

# HUMAN REASON FOR ADVANCE IN LUMBER RATE

### Counsel for Defendants Assert in Brief to Railroad Commission Increase Made Simply Because Industry Could Afford to Pay More—Mill Business Stifled.

In all the hearings and arguments on the lumber rate case in the Pacific northwest, the railroads, it is said, have failed to produce any facts or figures to justify an increase of the freight rates on lumber. It has been shown by the counsel for the lumber manufacturers that the rates have been advanced simply because, in the opinion of Traffic Director Stubbs and General Freight Agent R. B. Miller, the lumbering industry could afford to pay higher rates.

A brief on behalf of complainants has been served upon the defendants' attorneys in the case of the Western Oregon Lumber Manufacturers' association, Willamette Valley Lumber company, Falls City Lumber company, Curtis Lumber company, Charles K. Spaulding Logging company, Booth-Kelly Lumber company, J. H. Chambers, H. M. Farwell and Curran Bros against the Southern Pacific company and Oregon & California Railroad company in the fight of the lumbermen before the Interstate Commerce commission to cancel the advance of the common rough lumber rate from \$2.10 to \$5 per ton from Willamette valley mills to San Francisco and bay points.

**Policy of Sanfrancisco.**  
Teal & Minor, attorneys for the complainants, have submitted in their brief an extraordinary amount of facts taken from the lumber manufacturers' standpoint. The brief has 121 pages bristling with data, figures, statistics, illustrations and in the appendix of the railroad traffic department of the Harriman lines is not justified on any ground whatsoever in the advance of the lumber-carrying rates from western Oregon to San Francisco, and that the railroad's policy in this respect is simply a continuation of the ancient policy of charging "all the traffic will bear."

It is shown that the advance in rates has completely eliminated interior Oregon lumber products from the California market, depriving that market of the competition that formerly existed; that there has not been a single San Francisco order for lumber received by the complainant mills since the advance in rail rates was put into effect; that the rate amounts to a confiscation of the lumbermen's properties, as they cannot operate mills and operate and dispose of their products at the present cost of rail carriage.

**New Rate Stifles Business.**  
It is alleged that prior to 1898 the lumber industry in the Willamette valley district, and in which the mills of the complainants are principally situated, was limited, and that practically no lumber was cut except for local consumption; that there were large quantities of standing timber in said district, and that about the year 1898 the defendant companies, desiring to induce investments by others in the timber industry in said district, put into effect the \$2.10 per ton rate, and at the same time encouraged the investment of capital in the development of the lumber industry in that portion of the state, and that the manufacturers had every reason to believe their business would be secure by the retention of the \$2.10 rate or a lower rate.

The claims of the lumbermen are summed up in the following:  
First—Prior to 1898 there was substantially no lumber industry in the Willamette valley.

Second—Growing out of the necessities of the carrier, its officers sought out and induced investment in the mills of the complainants in this case, to interest themselves in the lumber business and to invest in this industry.

Third—At that time, and for some time thereafter, there was a unity of purpose and a unity of effort between the carrier and the lumbermen.

Fourth—The character of the timber and its availability for all commercial uses was problematical, and that all the chances, so far as the investments in the mill industry are concerned, were taken by the men making the investments.

Fifth—It was recognized that owing to the large percentage of low grade lumber, it was essential for the success of the industry that based on the competitive conditions of failure would inevitably result.

**No Orders Received.**  
Sixth—Based on the foregoing facts, rates were established in 1898 as set out in the complaint. The investments were made, not only on the continuance of these rates and good faith of the carrier, but also because of the necessities of the case would demand rates on the lines above indicated or the industry could not succeed. All this was known to the carrier.

Seventh—The rate in question applies to the lowest grade of a low-grade commodity.

Eighth—After the establishment of this business the traffic of the carrier increased largely in every direction, and its income increased in like ratio.

Ninth—When the rate was taken out in January, 1904, the lumber business collapsed, and when it was restored in May, 1904, the business revived.

Tenth—Since the rate was taken out on April 15, 1907, money has been loaned to the complainants, and the lumber which formerly moved on the old rate has been piling up in the yards of the mills; and without a market for this class of the lumber the mills cannot be operated successfully.

Eleventh—The reason given by the carrier for the advance in April, 1907, was the advance in charters from coast points, and charters have long since fallen to normal rates.

Twelfth—The cost of manufacturing in the Willamette valley has increased steadily since 1898.

It is alleged by the complainants that the capital stock of the railroad company grossly exceeds, as to the public and as a basis for rates, the actual value of the cost of construction and equipment, and the stocks and bonds of said company are much in excess of the value of all the property of defendants devoted to the public use.

**Steel New March.**  
It is also shown that in recent years the railroads have effected important advances over the old rate by reason

of their changes in the classification of lumber products, and by limiting the quantity and quality of lumber that may be moved on the old \$2.10 rate. When the \$2.10 rate and scale was installed it applied to all lumber, green and kiln dried, and the minimum was 30,000 pounds. In August, 1904, its application was limited to green lumber, and on May 10, 1904, to "green common rough lumber." The first change threw everything except green lumber under the \$5 rate, and the next change limited the rate to green common rough lumber. These changes were to effect real and substantial advances in rates and were so considered. In the meantime the minimum was increased on all classes so that the actual average loading, taking the month of February, 1907, as illustrative, was 44,000 pounds per car. This in itself increased the carload earning very largely.

**Teal's Strong Argument.**  
Mr. Teal, in his argument to the Interstate Commerce commission, said: "We have quoted at length from Mr. Miller's testimony, for on it this advance must be justified or under the rulings of this commission it cannot stand. We present no analysis of it here, but submit that under no rule of evidence can the mere opinion of a witness, unsubstantiated by the facts necessary to enable its weight or reliability to be tested and verified, be taken as establishing a prima facie case. He thinks lumber can stand a higher rate. He never has regarded the rate as remunerative to the life of a great industry, established as the witness states this to have been, to be jeopardized on what a railroad official thinks it can stand, or on his view as to what is remunerative, without a single fundamental fact on which this commission can base its findings and its opinion."  
Quoting from the evidence of railroad men affirming the high ability of General Manager C. H. Markham, who originally put in the \$2.10 rate and testimony of the same railroads establishing the fact of the railroad's great prosperity under Markham's administration, counsel for the lumbermen say:

**Enormous Growth in Business.**  
"We have already referred to the condition this road was in when Mr. Markham took charge. It was down at the heels, physically and financially, and on him was imposed the task of reorganizing it, of making it self-sustaining. This involved a radical departure from former methods. It required a broad, high-minded man, one who understood conditions and who was willing to take the consequences. It was a man who could originate and create business. The man was found in Mr. Markham, who, after a too brief stay in Oregon, became general manager of the Southern Pacific railway, and shortly thereafter retired from railroad work."  
"According to the reports in 1907 the total revenue of the Oregon & California Railroad company was \$1,436,037, or about \$2,150 per mile, and its receipts over operating expenses on a low scale were but \$151,201."

"Thus from no shipments of lumber from this district in 1897 the business steadily grew until in 1907 it furnished for long hauls 15,870 cars of lumber, without taking into consideration other forest products. With the growth of the industry came the development Mr. Markham foresaw. In 1906 the earnings of the Oregon & California railroad had grown to \$5,858,183, an increase of more than 300 per cent over 1897, and the earnings per mile had grown from \$212 to \$2,150. Mr. Markham might well be proud of it."  
"Before the merger this company considered the lumber traffic so desirable that it would make no joint rates with the Union Pacific system, and carried lumber of all kinds from Portland to Denver on a basis of 3.71 mills per ton per mile, and from Eugene on a basis of 3.93 mills per ton per mile, creating not one, but three great mountain ranges. This was not traffic they had to carry, but was traffic they wanted to carry, and they were willing to move in any other direction."

**Lumber the Money Getter.**  
"On the average rate to Bay points of \$3.58 they show in nearly every case greater earnings per car than the other commodities, and on the \$5 rate, which under both old and new tariff applied to all lumber other than rough common fir, Mr. Jones shows a much greater. On a basis this low grade traffic is paying relatively more than it should pay, and a proper relation is to be maintained, then a reduction, not an advance, is in order."

"The \$2.10 rate and scale is a reasonable rate. It is not an abnormally low rate, either in itself or relatively. It is a rate under which the traffic will move and under a higher rate it will not move."  
Testimony of R. A. Booth is quoted embodying the history of the lumber manufacturing industry in the upper Willamette valley from its beginning. The industry was developed largely for the benefit of the Oregon & California Railroad company, and under its dictation as to the markets that were to be sought and created. In the south and southwest via the Southern Pacific lines, and later via Portland to eastern territory. Mr. Booth said:  
"Prior to 1898 we were operating in soft pine lumber at Grants Pass in the southern part of the state. In 1896 a Mr. Jones brought with him a number of men from the railroad people, and looking over his plant that he was then attempting to operate or getting ready to operate at Seginaw, we declined at first, but upon another similar request we looked into it, and after conferring with the purchasing agent in Oregon and the manager of the Oregon lines, made a lease of what is known as the Seginaw plant for 10 months, for the purpose of seeing what could be done with fir in the market and to ascertain its qualities."

**Buy Additional Plant.**  
"About a year later we purchased the plant, becoming convinced that fir was a good commercial product, and we desired to increase our operations. The timber seemed to be the most available resource at hand out of which to develop traffic, not only that traffic resulting directly from the manufacture of timber, but that necessarily following the installing of the plants, the employment of thousands of people and the general beneficial effect of the

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inauguration of a great industry. On their own initiative, as early as 1898 this was taken up with Mr. Booth by representatives of the railroad company. At their suggestion he and his associates ventured on leasing a mill enterprise that was then about to fail at Seginaw in Lane county, Oregon. Even then the commercial possibilities of the timber were not realized, and doubt was expressed to Mr. Booth by the manager of the Oregon & California railroad in Oregon as to its utility generally for commercial purposes. The growth and development of the business was slow and was largely experimental. By 1899 Mr. Booth became convinced that under proper conditions the business would prove successful. During this period all the chances of direct loss were taken by those testing the possibilities of the business. It was well known from the start that the timber in the valley ran a very large percentage of low grade and that a market would have to be found for this product, otherwise the industry would be doomed to failure. It was conceded that San Francisco was this market.

Detailing his experiences with the railroad company, Mr. Booth continued: "They asked us to develop a trade in Arizona, then competitive with the Santa Fe. A large amount of our early business went into that territory, on about an \$11 per ton rate. We cultivated that territory until the rate was withdrawn."

**Develop New Trade.**  
"We were then asked to develop a business in the mining region of interior California and were given low rates for the purpose of developing a trade there against the local products which gave no rail haul."

"We had an extensive business there in proportion to our output. We were told after rates were adjusted that it was desirable to the railroads that our eastern business should be developed, and that they preferred that territory to be developed, because of their ability to place cars better, because they could draw lumber more freely from the lines and which, added to their own equipments, would enable them to better accommodate us."

The building of the Oregon & California railroad was aided by a municipal land grant from the general government and was the first road of any importance built in Oregon. Much of this grant was in the timber section. It was considered from a municipal standpoint and furnished no traffic of any amount.

In 1898 the total gross earnings of the Oregon line of the system was \$1,064,825, in 1897 \$1,436,037, and the percentage of operating expenses to such limited earnings were necessarily high. At that time the road was run on one local to Roseburg was sufficient to care for the passenger traffic, and one through freight train every other day to care for the freight."

In 1901 the Booth-Kelly company shipped east 368 cars, south 3,438 cars; in 1902, 1,235 cars east, 2,321 cars south; in 1903, 531 east, 2,440 south; in 1904, 671 east, 2,676 south; in 1905, 1,325 east, 2,993 south; in 1906, 1,575 east, 2,535 south; in the first 10 months of 1907, 1,129 east, 1,119 south.

Shipments south fell off because of lack of rolling stock. There were plenty of orders for lumber, but no cars. These figures show the growth and variation of the lumber movement from these mills, according to conditions imposed by the railroad company, under the old rates, and while the road was being transferred from a municipal institution to a flourishing and valuable property.

Scouring the apparent lack of human feeling in a railroad corporation for its heartless attempt to ruin these industries, counsel for the lumbermen say: "The mere representation of the fact to believe that, the just indignation which is voiced in every quarter, is but the proper clamor of the demagogue or politician."

"It may be that the people of Oregon are unduly exercised; it may be that the mere representation of the resentment they feel, but it does not tend to allay this feeling, when they appear before the tribunal created by law to pass upon the justice of their claims, to be met at the threshold of a case by technical objections to the introduction of testimony on grounds that it is all 'irrelevant and immaterial'; that 'any contract, even if one were made, would have no effect of course not. The fact that these men spent their money, built their plants, created a business on the strength of promises expressed or implied, is of no consequence. It is wholly irrelevant. Even if they in good faith believed they were carrying out a contract, it matters not. It is void. What boots it if some have the savings of a lifetime at stake—it is immaterial.'"



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# INQUIRED ABOUT THE BUTTE BOYS

Mr. Louis Henderson of Portland Wrote to Goldfield for Information Concerning This Company's Mining Property.

## Will Have No Cause to Regret Investing in Butte Boys

Mr. Louis Henderson of Portland had his attention attracted to the Butte Boys Consolidated Mining company's property in Goldfield, Nevada, and to make sure of the company's standing and the prospects of its mine, wrote a letter to the Wood-Sullivan Hardware company asking for information. The Sullivan of this firm is not the celebrated Larry that migrated to Goldfield from Portland, but, on the contrary, is one of the substantial business men of Nevada's famous mining camp. The letter was written several weeks ago and so satisfied was Mr. Henderson when he received his reply that he permitted it to be copied. It was written by the secretary of the company, Mr. E. H. Barieu, and is as follows:

Office of  
**WOOD-SULLIVAN COMPANY**  
Dealers in  
HARDWARE, TINNING AND PLUMBING  
238 MAIN STREET

Goldfield, Nev., Feb. 1, 1908.

Mr. Louis Henderson, Portland, Or.  
Dear Sir:—Your inquiry concerning Butte Boys Consolidated mines has been referred to me for answer, and while my reply is personal I think it is a fair one. They have spent considerable money in developing their property, and we have sold them a large quantity of hardware for which they paid spot cash, and they have at no time desired credit on any of their purchases. Their property is about eight miles northeast of Goldfield, in an excellent locality, and they are down about 300 feet. They have received some very good assays at different depths, and I consider the management, as far as the mine here is concerned, in very good hands. Mr. G. W. Bever is the man I refer to. Personally I don't think you will have any cause to regret investing in Butte Boys. I have some stock and feel that I have made a good investment.

Very Truly Yours,  
E. H. BARIEU, Secretary.

**OUR MR. BEVER DEPARTED FOR GOLDFIELD ON SATURDAY.** Within a few days we may have some news from the camp. When it comes we will publish it in the newspapers, whatever it may be. We believe, however, that

**THIS TEN CENT STOCK CANNOT LAST MUCH LONGER.** The mine is NOT a prospect now. IT IS A MINE. Its ore is upon the dump. It is FREE MILLING ORE. It requires no smelting or cyaniding. We will save all that, and

**WE HONESTLY BELIEVE THAT OUR 46 FEET OF ROCK WILL AVERAGE \$25 TO THE TON.** We can treat it for \$3, mining included. The rest will be profit, and it requires but little figuring to sum up the tremendous richness of our property. Truth is, it will be only measured by the capacity of our machinery to mill the rock and produce the bullion, and that will be increased from time to time as the stockholders may decide. In fact, this is a stockholders' company. Every holder of a share has a vote in saying who shall be its manager, so that no one has a share to the job or a lease on the position—longer than the stockholders may decide.

**OUR MINE IS IN GOLDFIELD, THE GREATEST GOLD MINING CAMP ON EARTH.** And it is not a small fry proposition. We own 103 acres. That is

more than five claims. We are working only ONE of them. It has proven itself immensely valuable. We believe the other FOUR are just as rich. We have leased 16 acres to another company, and, while yet a prospect, it gives every promise of a great producer. Every share of Butte Boys stock covers all this ground, the possibilities of which are beyond our comprehension.

**"PROFIT AND LOSS," THE WIDELY KNOWN MAGAZINE,** In its February number, reports that "Goldfield produced during the year 1907, \$11,600,000 in gold, and paid in profits \$6,616,574." That's going some! In fact, it's a hurricane! "The camp," the same magazine says, "is five years old and has produced \$35,000,000! The value of its gold increased from \$9,278,600 in 1906, to \$14,704,658 in 1907! How's that? People living outside of Goldfield cannot comprehend the magnitude of this production. If a man were to labor 360 years, 313 days each year, at \$100 per day, he would earn \$10,955,000, or \$46,000 less than Goldfield gave to the world last year. The annual output of the Hearst's Homestake mine in South Dakota, with one averaging only \$5.55 per ton, is \$5,000,000. That mine pays a dividend of 6 per cent quarterly on a capitalization of \$21,000,000. The Homestake is free milling ore, exactly as the Butte Boys is, and who knows that we may not have another Homestake over in Nevada?"

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