

PHONE RATE CASE WAITS NEW YEAR

Company Speeds Testimony
to Make Recess Possible.

LOSSES AGAIN RECITED

Corporation Insists That Necessary
Extensions Cannot Be Made
on Old Revenues.

The near approach of Yuletide, although approximately \$5,000,000 in contemplated stock sales are at stake, impelled witnesses for the Pacific Telephone & Telegraph company to hasten the presentation of their case before the Oregon public service commission yesterday, in an application for a 30 per cent state-wide rate increase, and brought the hearing to an indefinite adjournment in late afternoon.

Commissioner Williams, presiding, while Chairman Buchtel was engaged with the terminal controversy, announced that the meeting would be resumed upon five days' notice, some time in January, when attorneys for the company, the city and the various communities would present briefs based upon the testimony adduced and the case would go to the commission for final determination.

City Not Yet Through

J. T. Shaw, general counsel for the company, terminated the examination of witnesses and the presentation of exhibits with a brief expression of appreciation to the commission, and with the statement that the company had fully voiced its request for relief and had nothing more to ask.

"We have a great deal to ask," was the lone sentence of Attorney La Roche's statement, for the city of Portland.

Throughout the two-day hearing it has been the contention of the city attorney, and of the several attorneys representing other Oregon communities, that the request of the company for increased rates is ill-timed, and that action should be withheld until the general decline of wage schedules and material costs would indicate the fair basis of return. City Attorney La Roche, throughout his many cross-examinations of witnesses, stressed the point that the present represents the price peak, and that any attempt to procure a rate increase under abnormal conditions is economically unsound.

Steady Losses Are Reported

Officials of the company in their testimony, as well as Mr. Shaw in his presentation of the case, have sought to show that the company has borne constantly increasing losses since 1916, and that it now confronts a situation requiring extensions and improvements of more than \$5,000,000. Response to this need, in the purchase of the company's securities, cannot be expected unless the telephone rates for Oregon are revised upward to the point where a fair return is assured, the company maintains.

Through the mass of exhibits offered, the commission must wade in an endeavor to determine the exact status of the company and the justification of its application. The rate base upon which the company presents its claim is the physical valuation of its properties, as determined by the public service commission in 1916, or \$12,245,000, plus additional expenditures, amounting to \$15,638,110 in 1920 and estimated at \$16,725,317, for 1921.

Valuations Are at Odds

Since 1916 the commission has arrived at another physical valuation, as of 1918, or \$12,722,305. This computation does not agree with the company's own valuation for that year, which is \$13,074,567. Determination of the physical valuation of the extensions and improvements since 1916 will be largely undertaken by the commission's engineers. C. E. Fleeger, plant engineer, one of the closing witnesses in the case for the company, declared that the present-day reproduction cost of the plant would be \$31,000,000. This figure, however, does not in any way enter into the rate base. Various exhibits introduced by the company illustrated the contention of its witnesses that revenue are more than absorbed by operating expenses, and that, allowing for interest and returns to stockholders, the operations of the company have resulted in annual deficits of increasing proportions since 1916.

Deficits Declared Growing.
Deficits for the years presented were as follows: 1916, \$249,707; 1917, \$338,115; 1918, \$335,655; 1919, \$690,178; 1920, \$891,400; 1921 estimated, \$823,200. For the years 1918 and 1919, the period of federal control, government compensation reduced the deficits to the company to \$225,753, and \$286,456, respectively. In the year 1919 the statement showed an actual deficit as between operating expenses and gross revenue of \$36,756, without allowing for interest or dividends, while a similar loss of \$65,290 was estimated for 1921.

Increased annual expense of the present as contrasted with that of 1916, due to wage increases only, was presented as \$1,086,000, with company officials from several departments testifying that no reduction in wages is contemplated.

Expenses Grow Faster

Operating revenues were shown to have increased 83 per cent for 1920 as contrasted with 1916, while operating expenses have increased 106 per cent. In 1916 the operating revenue was \$2,266,870, while in 1920 it will approximate \$4,154,500. Operating expense for 1916 was \$2,007,172, and in 1920 is estimated to be \$4,235,000, based on actual returns for nine months and an estimate for the remaining three.

When D. F. Fullerton, general superintendent of plant, was under interrogation the trend of inquiry turned toward possible substitution of automatic telephones for those of the manual system, with respect to the saving that might result.

"Can you say whether the company is contemplating such a substitution?" asks City Attorney La Roche.

Fewer Operators Needed

Mr. Fullerton replied that automatic phones were being constantly installed, and admitted that fewer operators would be required. He denied the prospect of a saving in this particular, saying that costs of operation were about equal under the two systems, owing to the necessity for employing skilled and high-salaried men to supervise the automatic system. The benefit to the public, he said, would not be a financial one, but would appear in improved service.

"May I ask upon what you base your statement that the expense of operating automatics would be the same as that of operating manuals?"

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asked R. C. Wright, patent attorney, "A greater number of higher grade men would be needed," answered Mr. Fullerton, "and the apparatus must be given greater protection."

Higher Rates Elsewhere Up

At a question launched by the commission, as to whether Washington is faced with a similar application for increased rates, Mr. Shaw, general counsel, asserted that as soon as the Oregon case is concluded the company expects to apply for higher rates both in Washington and northern California.

"They are not in a humor to consider any increase in rates until Oregon pays for her phone service," he remarked.

Mr. Shaw also expressed confidence in the attitude of the Oregon public, voicing his belief that subscribers are "willing to pay for what they get."

"The revenues arising from present business," testified J. C. Nowell, vice-president and general manager, "are less than the expenses attached. We do not propose to expend any more money in this state unless adequate returns are assured. Nor do we think that this commission, or those representatives of the city of Portland and other communities will be carrying out their obligations to the people they represent, if they place us in a position where we cannot carry out extensions at this time."

Company to Play Basketball

CENTRALIA, Wash., Dec. 22.—(Special.)—At the regular meeting last night of company L, Washington national guard tank corps, it was voted to enter a team in the national guard basketball league being organized in the state. The first game will be played here the first week in January with company B of Seattle. Practice will be started next week by the

Salem Calls Portland Pastor

SALEM, Or., Dec. 22.—(Special.)—Rev. Ward Willis Long, pastor of Forbes Presbyterian church of Portland, has been asked to accept the pastorate of the Salem Presbyterian church, to succeed Rev. Thomas S. Anderson, who resigned recently to locate in California. Pending the employment of a regular pastor, Rev. James Elvin, secretary of the Salem branch of the Young Men's Christian association, is filling the pulpit.

Stores at Salem Robbed

SALEM, Or., Dec. 22.—(Special.)—Burglars late Tuesday night entered the Economy grocery store and Ostrin Bros' confectionery store here and stole \$5 in money and considerable merchandise.

Walters Are Incorporated

SALEM, Or., Dec. 22.—(Special.)—The Independent Hotel and Restaurant

Workers, incorporated, today filed articles of incorporation here. Headquarters will be in Portland and the capital stock is \$500. The incorporators are Elbert C. Oden, E. J. Lambert and Thomas Smith.

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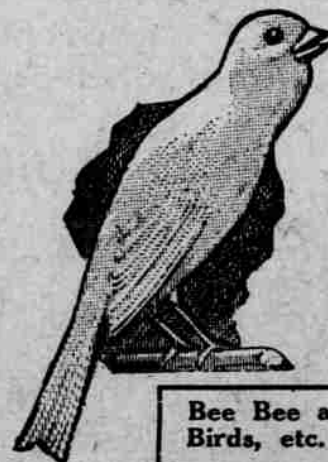
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