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"Harmony in
Diversity"

PORTLAND CITY CLUB BULLETIN

"Active
Citizenship"

VOLUME XIII

PORTLAND, OREGON, OCTOBER 7, 1932

NUMBER 23

FRIDAY, OCTOBER 7

HOTEL BENSON; 12:10

SPEAKER

L. C. NEWLANDS

*Director, U. S. Chamber of Commerce
Campaign Chairman, Portland Community Chest*

SUBJECT

"Relief Through Business Construction"

An Outline of Measures That Have Been Adopted

Relief problems have pushed themselves forward since the beginning of the depression until, with another winter approaching, they now occupy a position near the center of the civic stage.

Mr. Newlands has recently studied at first hand the combined relief and reconstruction activities of the national, state and local governments as applied in San Francisco, Denver, Chicago, Toronto, New York and Washington, and will discuss his observations.

AND ALSO

AN OPEN FORUM

TO DISCUSS

THE SERVICE AT COST FRANCHISE REFERENDUM ON FOURTH STREET BOND ISSUE

The reports on these two measures are printed below and will be presented for action today.

FRANCHISE OPPOSED BY COMMITTEE

To The Board of Governors of the City Club:

The proposed Service-at-Cost Street Railway Franchise before the people of Portland on the November ballot is a revision of the Carey & Harlan traction plan of 1930, which was rejected by the City Council. The Carey & Harlan plan had previously been opposed by the City Club. The present plan is in the form of an amendment to the charter of the city. If adopted, this franchise will replace the present principal franchises of the local street railway company, which expire in December, 1932.

SUMMARY AND CONCLUSIONS

1. The proposed Service-at-Cost franchise is in the form of an amendment to the city charter, and would continue for 20 years.

2. In order to permit the street car company to render service at a profit, it proposes to eliminate certain fees now charged, such as bridge tolls, paving between the street car tracks, amounting to \$150,000 per year, with which your committee is in agreement.

3. It also proposes to eliminate franchise fees of any kind, which your committee can not justify.

4. In order to carry out the provisions of a service-at-cost franchise, the amendment provides that the Council employ a City Street

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FOURTH STREET BOND ISSUE

To the Board of Governors of the City Club:

A bond issue in the amount of \$195,000 was referred to the electors by the city council. The purpose of this bond issue is to provide funds for the purchase of a 100 foot right of way along the proposed Fourth Street Arterial Highway within the city. The \$195,000 bond issue is submitted as an amendment to the city charter and provides: (a) For co-operation of the City, State, County and Civic Emergency Committee, in a worthy highway project. (b) That bonds on a 6 to 25 year basis cannot be sold for more than 6% interest or for less than par and accrued interest. (c) That any excess over right of way estimates of cost, as granted upon condemnation, may be assessed to property benefitted. (d) That funds may be secured from the Reconstruction Finance Corporation and bonds reduced accordingly.

This charter amendment appears to be carefully drawn by experienced men with a view of fully protecting the public interest. The entire project is contingent on the city's provision of a right of way within its limits, otherwise work outside the city will be useless.

The attitude of this Committee is that taxpayers should be reluctant to increase the public debt for non-income producing improvements. It is of some interest to note that at the first

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City Club dues are \$1.00 per month, payable semi-annually on May 1st, and November 1st. There is no initiation fee.

The regular Friday luncheon meetings are held in the Crystal Room of the Benson Hotel.

CITY CLUB PURPOSE

"To inform its members and the community in public matters and to arouse them to a realization of the obligations of citizenship."

THE CITY CLUB BOARD of GOVERNORS

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RUSSELL W. BARTHELL Executive Secretary

APPLICATIONS FOR MEMBERSHIP

The following applications for membership, having been approved by the Board of Governors, are hereby recommended to the Club.

If no objections are filed with the Board of Governors or the Executive Secretary prior to October 21, 1932, these applicants will, under the Constitution, stand elected.

GEORGE J. BEGGS
Partner, Norris Beggs & Base,
1111 Wilcox Building
Recommended by W. C. McCulloch

J. V. B. COX
Plant Superintendent and Service
Engineer
Paper Makers Chemical Corporation
P. O. Box 3939
Recommended by F. W. Paris and
Berkeley Snow

HAROLD F. WENDEL
General Manager, Lipman, Wolfe and
Company
127 Fifth Street
Recommended by Joseph Shemanski

REPORTS ARE AVAILABLE

A limited number of all City Club reports on election measures will be available upon application to the City Club office. This series of reports may be purchased at a price of \$1.00 to cover the cost of printing and distribution. Any interested person paying one dollar will receive copies of completed reports immediately, and succeeding reports will be mailed when published.

Tell your friends who are not City Club members that they may take advantage of this opportunity to get reliable information on election measures. Act immediately because the supply is limited.

SERVICE AT COST FRANCHISE

Continued from Page 1

Railway Director to act as an adviser of the Council in traction matters. The franchise provides no maximum salary, although it is agreed that the expense of such office shall be borne by the City.

5. The proposed franchise describes the machinery for setting up a Board of Arbitration to decide matters on which the Council and the company cannot agree, which is satisfactory.

6. The crux of the franchise is the question of original value. This is set at \$8,662,553, clearly a compromise valuation.

Your committee finds the valuation unacceptable for the following reasons:

(a) It includes much obsolete equipment and paving between the tracks which is worn out, and which, under the terms of the proposed franchise, must be replaced by the City.

(b) This valuation is higher than the company can secure adequate returns upon, at the present time, when the rates charged are higher than those in the proposed franchise. The only hope of the company's operating profitably on this valuation would be by curtailing service, eliminating unprofitable lines, or other reductions, or by raising the fare at the first opportunity.

(c) This valuation becomes the purchase price should the city find it necessary to take over the system to insure adequate mass transportation service.

7. The methods of accounting for depreciation and building up a Reserve for Renewals are not in keeping with good business practices.

8. The proposed franchise allows the company to make no additions to its equipment and trackage during the last eight years of its life, which virtually leaves the city without control of service during that time.

9. The legal phases of the franchise seem to be inconsistent with the Oregon laws. This franchise would permit the city government to determine the fare structure of the franchise company, whereas, by the Oregon laws, the ultimate authority is in the State Public Utility Commissioner and in the electorate of the municipality affected.

High Points of the Proposed Franchise

It is designated as a "Service-at-Cost" franchise, because of provisions purporting to gauge the rate of fare upon the cost of producing the service, which cost includes a profit to the company proportioned upon the fares charged.

The high points of the proposed plan may be set out as follows: A twenty-year period from the time this franchise takes effect is created for its operation. However, the City Council is authorized to enact an ordinance, subject to a

popular referendum, extending the period for its operation for a term not to exceed twenty years from the effective date of the ordinance. The company is required to expend a sum not less than \$2,000,000 in the purchase of new street cars and motor coaches and the reconstruction of the track system within four years from the effective date of the franchise without more than 25% of the whole being expended in any one year. This sum of \$2,000,000 is the only sum which the franchise absolutely requires the company to spend. The company is relieved, in general, of all further expenses of paving between the tracks, although it must make good any damage to the paving on account of necessary repairs made to its tracks and also the increased cost of the paving foundation under its tracks in excess of what the cost would be in the city were the tracks not there. The company is also relieved of bridge taxes and tolls. No other conveyances carrying passengers for hire—in fact, not even busses operated by the company—nor are private automobiles charged for the privilege of crossing the bridges. The transfer of these burdens from the street car riding public to the taxpayers will amount to an approximate saving of \$150,000 in the annual operating costs of the company.

FINANCIAL AND LEGAL ASPECTS

In studying the financial aspects, the present condition of the street car company's business must be considered. As was pointed out in the report of the City Club committee on the Carey & Harlan plan, patronage and operating revenues of almost all systems throughout the United States are rapidly declining and these systems are practically all in danger of becoming insolvent. There has been a steady decline in the operating revenues of the local traction company for the past ten years, and there is some danger that the present mass transportation system must find a substitute unless some measures of relief are adopted. Your committee believes, therefore, that a liberal attitude should be taken by the public toward any measures which would enable the present system to continue in operation.

The traction company is now required to pay franchise fees amounting to about \$30,000 per year. The proposed franchise provides that no franchise fees, licenses or special taxes be levied. The usual theory of levying a franchise fee is that this fee shall be sufficient to pay for the cost of enforcing the franchise and such ordinances as may provide for inspection of the grantee's property and business.

Council to Appoint Railway Director

Under the proposed franchise the company is required to give such service as the Council may require. But it is important to note that in the event this prescribed service will prevent the company from receiving the annual rate of return provided in the franchise, then the right of the city shall be limited to prescribe only such service as shall permit the rate of return to be earned.

Upon the taking effect of this franchise, the Council is to appoint a City Street Railway Director, who is to act as an adviser of the Council in all matters affecting the service, the cost, and the rates of fare. If he disapproves any proposed capital expenditure by the company, the company may not proceed with such expenditure until its reasonableness shall have been determined by arbitration. So also with

the manner of accounting for any expenditures. The franchise does not set the City Director's salary, but it provides that all expenses in connection with his office, including his salary, shall be borne by the city. In other cities the cost of this service is \$30,000 to \$100,000 annually.

Should the city, without the written consent of the company, permit competition to the transportation given by the company, the city shall lose control of the service and rates of fare as long as such competition is permitted.

Differences to be Arbitrated

Arbitration shall provide for differences arising between the company and the city, except that there may be no arbitration with respect to the sum fixed as the Original and Additional Capital Values, the rate of return to the company, or with respect to the city's rights to prescribe service. A Board of Arbitration composed of a member appointed by each party, and a third member appointed by the two, is set up, with penalties exacted of either company or city for not following its mandates.

The clause providing for a forfeiture of control by the company to the city during the duration of its failure to comply with the terms of the franchise is ambiguous as to whether the city shall obtain this control within six months or one year. Frequently, even less than six months would be desirable. It would have been a better provision to let the board fix in each case what would constitute a reasonable time.

Property Valued at \$8,662,553

The most important financial feature is that setting the valuation of the company's property at \$8,662,553. This is to constitute the Original Capital Value, which shall be used for the purpose of fixing the rates of fare, the return to the company, and the purchase price of the property should the city ever desire to acquire it. The fifteen cars already purchased would be included in the sum of \$2,000,000, which, as already mentioned, the company shall spend during the first four years.

The valuation of \$8,662,553 was arrived at as follows: Carey & Harlan estimated the reproduction cost new less depreciation of the company's property to be \$9,661,721 as of June 30, 1931, and recommended that the value for the purposes of a service-at-cost franchise should be fixed at not more than \$8,500,000. The company, on the other hand, contended that the Original Capital Value should be not less than \$10,000,000. It was finally agreed to accept Carey & Harlan's figure of reproduction cost new less depreciation as the basis. As the Sellwood car barns and the Center Street car shops are not devoted entirely to the service of lines within the city limits, these properties were withdrawn at a figure of \$999,168, thus leaving \$8,662,553 as the value of properties devoted entirely to service within the city limits. The various items of property making up this sum were then given a value resulting in this total.

Your committee finds itself faced with the necessity of arriving at some conclusion as to the propriety of accepting this figure of \$8,662,553. Attention, therefore, has been given (1) to the valuation claimed for these properties by various experts and (2) to the effect of this valuation upon operation under this franchise. The following is a summary of valuations made by various investigators within the past four years:

Valuation by Company's engineer, as of June 30, 1930	\$19,445,991
Commission's engineers show 1916 valuations plus additions to December 31, 1928	14,858,644
Testimony of Company's engineers before Federal Court placed value at June 30, 1931	14,680,424
Estimate of John Beeler, Company's expert witness	Ten to Twelve Million
Carey & Harlan estimate for the City at June 30, 1930	10,805,294
Findings of Special Master Oliver Coshaw	10,000,000
Testimony of Carey & Harlan before Federal Court of actual value entire property June 30, 1931—not over	8,000,000
Conclusion of Commissioner Thomas—no value other than salvage of not to exceed	3,000,000
City of Portland, intervenor in recent 7c fare case before Oliver Coshaw, special master appointed by the Federal Court—Conversion Value	1,985,287

After the city and the traction company had agreed upon \$8,662,553 as the value of the company's property devoted entirely to city lines, Carey & Harlan Company was employed to work out a "breakdown" of this valuation, giving each item of property a definite value. This breakdown has been compiled and is on file at the City Hall. Your committee has examined it but has made no effort to determine the correctness of the value given to any of the items listed. A number of the items listed, while representing a past investment by the utility, represents no future benefit to the system. The pavement between the tracks which will be maintained and replaced in the future by the city, is included in this valuation at a figure of \$1,706,192.74. This item includes much pavement which should have been replaced years ago. On November 13, 1930, City Engineer Laurgaard called the attention of the City Council to the tracks and pavement on a number of streets which were "rough and in a dangerous condition and should be reconstructed immediately." The breakdown value given to the pavement alone on a few of these streets is listed below:

Washington Street—2d to 23d	\$23,504.95
Glisan Street—3d to 16th	18,669.82
Hawthorne Avenue—East 11th to East 50th	69,106.28
Fifth Street—Jefferson to Irving	9,309.91
Belmont Street—East 29th to East 36th	8,667.63

Altogether, there were seventeen stretches of track and pavement listed by the city engineer's office. The public would probably be called upon to replace a number of these pavements soon.

Obsolete Equipment Included in Valuation

The breakdown lists 490 passenger cars, although only from 300 to 375 are ever used. The peak load at present is carried by 325 cars. The fifteen new cars are not listed, but will be considered as constituting Additional Capital Value should this franchise become effective. The average age of the cars included in this inventory is 23 years. It is significant that the appraisal of the Public Service Commission as of December 31, 1912, placed the life of these cars at 20 years, and the United States Commissioner of Internal Revenue allows a useful life of only 18 years. Recent investigation has allowed an increase to 26 years. All but 24 of the cars now in service are over 20 years old. Many cars which will never again be used are included at a nominal value, and many which are obsolete and to be replaced during the four-year rehabilitation period are also included. The inclusion of these items in the inventory mitigates against the validity of this valuation. Under good business practices, the value of equipment and facilities should be written off as these become obsolete.

In considering the validity of the figure, \$8,662,553, it should be borne in mind that this value is, under the franchise, to be the purchase valuation of the company's properties, should the city ever find it necessary to take over the system in order to provide adequate mass transportation. Also, all additional investments in

street car equipment or tracks are to be added to this valuation and credited to the account of Additional Capital Value. Subtractions from that value may only be made through payment outright from the Reserve for Renewals fund as will be hereafter explained.

Reserve For Renewals Inadequate

The proposed franchise provides that 6% of the gross revenues are to be credited to the Reserve for Renewals Account against which the cost of renewals shall be charged. It should be particularly noted, however, that as soon as the credit balances in this Reserve for Renewals Account exceed 6% of the capital value, the charge for making further additions to the reserve drops to 3% of the gross revenue. Whenever any of the property is sold or abandoned, the capital value is to receive credit for the original value assigned to the item and any excess or deficit resulting from the sale or abandonment shall be carried to the Reserve for Renewals. There is, however, this restriction. If the deficit carried to the Reserve for Renewals shall reduce the reserve below 3% of the capital value, a new account called the Suspense Renewal Account is charged with any amounts which have reduced the reserve below 3%. This would tend automatically to keep a balance in the Reserve for Renewals Account equal to from 3% to 6% of the capital value. It is also provided that the amount which may be in this Suspense Renewal Account will be included in determining the capital value for purposes of rate making. There does not appear to be any provision in the franchise whereby the city may compel the traction company to write off any equipment that may become obsolete. Were the company itself to decide to write off a considerable amount of the old equipment, it would be restrained by the provision that any writing off which reduces the Reserve for Renewals below 3% of the capital value must be charged to the Suspense Renewal Account, and it would, therefore, still remain on the books as part of the capital value. In other words, the value of the obsolete tracks, pavement and equipment included in the proposed franchise cannot be removed from the rate base or the purchase price until such time as it has been paid for out of the Reserve for Renewals, and such payment would be seriously limited by the small amount which may be credited to the Reserve for Renewals.

Valuation Is Frozen

It is recognized in all modern accounting practice that buildings, machinery, equipment and all articles of like nature depreciate in value, not only because of the wear and tear, but also because of obsolescence; and a provision for this depreciation should be made by a charge against operations and a credit to a reserve for depreciation, based upon the estimated life of usefulness, so that at the end of the useful life the reserve for depreciation will be equal to the original investment and there will be no loss to be taken at the time the article is disposed of or abandoned. The provision for a Reserve for Renewals

bears some resemblance to the established custom, but as pointed out, the reserve can at no time be greater than 6% of the original value or original investment. Briefly, it would appear that the voters are asked to pass upon a value of \$8,662,553 and to adopt a franchise that, in effect, freezes that amount both for the purpose of rate making and also as a basis for the purchase of properties for the life of the franchise. There seems to be no recognition of the possibility that within ten years from the adoption of this franchise these properties may not be worth fifty per cent of the proposed value and that, nevertheless, the city would be bound by its decision if the franchise were adopted.

All the revenue received by the company from its operations is to be credited to the Gross Operating Revenue Account, from which shall be deducted (1) the operating cost, and (2) the Reserve for Renewals already mentioned, and (3) a monthly accrual for taxes.

All remaining amounts are to be placed monthly to the credit of the Capital Return Fund. The company may withdraw for such purposes as it may desire out of the Capital Return Fund, or if such fund is insufficient, then out of the Balancing Fund, which will be explained below, in monthly withdrawals computed each month on the then aggregate capital value, and any balance in the Suspense Renewal Account, an amount which will constitute an annual return in per cent of the then capital value dependent upon the average rate of fare, as set out in the following schedule:

Average Rate of Fare	Annual Return on Original Capital Value	Annual Return on Additional Capital Value
When 9c or over.....	5 %	6 3/4 %
When 7 1/2 cents, or over and less than 9 cents.....	6 %	7 %
When 6 cents or over and less than 7 1/2 cents.....	6 1/4 %	7 1/4 %
When less than 6 cents....	6 3/4 %	7 3/4 %

At the end of each calendar month any excess remaining in the Capital Return Fund shall be turned into a Balancing Fund. This is to be created by the company setting up on its books an initial sum in the amount of \$300,000, from which shall be deducted any deficit in the Capital Return Fund. This Balancing Fund is to be used to regulate the rates of fare to be charged. So long as it shall not exceed \$500,000, then the existing fare structure shall not be reduced. But if it shall exceed \$500,000, then the fare structure shall be reduced and charged as the company and the Council may agree, and whenever the Balancing Fund is reduced to less than \$200,000, then the rates of fare shall be changed and increased as the company and Council may agree, provided that if the company and Council cannot agree, then there shall be arbitration. If at any time either the Council or the company shall be of the opinion that the fare structure should be either increased or decreased, such party may give written notice to the other of its opinion and if such change is assented to by the other party, then such change in the fare structure so assented to shall be made; otherwise, the procedure under the Balancing Fund shall control.

The initial fare schedule to take effect upon the adoption of this franchise and to remain in effect until January 1, 1933, is as follows:

Weekly Pass—\$1.25 each;
School Tickets—4c each, when purchased in books of 25;
Tokens or Tickets—7 1/7c each, when purchased in quantities of 14 for \$1.00;
Tokens or Tickets—8 1/3c each, when purchased in quantities of 3 for 25 cents;
Single Cash Fare—10 cents.

When this franchise was written, it was to be submitted to the people in May and if adopted would have taken effect about June 1st of this year. The new fare schedule would thus have remained in effect for seven months without change. If the proposed franchise is adopted in November, there is no guarantee that the new fare schedule will remain in effect after January 1, 1933. Nor is there any guarantee or great possibility that fares can be kept lower than they are at present. The only guarantee is that the fare shall not exceed ten cents.

Proposed Franchise Requires Increased Fare

The proposed franchise provides that after the operating expenses of the street railway company have been paid, there shall be set aside a sum for Reserve for Renewals and return on investment. On the basis of the 1931 business, had this franchise been in effect, the following amounts would have been set aside:

Reserve for Renewals—6% of operating revenue.....	\$234,085.15
Return on Investment—6 3/4% of original capital value.....	543,065.95
Total.....	\$777,151.10

During 1931, actual operating revenue of the company exceeded operating expenses by \$395,338. Had the proposed franchise been in effect, the company would have been relieved of approximately \$150,000 expenses by the removal of franchise fees, bridge tolls and paving charges. Adding this to the operating income gives a figure of \$545,338 available in 1931 to pay the Reserve for Renewals and the Return on Investment. A deficit would thus have been created of \$231,812.82 to be charged to the Balancing Fund. Despite economies introduced recently, the operating revenues of the company have exceeded expenses only \$119,358 during the first six months of 1932. Some \$75,000 might have been added to this amount had the proposed franchise been in effect, but the requirements of the proposed franchise had it been in operation during this period would have been \$271,582 for return on original capital value alone, and \$104,712 for Reserve for Renewals—thus a deficit of \$181,937 would have been charged to the Balancing Fund during this period. It is important to bear in mind that a higher rate of fare than that contemplated in the franchise has been in effect during 1931 and thus far in 1932. A large percentage of the riders who now pay a ten cent fare would pay only 7 1-7 cents. The new fare of the company would remain in effect until January 1, 1933, or about six weeks, thus adding to the deficit. By the terms of the franchise this reduced fare would necessitate higher percentage of return upon the original capital value further adding to the financial difficulties of the proposed plan. Under this proposed franchise, however, deficits are to be met by increased fare, and yet the present fare which creates a deficit is considered to produce the highest possible revenue. If the public is willing to pay more for street car service than it does now, the financial requirements

of this franchise may ultimately be realized, otherwise they will not. Therein lies the basis of another objection to the inclusion of the original capital value at the figure \$8,662,553.

The company is given sole control over all expenditures for betterments and improvements during the last eight years of the grant. This might mean that the company would make no capital expenditure during this time and thus, in effect, considerably impair its service.

Legal Phases Are Ambiguous

As already stated, the franchise purports to give the city Council authority to change the fares in keeping with the cost of operation. The Oregon statutes provide, however, that new rates must be filed with the Public Utility Commissioner of the state 90 days before they go into effect, and if he objects, the new rates are void, unless ratified by the voters of the affected municipality. Not only shall no rate schedule go for more than five years without the Commissioner's approval or a popular vote, but if the rate schedule is to be changed within five years, he must approve or his veto must be overridden by the electorate. The city cannot deprive him of this qualified power. The result of all this is that the so-called automatic Balancing Fund provision is, in reality, by reason of the statute, subject to the interference of both the Commissioner qualifiedly and of the public absolutely.

It seems to your committee that this franchise, which is also a contract, wants for mutuality in a vital aspect in that the city lacks the power to guarantee the company a certain rate of return for the entire duration of the proposed franchise, which guarantee is declared by Paragraph 40 to be one of the two main purposes. The inevitable conclusion is that the entire franchise would seem to be impotent and void in that the city Council cannot assume rights which, by law, belong to the State Public Utility Commissioner and to the electorate.

RECOMMENDATIONS

The above facts seem so irrefutable that your committee recommends:

1. That the City Club oppose the Charter amendment involving the service-at-cost franchise as proposed.

2. We further recommend that the street car company and the Council submit a new franchise which will correct the objections to this franchise in these important features:

(a) The original capital valuation should contain only equipment, machinery, trackage, etc., as have future usefulness to the company in rendering the type of service needed in the City of Portland;

(b) The franchise should provide a method of writing off depreciation and creating a reserve for renewals that will take care of the constant depreciation and obsolescence of equipment without the necessity of raising additional capital for the replacement of outworn equipment.

(c) That the legal obstacles of this franchise be avoided, if at all possible.

Respectfully submitted,

A. L. ANDRUS,
EDWARD L. CLARK,
L. E. KURTICHANOFF,
GEORGE W. FRIEDE, *Chairman*.

Accepted by the Board of Governors and ordered printed and submitted to the membership of the City Club for consideration and action on October 7, 1932.

FOURTH STREET BOND ISSUE

Continued from Page 1

meeting of the Committee every member of the Committee doubted that the bond issue should be supported; after investigation, the Committee was unanimous in its approval of the bond issue. The reasons which led the Committee to its conclusion may be summed up briefly as follows:

Many Reasons For Approval

1. This \$195,000 bond issue will, through the co-operation of four different agencies, make available about \$1,800,000 for constructing this new highway entrance from the South.

2. The road is needed to serve a great territory between the River and the present West Side Pacific Highway, which is not now adequately served.

3. The work will be close to Portland and easily accessible to the homes of thousands of our unemployed. They live largely on the east side of the river. It is an all Portland project.

4. Four public agencies after much effort have now substantially agreed upon this work. It should therefore be done now, as such co-operation may be impossible later.

5. Trucks are not now permitted on Terwilliger Boulevard, and we need an arterial highway from the south on a good grade for heavy vehicles.

6. The right of way and grade will benefit future generations and bonds for such purpose are justified.

7. Such trunk highway will not compete with or detract from building the proposed low grade, short, Tualatin Tunnel with entrance in Marquam Gulch.

8. It will relieve the State Highway Commission for a number of years in building the Tigard-Canyon Road connection.

9. It cannot be assessed to a local improvement district, because of the steep sidehill location, and inaccessibility of entrance except at the termini. It serves State, County and City needs and is properly a co-operative undertaking.

10. The project will permit expenditure of the Unemployment Relief Funds to the amount of about \$800,000, far more efficiently than these funds can be expended if this construction is postponed.

11. Purchase of rights of way by an assessment district would cause eighteen months of delay and would prevent the application of relief funds. It would also be inequitable because the improvement will benefit the city generally far more than it will benefit any district within the city.

RECOMMENDATIONS

Your Committee, after interviewing all representative citizens, and organizations known to be interested in this development project, unanimously recommend the voting by the City of Portland of the \$195,000 bond issue for the purchase of right of way for the Fourth Street Arterial Highway, within the City limits.

Respectfully submitted,

C. E. ZOLLINGER,
R. R. TINKHAM,
F. A. KENNY,
JOHN R. MONTAGUE,
JOHN H. LEWIS, *Chairman*.

Approved by F. R. Schanck, chairman of the City Planning Section.

Accepted by the Board of Governors and ordered printed and submitted to the membership of the City Club for consideration and action on October 7, 1932.