

THE WEATHER
Partly cloudy today,
Thursday unsettled, prob-
ably rain; Max. Temp. Tues-
day 46, Min. 37, rain .23
Inch, river 8 feet.**SERVICE**

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EIGHTY-FIRST YEAR

WATER INCOME WOULDN'T PAY COSTS TO CITY

Proposed Bond Issue Just Million Dollars High; Tax Increase Sure

Santiam Project is Beyond Salem Ability to pay On Present Basis

By C. A. SPRAGUE

In previous articles The Statesman has pointed out that even if \$2,500,000 is expended for a water system with a 30-mile pipeline to the Little North Fork of the Santiam, this water would still need to be chlorinated and filtered to make it clear and safe for use. We have also shown that the Willamette river offers a large and satisfactory source and given quotations from the official document of a sanitary survey made of the river. The only trouble with Salem's water supply has not been that it is drawn from the Willamette but lack of proper filtration and treatment. All this can be obtained and the water system purchased with a bond issue of \$1,500,000.

For Opposing Plan

The Statesman has one million reasons against the bond issue and every one is a dollar.

In other words our objection to the bond proposal of \$2,500,000 is that it is \$1,000,000 too high for the requirements of Salem and that much beyond the capacity of the plant to pay interest and retire the bonds.

In another column we give the estimate of receipts and expenditures if the city should put in a gravity system at a cost of \$2,500,000. These figures are based on the actual receipts and expenditures of the water company, as modified by substituting gravity pipeline for pumping. The interest is figured at 5 per cent because that is the amount allowed in the amendment and the rate which bond experts say would have to be paid even if the bonds could be sold, which is doubtful. Deficit Certain

On Present Earnings

This shows a deficit after deducting taxes which would have to be made up by higher taxes on other property, and after deducting depreciation at the rate of 2 per cent of \$78,600, which is the amount the plant would fall short of paying for its running expenses, interest, depreciation and the amount in lieu of taxes. This sum would have to be made up either by increased taxes or by increased water rates.

These bonds are a lien against the city and its property, a general obligation bond. Paragraph F of section 6 of the amendment reads:

"That said common council shall, each year at the time of making the annual tax levy for city purposes, make a special levy in sum sufficient to pay the interest due on the outstanding bonds of this issue, and to retire the principal thereof as it matures."

So whatever shortage there is in water revenues must be made up by taxes.

The only way in which the result of a deficit of \$78,000 a year can be altered is through an increase in net earnings. The engineers estimate that the plant could be operated more cheaply than the private company. That may be true to the extent of five or ten thousand dollars. On the other hand the general experience is that private companies operate more efficiently than publicly-owned companies because of the incentive for private profit. No one will contend that the city could have in plant management \$78,000 a year when we allowed only \$63,376.08 for operating expenses.

So far as increases in the future (Turn to page 2, col. 3)

Mass Meeting on Water Issue is Slated Monday

A mass meeting will be held at the armory Monday night to discuss the water bond issue which comes before the people December 15, according to an announcement made at the Hollywood community club meeting Tuesday night.

The matter of a municipally owned water system for Salem will be a "lost cause" unless the squabble over the kind of water system to be sponsored is stopped, and the attention of the public is turned toward voting the two and one-half million bond issue December 15, club members declared.

The psychological effect of getting water from a source not the Willamette river was pointed out by members. It was granted that Willamette water could be sterilized and made safe for drinking but the stigma of past years would still cling and Salem water would be said to be "bad."

Dave Fugh spoke in favor of any system that would allow a profit, for said he, "run a municipal plant with a profit and then when more bonds are needed

What Income and Expense Would Be on \$2,500,000 Water Project

Estimated Income and Expenditures under Proposed Water Project with Bond Issue of \$2,500,000	
Based on 1930 Report of Oregon-Washington Water Service Co. for its Salem plant, made to Public Service Commission.	
Actual income from operations, 1930.....	\$179,286.68
Deduct actual taxes paid, which would have to be made up by increased taxes on other property.....	24,217.35
	155,069.33
*Expenses of operating the water plant.....	63,376.08
	91,693.20
Estimated depreciation, 2% on plant value, less land, \$2,261,000.....	45,220.00
Net income.....	46,473.20
Interest on \$2,500,000 at 5%.....	125,000.00
Estimated DEFICIT after interest and depreciation	78,526.80
*The estimate of operating expenses is determined as follows:	
Actual expenses, 1930.....	\$79,873.00
Deduct pumping charge, not required in gravity system.....	26,998.92
	52,874.08
Add Baar and Cunningham estimate of maintenance and operation of gravity pipe line.....	10,500.00
Total operating charges.....	\$63,376.08
Any compilation of earnings and expenses must be an estimate which only actual operation would test. But the above figures are taken from the report in the public service commission's office and from the Baar and Cunningham report.	

OFFICERS ELECTED BY REALTY BOARD

Sears new President; Good Outlook for Farm Land Noted by Group

James D. Sears was elected president of the Salem Realty board for the coming year, to take office at the first meeting in January, at the annual meeting held Tuesday night in the Salem chamber of commerce rooms.

Sears succeeds W. M. Pennington, as head of the board, which now has 19 realtor members.

Leo N. Childs was elected vice-president, E. B. Grabenhurst secretary and W. G. Krueger treasurer.

The board at the annual meeting discussed some phases of its activities for the coming year, including a group advertising plan. A suggestion is also before the board to resume weekly meetings. During the past year meetings have been held once a month.

Members present at the session were agreed that real estate advertising is being revived markedly, especially with reference to farm land. It may be the scarcity of city jobs, but at any rate something is causing a "back to the land" movement.

Realtors declared that numerous farms which have been untenanted for from five to 10 years are now occupied, and that on a surprising number of farms new houses, barns and other improvements are being built.

It was stated that the inquiry for farm land was unprecedented for this time of year.

MADEN WINNER IN CONTRACT DISPUTE

A verdict in favor of James H. Maden, local auto dealer, in a suit brought by Plaintiff Stapran and a verdict for the plaintiff against the Tarola Motor Car company of Portland in the sum of \$1137 was returned here early last night by a jury in circuit court. The jurors deliberated about two hours. The suit involved alleged breach of a warranty involved in an auto transaction between the three parties.

This morning the case of State vs. Andrew Joerg comes to trial in Judge L. H. McMahan's department of circuit court here. Joerg is accused of driving while intoxicated. The auto accident which led to Joerg's arrest occurred April 21 in Silverton.

One-Track Mind Helps in Crisis Dentist Decides

LOS ANGELES, Dec. 8.—(AP)—Two men waiting in Dr. Kloeppe's reception room tonight wanted cash. But the dentist removed a couple of teeth anyway.

As Dr. Kloeppe opened the reception room door one of the two men poked a pistol at him and said: "This is a holdup. Get 'em up quick!"

The dentist's hands started up but one seized the pistol on a rout and swung it against the jaw of the man who had held it a second before. Two teeth dropped to the floor. The men fled.

Chris Kowitz, city councilman, present Tuesday night, when called upon to express an opinion said that the \$2,500,000 bond issue was a gamble with population as-in-as paying it off without a loss was concerned. If the city population increased over the next 40 years as it has over the past two bond issues was safe.

Mr. Pugh was much against the idea that the stream was neither large enough to meet the demands of the expected growth of Salem and the fact that the water came through polluted territory and would have to be filtered even as the Willamette river water. Mr. Pugh was in favor of taking over the present plant (Turn to page 2, col. 3)

SCHOOL HEALTH SEPARATE UNIT CHANGE TALKED

Board Fears County Wants Benefit of District's Appropriation now

No Action Taken Following Plea for Retention of Present Program

Why should the Salem school district continue to contribute its \$5000 a year to the Marion county health unit? Since both the city and the county have reduced their appropriations by \$2000 and the county court is reported expecting to receive undiminished service from the unit, will not the school district be paying for services which it does not receive?

These questions set members of the school board a-worry at their regular meeting last night and resulted in a lengthy discussion.

After other members of the board had voted their fears concerning the district's remaining connected with the county health unit, Chairman H. H. Olinger chimed into the talking and vigorously expressed his belief that the county unit had done a great service, that the district would in the long run lose by severing its connection with the unit and that after a year or two the city and county again would appropriate the original sums in support of the unit.

Demands of Court Cloud by Members

The discussion began after routine business was put out of the way.

Mrs. R. S. Keene opened the talk about the health unit by saying she could "see no reason why we should not establish our own health service. Since the city and the county have reduced their appropriations, we could do so. We have our own buildings."

Director F. E. Neer voiced the opinion that "if the view of the county court is that its service should not be curtailed, I believe they will only take it away from us."

As the idea of a school health department grew, it was suggested that the district could hire two nurses and a physician out of the amount it now appropriates for the county unit.

Director Has Been Generous, State

The district has been very generous, according to Superintendent George Hug. "I have felt at times that the county got the best of the deal. I believe the county unit is best." I believe (Turn to page 2, col. 1)

REGISTERED SHEEP KILLED ON HIGHWAY

MONMOUTH, Dec. 8.—Six registered Romney sheep were killed and two fatally injured early this morning when a Williams Clay Products truck driven by Ivan Covick crashed into the flock of 51 registered Romney sheep being driven along the Rickreall-Salem road by George Carroll. The sheep were owned jointly by A. H. Craven of Monmouth and Carroll.

One of the dead ewes was imported recently from New Zealand, the purchase price running into a tidy sum.

The accident was investigated by Traffic Officer Alford of Salem.

Covick gave his address as rural delivery eight, Portland. He says he did not see the sheep. Carroll says Covick was driving about 35 miles an hour, and that he had two bumps to avoid early himself. The place where the accident occurred has a clear view for half a mile.

Carroll is a farmer living near Rickreall.

Beginning Tomorrow

A new love story that will thrill you

The Gay Bandit of the Border

by TOM GILL
Love—Action—Mystery
Don't Miss It in
The Oregon Statesman

Dry Congressmen Agree to Permit Vote Upon Prohibition Question



SENATOR WATSON, REP. LINTHICUM, REP. RAINEY, SEN. BINGHAM, REP. BOHAR, REP. SNELL, SEN. BURDICK

For the first time since national prohibition went into effect, a vote on some phase of the question is expected to come up at the present session. "Dry" leaders in both parties have signified their agreement to a change in the rules to make this possible. Senator Bingham of Connecticut will probably introduce a state's rights bill on which the vote may be taken. Senator Borah of Idaho and Senator Watson of Indiana, Rep. Rainey of Illinois and Rep. Snell of New York, drys, all have expressed themselves as agreeable. However Borah has replied to the suggestion for a referendum made by Rep. Linticum of Maryland that any change must come about by constitutional, not legislative means.

CHINGCHOW ATTACK BY JAPAN LOOMS

SHANGHAI, Dec. 8.—(AP)—(Wednesday)—The official Kuo-min news agency today quoted the Chinese government as saying that messages received from military headquarters at Chingchow said the Japanese have decided to occupy the city within two weeks and that they propose to force the Chinese south of the great wall.

LONDON, Dec. 8.—(AP)—Harbin dispatch to the Daily Mail said that General Mah Chan-Shan, Chinese commander, has been approached at Hailun today by a Japanese delegation with a proposal for "cooperation" in Manchuria and expressions of a desire for peace.

General Mah, who was driven out of Tsitsihar by Japanese forces recently, replied that the suggestion "needed further elucidation," the dispatch said.

FORMER SILVERTON BANKER ARRESTED

SILVERTON, Dec. 8.—T. P. Risteig, formerly president of the First National bank of Silverton but now of Portland, was arrested at Portland Monday, according to word received at Silverton Tuesday. It is said that a secret indictment was returned by a federal grand jury Friday, charging violation of the national banking act.

The charge contained in the indictment is a technical one, involving the receipt by him of a commission on two bonds purchased by a national bank of which he was at the time an officer.

Deputy United States Marshal Cochran arrested him at Portland where he had been in the bank business for some time. Later he posted a \$1500 cash bond with Kenneth F. Fraser, U. S. commissioner.

Smoked Salmon Gets Blame For Mystery Deaths

PORTLAND, Ore., Dec. 8.—Dr. William Levin director of the laboratory at the Oregon state prison, today announced that a secret indictment was returned by a federal grand jury last week had been identified as botulism.

Mrs. Devonia, St. Louis, died last Wednesday, the day after the death of her son, Harold.

The germ came from smoked salmon the two had eaten.

29 YEARS ON BENCH
WASHINGTON, Dec. 8.—(AP)—Oliver Wendell Holmes today completed 29 years service as a member of the supreme court. He is 91 and in good health.

HOUSE DEBATE UPON MESSAGE BOURBON PLAN

Hoover's Recommendations To Be Discussed Upon Floor of Chamber

Bills for Reconstruction Program as Suggested Already on File

WASHINGTON, Dec. 8.—(AP)—President Hoover told congress today what he thinks the country needs in the way of legislation and house democrats voted to make his recommendations the subject of a general debate on the floor of the chamber.

Meeting in caucus late in the day, they instructed Majority Leader Rainey, and the action necessary to bring this about. He will do so tomorrow, soon after the convening hour.

A temporary tax increase, formation of a reconstruction corporation to supplement the credit fund already organized, and an overhauling of the banking and anti-trust laws were asked by the chief executive.

A second message on foreign affairs is to be sent to the capitol late in the week. Mr. Hoover spent most of the afternoon working on it. It will recommend particularly ratification of the one-year moratorium on inter-governmental debts. The Manchurian situation is to be discussed and possibly the world court.

Bills Introduced
Brought on Program

Soon after today's message was received bills were introduced in both house and senate to establish the reconstruction corporation by which federal funds to be loaned to suffering industries.

Here are some highlights in President Hoover's message to congress:

"The time is ripe for forward action to expedite our recovery."

"A strong America is the highest contribution to world stability."

"We must have insistent and determined reduction in government expenses. We must face a temporary increase in taxes."

"We must partially finance the deficit by borrowing."

"Our system... has successfully adjusted itself to changing conditions in the past. It will do so again."

"We have enormous volumes of idle money in the banks and in hoarding. We do not require more money or working capital—we need to put what we have to work."

"A strong America is the highest contribution to world stability."

Anti-Property Tax Meeting at Ankeny Tonight

A movement to wipe out permanently the state tax on property will be launched by the Ankeny grange, near Jefferson, at a meeting tonight.

James W. Mott, state corporation commissioner, will speak in favor of a constitutional amendment to prohibit all ad valorem taxes on real or tangible property for state purposes.

Mott introduced such a resolution during the 1931 legislature, but it failed to run the gauntlet in the two houses.

Stout is Victim Of Stickup Pair

Two stick-up men made their appearance in the city last night and robbed J. A. Stout, 575 North 14th street, of \$28 in cash. The holdup occurred at Center and North Capitol streets at 8:30 o'clock.

Mr. Stout was unable to give a description of the two men.

Lenz and Jacoby Again Win; Going is Tougher

By TOM O'NEIL
NEW YORK, N. Y., Dec. 8.—(AP)—(Wednesday)—Sidney S. Lenz and Oswald Jacoby won their official system of contract bridge again ground on Mr. and Mrs. Ely Culbertson and the Culbertson system in the second session of their challenge match which ended at 12:23 this morning.

After ten rubbers of the series had been played Lenz and Jacoby were 2075 points in the lead. A gain of 340 points from what they acquired in the first session of the match. Seven rubbers were played in the second session, in contrast to three in the first.

Lenz and Jacoby won four of the seven rubbers of the second session and the rubber standing of the series became: Lenz and Jacoby 7; Culbertsons 2.

When the match is resumed Thursday night the players will be on their 60th hand of the 150-rubber match. Only one slam has been contracted. Lenz made it at the second session. It was a little slam.

Two rubbers of the second session involved a 700 bonus for leaving the opponents without a game in the rubber and each side got such a bonus.

Culbertson made the following comment on the second session: "Our game continued to be purely defensive with occasional counter attacks. We are still retreating after the second session with our worthy enemies. We feel reasonably certain it will not be a retreat from Moscow."

Said Lenz: "I think that Mr. Jacoby and I demonstrated the value of knowing when to make strategic sacrifice bids. For proof I am certain we would never have reached the slam bid contract in the eighth rubber without having been willing to spot our adversaries as many hundred points as was needed to bring about a turn in the cards. That they did turn is history. I consider that the high point of the night's play."

COSHOW EMPIRE WITNESS

Former Chief Voluntarily Appears Before Jurors to Tell of Organization and Its Promotion

Case Coming up Thursday 2 P. M.; Expect to Finish Hearings by end of Week; Report Date Uncertain

Judge Oliver P. Coshow, former president of the Empire Holding corporation, appeared voluntarily here yesterday afternoon to tell the present Marion county grand jury about his relationship to the company in its organization and promotion. Coshow was before the grand jury for nearly an hour.

When the jury adjourned late yesterday afternoon after an all-day session, it was announced that another meeting would be held starting Thursday at 2 p. m. District Attorney John H. Carson said he thought most of the testimony in the Empire case had been taken. He believes the investigation can be completed this week.

How long the grand jurors will take to deliberate on possible indictments after the investigation is completed is a moot question. Some report is expected within a fortnight.

Marion County Residents Called

Witnesses yesterday included Dr. Mary C. Rowland, Salem; Louis Lunsford, Salem, Mr. and Mrs. Homer Erixy, Gervais; Saul Jan, Salem; Barnett H. Goldstein, special prosecutor, conducted most of the questioning.

Carson said yesterday that the action of Empire stockholders in ousting all the original officers and directors was by no means to be condoned as having anything to do with the grand jury's investigation. He said that he expected that body to do its duty, "without ear or favor" on the basis of the facts and the law. Edgar Hartley is foreman of the grand jury.

If any indictments are returned, they will be secret since the Oregon code provides that names of offenders in criminal cases shall not be disclosed until after arrest is made provided the grand jury acts as a body of original inquiry and is not passing on a case submitted to it from a lower court.

Hearing of the affairs of the Empire Holding corporation was ordered more than two weeks ago by Judge L. H. McMahan after The Statesman had published a series of articles on the affairs of the company. Hearing of the facts in the case was begun by the grand jury Monday, November 30.

WATER ISSUE TOPIC OF TRADES COUNCIL

Salem's coming special election on a question of voting \$2,500,000 in bonds for acquisition of a municipal water plant was given intensive consideration by members of the Salem Trades and Labor council at their meeting last night, but no formal approval or disapproval was expressed.

Advocating the voting of the measure, representatives of the Hollywood community club presented arguments in its favor. Opinion among the council members was divided.

Turning to their campaign for consumption only of locally-made bakery products, the councilmen decided the secretaries of the 23 local unions should meet with the four campaign committees next Friday night. Stores patronized by union members will be listed and the drive for urging public support of the "patronize home bakeries" movement will be mapped out.

14 SHOPPING DAYS 'TIL CHRISTMAS