

NEWELL REVIEWS HISTORY OF PROJECT

Complete Answer Is Given to "Kickers" and Intimated Charges, Which Should Settle Ancient History

There has been so many intimations and kicks made in regard to the proceedings of the Reclamation Service in the Klamath project that the following two letters are printed for the benefit of the readers of this paper. It should be the desire of everyone to reach an amicable settlement of these disputes and the complete text of Director Newell's letter is printed with the hopes that it will assist in clearing these misunderstandings:

September 3d, 1909.
Hon. F. H. Newell, Director-in-Chief
U. S. R. S.

My Dear Sir—Being a holder of shares in the Clear Lake, or Upper Unit of the Klamath project, and therefore interested in the promotion and early completion of the project, I hope you will give ear to what I write in review of the work, as it appears from the standpoint of a supposed beneficiary, and in summing up the situation as it relates to public opinion among the shareholders.

Four years ago last summer the work was begun of preparing the people's minds for the beginning. Public meetings were held in various parts of the country, in which officials of the service set out the designs of the department and what was hoped to be accomplished. At the Bonanza meeting, held for that purpose, while Mr. Humphrey, in charge, was making his address, I asked him a question, based on the presumption that the Clear Lake Unit would cost less per acre than the Lower Unit, if we could not have our water at the absolute cost of this part of the project instead of the average cost of the whole project, and he answered No, because the whole work would be reckoned as a unit, all being assessed alike. It could not and would not be done otherwise. And until lately, when the first unit was about completed, that was understood to be a fixed fact. Now, however, the word is given out by Mr. Hopson, in charge, that we are to be given our water at the estimated cost of this unit by itself, with the inference that the rate will be higher than that of the first unit. Very naturally our people are not satisfied with this later dictum, and regard it as a breach of faith.

Again, after the first survey and estimate was completed, and before we had signed up our lands, when you were here, the announcement was made to us that the cost of the entire project would be \$20 per acre, or less. Upon that understanding our lands were signed up. Now, however, after most of the work has been done, new estimates are given out, putting the cost of the first unit at \$20 per acre. Now, if you could put yourself in our places, do you think that would be satisfactory to you or fair treatment between man and man? In fact, would you not kick like a steer? Instead of being one of us who have to pay this 50 per cent increase, however, you are the head of the department vested with the responsibility and power of imposing this added cost upon the poor homesteader. You have recently been quoted as saying that it is your life work. In view of this fact, do you wonder that it raises the question in my mind whether you can regard your life work as a success?

Again, it is pointed out, by men of superior intelligence and strength of character among us, that far too much was paid to the projectors of the Klamath Ditch company, the Ankeny canal and to the Carr estate, for the Clear Lake reservoir site for their several properties to represent the best that might and ought to have been done in the purchase of these properties. I have steadfastly upheld the service in regard to these matters to the best of my weak abilities, but must confess to you that it has been with ill success, against those who believed and charge graft on the part of the Reclamation service officials as the cause of the high prices paid. For instance, when a man of the standing of Abel Ady asserts openly that he, as a real estate agent, had the Carr property on his list with instructions to sell it for \$35,000, while the Reclamation service officials ignored him and bought it for \$187,000, I have to confess that it has a bad look. And, as to the payment of \$150,000 for the franchise and tunnel excavated by that Klamath Canal company, while the fact was given out by Mr. Humphrey of the Reclamation service that he had made estimates of the work it had done, and it only amounted to \$50,000, he also stated that the company had no water right whatever. It is believed that there was graft in that bargain. Repeating these things, I venture to suggest that it would be the best plan, in my judgment, for you to take the time and trouble to come here and talk over these things with our people, as freely and as frankly as you did at the inception of the project. I, for one, am as vitally interested in this matter as you can be.

Finally, let me ask, if there is nothing which you can do, as the head of the department, to make a fair adjustment to the Upper Unit of the benefits resulting to the Reclamation service, or the government, through the large body of land reclaimed in Tule lake by reason of the erection of the Clear Lake dam? The cost of this reservoir site and the building of the dam ought not, in justice, be charged to the Upper Unit unless a credit is given to the extent of the value of the land reclaimed, seems patent to me and our people generally. Could not that land be charged up with a drainage fee of, say, \$20 an acre, and sold on this basis, an amount equal to the cost of the reservoir and dam being credited as an offset and not charged against the Upper Project? It seems clear that some plan like this ought to be adopted, because it is also clear that if the dam were not built that Tule lake land could not be reclaimed. The fee

of \$20 is suggested because it is about equal to the value of adjacent land.

Hoping that the statements herein contained may be received and considered by you in the same spirit which they have been indited, I.e., for the good of the service, and of you and I, mutually, I have the honor to subscribe myself, Sincerely yours,

December 8, 1909.

Dear Sir—Your letter of September 3d has been called to my attention upon my return to Washington. I have spent the greater part of the present year on field work, and have not been able to give personal attention to all correspondence.

A reply to your letter was sent to you on September 27, 1909, but I should like to take up a little more in detail some of the points you mention, as yours is the first definite criticism made to me by a responsible shareholder.

It appears from your letter that, in the four or five years since some of the events occurred, men's memories have failed to retain certain important facts, while other facts stand out clearly. The carefully kept records of the work of the engineers of the Reclamation Service become particularly valuable at such times, showing what tricks memory can play, especially when personal interest is concerned.

Early History.
The early history of the Klamath project is very similar to that of all the others of our two dozen or more undertakings. Engineers were sent throughout the arid West to obtain facts upon which to compare merits of various propositions. Public meetings were held by citizens interested and a flood of letters and petitions were sent to the president, to the secretary of the interior, and to the director of the geological survey, under whom the work was started. These letters and petitions were all answered and carefully preserved.

At that time, namely, from 1902 to 1907, I was chief engineer of the Reclamation Service, taking instructions from Hon. Chas. D. Walcott, director of the geological survey, who in turn reported to the secretary of the interior, this office being in effect the trustee for the reclamation fund.

As far as practicable, I visited the various projects, traveling month after month to remote parts of the arid West, meeting citizens at their homes, and in their fields, at times addressing public gatherings. Stenographic reports and memoranda of many of these speeches were preserved. They nearly all followed practically the same lines of thought.

In these addresses I began by pointing out the object of the reclamation act and discussed a few elementary facts concerning the methods of governmental work. I showed—
First—That congress had made an appropriation, putting into the hands of the secretary of the interior certain funds to be expended for certain purposes.

Second—I stated that in the expenditure of these funds, the secretary of the interior was guided by the opinion of the attorney general, and that, so far as we were concerned, these opinions on the law were practically final.

Third—I showed that the character of expenditures and their correctness were determined by the officers of the treasury department.

Fourth—I pointed out that most of the questions which related to lands under the reclamation act were matters of which the land office had immediate control; many of them were new and had never been settled.

Finally, I emphasized again and again the fact that the engineers of the Reclamation Service were acting as engineers and upon delegated authority, carefully defined and issued from month to month, or quarterly, and that they had no powers or functions outside of this authority, this being delegated in writing from the secretary of the interior to the director of the geological survey, and then to the chief engineer and through him to his assistants.

This was the foundation upon which all further statements rested. If you will search your memory and inquire into that of your neighbors, you will find that this part of my talk was listened to without question. Every one accepted the fact that an engineer, whether working for the government or for a corporation, had no authority beyond that usually enjoyed by an engineer employed in this capacity.

Statements of Cost.
The point which usually aroused more or less discussion and questions was that as to the probable cost. In my statements and replies to questions, I invariably made a carefully guarded reply. I referred to what I had said about the limited authority of each and all of us engineers, and called attention to the fact that the matter of cost could only be determined by the secretary of the interior. When pressed as to my personal opinion, I always replied in guarded language to the effect that, if the conditions were as we then knew, it was my personal belief that the cost would be within certain limits. I may state without fear of contradiction that I always added that the cost to be charged was a matter of which the engineers could exercise no control.

If you will stop a minute to consider the probabilities of the case, you will see that these support this statement. The engineers of the Reclamation Service had no more desire to build a project at Klamath than they had at any other point, in Oregon or California. They were acting under orders, and had no personal interest, other than the proper desire to see the work expedited and concluded in a creditable manner. There was no more reason nor authority for these engineers to attempt to make a promise regarding future costs than there would be for the engineer building a railroad to attempt to dictate the freight rates when the road was completed. Every well-informed citizen knows that it is not within the power or function of the engineer to attempt to set these future payments.

As to the statement in affidavits of persons who say that they were promised or told certain things, it will be possible on cross-examining these

persons to develop the fact that each and every man was given the same statement, namely, that the engineers could give them no definite assurance of future cost, as this lay wholly outside their duties.

This condition was fully known at the time. The pamphlet issued by the Water Users' association stated very clearly that the irrigators would be charged the actual cost of the work, and though it stated that these were expected to cost about \$20 per acre, no assurance was given that this would not be exceeded. As a matter of fact, the price of labor and materials all over the Northwest has advanced from 50 per cent to 60 per cent since this pamphlet was issued, a fact well known to all persons.

The engineers of the Northern Pacific railroad system state that works executed since 1905 have on the average cost 60 per cent more than the same class of works built previous to that date. The large canals recently completed in Canada cost over twice the amount estimated, as did almost innumerable private enterprises entered into in 1904-5 in the United States. The cost of the Panama canal was estimated in 1905 by some of the ablest engineers living after exhaustive investigations and studies. The actual construction has more than doubled these estimates, and though part of this is due to enlargement not then contemplated, it is found that the unit prices of given work are approximately 60 per cent greater than was estimated on experience previous to 1905. The experience of engineers and contractors is in line with the testimony of all persons engaged in construction work.

The fact that the works on the Klamath project have not cost 60 per cent more than the engineers originally estimated proves that the estimate made at that time was unusually accurate in the light of previous experience, because if there had been no change in economic conditions this estimate would have covered the actual cost.

The people of the Klamath country went into this matter after full discussion, exactly as every other community did, and as other communities are now trying to do. There are many localities petitioning and urging that the reclamation fund be expended in the construction of works in their vicinity. They now care little what the ultimate cost will be, but every energy is concentrated on getting the Reclamation Service in, because it means to them, as it did to the Klamath country, not merely the building of a permanent irrigation works, and assurance of a water supply, but a rapid increase in land values, and the construction of one or more railroads. They would be glad to pay \$40 per acre, or even more. They have little sympathy with a community which is now complaining because they are getting water at a rate so much less than the average.

"Kicking" at the Cost of Water.
You ask me the question, whether I think that after the work has been done and the final estimate for certain areas has been announced, I would consider this as satisfactory or fair treatment, and "would you not kick like a steer?"

In reply, and in perfect accord with the spirit of your question, I state most emphatically that I would not kick; in fact, if I were considering my own best interests and those of my neighbors, I would do all in my power to stop such kicking. It will do no good—is a waste of energy—and can only result in delay in accomplishing the best good to the community.

The world in general has no sympathy for the man who "kicks like a steer," and irrigators throughout the country who care to look into the matter find that you are getting a good water supply at a very moderate cost and at actual cost. The people in the vicinity of Klamath Falls have derived great advantages from the investment of the funds of the government, and will derive larger advantages when they appreciate their advantages and pull together to make full use of them.

What Can You Accomplish by "Kicking"?

The question you might to advantage ask yourself and your neighbors is "what can we accomplish by this kicking?" Can you do more than destroy your own and other persons property? Every one admits that

kicking merely drives away those who would be friendly. The public knows that you are better off than most people, and that you are getting a first-class system at far less cost than others are paying. Even assuming that it should be possible to show that had judgment was used in making these purchases to which you refer, or even that some graft was involved (which cannot be shown) what would be the result?

This would not relieve you of one dollar of expense. Whether the money has been properly or improperly expended, you must pay it back. This point was brought out again, and again in speeches of the members of the irrigation committee. Apparently each senator became more and more firmly convinced in his own mind that such charges were inspired largely by the hopes of repudiating just dues. I am in no way authorized to speak for the senators, but simply state the result of listening to many speeches and public conversations.

Responsibility.
You state further that I am the head of the department "vested with the responsibility and power of imposing this added cost to the poor homesteader." This quotation illustrates how little effect was produced by my talk, by the talk of practically every officer of the service, and by letters and other information sent out. I am not the head of the department, but an executive officer, under the secretary of the interior, acting by direct instructions and under authority usually given each year on the 1st day of January, April, July and October. No man is "vested with the responsibility and power of imposing this added cost." This is a condition which is governed by law, as interpreted by the attorney general, or by the courts. It is a matter not of discretion of any one man, but of following the terms of the law.

Your further question whether I regarded my life work as a success is answered in the affirmative. I have devoted over twenty-one years to a study of the water resources of the West, and opportunities of reclamation. I consider myself as being very fortunate in being among the men engaged in the planning and building of some of the largest and best irrigation systems in existence. I may live to see all of them completed. During my lifetime I do not expect that the works will reach their full utility to the people of the United States, but no man can truthfully say that the works laid out at Klamath Falls are not a success.

Payments for Property.
You state that it is pointed out by "men of superior intelligence and strength of character among us that far too much was paid" for certain properties.

These men "of superior intelligence and strength of character" you do not name, but it is evident that these men have not taken the trouble to ascertain the facts.

Every other citizen of the country well knew the terms of purchase of these various properties before the contracts were made. These were discussed publicly through many months and were published in the newspapers, appearing, for example, in the Klamath Falls Express of June 15, 1905. They were reprinted in a pamphlet widely distributed by the Water Users' association. During all this time, when these terms were under discussion publicly, no man objected to them, although many letters were written in regard to the subject. There was not a single unfavorable comment upon the prices or terms. On the contrary, almost every individual in the community devoted his energies to urging us to close up the matter and get to work as soon as possible.

Abel Ady, alone, after the matter was practically completed, made a vague charge, which he retracted on March 4, 1906, and stated he had not intended

"to charge directly or indirectly, or to intimate in any way that there were irregularities, fraud or graft or collusion on the part of the service or the Water Users' association, in connection with any purchases or proposed purchases of any canal or other property to be used for the Klamath project; nor did he now believe that there was anything of the kind in any way connected therewith, and that he

would have been willing to have agreed to pay double the amount agreed upon for the canals to save a year's delay in the construction of the project."

This is a matter of public record, and it will be a pleasure at any time to me and to others to have all of these matters discussed in the most complete manner.

The assertion that Abel Ady had an option on the Carr ranch at \$35,000 is so palpably absurd that it is not worthy of discussion.

In regard to the adjustment of the Upper Unit, the letter of September 29th from Mr. Morris Bien discusses this point. He brings out, as I have done year after year, in letters and oral statements, that all of these matters of cost cannot be determined in advance, but must be left for action by the secretary of the interior, when the work is more nearly completed.

The officers of the Reclamation Service have no authority and cannot attempt to bind the secretary, and he will not and should not anticipate conditions of this kind.

In your postscript you state that there is criticism of too large a force of engineers and office men. This is a matter which can be determined only by experienced men who have built similar works for the government or for large corporations. As a matter of fact, in comparing this work with that done by corporations, our expenses are usually less. You must remember that in all government work it is essential to keep full and accurate records of every transaction, such as we have done in the past. This is because of the fact that there is liable to come forward at any time some man who will make charges of "graft" concerning matters which, through lapse of time, he believes have been forgotten. It is partly to guard against such attacks that these complete records are made. As the events have shown, it is fortunate that we do have these records concerning the early history and progress of the Klamath project, by which we can fully protect the good name of our men. We must today fully record every detail, so that five or ten years from now, when similar charges are made, they can be fully met.

A further assertion is to the effect that the field engineers know very little how to manage men in the "throwing of dirt." Whether these men are more or less capable than those of the contractors is a point also to be judged by results. As a matter of fact, the force account work has resulted in the saving of money. There is no desire on the part of any engineer to execute work in this manner, excepting for the purpose of economy, because it involves more trouble and responsibility for him, and if he cannot show economy of construction, he surely would not go into it. Our records demonstrate this point.

As before stated, I am glad to hear from you, and believe that the good of the community would be advanced if, instead of discussing matters of past history, the more intelligent men of the community would first ascertain the facts, and then join with our men in advancing the common interest.

Above all things, the people of your community, if they are to succeed, must get a better appreciation of what has been done and try to look at their situation as others see it. They have the beginning, at least, of one of the best irrigation systems in the world, one which will be carried on to completion about as rapidly as the waters are put to beneficial use. They have a system which is not only better but cheaper than that enjoyed by most communities.

They have wonderful opportunities, but instead of appreciating these they are apparently sitting back and deterring outsiders from coming into the country, by what seems to be unreasonable complaints. No active, progressive man desires to cast his fortune with people who are known to be "kickers" and while I know there are good people, like yourself, in every community, this fact is not apparent, unless such men come to the front and dominate its attitude.

Very truly yours,
(Signed) F. H. NEWELL,
Director.

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