

TELEPHONE RATE PRODUCE DENIED

Protestants Said to Have Failed to Show Proof.

PRESENT SCALE TO STAY

Evidence Adduced in Hearing Is Held to Have Been Nothing but Needless Agitation.

(Continued From First Page.)

could have had no other object than to divert the attention of the public from the fact that the commission had granted much less than the company asked.

"The commission listened with interest to the testimony of technical matters by a telephone engineer of undoubted and scientific attainments, who dwelt on the advantages of equipment other than that used by the company. The responsibility, however, of prescribing the equipment to be used by the utilities of the state does not rest on this commission. The testimony of this witness was therefore almost wholly irrelevant and beside the issues.

Accountant on Stand.

"Petitioners presented, through a public accountant, whose standing is known to carry weight with the commission, certain calculations purporting to be income statements of the Pacific company. On being questioned as to the basis of these statements, the accountant testified that he had prepared them on certain hypotheses dictated to him by counsel, and that he disclaimed any responsibility for their accuracy. Yet, he testified, in their brief, presenting these statements as the testimony and conclusions of this witness.

"A score of witnesses were put forward to say that they opposed any increase in rates. This was not necessary. Every man of common sense that no one wants to pay more for service. The witnesses are not more averse to paying higher rates than this commission is to ordering them paid.

"Much was said by counsel about poor service, but the petitioners' own witness showed by test that calls were answered with a promptness possible only under efficient management.

Inefficiency Not Proved.

"Hours of argument and pages of brief were devoted to assertions of gross inefficiency of management, but the petitioners' own witnesses on this point testified that he had visited four exchanges in a single afternoon, and based his opinion on the fact that he found in each case devices which he thought not the best for the purpose. Furthermore, it was admitted by counsel that the stockholders of the company would be the first to profit by economy.

"The 4 1/2 per cent licensee revenue paid to the American company was constantly referred to as exacted from the patrons of the company and paid to the parent company for no consideration whatever, notwithstanding that it was well known to counsel for petitioners that less than one-half of this percentage was allowed by the commission, and that this allowance was based on the actual cost of service rendered by the American company.

"The Western Electric contract had been accepted by every state which has passed on it.

"Testimony concerning farmer lines consisted of complaints that the rates had been raised. It is interesting to know that the Everett Telephone company, so highly lauded by counsel for the petitioners, charges farmers 25-30 per cent more than the highest rate for such service in Oregon.

Expert Is Quoted.

"The commission's allowance for depreciation was attacked as unscientific on the ground that no such calculation could be reliable unless based on the historical records of the property involved. Order 489 shows that this principle was recognized by the commission, and that it was adopted by this commission two years before it was 'discovered' in the Chicago case quoted by counsel.

"The petitioners' principal expert admitted that 8 1/2 per cent depreciation was a reasonable average rate for telephone properties in the United States and that 6 per cent was provided for the companies with which he was connected. This commission has allowed an average of 4 1/2 per cent.

Seven Authorities Are Cited.

"Seven authorities are cited and quoted in the brief of the city of Portland in support of the claim that a depreciation reserve cannot rightly exceed a certain percentage. Not one of these authorities supports that contention.

Reserve for Protection.

"The depreciation reserve has been constantly represented by counsel as a burden on the ratepayers. On the contrary, it consists of funds withheld from the shareholders for the protection of the property. It had been contributed by the ratepayers, and is, and always will be, the property of the ratepayers.

Duties Are Defined.

"The commission then proceeds to review the conditions existing prior to the regulation of public utilities and seeks to define the duties of the public service commission and that of the commission then continues: "Expenses, instead of falling, have continued to increase. The company, claiming that it was earning less than a 2 per cent return, not enough to meet interest charges, again applied a thorough scrutiny of accounts in an exhaustive hearing and careful consideration of the demands of justice to all concerned, the utility, its employees and its patrons, the commission issued order 688, now under review.

It May Be Here Noted that the result of the various proceedings above outlined is that in the year 1921 the Pacific company received a smaller percentage of its operating expenses than in 1918, before any rate advance had been made. Thus, in spite of an increase of 25 per cent in the number of telephones in use, the entire effects of increased rates have been more than absorbed in advanced wages and cost of materials. It cannot even yet be safely assumed that the peak of cost of operation in telephone service has been passed, for operating expenses per telephone in 1921 were 11 per cent more than in 1920.

Close Survey Made.

"We have thus shown that for more than two years prior to its last order the commission had had the operations of the telephone company under close surveillance. Fourteen months had been occupied with actual hearings and investigations. Many of the most prominent and well-known attorneys of the state had appeared, representing 25 cities and other public bodies. One hundred witnesses had been examined, including engineers, accountants and experts of unquestioned ability; more

than 200 exhibits had been received, including voluminous statements prepared upon request; the testimony covers more than 200 typewritten pages; and the expense to all parties, caused by these investigations, together with the valuation, is estimated at about one-quarter of a million dollars; all prior to the last order.

"Scarcely had these proceedings been concluded when the petitioners appeared, requesting that since the commission had failed to inform itself on telephone matters, its rate order be set aside and the company's affairs be investigated.

Hearing Is Granted.

"These petitioners had all taken part in the various proceedings and were at least partly responsible for any alleged lack of correctness in the evidence. Nevertheless, so serious were the allegations in the petitions and so insistent were they in their assignments of error that the commission granted a rehearing, basing its order on representations that sufficient new evidence would be brought out to justify the time and expense of further consideration of this important subject.

"It is right that the people should now be informed of the extraordinary manner in which they have been misled upon and time of their officials wasted. In spite of positive assertions of error in the findings of the commission, not a scintilla of evidence worthy of serious consideration was offered in support of the contentions of the petitioners. In saying this we do not impugn the motives or the intelligence of the witnesses in the least. The responsibility for offering irrelevant testimony on matters at issue or on subjects already fully covered must rest on those conducting the case.

Petitioners' Counsel Scored.

"Actions of counsel for petitioners have been characterized by an apparent desire to confuse rather than to elucidate the issues before the commission. Wholly extraneous matter was constantly dragged into the discussion. Instead of direct evidence were heard extravagant declarations of what counsel were about to prove, or had proved, although examination of the record fails to show that a single one of their contentions was proved or even plausibly attempted.

The Rehearing was Asked Ostensibly for the Purpose of Pointing out the Errors in the Conclusions Reached by the Commission in Order 688, but the Attacks of the Petitioners Were Directed, Not Against That Order, but Against the Evidence by Which the Company Supported its Claims at the Hearing Which Led to That Order.

"The rehearing was asked ostensibly for the purpose of pointing out the errors in the conclusions reached by the commission in order 688, but the attacks of the petitioners were directed, not against that order, but against the evidence by which the company supported its claims at the hearing which led to that order. We thus have the strange spectacle of a 'rehearing' devoted chiefly to arguments against claims made by the company and already rejected by the commission. The maneuver could have had no other object than to divert the attention of the public from the fact that the commission had granted much less than the company asked.

Evidence Is Disputed.

"The only evidence offered during the rehearing which would tend to justify an appreciable reduction in the total revenue of the company was the opinion of a witness for petitioners that the total depreciation reserve accrued by the company to date is excessive.

This Evidence, When Correctly Interpreted, Thus Shows the Reverse of Its Author's Contentions and Illustrates the Accuracy of the Commission's Estimates.

"Farmer line service was freely discussed at the rehearing and many of the users offered testimony as to the character of the service, and its value, determining the latter by comparison between past and present rates. Such testimony, while instructive, lacks the essential elements of proof necessary to demonstrate that the present rates are unreasonably or inequitable. Counsel made no attempt, either by exhibits or testimony, to show that the company's present schedule of rates was inherently excessive, or that his clients were being made to bear more than their just proportion of the burden.

Discriminations Have Existed Between Communities as Well as Classes of Patrons. Communication from Oak Grove and Milwaukie to Portland has Been Permitted Without Charge, a Similar Policy Being Followed in the Opposite Direction. The Latter Charge Was Frequently Evaded by Prerearrangement of Calls.

"The Hoquiam lunchon was served at 2:30 o'clock in community service hall under direction of the service staff and a committee of Hoquiam lumbermen headed by C. H. Cunningham of the Northwestern Lumber company. A banquet at the Lafayette hotel, Aberdeen, starting at 7:30 P. M., completed the harbor program, after which the party was to leave for Portland.

Milwaukie Wants Change.

"Milwaukie now proposes that it pay the Portland rates and be included in the Portland primary rate area, arguing that it is only a mile outside the city limits. Oak Grove amends by proposing that the area be extended to the Clackamas river. The Clackamas river is just outside the city limits of Oregon City, so it would be unreasonable to resist the claim that Oregon City, too, should be included with Portland.

The Size of the Primary Rate Area, as Well as the Number of Users in It, Is an Important Factor in Cost, and consequently in Rates. Inclusion of Oak Grove and Milwaukie would mean that the extra cost of serving them would be laid on the Portland rate area. The line must be drawn somewhere, and we can see no other place as suitable as at the city limits.

"All that has been said of Milwaukie and Oak Grove applies with even more force to the situation at Oswego.

While Other Petitioners Claim that Oregon is Merely an Outlying Part of a National System, and, Being in a Backward State of Civilization, Should Not Be Expected to Pay Its Way, Astoria Goes to the Opposite Extreme and Contends that Its Own Rates Should Be Fixed on a Strictly Local Basis.

"It has always been the position of the commission that in telephone rates the state should be treated as a unit.

Astoria Plant Bushed.

"The apparently high earnings in Astoria have been due to the fact that the plant is being used to the fullest possible extent, 'completely saturated,' in technical phrase, needed extensions and betterments having been prevented by scarcity of labor and other causes. The plant has been shut down over a period of several months.

Oregon's Best Coal—Southport. Try a sack, 75c. Bdwy., 70—Adv.

Orpheum matinee today, 15-25-50-Ad.

Tenino Mill Resumes Operations.

"CENTRALIA, Wash., Feb. 21.—(Special.)—The shingle mill of C. E. Russell at Tenino resumed operations yesterday. The plant has been shut down over a period of several months.

From the Beginning of Consideration of Telephone Rates, This Commission Has Given Special Attention to the Relations of the Pacific Company to the American Telephone & Telegraph Company, Studying Not Only the Nature and Extent of Services Rendered by the Latter, but Also the Actions and Opinions of Courts and Other Commissions Relative Thereof.

"It is strange that the petitioners should even question the value of the financial assistance rendered by the American company, since they have themselves asserted that for years the Pacific company's net return was under 4 per cent. It should be known to them, as it is known to all intelligent business men, that no industry can be financed, so as to sell its securities at par and meet its obligations simply, on such a showing of earnings.

From the Evidence Submitted in the

PHONE RATE RULING IS BRANDED UNJUST

Mayor Baker Declares Order Defies People's Rights.

SYSTEM OR LAW WRONG

Decision of Public Service Body Held to Be Monstrous by Head of State Federation.

"We went to the bat in what we believed was a just cause and if we could not convince the public service commission that an increase in telephone rates was wrong, the public will have to pay the bill or elect some other procedure," was the statement of Mayor Baker yesterday when he was asked by the public service commission had not granted relief to patrons. He and H. M. Tomlinson, assistant city attorney, who had direct handling of the case, were greatly surprised at the decision, contending that evidence sufficient to justify and sustain lower rates was submitted during the long hearing.

"I get the feeling that the commission had not had a fair chance to present its case, and that it was only a matter of time before the members of the state public service commission may say," said the mayor.

Public Has Right to Know.

"When the telephone rates were increased the public demanded to know why. We are the representatives of the people of this city and it was our duty to make this demand on the public service commission. Furthermore, it was our duty to tell us and show us, and tell and show the public, why the rates should be increased. It is my belief that is what the public service commission is for. If it is not, I cannot understand why we should have a public service commission.

Case Believed to Be Just.

"We went to the bat in what we thought was a just cause and if we could not convince the commission that an increase in telephone rates was wrong, the public either will have to pay the bill or elect some other procedure.

Personally, I Think It Would be Much Better for the Commission to Explain and Defend Its Course in This Case Than to Attack Other Bodies that in Good Faith Have Questioned the Commission's Action.

"All I care to say at this time," said Mr. Tomlinson, "is that evidence sufficient to justify lower rates, and which would have sustained such a decision in the courts, was submitted at the long hearing. Personally, I was greatly surprised at the findings, in view of the evidence."

Decision Branded Monstrous.

"The decision is monstrous," said Edward M. Cousin, who speaks for the American Telephone & Telegraph federation. "This being a rehearing, the commission could do only two things—confess errors of law in its order of February 28, 1921, or find from the evidence adduced at the rehearing that its former record was incomplete.

There Was a Mass of Substantial Affirmative Evidence on Both Sides of the Proposition. It Was Exaggerated; That the Commission's Decision Was Inadequate and Insufficient, and Not Worth the Price Charged for It; That the Valuation of the Company's Property Was Fictional; That the Operating Expenses Included Enormous Excesses for Depreciation, the Unexpected Loss of Which Had Accrued Until Millions of Dollars Had Accumulated; That Other Operating Expenses Including Contributions to Parent Companies, Were Extravagant; That the Company's Showing Consisted Largely of Figures Based on Unsettled and Assumed Calculations; That the Company Had Stifled Competition and Created a Monopoly, and That the Rates Had Been Increased Beyond All Reason and Were Higher than Prevailed in Other Cities of the Same Class Served by the Bell System.

Irregular Practices Charged.

"Much evidence disclosed unjustifiable relationship between main-line and party-line rates, and so many complaints of individual discriminations and irregular practices appeared that the commission could not hear them all. Farmer-line rates were shown to produce 150 per cent more than the highest residence rate in the exchange with which the line connections were made.

All These and Many More Items Intended to Show that the Decision Was Improperly Founded and Should Be Modified, but the Commission Apparently Has Ignored Them All, Repudiated Its Own Responsibility to Examine the Company's Affairs and Left the Burden upon the Public to Gather Facts and Evidence without Any Official Assistance."

Lawrence A. McNary, who was counsel for the State Hotel association, said:

"It may be that the rates continued and assessed to the Pacific Telephone and Telegraph company do not produce more than a reasonable return upon the investment in this state, as that investment and the operation of the company are revealed to the state public service commission. But when it is understood that the American Telephone and Telegraph company is the owner of the greater part of the stock of the local company, and that the former is paying dividends of 9 per cent or more

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Mrs. Esther Short

The many friends of Mrs. Esther Short, one of Portland's most prominent and successful teachers of shorthand and well known along the entire Pacific coast, will be interested to learn that she has recently acquired an active interest in the NORTHWESTERN SCHOOL OF COMMERCE (Link's Business College), expanded as Secretary and Principal of the Stenographic and Secretarial Departments, according to an announcement made by Charles F. Walker, President.

Her observations already convince her that the possibilities here are greater than she has had in any similar connection, because of the more mature and better type of students comprising the enrollment.

per annum, it is apparent that the stockholders were in fact receiving adequate returns.

Decision Held Justifiable.

C. E. Hickman, divisional commercial superintendent of the telephone company, said he did not see how the order of the commission could have been otherwise than to uphold the previous rate schedule, or to have increased rates.

"We really are entitled to 8 per cent return on our investment, but by the commission's order, reaffirmed, we get but 4 per cent," said Mr. Hickman.

LEWIS IMPORTANT CAMP

RESERVES ORDERED TO TRAIN NEAR TACOMA.

War Department Announces Plans for Military Maneuvers Next Summer.

PUGET SOUND BUREAU, Tacoma, Wash., Feb. 21.—Camp Lewis will

be opened this summer one of the important camps for the training of the organized reserves of the reserve officers' training corps and for the citizens' military training corps, according to an announcement just made by the war department. The state camp at Murray, nearby, probably will be the gathering place for the national guard units of the state.

The military training camps of next summer will embrace for the first time all of the components and agencies of the army of the United States as contemplated under the national defense act, said the announcement.

The war department plans, which are contingent on passage of appropriations by congress, provide that approximately 160,000 members of the national guard, 30,000 reserve officers and specialists, 10,000 student members of the reserve officers' training corps and 25,000 civilians will undertake this field of training. The training will be under the supervision of the 9th corps area commanders.

Practically all troops of the regular army will be engaged during the summer in work pertaining to instruction and administration at these camps. Officers and enlisted men will assist in the training at all camps.

It was further proposed to use 900 reserve officers as instructors at the civilian military training camps, provided that number of qualified officers volunteer to serve a 30-day period in addition to their 15-day training period.

Camps of 15 days' duration will be held for the national guard of the states comprising each corps area. Emphasis will be laid upon the fundamental for unit units. As a rule, no maneuvers will be attempted. However, all field and general officers will participate in at least four

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John M. Stahl Production

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Gaston Glass
Georgia Woodthorpe
Grace Darmond
and a big cast.

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Thos. H. Ince

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"THE NIGHT ROSE"

Blue Mouse Concert Orchestra

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BLUE MOUSE THEATRE

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