

WAS GRAND TRUNK BLUFFING?

Charles S. Mellen Says So in Regard to Its Proposed Palmer-Providence Line

Some interesting facts appear in the formal statement submitted by Mr. Charles S. Mellen last week at the New Haven investigation by the Interstate Commerce Commission at Washington. The statement is very lengthy and concerns negotiations between the Grand Trunk and the New Haven, which were started in 1906, looking to the establishment of through rates for the interchange of passenger and freight traffic. After the Canadian Pacific Railway had made an arrangement with the New Haven, the Grand Trunk wanted better terms than its Canadian rival. Mr. Mellen stated that at no time was he impressed with the good intentions of the Grand Trunk people actually to construct a line from Palmer to Providence.

Mr. Mellen's statement, in part, is as follows:—

"The New Haven wanted at all times while I was connected with it, an arrangement with the Grand Trunk for the distribution of business coming by way of the same territory served by the New Haven's lines. It wanted for its manufactories and industries the benefit of the Grand Trunk's differential rates, but its business was so tied up with the trunk lines, notably the Pennsylvania and the New York Central, that every effort to open the territory of the New Haven to these differential rates met with decided opposition on the part of the trunk lines; and these lines were potent in the affairs of the New Haven, and were represented on its board of directors, and by substantial holdings of its capital stock.

Apprehensive of Effect.

"These interests were apprehensive of the effect upon the traffic they enjoyed with the New Haven Railroad if an additional participant with a lower basis of rates were permitted in the territory in question. There never was a time, probably, during my administration of the New Haven road, when I could have successfully put into effect a traffic interchange with the Grand Trunk on its differential rate basis, until the threatened extension into Providence came before my board for consideration.

"Then, I have no doubt, it could have been done and I acted upon that basis in the arrangements and negotiations with Mr. Chamberlin, Mr. Hays' successor, which were interrupted just as they were apparently on the point of success by the action of the department of justice in its indictment of Mr. Chamberlin, Mr. Smithers and myself for an alleged conspiracy in stopping the extension of the Grand Trunk's line from Palmer to Providence.

Grand Trunk Working a Bluff?

"At no time during the period the Grand Trunk was apparently constructing its line from Palmer to Providence was I impressed with the good faith or intentions of the Grand Trunk people to actually construct such a line. I always believed and do believe at the present time, the original and primary intention was simply to force a very good trade for the interchange of business between the New Haven and the Grand Trunk on terms which would appeal to the Grand Trunk people, but would cause the New Haven a very serious loss through the necessity the New Haven would have been under of readjusting its relations with all its connections.

"In saying this I am not unmindful of the fact that ultimately the financial considerations caused by the depression in Europe occasioned by the Balkan War, brought about the cessation of the project in 1912. My belief that the Grand Trunk never contemplated the construction of the projected lines for which it had obtained charters in the several New England states, is justified by statements made by Mr. Hays in correspondence which has come to my attention."

Asked by *The Monetary Times* for his observations on these statements, Mr. E. J. Chamberlin, president of the Grand Trunk Railway, said:—"I was not connected with the Grand Trunk or Central Vermont at the time Mr. Hays was carrying on his Southern New England campaign and never had an opportunity to discuss the question with him. Therefore I do not feel qualified to express any views as to his intentions."

Mr. Mellen's statement at Washington says also:—

"The serious feature of the Grand Trunk's extension from Palmer to Providence was not in the business it might

take away from the New Haven Railroad, nor in its effect of that particular construction upon the New Haven revenue, but rather in the fact that it was the inauguration of a policy on the part of the Grand Trunk that would have necessitated an enormous amount of unnecessary railroad construction in New England through the ill feeling, hostility and the railroad fight.

"The occasion for putting in the arbitration clause in the proposition was that previous negotiations with the Grand Trunk had led me to believe we could not agree by negotiations, because of the Grand Trunk's desire to secure a better arrangement than our basis established with the Canadian Pacific would permit, and we felt it necessary to maintain an equality of basis with the two lines connecting with us, which were competitors. Therefore, feeling there was no use of trying to agree definitely upon the divisions, we showed good faith in seeking an agreement with the Grand Trunk by agreeing to abide by divisions that might be established by arbitration, intending, as a result of that arbitration, to readjust (as has been promised) our Canadian Pacific arrangement to any basis that might be established."

AMES-HOLDEN'S REDUCED LIABILITIES

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The break in Ames-Holden stock was naturally accompanied by a renewal of the talk of the passing of the preferred dividend. There seems no reason to expect this. The company's books are being made up for the year ended April 30th, so that positive statements cannot be made concerning details, but in a conversation with Mr. Clarence F. Smith, the general manager, his view of the situation was stated thus: The liabilities of the company have apparently been reduced by from \$700,000 to \$750,000. This reduction being made up by a reduction of approximately \$550,000 owing to the bank, which leaves the company owing the bank somewhere in the vicinity of \$1,100,000—probably less. Accounts and bills payable are probably in the vicinity of \$350,000, which means that they have been reduced about \$200,000. These items, together, make up the anticipated reduction in liabilities. On the other hand, accounts and bills receivable are likely to be fully as much as a year ago. The company always makes allowance for bad debts in its operating charges, although it also has a special bad debt account of about \$5,000.

A favorable feature is the fact that in reducing the stock to the extent of about \$600,000, practically all the old stock has been run off, the company never having had such a clearing out in this respect before. The reduction is about half in leather and half in manufactured material. Expenses have also been curtailed. The above was accomplished during one of the hardest periods the trade has experienced in many years.

The St. Hyacinthe factory, after being closed for stock-taking, will open this week and the other factories will follow shortly. The opinion is expressed that fixed charges, sinking fund, and preferred dividend have all been earned, and that there will be a small surplus.

An official of the company, commenting upon the falling off in trade, recently said that there were some advantages to be derived from the present unwelcome conditions. Among these was the effort which all concerns were now making to cut down expenses which, during the past few years of expansion, had got beyond control. Retrenchment had already been responsible for saving at the rate of \$30,000 a year. This saving would not affect the year recently completed so much as that upon which the Ames-Holden Company has now entered.

ANOTHER UNITED STATES FACTORY FOR CANADA

A dispatch from Walla Walla, Washington, states that Gilbert Hunt and associates of Walla Walla, have signed a contract with the town of Dundas, Ont., to build a threshing machine factory, feed grinder, and general farm implement factory. The concern will be known as the Dominion Harvester Company. Ultimately the plant will employ about 500 men and represent an investment of \$750,000. Construction will be started June 1.