of its gross—say $600,000, for it is believed there will be a pick-up on business from the reduced fare equivalent to the difference. This we must deduct, leaving $2,900,000 as our earnings for the current year if the contract had been in effect. What would become of the money? The company would get its five per cent dividend—$1,500,000—leaving $1,400,000 for division, of which the city would get $1,260,000, or nearly twice the exchange rebate.

"But Mr. Twining may say I have neglected to provide interest on equipment. I answer: The Frankford line will not be operated, according to his own estimates, until 1919. We do not have to begin to meet interest on equipment until 1920, and by that time our receipts will be much greater. But assuming that our net receipts in that year are only what they are in this, it only takes $150,000 to pay the interest on the money that it will cost to equip Frankford, and so recasting these figures the city would still get $1,125,000, which is $300,000 more than the abatement on account of exchange tickets, and that $390,000 is four per cent interest on $9,750,000, approximately the entire cost of the Frankford line.

"Fourth. But Mr. Fluck says our stock is watered and that if we did not have to pay dividends on our leased lines there would be plenty of money for everybody. Fine sentiment. Mutt and Jeff would call it 'stalling the rent.' Let us see about the water. First. There is no water in Rapid Transit stock; it is paid up in full in cash, and the stockholders have lost in the fifteen years since 1902 $20,000,000 in interest. That is gone. But you say look at Union Traction and the big guarantees on Philadelphia Traction stock and E. and P. 4s which represent the old Electric Traction and Peoples Traction stock. Now I will make a statement of fact. I haven't time to elaborate it or give you details, but if any one wants details come to my office and I will give them. Starting with the formation of the Philadelphia Traction Company in 1883 before which time all the lines were separately operated for a six-cent fare and a nine-cent exchange ticket, there has been paid in cash on the stocks of the five traction companies, Philadelphia, Electric, Peoples, Union and Rapid Transit —$74,779,005.

"The total of all dividends paid to January 1, 1917, equals exactly 6.4679 per cent per annum calculated upon all this money from the time it was paid in. Less than 6½ per cent. Not so very wet, is it? And if I included money raised on bonds at low rates of interest, it would increase the investment to over $100,000,000 and bring the interest down to about 6 per cent.

"Fifth. All the rest of this talk about the size of the deficit and whether it will have to be met, as Mr. Ryan thinks, by a seventy-five-cent increase in tax rate, or, as Colonel Potter recommends, by a seven-cent fare on high-speed lines, can best be treated together.

"I have already shown you what you can expect from the first year in which the city and the company have to meet interest on the cost of construction and equipment of the Frankford line, namely, that the receipts of the system will be able to take [illegible] will be able to make use of the Market street terminal. Like Frankford, with the great industrial development now taking place near its terminus, it will doubtless practically carry itself. It will not be until one year after the opening of the delivery loop and such portions of the Broad street line and the Northwest Parkway line as are then ready to make use of it, that the city will be confronted with any interest payments which even the normal growth of this system will not be able fully to care for.

That year will be the fiscal year 1922-23, for in this, as in other cases, the interest charges are capitalized for the first year of operation. Before attempting an analysis for that year let us make some inquiry as to what growth in population and receipts this city can reasonably expect, for, after all, the solution of this whole problem depends entirely on the growth of the city.

"It is a conservative estimate to say that street railway receipts increase twice as fast as the population. From 1900 to 1916 the population of the city increased thirty-two per cent. The receipts of the transit company increased 106 per cent. That is three times as fast. This rapid transit development will help the city grow. If it doesn't it ought never to have been undertaken. The experience of New York and Chicago during the ten years, 1900 to 1910, while their high-speed lines were being built, was a growth of from six to six and three-quarters per cent a year in street railway receipts.

"Now, we can all do a little arithmetic, though we are not expert accountants. Take our receipts for the current year—$28,400,000. I have given you the experience of three cities over the last two decades. Let each man figure for himself what increase to expect and what the receipts of this system will be, say, in the year 1922-1923, which is the first year that the city will have to meet any interest charges for construction of Broad street, delivery loop and Parkway and northwest lines under the present plans of the department.

"If you adopt a two per cent yearly growth for the city and only a four per cent rate of increase in receipts it will give you $35,000,000 for the year 1922-1923, after eliminating the exchange ticket, or an increase in gross at the end of six years of $6,500,000. If, after allowing for the increased cost of operating the new lines, the company is able to save even twenty-five per cent of that gross increase, its surplus for the year will be $4,500,000. Deduct from this $1,000,000 to cover interest an equipment cost, which is not now a charge, and $1,500,000 for our dividend, and there will still remain $2,000,000 surplus, of which the city will get $1,800,000, or an interest return of four per cent on $45,000,000.

"An outlook such as this need give the city no concern. If the company does no better than a four per cent increase which means that the city will get no better than a two per cent increase in population, there could not possibly in 1923 be a deficit of interest and sinking fund charges for the city to meet out of its general fund greater than a million or a million and a half dollars.

"But in the meantime the city will be accumulating a surplus from the profits accruing to it during the years from 1919 to 1923; the assessable value of lands at present undeveloped will be abnormally increased by this improvement, thus increasing the general fund from taxation without any increase in the tax rate. But, gentlemen, in my opinion it is ridiculous to think that this city will not grow more rapidly in the next ten yers than it has in the past. in the next ten years than it has in the past. months. A greatly increased Navy Yard. The location of a great plant by the Westinghouse Company. Developments by oil companies and shipbuilding companies along the Delaware.

"Yesterday told us of an award to Philadelphia shipbuilding interests of contracts for the navy aggregating over $50,000,000. If these new interests should call for the employment of 60,000 additional workmen, it would mean an abnormal increase in population of 300,000 people, and a 300,000 addition to the population of the city means $5,000,000 increase in the receipts of the transportation system each year. It requires no stretch of the imagination to believe that in addition to the normal growth heretofore experienced such an additional increase in population may be experienced by Philadelphia during the next six years.

"If such should be the case the present contract would return to the city of Philadelphia every dollar of interest and sinking fund charges upon bonds isued to cover the cost of construction. I may be too optimistic, but, believe me, I am nearer the truth than those who have gone about this town howling calamity.

"Ah! But you say how about that transfer charge? I answer if there is no falling of net receipts below $1,500,000 there can be no transfer charge. So why discuss it? There isn't a chance of such a thing unless the Germans blow up the city, or there is a conflagration, or earthquake or some such calamity. Then you ask me, why put it in the contract if you aren't going to use it? Just for this reason:

"The P. R. T. needs credit. It has to borrow at least $40,000,000 in the next ten years for equipment of city lines and extensions and improvements of its own system. To borrow any such sum of money it must be able to say to those asked to put it up—we are protected to the extent of the earnings of the joint system against every possible contingency. This contract is not possible without that protection. I ask you, in all seriousness, do you not think the city can well afford to give it?

"Gentlemen, I have finished—yet I ask you to indulge me for a moment more while I tell you what I really think of the future of our city. When I hear the pessimistic talk that this discussion has brought out, I make my stand with the Pharisee and thank God I am not as other men are. I believe in the future of our city. It is the natural outlet for the resources of the richest State in the Union, with inexhaustible supplies of coal at its door and offering the best labor market in the country, there is little wonder that the great manufacturing concerns are turning to us. All we need is proper port development and transit facilities to put Philadelphia on the map as the [illegible]

TRANSIT OPTIMIST AND PESSIMIST

Photo by Photo-Crafters.

Ellis Ames Ballard, counsel for the Philadelphia Rapid Transit Company (left), and William S. Twining, Director of City Transit (right), who discussed the transit situation today at the City Club.

4000-Year Old Story Told by Twining in Transit Talk

DIRECTOR TWINING, in his discussion of the transit situation at the City Club this afternoon, went back 4000 years to illustrate the difference between the ugly and attractive presentations of transit facts.

Here is the Director's 4000-year-old story:

There was a King in Egypt named Snefru, who ruled in Memphis. And it came to pass that he dreamed and he sent for the soothsayers and told them the dream. The first interpreter answered: "Woe unto thee, O King. All thy kinsmen shall die before thee." Then was Snefru wroth; caused this messenger of evil to be scourged and sent for a second interpreter. He answered: "O King, live forever. Thy life shall be longer than the life of thy kinsmen and the men of thy house." Then the King smiled and gave presents unto his interpreter, for, though the interpretations were one, yet he had clothed his message in a web of fair and pleasant words.

The first of those interpreters blurted out the truth bluntly, as an engineer might, while the other presented it with the charming persuasiveness so characteristic of an accomplished lawyer.

P. R. T. LEASE UNFAIR TO CITY, DIRECTOR TWINING STILL INSIS

Director Twining said:

"Our engineering publications have lately given considerable space to discussing the advantages that engineers enjoy who can express themselves clearly and convincingly. Engineers, general speaking, are mainly concerned with the ascertainment of fact, from which all true reasoning begins.

"Huxley said, 'Theory sometimes becomes a tragedy because a beautiful hypothesis is slain by an ugly fact.' That is too often the case with the engineer; he blurts out the ugly fact, and it is unpalatable, whereas, if he had the felicity of expression to present his facts in an attractive way, the results might be more satisfactory. I can best illustrate this by reciting an incident of some four thousand years ago, as related by Doctor Ebers in 'An Egyptian Princess.'

"'There was a king in Egypt named Snefru who ruled in Memphis. And it came to pass that he dreamed, and he sent for the soothsayers and told them the dream. The first interpreter answered, "Woe unto thee, O King! All thy kinsmen shall die before thee." Then was Snefru wroth; caused this messenger of evil to be scourged and sent for a second interpreter. He answered, "O King, live forever! Thy life shall be longer than the life of thy kinsmen and the men of thy house." Then the King smiled and gave presents unto this interpreter, for though the interpretations were one, yet he had clothed his message in a web of fair and pleasant words.'

"The first of those interpreters blurted out the truth bluntly as an engineer might, while the other presented it with the charming persuasiveness so characteristic of an accomplished lawyer.

'As an engineer, I have striven to learn the facts affecting our transit conditions, with a view of securing the best transportation available, though I realize my inability to present my conclusions as happily as I should like; therefore, I crave your indulgence.

WITH OPEN MINDS

"This transit problem should be considered with open, dispassionate minds; free from selfishness, bias and prejudice; receptive only to reliable and convincing evidence; keeping before us the great and immortal truth, 'They who err in vision stumble in judgment.'

"First, we must face the facts and reason from a true basis to arrive at sound conclusions. Confusion reigns now because the people cannot reconcile the statements of today with the assurances of the past. On October 1, 1913, the Director of the Department of City Transit published this statement:

"The recommended transit facilities will not only produce sufficient revenue to pay the interest on the city's investment, but also return to the city the total cost thereof. In due course, and the city will ultimately become the woner of all of these facilities, free of indebtedness, as a great municipal income producing investment.

PUBLIC WONDERING

"The public is now wondering why that promise cannot be realized. The transit program as formulated at that time was more modest and had not expanded into the ambitious program that has since been authorized.

"Comprehensively and tersely stated today, the fact stands that the transit program as now authorized will impose a burden that must be borne by the city or the operating company, or both.

"The city is now face to face with a situation which was pointed out a year ago in my report, and which involves the most important questions which have been before the city for decision within its entire history.

"The questions now before the public are deeper and broader than the mere question, **Shall the Philadelphia Rapid Transit Company be paid a guarantee of five per cent on its stock for operating the city's system?**

"That is but one of the incidental financial features of the situation.

THE BIGGEST QUESTION

"Underlying the whole situation is the desire of the city for improved and proper modern transit service.

"Probably most of the people present, if asked today what the city contemplates in its program for transit development, would answer that the city is committed to and intends to carry out the Taylor plan. If I should ask what they understand by the Taylor plan I think it is doubtful if many could give a clear and intelligent idea of what that plan consists or what it contemplates.

PEOPLE DON'T KNOW

"I find that many people talk enthusiastically and with great heat on transit affairs, but when asked specific questions they reveal the fact that they are chiefly interested in some particular phase of the program affecting their personal interest.

"Job E. Hedges in a recent speech said 'Men amend the Constitution every day in language who have not even read it.'

"As pointed out a year ago, the Taylor plan may be considered as having three constituent parts or elements.

First. The system of high-speed lines running radially from the center of the city in five different directions so as to serve virtually all the districts of the city.

Second. The financial plan, calling for these lines to be built out of city funds.

Third. An operating plan based on a contract with the existing company by which that company shall agree to provide satisfactory service between any two points within the city limits on a basis of a five-cent fare, with free transfers.

"The first two elements of the program are behind us, and we have not time today to consider them.

"The third element—the 'contract'—has been for the past three years a rather indifferent issue, but is now a live, active, vital issue, for the people are at last realizing that this is the element which should have received the first consideration.

"I have been asked many times recently what is the cause of the long negotiations over this contract which have not produced a satisfactory outcome.

"If you read the history of the lease negotiations, starting in 1913 and continuing intermittently to the present time, you will find that instead of the company and the city drawing closer together as time has passed they have actually diverged and are now really further apart than they were in 1914.

"The history of these negotiations show that the process of negotiations consisted of a proposal made by the city to the company, and a counter-proposal from the company to the city, each proposal varying interms and conditions as the situation has changed from month to month.

"Time does not permit the consideration of the past negotiations, so I will restrict myself to explain what interferes with the consummation of a satisfactory contract.

"To begin with, the difficulty underlying this situation is purely financial, and it has its roots back in the consolidations beginning in the '80s, about thirty years ago.

POLITICAL FINANCIERS

"In those days a group of financiers and promoters developed in Philadelphia who had great faith in the future possibilities of the street railway business. They were financiers of the political variety, and the result of their financing is reflected in every financial statement of the company that has been issued since that time.

"If the company's report for 1916 be analyzed it will be found that the rental represented approximately two cents out of every fare collected, and the operating expenses, taxes, etc., approximately three cents, a total of five cents, and the surplus available for dividends virtually came from the exchange ticket revenue and miscellaneous earnings, freight, advertising, etc. These earnings amounted to about seven-tenths of a cent. Inasmuch as the [illegible] conditions, the problem consists in attempting to stretch the remaining income of [illegible] and four-tenths cents to cover the requirements of, say, four cents, had the [illegible] system been in operation last year. The difference of six-tenths of a cent per revenue passenger does not seem to be a great gap between the city and the company, when we consider that the company carried about 500,000,000 revenue passengers last year, it is evident that there would have been a shortage of about $3,000,000 of the amount necessary to carry the unified system last year. If to this $3,000,000 be added the $900,000 which the company received from the exchange tickets, which would be abolished under the city's program, it is obvious that there would be a deficit of about $4,000,000 in the cash necessary to meet the requirements.

WHO SHALL PAY?

"It is therefore clear that the difficulty in the negotiations lies in deciding who shall pay this excess cost, and no lease can be decided until this matter is definitely and permanently settled.

"A temporary reduction in the city's program of construction would not change the principles involved, but would temporarily affect the amount of the shortage.

"Under present laws the company cannot be made to assume this excess cost.

"I want to impress upon you, gentlemen, the seriousness of this situation and I want to ask you to give this question serious thought, for this must be settled fairly if it is to be settled at all. A settlement along the lines of the 1907 contract will result in nothing but abiding dissatisfaction, and a contract of this magnitude which interests every citizen as a stockholder of the city should be given careful study and investigation.

"I am simply amazed that your organization, which is composed of prominent citizens and business men, has not in some way endeavored to independently check the figures and statements which have been issued by this department as official, and have not in some way endeavored to take a stand or definite position in this transit situation.

TOO BIG A MATTER

"This matter is too large to be left to the opinion of any individual without several or at least one independent check.

"The situation has grown within the last four years from an estimated investment by the city of $35,000,000 to an investment estimated at present to exceed $90,000,000.

[This estimate is in dispute. Mr. Taylor denies that the cost will be this great.—Editor EVENING LEDGER.]

"At the same time the original investment by the lessee has dropped from $[illegible],000,000 to $17,000,000.

"Originally the company's investment was to have been over forty per cent of the total, and has now dropped to less than nineteen per cent.

"The earnings of the system as planned in 1913 were estimated to $1 of gross for $10 of investment. This is now diminished to $1 of gross to $15 of investment.

"The transit commissioner's report of 1913 stated that $1 of gross earnings to $8 of investment in rapid transit lines was all that could be profitably supported.

"All large enterprises are financed on borrowed money.

"Money is of the same intrinsic value whether furnished by a corporation or by a city. The only difference between the use of city money and corporation money lies in the difference in the interest rates at which the money can be borrowed. The rate to be paid on the borrowed money depends upon the credit of the borrower. The basis of credit is the financial soundness of the borrower. The security of the loan must rest upon the ability of the borrower to pay the interest and repay the principal.

ENGINEERING DEFINED

"McHenry has defined engineering as 'the art of making every dollar of investment earn the maximum interest possible.'

"As the city is now committed to a program which involves a large investment and a consequent interest payment, it is the duty of every citizen to use his best efforts to obtain for the city the best results possible.

"There is no question that the city can finance its program, as the city bonds involve the faith and credit of the entire city and do not necessarily depend upon the earnings of the system, but the city must determine, before any lease can be executed, whether those bonds are to be carried by the taxes or by the business, and if the business, in what way and to what extent.

"The proposed relationship between the city and the Philadelphia Rapid Transit Company may be described in this way: The city's system may be represented by a vigorous young man, who through altruistic motives has been induced to undertake to build a large, new and modern plant for the making of a public necessity, and has thereby incurred heavy debts and obligations. He then, for business reasons, proposes marriage to a woman fourteen years older, who has inherited an old plant, practically a monopoly, used for the same purpose, which she continues to operate, though twice as large as the one he intends building. The woman's plant has been very profitable, but it is so encumbered by bequests to relatives, under the will, that her own income has been very uncertain, and on at least two occasions she felt that the situation was almost helpless. She has been resourceful, however, and lately the return of normal prosperity, combined with a change of managers of her plant, has produced substantial income for her. The pair realize that when they are married her income will not provide their living expenses and also care for his obligations. They are now wrangling over the terms of a prenuptial agreement, and a bone of contention is the matter of using her income to apply to his debts. She insists upon retaining most of it for her own private use, while he insists that a greater share must come to him to further his plans or else both must become a charge upon the public. She contends that he must curtail his obligations by reducing the extent of his plant or else agree to raise the cost of the products of his works. He objects, as he is rather stubborn, and is determined to carry out his plans as a matter of pride. He enjoys good credit which she aims to utilize to protect herself and her burdensome relatives. He, urged by his friends, wants to join with him in trying to break her will and thereby secure relief from excessive and unwarranted bequests. Manifestly there is no love between this ill-congenial pair and their present relationship is only a matter of expediency.

"Recognizing the conditions and relations of this couple, will you kindly venture a guess on each of these three questions:

"First. Would such a marriage be a real partnership?

"Second. Will they ever mutually agree to such a union?

"Third. If they do, which one will be the head of the family?

"We all know—by the experiences of others—that marriages are not conspicuously happy when the income fails to meet the living expenses. However, we fervently hope that in due time we may quote the story books concerning them and say 'they were married and lived happily ever afterward.'"

STATE POLICE ARREST [illegible] ON CHARGE OF A[illegible]

Prisoner Had Made Threats Previous to Destruction of Neighbor's Barn

LANCASTER, Pa., March 17. [illegible] Troxel, of Intercourse, [illegible] by State Police on the [illegible] Monday night the [illegible] Saldomridge, [illegible] by fire.