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City Club of Portland (Portland, Or.)

"Harmony in Diversity"

PORTLAND CITY CLUB BULLETIN

"Active Citizenship"

VOLUME VII | PORTLAND, OREGON, OCTOBER 8, 1926 | NUMBER 2

FRIDAY, OCTOBER 8 *Hotel Benson, 12:10*

Compulsory Automobile Insurance

SPEAKER

MacCORMAC SNOW

SUBJECT

"What Kind of Automobile Insurance is Now Feasable for Oregon?"

Mr. Snow, chairman of the City Club committee on compulsory automobile insurance, presented the report of his committee last Friday. So vigorous was the discussion of this report that adjournment time came before a vote could be taken. The discussion will be continued and a vote taken Friday.

SPEAKER

J. HUNT HENDRICKSON

SUBJECT

"The Two Bus and Truck Bills on the November Ballot"

SPEAKER

ARTHUR D. PLATT

SUBJECT

"The Cigarette and Tobacco Tax Bill"

Mr. Hendrickson and Mr. Platt, members of a City Club committee studying some of the measures on the November ballot, will present the reports of their committee for approval or criticism by the Club. The reports are printed in this issue of the *Bulletin*.

SPEAKER

EDWARD GRENFELL

Fire Marshal, City of Portland

SUBJECT

"Fire Prevention Week"

ACTIVE CITIZENSHIP REQUIRES INTELLIGENT VOTING

COME AND BRING A FRIEND

PORTLAND CITY CLUB BULLETIN

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THE CITY CLUB

OF PORTLAND

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STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912.

State of Oregon, County of Multnomah—ss.

Of the Portland City Club Bulletin, published weekly at Portland, Oregon, for October 1, 1926.

Before me, a notary public in and for the State and county aforesaid, personally appeared Alden B. Mills, who, having been duly sworn according to law, deposes and says that he is the Editor of the Portland City Club Bulletin and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management, etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 443, Postal Laws and Regulations, printed on the reverse of this form, to-wit:

1.—That the names and addresses of the publisher editor, managing editor, and business managers are:—Publisher, City Club of Portland, Portland, Oregon: Editor, Alden B. Mills, Portland, Ore.; Managing Editor, none; Business Manager, none.

2.—That the owner is: City Club of Portland, no capital stock; Ernest C. Willard, president, 720 Corbett Building; Lemuel P. Putnam, secretary, 454 Alder St.

3.—That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgagees, or other securities are: none.

4.—That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustee, hold stock and security in a capacity other than that of a bona fide owner, and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

ALDEN B. MILLS

Sworn to and subscribed before me this twenty-second day of September, 1926.

THADDEUS W. VENESS
Notary Public for Oregon.

(Seal)

My commission expires December 29, 1929.

The City Club helps its members to be better informed citizens. Your friends may have this privilege if you invite them to join.

DEEPER CHANNEL TO SEA IS LOCAL NEED

The present entrance to the Columbia River is better than the entrance to the harbors of New York or San Francisco, and the fear of a Columbia Bar is a delusion, according to Major R. T. Coiner, of the United States Engineers, who addressed the City Club last Friday. The mouth of the Columbia River now has a depth of forty-seven feet in the center and forty-six feet in a channel one mile wide. It is very desirable that Portland secure a thirty-five foot channel to the sea as that would induce fast passenger-freight lines to the Orient to adopt Portland as their American port.

Major Coiner detailed at some length the present method of getting channel and harbor improvements through Congress. It was adopted to prevent log-rolling, and although it means that one to three or more years are usually required for the passing of any project, the protection that it has afforded Congress has proven so valuable that, with only two exceptions, Congress for the last nine or ten years has adopted no projects which have not gone through this examination and approval.

The plan, in brief, provides that before a project can be considered the local representative in Congress must get a bill through authorizing a survey. The district engineer then surveys the existing commerce, the prospective commerce, etc. and reports to his chief. After a careful inspection, the project, if approved, is referred back to the district engineer for an estimate of expense. The chief of the engineering department then scrutinizes it again and, if it stands his criticism a second time, it is approved and sent to Congress for an appropriation.

APPLICATION FOR MEMBERSHIP

The following application for membership in the City Club of Portland has been received and will be presented for approval at the regular luncheon meeting, October 22nd:

LESLIE J. WERSCHKUL
Bond Salesman
U. S. Bank Building

Proposed for membership by Roscoe A. Johnson.

TWO BUS AND TRUCK BILLS ARE COMPARED AND RECOMMENDATIONS MADE

To the City Club of Portland, Oregon:

It is necessary to discuss these measures in conjunction because they are alternative bills. For purposes of convenience we will designate No. 324 as the referred bill and No. 330 as the operators' bill.

HISTORY.—The commercial use of our highways by buses and trucks has made necessary legislation providing for a certain degree of regulation and for a re-adjustment of the tax burden by which these highways are constructed and maintained. The original highway plan contemplated three or four inch paving. Heavy trucks and buses have made six inch paving necessary and it has also been estimated that this heavy traffic constituting only 4% of the total traffic causes 90% of the damage done to our highways. Trucks equipped with solid tires are particularly objectionable. Government tests show that impact under pneumatic tires cannot exceed twice the static load but under solid tires may be seven or more times the static. These tests show further that the impact reaches a maximum when the vehicle is operating about 15 miles per hour, and that very little or no increase is shown from that speed on. From these facts it is apparent that our highway system has cost a large additional amount simply because it has been subjected to commercial use.

The referred bill was introduced in the 1925 legislature as H. B. 413. It received careful consideration in hearings before the Roads and Highway Committee of the House for a period of 40 days at which hearings there were present committees and counsel from various interested sources, and in which an examination was made of statistics and estimates of the State Highway Department and of the committee appointed by the Governor under authority of the 1923 legislature for the purpose of working out plans and features relating to a new road and license law. The bill passed by the House was modified in the Senate by increasing the amount of license fees to be charged. It was then passed by both houses but was not signed by the Governor. It was referred to the people by a petition sponsored by the Oregon Motor State Association and the Auto Freight Transportation Association of Oregon and Washington. The petition contained approximately 30,000 signatures although only 9,090 signatures were necessary. This showing is the more remarkable when it is considered that the referendum was accorded practically no favorable newspaper publicity and that it was actively fought by the Oregon State Association of County Judges and Commissioners which carried quarter-page advertisements in all of the principal papers of the state, and that it was also fought by several of the chambers of commerce acting under the instigation of The Dalles-Wasco County Chamber of Commerce. The referendum was also officially opposed by the State Highway Commission.

Believing that the people would insist upon some form of license bill for motor carriers the Oregon Motor State Association proposed by initiative petition the measure designated on the ballot as Nos. 330 and 331.

RAILROAD COMPETITION.—Before going into the merits of the respective measures mention should be made of the interests of a third party, the railroads, in the controversy. It is claimed by the operators that the referred bill was sponsored by the railroad companies, and it is strongly hinted that the railroads paid a considerable part of the advertising bills incurred by the Association of County Judges and Commissioners in the campaign against the referendum. Newspaper reports indicate that railroad officials took an active part in opposing the referendum in meetings held in LaGrande, Albany and Hillsboro. In favor of the railroads' point of view it may be noted that at the hearings held in Portland on August 7, 1926, before the Interestate Commerce Commission the Auditor of Disbursements of the O.-W. R. & N. testified that the total investment of the railroads in Oregon used in passenger operation was over two hundred and thirty-two million dollars, and that the cost of maintenance of trackage and facilities, excluding equipment during the year 1925 exceeded seven million dollars. From his estimates he reached the deduction that the cost to the railroads of maintenance of trackage, including taxes came to 1.2132 cents per passenger carried one mile, and that the cost per passenger per mile to the motor carriers, so far as taxation was concerned was only six-tenths of a mill.

The railroads have had to pay for their rights of way, rails, ties and trestles as well as stations and stopping points. In the state of Washington they have paid 10.9 percent of the cost of building the highways, and in effect have contributed to that extent to their competitors. As between passenger and freight competition, the freight competition has proved by far the more serious. On the side of the public it must be remembered, however, that motor service, especially in central and southern Oregon and along the south side of the Loop Highway reaches numerous points to which there is no access by railroad, and that notwithstanding the fact that there is little difference between the cost to the consumer of railroad and motor transportation

the trucks have flourished because they are a convenience and because they saved shippers the cost of trucking from freight depot to stores. It is probably true that the strength of Portland as a jobbing center has been greatly enhanced by the use of motor transportation for carrying freight within a radius of a hundred miles of Portland. History also shows that invested capital has never been regarded as so sacred that it could not be wiped out by improved inventions. For these reasons we are not considering the interests of the railroads in passing upon the merits of these two measures, other than to see whether either measure would regulate the motor carriers out of business, which result we believe would be unfortunate.

DISTINCTIVE FEATURES OF THE TWO MEASURES.—The referred bill contains a detailed set of rules for the regulation of motor carriers engaged in public transportation. The operators' bill makes no provision for regulation or reports but leaves the regulatory system in status quo. The referred bill provides for a license tax which takes into account not only the weight and carrying capacity of the vehicle but also its annual mileage. The operators' bill does not vary the license with the mileage, and to that extent at least is less scientific. The operators' bill moreover merely empowers the Public Service Commission to grant licenses according to the schedule contained, and does not make this mandatory. There is some question also as to whether it may not be construed to apply to private as well as to common carriers.

THE REFERRED BILL.—From data presented by the Oregon State Highway Commission at the hearing above referred to in August, 1926, it appears that Oregon has 4,446.3 miles of highway of which 1,102.9 miles are unimproved. During the period from 1917-1925, inclusive, the state spent for construction purposes over sixty-seven million dollars and for additions and betterments nearly two million dollars. During the same period there was spent under federal supervision approximately four and one-half million dollars, making a total construction cost of seventy-four million dollars. In addition to this sum about ten million dollars has been spent by Multnomah County and various cities in improving portions of the highway system. It will cost twenty-three million dollars more to complete the system. During this period thirty-seven million dollars in round numbers has been raised by bond sales, sixteen million dollars by license fees and ten million dollars by gasoline tax. The Highway Commission estimates that it costs the state 7 mills per ton mile to provide the present transportation facilities.

The following comparison on the basis of gas tax paid per ton mile by three different types of vehicles has been made. Assuming that the average car, when loaded, weighs 3,000 pounds and that it gets 18 miles to the gallon, its gas tax per ton miles is 1.1 mills. The 24-passenger stage which weighs, when loaded, 12,000 pounds gets 7 miles per gallon, and pays a gas tax of .7 mills per ton mile. The 5-ton truck weighing, when loaded, 20,000 pounds get 5 miles per gallon, and pays a gas tax of .6 mills per ton mile. Assuming that the average car runs 5,000 miles per year, the 24-passenger state 55,000 miles per year and the 5-ton truck 30,000 miles per year, the total cost per ton mile to the average car under the proposed law would be 4.3 mills, to the state 4 mills and to the truck 2½ mills. Since the cost to the state is 7 mills per ton mile, it would seem that these fees are not excessive. For purposes of comparison under the Oregon law a 5-ton truck carrying freight will pay about $640 per annum. Under existing laws in Minnesota the same truck would pay $675; in Texas, $710; in West Virginia, $900; in Florida, $1065 and in Virginia, $1635, and yet commercial truck owners in these states have not been driven out of business. It is quite possible that individual instances under both bills might be cited which would appear to be inequitable. This fact, however, tends to justify the requirement of the referred bill for detailed information, not asked for at present or under the operators' bill, because it is only by obtaining such information that complete equality of taxation can be approximated.

In passing upon the fairness of the fees to be charged it might not be out of place to note that this bill was intended to raise an annual revenue of $250,000, and that by invoking the refendum the operators have postponed the effect of this bill on them for a period of 18 months. During the year 1925 the operating revenues of all motor carriers in the state of Oregon as reported to the Public Service Commission amounted to $7,261,-974.01. The operating expenses including depreciation amounted to $6,155,046.11, leaving an operating income of $1,106,928.60. The property and equipment investment of these carriers came to $6,313,780.26. For purposes of comparison 27 passenger line carriers were investigated and 29 freight line carriers. The passenger line carriers showed 5.69% return on capital invested and the freight carriers showed 12.28% return on capital invested.

THE OPERATORS' BILL.—In support of their measures the operators claim that 85% of the present operators would be unable to continue in business for any length of time under the referred bill, and that the bill they propose will net the state more revenue than the re-

ferred bill. They also consider the regulatory measures of the referred bill burdensome and unnecessary and costly if not impossible of adequate administration. They go so far as to say that it would cost the Public Service Commission half of the annual revenues to administer the referred bill while the operators' bill would not require any additional office force because no additional regulation is required. There is an advantage in regulation not only to the public but to the carriers themselves. Only by detailed reports can an equitable law be finally drafted. Without regulation undesirable carriers will by their conduct affect the good will of the motor transportation business which is a considerable item. If, however, your committee thought that the referred bill would create an overhead analogous to the income tax bill it would, without more, oppose it. We find, however, nothing on which to base the operators' claim of an excessive cost of administration.

One other feature makes us wary of the operators' bill. It applies to "every transportation company as defined in Chapter 325 of the Laws of 1925." This latter act includes "every corporation or person owning, controlling, operating or managing any motor vehicle, motor truck, motor bus, etc. used in the business of transportation of persons or property *or* as a common carrier for compensation over any public highway in this state." If this definition includes private carriers who are not engaged in the business of transporting for the public generally the bill may be declared unconstitutional as an attempt to give the Public Service Commission authority to regulate private carriers. Our Supreme Court so held in the case of Purple Truck Co. vs. Public Service Commission decided July 13, 1926. If this fate would meet the operators' bill, there being no saving clause the whole act would be unconstitutional, and there would be a further period without regulation.

RECOMMENDATIONS.—Our conclusion is that the referred bill is more scientific than the operators' bill, that it is intended to be fair, that it contains no possible joker, and that it will not seriously affect the business of the motor transportation companies. We believe that the operators' bill was hurriedly drawn, that it may be declared unconstitutional, that it provides for no regulation, and may have the effect of benefitting the large carriers doing an interstate business at the expense of the smaller carriers doing business within the state, as expressed deductions are permitted carriers which operate outside of the state of Oregon.

We therefore recommend Vote 324 Yes and 321 No.

Respectfully submitted,
J. HUNT HENDRICKSON, *Chairman*
ARTHUR PLATT
JOHN SCHULER.

AUTO INSURANCE REPORT STARTS LIVELY DEBATE

No final solution or high degree of perfection is claimed by the committee which drafted the report on compulsory automobile insurance presented at the meeting last Friday, according to MacCormac Snow, chairman, and L. A. Liljeqvist, minority member of the committee. This report is put forth as the best feasible remedy which Oregon can now adopt without extensive and expensive study.

Mr. Snow in summarizing the report noted that it did not in any way modify the contributory negligence rule, which often works injustice and hardship on the injured party. Arthur D. Platt, criticising the proposed bill attached to the report, pointed out that this plan does not require a driver to carry insurance until such time as he has an accident, but then, if sued, he is required to take out an insurance policy which would cover the damages resulting from that suit or post securities or a bond. Mr. Platt further pointed out that no insurance company could issue a policy covering the damages resulting from an accident which has already occured and for which a suit is pending, and, therefore, a majority of such drivers would be ruled from the highways, whether finally proven guilty or innocent.

L. A. Liljeqvist asserted that the committee looked upon the bill proposed as a tentative measure. Both property damage insurance and insurance against personal injury will have to come and will have to be compulsory, states Mr. Liljeqvist.

A great many other members wished to speak on the subject but were prevented by the scarcity of time. The meeting this Friday will afford them a further opportunity. A large attendance is desired so that these controversial sections may be adequately discussed and, if necessary, amended before final passage.

"The Advancing Church," a new book by Dr. Edward Laird Mills, is now in the City Club library. Members are invited to read this and all other books in the Club collection.

CIGARETTE AND TOBACCO TAX IS FAVORED

To the City Club of Portland, Oregon:

At the 1925 session of the Oregon legislature a measure was passed providing for a stamp tax on cigarettes, cigarette papers, wrappers, tubes, smoking tobacco and snuff, the tax being on a sliding scale averaging ten per cent of the retail price. It was provided that dealers shall secure a license from the county clerk and pay an annual license fee of $2.00, of which the county keeps $1.00 and $1.00 is paid to the state. The proceeds of the stamp tax are all payable to the state. The act does not purport to apply to sales in interstate commerce in original packages.

This measure was introduced in the closing days of the legislative session to help make up the deficit which, it was becoming apparent, would arise.

Cigars and chewing tobacco were excepted from the operation of the tax upon the theory that a stamp tax on the retail sale of these was not practicable, in as much as they are not sold in packages.

Governor Pierce, who supported the measure, is said to have estimated that it would produce a revenue of $800,000.00, annually. After the passage of the bill, a referendum was invoked against it by the Oregon Retail Cigar Dealers' Association.

The arguments in favor of the measure are, first of all, that the state is in urgent need of the revenue and, secondly, that the tax is in the nature of a luxury tax, the burden of which would not be heavily felt by any one. The negative arguments are that the tax would not produce the expected amount of revenue, that the expense of collection would be heavy, and that it would divert business from Oregon tobacco dealers to mail order houses outside of the state.

A stamp tax similar to this is, so far as we have been able to find, in operation in eight states, namely: Arkansas, Georgia, Iowa, North Dakota, South Carolina, South Dakota, Tennessee and Utah. Twenty-four states, including all but one of the eight just named, also impose annual license taxes on dealers, and these, even in those states also imposing stamp taxes, are at much higher rates than the license tax embodied in the Oregon act, running from $5.00 to $100.00 or more, as against $2.00 in Oregon.

Four of the eight states named tax cigars as well as cigarettes, the stamps being put on the cigar box, and this is perhaps some evidence that the reason given for excepting cigars from the Oregon tax, namely, that it could not be enforced because cigars are usually sold singly and without wrappers, is not well founded. Only four of these eight states have had the tax in operation long enough to have any reports on the amount of revenue produced and, of these four, Georgia and Utah are the only ones not imposing a high license tax in addition to the stamp tax. The Georgie tax produced, in 1924, about $700,000.00, and the Utah tax, during the period from May, 1923 to November, 1924, about $112,000.00, which, on a basis of comparative population, would mean that the Oregon tax would produce only about $200,000.00. This, of course, is much less than has been estimated.

While it may be doubted whether these comparative figures are of much value, it would seem, nevertheless, that $800,000.00 was much in excess of what might be expected, and to this extent the argument of the tobacco dealers is probably well founded. On the other hand, the tax will undoubtedly produce a considerable revenue, and the finances of the state at the present time are undoubtedly such that it will need urgently whatever is produced.

The dealers' association also argues that the tax, by forcing an increase in retail prices, will decrease the volume of taxable sales, partly because not so much tobacco will be consumed and partly because some of it will be purchased by mail order from outside the state.

We doubt, however, whether an increase of one or two cents in the price of a package of cigarettes or smoking tobacco will be enough of a burden to cause any decrease in tobacco consumption. Undoubtedly there will be some mail order sales and these will, to some extent, diminish not only the amount of tax collected but the amount of business done by local dealers. The question of convenience, however, enters so largely into the purchase of cigarettes and tobacco, and the amount saved by buying from outside the state would be so small, that it may well be doubted whether many persons would go to the trouble of buying by mail order, in sufficient quantity to make it worth while, in order to save only a few cents.

On the whole, therefore, your Committee believes that this tax is not unreasonable or unjust, but is, on the other hand, a reasonably good way of raising some of the money which the state undoubtedly needs at the present time. We are therefore disposed to recommend the passage of the act.

Acknowledgment is made to the Oregon Voter for the use of its files and particularly for data concerning similar taxes in other states and the revenue realized by them.

J. HUNT HENDRICKSON, *Chairman*
ARTHUR D. PLATT
JOHN W. SHULER