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REPLY TO KEENE

Harriman Says He Tried to Bleed Him.

WITH THREAT OF LAWSUIT

Alternative Was to Buy Stock in Southern Pacific.

OR DECLARE A FAT DIVIDEND

Affidavits Filed in Suit Make Starting Counter Charges Against Keene, and Deny His Charges—Hearing of Suit Begins.

E. H. Harriman replies to the charges of James R. Keene in regard to the management of the Southern Pacific Railroad with serious counter charges. He says Keene sent men to him with an offer to sell the stock he controlled, offering the alternative of making improvements to the railroad. Southern Pacific officials swear that the improvements proposed were designed under the Huntington management, before the Union Pacific secured control. Keene denies the charge regarding the stock deal, and says that Harriman first offered to buy, but he refused to sell.

NEW YORK, April 1.—The affidavits in the answer of the Southern Pacific Company to the suit of Talbot, Taylor & Company against the Southern Pacific and Union Pacific, deny that the Southern Pacific is operated in the interest of the Union Pacific. The most important of the affidavits is made by E. H. Harriman. In it he sets forth that a mutual friend of himself and of Edward Lauterbach told him (Harriman) that James R. Keene represented a pool holding 170,000 or 175,000 shares of Southern Pacific, and that Mr. Keene himself held about 70,000 shares; that they contemplated action which, says the affidavit, would make us a great deal of trouble unless we purchased said shares from them; that he would sell the pool shares at about 70, and his own shares at 75.

Mr. Harriman declares he replied that he would not be forced by fear into anything that would be adverse to the interests of the general body of stockholders of the Southern Pacific. E. H. Harriman denies that any of the expenditures for improvements of the Southern Pacific complained of were prompted by consideration of the Union Pacific, but asserts that they were demanded by the interests of the Southern Pacific alone, and wholly irrespective of any relations between those two systems; that they were planned before the Union Pacific became interested, and that they were designed and recommended by Southern Pacific officials, and were authorized by Mr. Harriman only after a thorough personal examination of the lines, whereby he became convinced of the absolute necessity of the improvements. He denies the allegations that the Union Pacific interests were planning to take over the Central Pacific lines from the Southern Pacific, and asserts that no such step has been contemplated or even discussed.

Keene's Overtures to Harriman. Mr. Harriman then relates that in the Autumn of 1901 Edward Lauterbach introduced David Lamar to him (Harriman) and that Lamar said he had friendly relations with James R. Keene, a large stockholder in the Southern Pacific, and that Mr. Keene was contemplating some action against the management of the Southern Pacific. "He (Lamar) stated that he would like to work with me," continued Mr. Harriman, "and that if I would make an allowance which would be of some advantage to him, he had such influence over Mr. Keene that he could induce him not to institute any adverse action against myself and allied interests."

Mr. Harriman did not accept. Several interviews with James R. Keene followed. At this point the affidavit says: "Mr. Keene stated to me that he had a large holding in Southern Pacific stock; that he would like to join with me in purchasing shares in the market; that he believed there could be a great deal of money made thereby, and that he would act for me either in purchasing for our joint account or for myself, if I wished it; that it would be advantageous for the Union Pacific to take all the Union Pacific and lease its 4 per cent bonds therefor; and he stated that he was an adept in carrying out successfully large stock market operations; that he had shown this capacity especially in the manipulation of United States Steel stocks."

To this Mr. Harriman replied that he believed "it would be a mistake to create a speculation in the shares of stock and advance their price to a basis that would justify the buyers in expecting a dividend in the near future; that it was also necessary to make such repairs and improvements from surplus earnings, so far as they would go, in order to establish for the company a basis of credit upon which it could refund the bonded indebtedness of its subsidiary companies, a large portion of which mature in a few days."

Mr. Keene then gave assurance that he did not want to act in any way antagonistic to Mr. Harriman. In the Autumn of 1902, Mr. Harriman says, he was informed that Edward Lauterbach and Talbot J. Taylor would make trouble for us unless we settled with them in some way. Mr. Harriman says he had an interview

with a mutual friend of his and of Mr. Lauterbach, and this friend, who is not named, "explained to me that Mr. Lauterbach had said to him that Mr. Keene represented a pool holding about 170,000 or 175,000 shares, and that Mr. Keene himself held about 70,000 shares; that they contemplated action which would make us a great deal of trouble that might be disastrous to our interests, especially laying stress upon the large expenditures we were making upon the Central Pacific portion of the Southern Pacific properties, unless we purchased said shares from them; that he would sell the pool shares at about 70 and his own shares at about 75."

"I explained to this friend that there was nothing in the situation that we had to fear from those people, or in the management of the company which would justify any criticism or objection on the part of any stockholders, and that I certainly would not be forced by fear of anything that they might do into recommending a course which was adverse to the interests of the general body of stockholders of Southern Pacific."

Denies Keene's Charges. J. Kruschmitt, the fourth vice-president and general manager, who had been in charge of operations under C. P. Huntington many years, made an affidavit wherein, regarding the improvements being made on the Central Pacific line, he said that the necessity for them had been fully recognized by Huntington management. Mr. Kruschmitt says in positive terms that all of the improvements in question are absolutely necessary, not only to reduce the operating expense, but also to enable the company to hold its traffic and compete with rival transcontinental lines. He denies that the improvements suggested by an officer of the Union Pacific, but says they were all planned and urged by officers exclusively of the Southern Pacific in its own interest, and that he was not a party to any of the improvements suggested by J. C. Stubbs, third vice-president of the Southern Pacific, in charge of traffic, and traffic director of the Union Pacific, denies in a sworn statement that any traffic which has been at any time diverted from the Southern Pacific to the Union Pacific.

Affidavits were also filed by William Spruille, freight traffic manager, and O. McCormick, passenger traffic manager of the Southern Pacific, wherein those officials testify that neither has at any time directed by instructions to, favor the Union Pacific against the interests of the Southern Pacific, and that they have not done so, but that each, in the management of the department under his supervision, has worked exclusively for the interest of the Southern Pacific.

Otto H. Kuhn, a member of the firm of Kuhn, Loeb & Co., and a director of the Southern Pacific, filed an affidavit in which the following appears: "During the last 12 or 18 months, Edward Lauterbach, of counsel for the complainant in this action, repeatedly spoke to me on the subject of the Keene pool holdings of the Southern Pacific stock. The substance of his statements was to the effect that he had been retained by James R. Keene in connection with a contemplated action to bring suit to bust the interests at present in control of the Southern Pacific, and would be thought desirable, in friendliness to both interests, that no such conflict should take place; but that there were only two ways to avoid hostile proceedings—namely, either to buy the holdings of the Keene pool at the price of about 70 or to start the payment of dividends on the stock at a rate not less than 5 per cent annum."

"I answered Lauterbach that I would not consider purchasing the pool's holdings and, in determining the policy of the company in regard to dividend payments, the directors were acting and would continue to act in accordance with their best judgment and would not allow any other consideration to influence them nor to be taken by them or by troublesome litigation from pursuing what, after conscientious deliberation, they felt the only right course for the interests of the property."

William Mahl, the controller, filed an affidavit appended to which are tables showing earnings, expenses, etc., of the different lines since the Union Pacific's interest was acquired, as compared with the previous years. It appears therefrom that, as compared with the year ending June 30, 1900, the gross earnings of the Central Pacific increased 129 per cent, whereas the earnings of the other lines of the Southern Pacific increased 8.5 per cent, and for the 1902 the

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ON HIS WAY WEST

President Begins His Two Months' Tour.

GREETED BY THE PEOPLE

Rides in the Locomotive Cab Over the Alleghenies.

MAKES SPEECH AT HARRISBURG

Praises Good Work of Coal Strike Commission—Farewell Interview With German Minister Marked by Warm Friendship.

President Roosevelt yesterday morning started on his tour of the West, and was warmly welcomed wherever he stopped. Baron von Sternberg, the only foreign diplomat to see him off at Washington, and the President lent the Baron his horses. The President made a speech at Harrisburg, Pa., in which he praised the work of the Strike Commission. He rode over the Allegheny Mountains in the cab of a locomotive.

PITTSBURG, April 1.—President Roosevelt viewed the scenery around the famous Horseshoe curve this afternoon from a seat in the cab of a locomotive attached to his special train, and, after a ride of about 50 miles, expressed himself as delighted with his experience. When the special reached Altoona, at 4:30 o'clock this afternoon, the President alighted from his car and walked rapidly to the front of the train. Two engines were coupled to it, ready to pull the heavy cars over the Allegheny Mountains, and the President shook hands with the crew of each. He then climbed into the cab of the rear engine. In the cab with him were Secretary Loeb, Trainmaster Keiser, Special Engineer McCormick, the rear engineer, H. T. McCormick, and Fireman Hunter.

As he took his seat the President remarked, being a member of the Brotherhood of Locomotive Firemen, he thought he ought to take his turn at feeding the furnace, but he did not do so. When Gallatin, the crest of the mountains, was reached, the front locomotive was detached from the train, and the run to Seward was made with one engine. Here the President climbed down from his duty seat, and, after shaking hands with the engineers and firemen, went back to his private car, rather dusty and grimy, but enthusiastic over his novel ride. While the President's engine occupied the second place on the train, a tunnel seven-eighths of a mile in length was traversed, and, although the cab was protected by windows and doors, much smoke came in. There was no record-breaking speed.

Outside of his ride on the engine, the President passed an uneventful day, devoting a large portion of it to reading. Stops were made at Baltimore and Altoona, but only at once place did the President make a speech. A large crowd met his train at Harrisburg, and, although no speech was scheduled for this place, Mr. Roosevelt appeared on the rear platform of his car and delivered a

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DEPARTURE FROM WASHINGTON.

Crowd Says Good-bye—Kind Words to Baron von Sternberg. WASHINGTON, April 1.—President Roosevelt at 9:36 this morning started on his Western trip under the most favorable auspices. As the special train pulled out of the Pennsylvania station the President stood on the platform of his car, tipping his hat and smiling in response to the enthusiastic cheers of hundreds of admirers.

As early as 8 o'clock a crowd began to gather at the White House to witness the President's departure. As he entered his carriage to drive to the station the men made the historic grounds echo with cheers, while women waved their handkerchiefs and many of them their hats. The Pennsylvania station and platforms were crowded with people anxious to extend to the President their good wishes for a safe and successful journey. Notable precautions were taken to insure the safety of the President. The police arrangements were under the personal supervision of Commissioner West and Chief S. J. Vestor. Uniformed officers, detectives, plain clothes men and secret service operatives surrounded the President and covered every point.

As President Roosevelt alighted from his carriage he was joined by Secretary Hitchcock and they walked down the platform arm in arm, the President stopping now and then to greet friends. He was attired in a black cutaway coat, dark striped trousers and wore a black felt hat. He was in the best of spirits and chatted enthusiastically about the trip. The most notable incident connected with the President's departure arose out of the presence at the station of Baron Speck von Sternberg, the German Minister. He was the only member of the diplomatic corps who went to the depot to see the President off, and the President greeted him most cordially, telling him that he greatly appreciated the courtesy. During their chat the President asked the Baron whether he would be here in June when he returned, and, upon receiving an affirmative reply, the President said: "That is good; we will have some long rides together."

The Baron told the President that his horses were in India, and would not be here for some time. Instantly the President turned and gave orders that during his absence his horse and that of Mrs. Roosevelt should be placed at the disposal of Baron and Baroness von Sternberg. "I shall be much pleased," said he to the Baron, "if you and the Baroness would ride them while I am away."

As the train drew out the President called "Good-bye, Baron; I appreciate your coming very much."

No member of the President's immediate family except his sister, Mrs. Cowles, was at the station. Mrs. Roosevelt and the young children being down the Chesapeake Bay on the Mayflower, and Miss Alice in Porto Rico. Several members of the Cabinet, including Secretary Cortelyou, Secretary Hitchcock and Secretary Wilson, were present. The President and Secretary Cortelyou chatted several minutes, the President expressing his regret that the Secretary was not to accompany him. Other members of the Cabinet had taken their formal leave of the President at the White House. Among other notable people at the station to see the President were Assistant Secretary of State Loomis, Colonel Theodore Blueham and Captain W. S. Cowles. Second Assistant Postmaster-General Shallenberger and District Commissioner West.

The train is one of the finest ever run out of Washington by the Pennsylvania road, handsomely equipped and manned by a crew of picked men. The only change in the personnel of the party, as heretofore announced, was that John McCoy went as special representative of the Pennsylvania Railroad instead of C. R. Rosenberg. In addition to those officially designated as members of the President's party, three secret service men and two postoffice inspectors accompanied the President as a personal bodyguard.

Speech at Harrisburg. HARRISBURG, Pa., April 1.—President (Concluded on Second Page.)

FREE TO STRIKE

Wabash Employes Win Fight in Court

INJUNCTION IS DISSOLVED

No Grounds for Charges Against Brotherhoods.

JUDGE ADVISES ARBITRATION

Employes Were Discontented and Voted to Strike Without Pressure—Decision Hailed as Victory for Labor Unions.

The temporary injunction preventing the Wabash employes from striking was dissolved in a decision handed down by Judge Adams, a week after the hearing of arguments from both sides for and against the removal of legal obstacles. What the next move will be on either side is problematical. At Wabash headquarters it was stated that an amicable adjustment of the controversy is hoped for. The same sentiment is expressed at the hotels where are quartered the few representative officials of the trainmen and firemen now in the city. Counsel for both sides spent the afternoon in conference, but no agreement was reached.

The keynote for amicable settlement was sounded by Judge Adams himself in rendering his decision today. He said: "I can not conclude this opinion without expressing the sincere wish of the court that, if the parties are unable to adjust their differences by such mutual concessions as necessary to that end, the offer made in open court by defendant's counsel to submit the questions in dispute to the board of arbitration provided for by the act of Congress of 1885 will be speedily accepted and another instance of rational and intelligent adjustment of a business difficulty be exhibited to an expectant public."

In his decision Judge Adams first analyzes the bill of complaint upon which the provisional restraining order was issued, showing that the gravamen of the charge was that the defendants had entered into an unlawful and malicious conspiracy to secure recognition of their brotherhoods by falsely representing that the employes of the railroad who were members of the brotherhoods were dissatisfied with their wages and conditions of service when they were, in fact, entirely satisfied and contented with the same; that defendants were about to exercise their powers, as supreme and controlling officers of the Brotherhoods of Firemen and Trainmen, to force an undirected strike upon the men who were members of their organizations; that defendants threatened and were about to further enforce their demands to execute their conspiracy by preventing the railroad from performing its duties as carrier of interstate commerce and the mails of the United States by preventing their members who were working for connecting lines from handling the traffic of the railroad and thus preventing such connecting lines from interchanging traffic with and affording the Wabash facilities therefor required by the interstate commerce act.

Upon the showing that the first step of the conspiracy, namely, the ordering of such strike was immediately contemplated by the defendants and that irreparable damage would necessarily befall the railroad unless a restraining order was forthwith issued, the same was done for the purpose of holding the property and the parties in statu quo until both sides could be fully heard on the motion to set aside or modify the order. Leave was given to file such a motion at any time within 15 days.

The provisional restraining order was made without notice to the defendants, under the stress of the facts disclosed by the bill and was imperatively demanded by the general principles of equity jurisprudence, recognized and enforced in many similar cases in the United States and England. Within the time allowed by the restraining order defendants duly appeared and filed their sworn answer, denying the alleged conspiracy in all its phases.

Charges Not Proved. The court after fully considering all the proof finds that the statements of the bill of complaint to the effect that the employes were satisfied with their wages and conditions of service are not supported; that irrespective of the question of whether the men or the committee of the brotherhoods representing them first suggested the increase of wages and change of rules, the employes themselves, at and for a long time prior to the filing of the bill of complaint, were dissatisfied with their wages and conditions of service and a real difference of opinion existed between the railroad and a large majority

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MAJOR-GENERAL R. P. HUGHES



WHO WAS RETIRED YESTERDAY.