

INVESTOR MAY SETTLE FIGHT

CAPITAL UNLIKELY TO FAVOR PLAN OF FURNISHING MONEY FOR SCHEME ENTAILING SHARING RAIL PROFITS

While Commissions Recommend and People Voice Opinions Both Pro and Con, Those Who Are to Furnish Money Appear Forgotten

(From Oregon Voter)
Arthur Curtis James, scion of one of the foremost mercantile families of New York and Liverpool, hovers in the background of the Klamath Railroad case.

His father, Daniel Willis James, was one of the associates of James J. Hill in the organization of the Northern Securities Co. The elder James was senior partner of Phelps, Dodge & Co., vast developers of copper and railroad properties, and an associate of interests grouped around the First National Bank of New York and J. P. Morgan & Co. As an owner of securities of the old Northern Pacific he became one of the principal stockholders and a director of the reorganized Northern Pacific, the present company. His holdings were so large that he was one of the celebrated "fifteen men of advanced years" who in 1901 decided to pool their ownership of Great Northern and Northern Pacific stock in the Northern Securities Co., of which he was made vice president and director, James J. Hill being president. The reason for the pool was a determination to protect northern lines from acquisition of the Northern Pacific by the Union Pacific, which then controlled and managed the Southern Pacific.

Full of Years and Honor
When the supreme court decided by its vote of five to four that the project was in violation of the anti-trust act, the securities company's holdings of Great Northern and Northern Pacific stocks were divided pro rata among the stock holders of the securities company. Each stock holder therefore received a block of Great Northern and Northern Pacific, regardless of whether it was the stock of either company which he had turned in originally as the purchase price of Northern Securities. Thus Mr. James, the elder, emerged from the experience as one of the largest stock holders of Great Northern as well as of Northern Pacific.

Not being a stock market speculator, but an investor who preferred development enterprises, Mr. James kept his holdings. He passed away in 1907, full of years and honors, and leaving a memory of sterling generosity with Amherst college, of which he was a trustee, and numerous philanthropies. His wife died in 1916 and gave \$2,500,000 to philanthropy through her will, after having donated other millions during her lifetime.

Meantime, the elder James, whose father before him was a metal merchant of Liverpool and New York, had become one of the large developers of Arizona through build-

ing the El Paso Southwestern railroad, of which he was the principal stock holder.

Arizona Copper and Minnesota Timber

Shortly before he passed away, the elder James interested a railroad man in his copper and transportation enterprise. He was Thomas Milton Schumacher, who later became president of the El Paso Southwestern, as well as an officer of various copper and smelting companies, and incidentally a director of Great Northern railroad, where he represented the James holdings.

Not long ago Southern Pacific acquired El Paso Southwestern, and Schumacher was made vice president of Southern Pacific, withdrawing from the Great Northern board. By this transfer, Arthur Curtis James, only son of D. Willis James and Ellen Stebbins Curtis James, became the largest individual stock holder of Southern Pacific.

Largest Stockholder of Three Railroads

Arthur Curtis James all through the years had held his father's original holdings of Great Northern and Northern Pacific stocks. Other large holdings had been split up through deaths of James J. Hill and others of the "men of advanced years" who had more than one heir. The result of all this is that today Arthur Curtis James is said to be the largest individual stock holder of Great Northern, Northern Pacific and Southern Pacific. He was a director of both Great Northern and Northern Pacific for many years, as well as a director of El Paso Southwestern and a string of huge copper and smelting properties, banks and mercantile and industrial interests. He is still a director of Great Northern, but his interests in Northern Pacific and Southern Pacific are represented by other directors.

Arthur Curtis James, one of the very wealthy men of the world, inherited a large sense of responsibility from a long line of paternal English and maternal American ancestors who were thrifty successful merchants. He is known among financiers as having administered his vast holdings with care, with judgment and with notable ability. He is reputed to know more about Oregon than most of the citizens of our fair state, having visited its most remote regions. He was in Oregon again this summer, all through the Bend and Klamath country. Schumacher was in attendance at the big railroad hearing, just concluded.

Incidentally, James is a patron of science and art, and has been such from youth, having cultivated and employed tastes and talents which

have enabled him to finance some of the astronomical and other notable research projects undertaken by Amherst, his alma mater, and other colleges and institutions.

Aggregating Tens of Millions
Hovering in the background of the Klamath hearing, Arthur Curtis James in one sense typifies the public interest. Like the people of Oregon and the people of the Klamath basin, James desired such solution of the problem as ultimately would develop the Klamath country and the state of Oregon to the highest possible degree, for regardless of which one of his three railroads were benefited, his own benefits would be greatest in proportion as the maximum of possible benefits to the Klamath country and the state of Oregon would be attained.

In this one man's possession are securities of these three railroads aggregating from \$50,000,000 to \$70,000,000 of reputed value. The people of the Klamath country and Oregon have a stake that is far larger than this one investor's holdings—yet their interest would appear to be identical with his. Their interest is not a partisan interest in behalf of any one of the three great railroad systems, but is in the best possible solution of a vast development problem.

Certainties Yield to Uncertainties
Should the interstate commerce commission decide that the public interests would best be served by permitting Southern Pacific to develop the Klamath country, unhampered by having to share the resulting traffic with competing systems, and should such a decision be vindicated by time, James would profit through his ownership of Southern Pacific stock. Likewise, the people of Klamath and of Oregon would profit through attainment of maximum development made possible by the wisest solution.

On the other hand, should the commission decide that the public interest would best be served by admitting the northern lines to the Klamath basin, and time would vindicate the decision, James would profit by his ownership of stock in all three railroad companies. Likewise, the people of Klamath and Oregon would profit, assuming, always, that the two systems, under competitive conditions, would be justified in making investments adequate to the maximum development requirements of the Klamath region.

Bolled down, it would appear certain that one system would be justified in making the heavy investments required, while two systems might or might not be justified on account of splitting the traffic. It would appear to be a choice between certainty and uncertainty—if ability to make adequate investments were the only consideration involved in the solution.

Time and Experience are Factors
But there are other considerations. One of them is the willingness of one system to make the adequate investments. It is entirely conceivable that one system, even though confirmed in exclusive re-

sponsibility for the transportation development of that territory, might be able to invest adequate capital to insure the full development of that territory, but might be unwilling. It might prefer to invest its capital elsewhere, believing it would get a higher return. The Klamath territory is not the only region of the West that can be developed by transportation.

As against the possible unwillingness of one system to invest the tens of millions essential to developing a region to which it has been awarded exclusive access, there is the willingness of competing systems to enter that region and proceed with development. So just as we insist that it be straightened out in our minds that something in this complex situation is certain, we are beset by conflicting uncertainties. The problem is a real problem, and it will require real brains to reach a solution which time and experience will justify as assuring maximum development.

Whose Key Unlocks the Door
How can such a satisfactory solution be brought about?

The testimony taken at the big hearing served somewhat to clear the atmosphere by bringing out the facts. Yet, so far as advances by the great contending parties were concerned, nothing was offered that appeared acceptable to them. Each stood at the finish where it stood at the beginning—the Southern Pacific insisting that it could not go ahead with its major plans if the northern lines were permitted to divide the traffic, and the northern lines insisting that they desired admittance for the sake of getting additional traffic to augment their perilously low net earnings. Each party insisted that its plans would unlock the resources of the Klamath country and that its adoption would conduce to the development of Oregon.

Ready-made Solution on the Shelf
Because of its interest in the solution, the state of Oregon intervened in the case, through the Public Service commission. It was ready with its solution—which would involve connecting central Oregon up with both the northern and southern lines at Bend, Klamath Falls and Lakeview, and with the Union Pacific at Crane. Thus it proposed that which ultimately would bring the Union Pacific into the case, and would involve all the lines in heavy development expenditures.

If there were great accumulations of idle capital ready to be poured into a railroad project schemed out by public authorities it might be reasonable to assume that the state commission's plan, if enforced,

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would capture the money and bring the development expected to result from railroad extension. The trouble is that capital does not seem anxious to invest freely in railway extension that is approved by railway management. So it is expecting considerable to hope that money would be available in large quantities to construct projects which are disapproved by railroad managers as unlikely to produce an adequate return, or disapproved because of terms imposed by the public. We refer to such terms as those requiring a railroad to turn a part of its investment over to the use of a competing line. Such a requirement is involved in the state commission plan.

Supported by a Splendid Patriot

Yet the plan offered by the state of Oregon is supported by no less a force than the competent and patriotic personality of our own Robert A. Booth of Eugene, himself interested in timber holdings in every part of the state that is directly or may remotely be affected by decision of the case, and also interested loyally in the development of his native state.

Booth's large interests, like James' larger interests also is identical with that of people of Oregon, for the fullest measure of state development means the fullest return

to the investor whose property is not identified with the partisan interests of one railroad system.

Tangling Into the Tangle

By weaving the Crane-Odell connection into the Klamath case, the intervention of the state raises a possibility of the Crane-Odell case being consolidated with the Klamath case by the interstate commerce commission, at least to the extent that the cases may be decided in relation to each other. The Crane-Odell case has been decided tentatively by Examiner Kephart in a recommendation to the commission, and that recommendation is now pending before the commission, awaiting its action. If the Klamath case taken its course, it may reach the commission before the Crane-Odell case is disposed of. The Klamath case is to be briefed and argued, and then the recommendation as to its disposition will be made by the commission representative who heard the testimony, Charles D. Mahaffie, director of finance.

It is entirely possible that, after conference with the commission, Director Mahaffie may draw up his recommendation with due regard to all the testimony and issues raised in the Crane-Odell case and the report of Examiner Kephart. In such event, Mahaffie's recommendation might be inclusive of all the issues

and offer a solution.

What manner Well, he's at the University in his home town also lives at the when he stars at Washington. Mahaffie also as did Arthur Curtis James, Mahaffie's father, was well as a fine scholar in his speciality, and a distinguished jurist.

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(Continued on page 1)



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Fable of the Man Who Owned a Fine Car
By AESOP, JR.

There was once a man who owned a car. It was a beautiful, shiny car and had set the man back many, many hard earned smackers.


The car was his pride and joy. Suppers grew cold on the table, the lawn became a thing of distress to the community and the man's family couldn't figure out whether he belonged to them or to the nice shiny car out in the garage. And he kept the beautiful car always nice and clean and bright.

But one day the nice, beautiful shiny car got stuck.

The man called up "Just Any Old Garage." They came and got the nice, beautiful shiny car. They tested this and they tested that. They tinkered and hammered, and adjusted and finally said that the nice, beautiful car was "good as new." But it wasn't. And it never was the same car again—not by two or three jugsful. It is still nice and beautiful and shiny—but OH BOY! how its insides do grind and shriek whenever the man takes it out for a little run.

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