

LEASE PUTS THE BURDEN ON THE CITY, DIRECTOR TWINING'S REPORT ASSERTS

TWINING TELLS COUNCILS TRANSIT LEASE IS UNFAIR

mandated for that part supplied by the company. Although the city is asked to hold the company harmless from every contingency of the future, the city is given no direct or effective control of the management or service.

While the city will be going under this load the company will be carrying no part of it, its income being securely protected whatever the contingency. It will be a hardship for the city to carry this deficit by additional taxes as it would be for the company to carry part of it by foregoing a portion of its dividends.

ONE FIVE-CENT FARE Discussing what the Director holds to be the inadequacy of a universal five-cent fare, the report reads:

It must be evident that underlying all of this controversy is the basic fact that the authorized and established rate of fare will not meet the demands of the present system as now constituted, and carry the city's program as well.

PHOTOGRAPHERS TO NAME 1918 CONVENTION CITY Harrisburg or Baltimore Will Be Chosen—Sessions Concluded Here Tonight

Ship Gold to Cuba and Spain NEW YORK, March 29.—Gold to the amount of \$500,000 was withdrawn from the Subtreasury today for shipment to Cuba. More than \$50,000 was taken for gold.

operated for the city's benefit. Physically the company's and the city's systems may be operated as a unit, but financially they must be kept separate, each system to count as its earnings whatever cash it receives on its lines—it may be assumed that the transfers will balance each other.

SEVENTH. The company's system of surface lines shall be financed by the company and the company must not be permitted to use the city's credit either directly or indirectly, but must stand on its own feet, and stand or fall as a result of its own management and acts.

EIGHTH. The city must be left free to regulate the company's service under the Public Service Commission.

NINTH. Change of fare or charge for transfers to be left to the Public Service Commission, but no increase is to be for the company's benefit until the city's capital is treated as well as the company's.

TENTH. The contract of 1907 to be modified as little as necessary to correspond with the conditions of this contract. Payments now due the city thereunder not to be abated or modified.

ELEVENTH. The company to cancel all claims on unearned and unpaid dividends cumulative since 1907, and change date so that 6 per cent dividends may be cumulative from date of the contract.

Twelfth. The terms regarding the title, payments for and financing of cost of equipment are such that the application of the contract the city will normally have paid twice for that part of the equipment amortized at that time.

Thirteenth. The proposed method of financing the equipment might be very desirable to obtain new capital by assessment on the stock of the Union Transfer Company, or preferably of the city without the city's approval at the time such capital is raised.

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(F) Assessment of construction cost upon the real estate benefited.

(G) Grading the sinking fund charged of future bond issues.

(H) Modifications of the company's proposal.

(I) While every practicable advantage should be obtained from these suggestions, we do not believe that they will wholly obviate the necessity in years of early operation, either of raising the rate of taxation or increasing the fare as above stated.

INCREASED-COST DEFICITS "The original report of the Transit Commission of July, 1913, which we assisted in preparing, comprised a system of high-speed lines designed to provide for the immediate needs of the city, and at the same time represented an investment which readily could be supported by the city and company with the revenue produced by increases of traffic in a city the size of Philadelphia.

COMPARISON OF FINANCIAL RESULTS OF DEPARTMENT ESTIMATES UNDER VARIOUS PROGRAMS OF CONSTRUCTION AND OPERATION:

Table with 4 columns: Year, Estimated cost of city at 5% charge, Estimated First yr maximum showing, Estimated First yr charges. Rows for 1913, 1914, 1915, 1916, 1917.

PREFERENTIAL PAYMENTS "With reference to the propriety of the city granting the company a preferential payment to represent its existing net income before the payment to the city of any of its fixed charges, we believe that the history of rapid transit development in large American cities, especially New York, shows the desirability of some such provision where extensive developments are undertaken.

EXPERTS' REPORT The contention of Director Twining that the content of the proposed system would mean an annual deficit to the city is borne out by the analysis of the lease made by Ford, Bacon & Davis. Based upon their own tables, the Ford, Bacon & Davis report holds that, "under the company's proposal, investment by the city of \$87,300,000 with a five-cent fare and free transfers will show after 1921 for the first fifteen years of complete operation a surplus deficit of between \$4,000,000 and \$5,000,000 per annum.

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eliminated from the agreement, we believe that the company is fairly entitled to include in the preferential a dividend on its stock. Without a study of the service of the company, and until an opportunity is had of analyzing the audit now being made, we cannot advise whether such dividend should begin at as large a rate as 5 per cent on \$30,000,000.

MISCELLANEOUS "We advise against building the Nineteenth street station in the present Market street subway for reasons stated in our report.

"We believe that the Market street subway-elevated track east of Thirtieth street can be used by the Darby line until June 30, 1924, or later.

"We recommend that the straightening of the Market street line under City Hall be deferred until it can be done without increasing the maximum annual deficit, which the city will have to meet on account of transit development.

"If under the company's proposal the funds for cost of equipment be provided by bonds bearing interest at 6 per cent, the interest charge and consequently the deficit of the city would be greater by more than \$500,000 annually than if the equipment were financed by the city at a rate of 4 per cent per annum.

"The provisions for transfer of the equipment to the city at the expiration of the contract are not clear, but appear to make it incumbent on the city to pay the company for the entire cost of equipment at the expiration of the contract. During the term of the contract the cost of equipment will have been largely amortized by the sinking fund provided for that purpose, and

the provision for the division of net income is such that the sinking fund charges virtually come out of the city's share. The city would, therefore, in effect, be paying twice for the equipment, which, if intended, is not equitable.

"The sinking fund charges on city bonds, or the portion of such charges equivalent to a proper depreciation reserve, should be deducted from net earnings before the company's 5 per cent dividend is deducted.

RECOMMENDATIONS "We believe that a businesslike method of handling the problem now presented to the city is comprised in the following plan:

"First. Cut the program of immediate construction of rapid transit lines as nearly as practicable to the amount of the appropriation.

"Second. Defer for a period of lower prices such portions of the construction as will not interfere with the value of the rapid transit system to the public.

"Third. Devote to the payment of fixed charges on the city's investment in rapid transit such part as practicable of the abnormal increase of taxes on real estate caused by rapid transit development.

"Fourth. If there should still remain a deficit in the payment of the city's interest and sinking fund charges on cost of construction, increase the fare in order to make the undertaking self-supporting; first by a charge for transfers between high-speed and surface lines; or second, if this be not sufficient, by charging six cents on high-speed lines with a five-cent fare on surface lines; or third, by charging a uniform six-cent fare on both high-speed and surface lines.

"Fifth. Formulate a working contract embodying the foregoing changes and guarding

the city's interests in the particulars discussed in our report."

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