BOUNDLESS REACH OF STANDARD OIL

Interstate Commission Says It Rules Price From Well to Consumer.

RUINS ALL COMPETITORS

Ownership of Pipelines Its Chief Source of Strength — Dictates to Railroads, Spies on Independents and Has No Conscience.

WASHINGTON, Jan. 28.—The Interstate Commerce Commission sent to Congress a report of the investigations made by it under the Tillman-Gillespie resolution concerning the relations of common carriers by rail to the production and distribution of oil. The report covers the distribution of petroleum and its products east of the Mississippi River, and, incidentally, the Kansas and Texas fields. The report points out generally the methods by which the Standard Oil Company "has built up and perpetuated its monopoly." It is asserted that "the ruin of its competitors has been a distinct part of the policy of the Standard Oil Company in the past, systematically and persistently pursued."

"No instance," the report says, "is found where any railway company has been interested in oil lands or in petroleum production, and only one instance is shown where officials of a railway company were interested in the production and sale of oil. This relates to certain officials of the Baltimore & Ohio Southwestern Railroad having owned stock of the Argand Refining Company, which was on their recommendation afterward sold to the Standard Oil Company, and the lubricating contract, which the road transferred to the Galena Oil Company, a Standard Oil Company.

Its Profits Exorbitant.

"The Standard Oil Company largely monopolizes the handling of petroleum from the mouth of the well until it is sold to the retailer, and sometimes to the consumer, and under ordinary circumstances its margin of profit is very large."

Estimates made in the report show a profit on refined oil from the Sugar Creek refinery at Kansas City, of from 5 to 8 cents per gallon. A much higher profit is indicated for gasoline. The sale of refined oil from the large standard refinery at Whiting is correspondingly profitable. The report further says:

"The evidence shows little basis for the contention that the enormous dividends of the Standard Oil Company are the legitimate result of its economies. Except for its pipe lines, the Standard has but little legitimate advantage over the independent refinery.

"The Standard buys advertising space in many newspapers which it fills, not with advertisements, but with reading matter prepared by agents kept for that purpose and paid for at advertising rates as ordinary news. The assumption is that this literature furnishes many of the ideas touching the great benefits conferred upon the public by the Standard Oil Company.

Control Price by Owning Pipe Lines.

"Possession of the pipe lines enables the Standard absolutely to control the price of crude petroleum and the price which its competitors in a given locality shall pay. It can raise the price in one locality and obtain its own oil from another, and reverse the process when it desires to do so. Whoever controls the avenues of transportation of the raw material or of the refined product can speedily drive his competitors out of existence, and the production and distribution of petroleum is no exception to the rule."

The pipe line system of the Standard, the report continues, is not a natural, but rather an artificial advantage. It is argued that the reason why long pipe lines competing with those of the Standard have not been provided is found in obstacles in the way of such undertakings having been opposed by the railroads, whose right of way has generally stood as a Chinese wall against all attempts to extend pipe lines. Ordinarily, it is said, the Standard has not received rebates in recent years, so far as has been discovered, but it has nevertheless enjoyed secret rates possessing all of the elements of illegal rates and the advantages so obtained over independent shippers have been of very great value to that company. Numerous instances of discrimination in favor of the Standard resulting from the published railway rates were found, says the report. In this connection the following is an instance given:

Railroads Follow Dictation.

"A low rate of 10 cents per 100 pounds upon petroleum and its by-products existed for many years from Neodosha, Kan., where the Standard operated a refinery, to Kansas City. This was for the interest of the Standard; but when the Standard constructed its refinery at Sugar Creek, Kansas City, and connected it by pipe line with the Kansas oil wells, the rail rate was advanced from 10 to 17 cents per 100 pounds. While the railways insist that this was not done at the instance of the Standard, the significant fact remains in this and many other cases called to the commission's attention that the rate was not changed until it came to be for the interest of the Standard that it should be changed, and it was changed as that company naturally would desire."

In discussing the assertion contained in the report that "the ruin of its competitors has been a distinct part of the policy of the Standard Oil Company," the Commission says one method has been the organization of a perfect system of espionage over the shipments of its competitors, resulting in knowledge as to the destination of every car of oil leaving the refinery of an independent. The Standard agent at the destination, says the report, is held responsible if the independent oil is sold.

Special Fund to Pay Spies.

"It does not appear," continues the report, "that the railroad companies have directed the furnishing of this information, or that the practice has been sanctioned by superior officers of the roads, but it does appear that such information is systematically obtained from railroad employes. The testimony shows that the Standard at one time, if it does not now, devoted a fund to the purpose of obtaining this information. It has frequently happened, when the supply of independent oil in a particular territory was low and a shipment was peculiarly necessary, that the shipment has unaccountably gone astray. Information also appears to have been given the Union Tank Line, a creature of the Standard, concerning the whereabouts of its cars, while such information was not furnished to other owners of tank cars, and some discrimination in tank car mileage in favor of the tank line is shown for one railroad.

It is asserted that it is the practice of the Standard, whenever a competitor erects a storage tank to which the oil is transferred from the tank car, to reduce the price of oil in that locality to such a point as to make the business unprofitable to such competitor, while prices were maintained in other localities. There was much complaint that the railroads allowed the Standard to erect its tanks at convenient points on the right of way and declined to accord this privilege to independent refiners. The Commission says that it is satisfied that such discrimination has been very generally practiced in the past.

Cinches Railroads on Lubricants.

The report shows that "at present every considerable railroad in the United States is buying of the Galena Oil Company, one of the Standard companies, most of its lubricating and signal oils; the prices paid for lubricating oil, which is of three grades, being substantially the same to the various railroads. The contracts generally contain a guarantee to the road that the cost of lubrication shall not exceed a certain sum per mile, or engine mile, and provides for oil inspectors appointed by the oil company to supervise the use of the oil. The Galena company is rarely called upon to pay anything under the guaranty, and the prices obtained by the oil company are extravagantly high. Oils of the same grade could be bought in the open market for about one-half the Galena Company's prices."

Fake Independent Companies.

The report severely arraigns the Standard's methods of competition, saying:

"The Standard has repeatedly, after becoming the owner of a competing company continued to operate it under the old name, carrying the idea to the public that the company was still independent and competing with the Standard. It has used such purchased or independently organized companies to kill off competitors by such companies reducing prices. The operation of such fake independent concerns has been one of its most effective means of destroying competition. The Standard has habitually reduced the price against its competitor in a particular locality, while maintaining its prices at other places. When competition was destroyed, it advanced or restored former prices. The Standard has sold different grades of oil at different prices from the same barrel. It has paid employes of independent oil companies for information as to the business of those competitors and has paid employes of industrial companies to secure the introduction of its oil in preference to that of its competitors. It has followed every barrel of independent oil to its destination. Its agents are instructed to secure customers at any sacrifice. It has tampered with the oil inspectors in different states. The laws of several states concerning the inspection of oil are singularly defective, and this has been turned to profit by the Standard.

"The Commission's only knowledge of the competitive method of the Standard Oil Company is obtained from evidence taken under oath in this investigation. The Standard was given permission to explain or rebut the facts.

"This, if true, demonstrates that the competitive methods of the company in the past have been unfair and disreputable. Its motto has been the destruction of competition at any cost, and this policy has been pursued without much reference to decency or conscience, and it is significant that the larger independent refiners sell the greater part of their product in foreign countries. One independent testified that 75 per cent of his product went abroad, and said that he could compete with the Standard in Germany, where its methods, as followed in this country, would not be tolerated, but that he could not compete with it here."

On the question of remedies, the report says:

"More than anything else the pipe line has contributed to the Standard Oil monopoly, and its supremacy must continue until its rivals enjoy the same transportation facilities. The amended act to regulate commerce makes the existing pipe lines common carriers subject to that act, and the power to prescribe just and reasonable rates, regulations and practices, after complaint and hearing, is conferred upon the Commission. But the pipe line tariffs filed with the Commission are alleged to be of no actual advantage to the independent operators. The Commission only can act upon these schedules after the complaint has been made challenging specific rates, regulations or practices. Some complaints are now pending. How far the amended authority will prove adequate to the correction of such injustice as now exists in respect to this traffic remains to be seen.

Difficult to Undo Wrongs.

"Since in the past petroleum rates have not always been established to promote, but often to check traffic, and the tariffs are more or less permeated with discriminations in favor of the Standard Oil Company, having been built up during a series of years in that view, it may be that this discrimination will never be eliminated by any process of complaint against a specific rate or practice. Judging by the past, discriminations as to this traffic may arise more frequently than those now existing can be routed out by that method. As to no other important traffic is there an approach to the monopoly of the Standard Oil Company in that of oil. Under these conditions it may become necessary to the uprooting of established wrongs and the prevention of others that the Government shall fix in the first instance the rates and regulations for the transportation of this traffic. This method has been adopted by the Legislature of one state. It probably will be found necessary to disassociate in the case of oil, as in that of other commodities, the function of transportation from that of production and distribution. What other remedies in addition to those already provided it may be necessary to prescribe can be better determined in the near future by the results of experience in administering the present law."

BURIED UNDER THE RUINS

Three Firemen Meet Death When Burning Building Falls.

BUFFALO, N. Y., Jan. 28.—Buried under tons of ice-coated debris of the eight-story Seneca building at 101-109 Seneca street, destroyed by fire today, three firemen are probably dead or so badly injured that they will die before aid can reach them.

About twenty firemen, including the three missing men, were on the roof of the Heywood building, adjoining the Seneca, fighting against the spread of the flames, when two thick brick walls of the Seneca building collapsed. Tons of debris from the crumbling walls crashed down on the roof of the lower Heywood building, going through the roof and carrying floor after floor into the basement. Not one of the twenty men escaped without injury, but half of them were able to fight their way out and to give aid to their less fortunate comrades.

The rescuers worked all of the afternoon, but no trace of the missing men could be found. As night fell, electric light wires were strung into the ruins and tonight the work of rescue was kept up.

THE DAY'S DEATH RECORD

Edward M. Teall, Chicago.

CHICAGO, Jan. 28.—Edward McKinstry Teall, for a number of years president of the Chicago Underwriters' Association, died last night after a month's illness of grip and resulting complications. Mr. Teall was born at Albany, N. Y., on July 27, 1839. At the time of his death he was president of the board of trustees of the McCormick Theological Seminary and president of the Chicago Relief and Aid Society.

Col. Richard Blue, Indian Territory.

BARTLESVILLE, I. T., Jan. 28.—Colonel Richard Blue, formerly a well-known Kansas politician and attorney, died suddenly at his home here today, aged 65 years. In 1894 he was named as Representative-at-large from Kansas.

Professor W. S. Jackson, Chicago.

CHICAGO, Jan. 28.—Professor W. S. Jackson, dean of the School of Education at the University of Chicago, died today after an illness of less than 24 hours.

ALL CHARGED SAME

Southern Pacific Dock Toll at Golden Gate.

LANE CONTINUES HEARING

Freight Pays Wharfage Which Never Touches Wharves—Railroad Makes Water Competition Excuse for Charging the Extra Rate.

SAN FRANCISCO, Jan. 28.—Interstate Commerce Commissioner Lane today resumed in this city his inquiry into the affairs of the railroads involved in the Harriman merger and the effect such merger has had upon competition between the lines affected. The case presented today was designated the Pacific Coast Jobbers against the Southern Pacific Company. The railroad was represented by Peter F. Dunne and the shippers by Seth Mann. The shippers complained that they were charged 5 cents wharfage tolls on every ton of freight that entered the city, whether it came across the bay or over the coast line, in which latter case there was no lawful wharfage tax to pay. On the coast line freight enters San Francisco over the county peninsula. It was alleged that this tax was a discrimination against the commerce of San Francisco as compared with other terminal points on the Coast.

Mr. Lane claims San Francisco as his home city, and, being well informed on the local situation, took an active part in the examination of witnesses. Mr. Mann made a statement of his case, and General Freight Agent G. W. Luce of the Southern Pacific was a witness. He was asked if the Southern Pacific divided the whole amount received with connecting lines, or retained the wharfage collected and divided the remainder. He replied that the toll charge of 5 cents per ton was not divided. Some statistical testimony and arrangements for filing briefs in the case completed the session.

Mr. Lane said that oral argument before the Commission sitting en banc at Washington in June would be heard if the parties desired. The merger question will be taken up tomorrow.

When the sitting began, H. D. Pillsbury asked permission to intervene in the hearing on behalf of the Santa Fe, and permission so to do was granted by Mr. Lane.

Mr. Mann then commenced a statement of his case against the railroad. He stated that the Southern Pacific has always charged shippers of freight a toll of 5 cents a ton, which it is compelled to pay the State Board of Harbor Commissioners for use of the waterfront. June 1, 1901, all transcontinental freight had come into this city through Oakland, and had, therefore, paid this toll. In June, 1901, the Southern Pacific completed its Coast line division, connecting with the transcontinental line at Los Angeles, and interstate freight was brought into this city by this division. Although it does not cross by ferry, it is nevertheless mulcted 5 cents a ton, as is freight from Oakland.

In his opening statement Mr. Dunne, for the railroad, admitted that the case, as stated by Mr. Mann, seemed bad for the Southern Pacific, but claimed that the "whole statement turns on a contract Mr. Mann seeks to make, showing the consistency of the company."

"Freight rates," he said, "are regulated by the cost of water transportation. Rates must be made higher to intermediate points in order to pay costs. At water points they cannot charge such rates. They cannot put these rates too low—that would react on intermediate points—but they must be lower than at intermediate points. Rates at water points are not remunerative. These," Dunne said, "are elementary principles of traffic law."

Mr. Dunne continued:

"In putting the rate as high up as traffic will bear at water points, the company simply takes what it can get. Years ago, Mr. Stubbs, who pioneered this rate basis, made contracts with merchants for handling traffic and fixed rates by computing the cost of shipment by water, marine insurance, interest, state toll, plus something for superior equipment. The state toll is a part of the tax to be included, even if no freight crosses the state wharves. The company is not collecting state toll as state toll, but the aggregate, including what water carriers pay. The water competitor pays this toll, so we are compelled to charge this toll in the state."

The two opposing attorneys took issue on the fact that all Sunset freight, both gulf and rail, coming through the El Paso gateway, reaches this city by the coast division.

NINE THAW JURORS

Three More to Be Sifted From Among 100 Men.

PRISONER IN HIGH SPIRITS

Whole Family Marshaled Behind Him to Quell Stories of Dissension—Delmas Throws Light on Line of Defense.

NEW YORK, Jan. 28.—The jury to try Harry K. Thaw for the killing of Stanford White is nearly completed. When court adjourned this evening there were nine men in the jury box, one having been added during the morning session and one just before adjournment at 5 o'clock. It is expected that the taking of testimony will begin Wednesday afternoon.

Fifty talesmen were examined today and so rapidly were the remaining members of the special panel disposed of at the morning session that at noon recess orders were hurried from the court for the summoning of an additional 100 men, who are to report before Justice Fitzgerald tomorrow morning. This will make a total of 300 men thus far summoned. Of the original panel there remained today only 35, and it was not considered that this number would be sufficient out of which to select the three jurymen necessary to make the necessary 12.

Of the 50 men examined today, 43 were excused on doctors' certificates, or because they had formed opinions which were too strong to be shaken by the testimony, or for various other reasons sufficient to incapacitate a man for service in capital cases. Five talesmen were challenged peremptorily, the state leading in the exercise of this privilege with three challenges.

The two men of the 50 who proved acceptable to both sides were Charles D. Newton, a retired railroad official, who is perhaps 65 years old, and Louis Haas, the New York representative of a Philadelphia wholesale candy concern, who is about 30 years of age. In accepting the latter, District Attorney Jerome dwelt for some time on the question of reasonable doubt, questioning the talesman searchingly as to his ideas of the difference between a partial doubt and a positive doubt. Mr. Haas seemed to incline to the idea that a conviction for murder in the first degree should be voted only when such a doubt as one might feel in regard to some vital issue in his own life had been removed by the evidence. This seemed to satisfy the District Attorney.

Mr. Jerome continued today to base his examinations of the talesmen on the belief that Thaw's lawyers offer two defenses, one of emotional insanity at the time of the shooting and the other the "unwritten law."

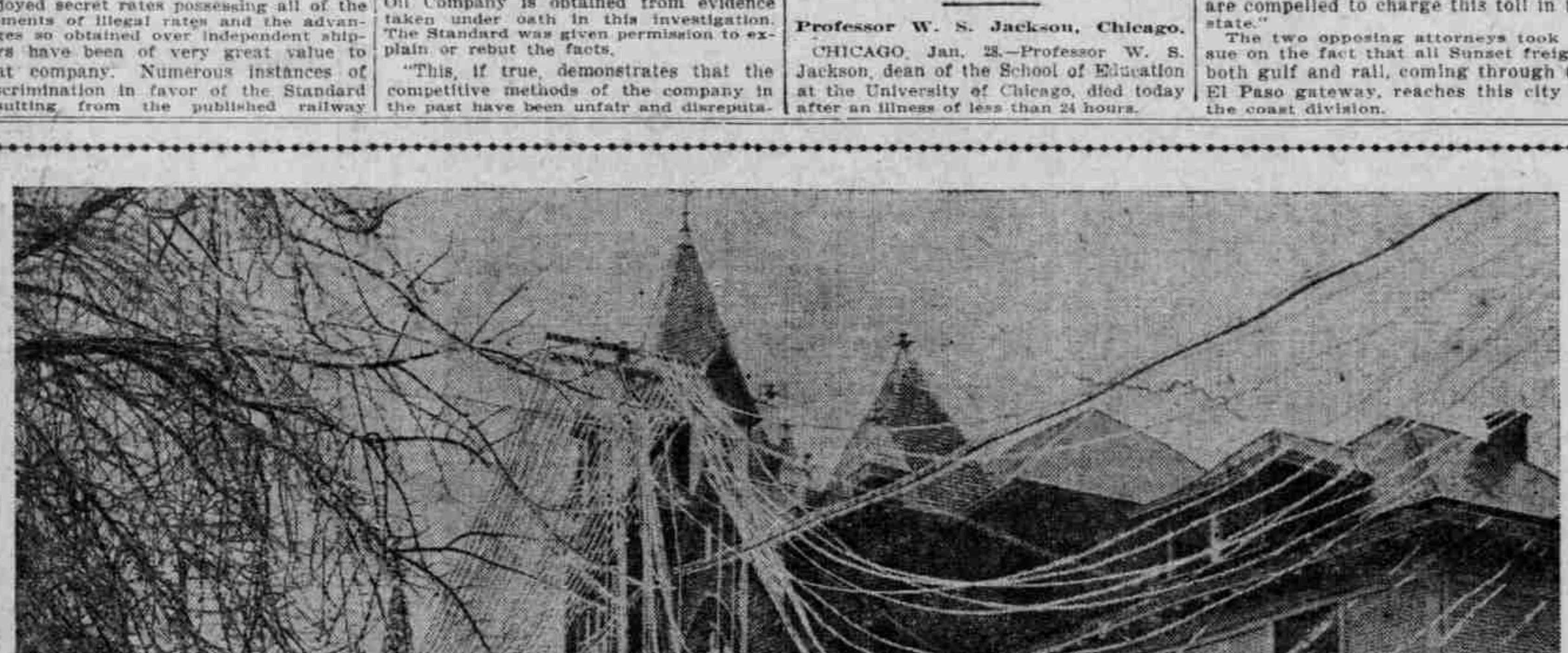
All of the defendant's family were in court today. Mrs. Harry Thaw and her companion, May McKenzie, were the first to arrive. Then came Mrs. William Thaw, mother of the prisoner, accompanied by her two daughters, the Countess of Yarmouth and Mrs. George Lauder Carnegie. Edward and Josiah Thaw and Mr. Carnegie were also present. The family sat closely grouped in two rows of chairs just back of the prisoner. As usual, they seldom spoke to one another.

Thaw was delighted when he saw all of his family in court and appeared to be in high spirits throughout the day. He had strongly resented the statements that there was dissension between his wife and sister over the former's intimacy with Miss McKenzie. Miss McKenzie today declared there was absolutely no truth in the report that there had been any such dissensions.

Justice Fitzgerald has decided on stern measures to curb the mere sightseers. He has issued orders that at no time during the trial shall spectators be admitted, but only those having positive business in the court. This order has been made imperative, and the public and court officers have been told to obey it to the letter.

D. M. Delmas, one of Thaw's counsel, stated today, regarding the defense:

"You may say that it will come strictly within the statutes of New York. There is no higher law in this state, and all this talk about the 'unwritten law' is bosh. Nor can I see the efficacy of a plea of emotional insanity. A man may be temporarily insane, but that is quite another matter."



BROKEN WIRES NEAR THE FIRST GERMAN EVANGELICAL CHURCH, TENTH AND CLAY STREETS.