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LINCOLN'S TRACTION INTERESTS

The Evolution of an Up-to-Date System of Urban and Inter-Urban Traffic from Beginnings That Were Discouraging. The Man Who Directed It

Four years ago Lincoln had a street railway system that was not a credit to a city of her pretensions and prominence. The cars were in bad shape and the rails in worse. No more cars were run than were absolutely necessary to accommodate the traffic. No extensions had been planned in several years; in fact, every line that did not pay then and there was cut off. Break-downs were frequent; if a man in South Lincoln desired to catch a train he was compelled to make allowances for lost time or take his chances. The power house of the company was in a condition far from perfect. The new machinery of seven years previous had grown old and out of date.

It was about that time that the ownership of the company became vested in the hands of new men. Four years may seem a long time to the ordinary individual, but when these days and weeks and months have been employed in the perfecting of long-cherished plans they pass swiftly. And yet when the present condition of the street railway system is contrasted with that of December, 1897, one must feel a desire to take off his hat to the man or men who have made possible the transformation, slow and possibly imperceptible at the time to many, that has taken place.

All of the more important lines have been rebuilt, new cars of standard size and regulation comfort have been added, and new lines laid. Four years ago Havelock was a town in Lancaster county; now it is a suburb and almost a part of Lincoln. Then there was a line that ran up hill and down dale across the prairies, with a wide swing to nowhere, that eventually halted at the enterprising village of College View. This line has been abandoned. In its stead is a newly-built road connecting the village and the city by means of a road that passes through the town of Normal and touches some of the prettiest garden spots about the municipality.

Behind all achievements rests a forceful personality. The man who has been laboring silently and surely to build up this system of urban and inter-urban transportation is M. L. Scudder. Mr. Scudder is personally unknown to a great many Lincoln people, and it is because of this fact that The Courier takes this means of pictorially introducing him to its readers. Mr. Scudder became interested financially in the old Lincoln street railway company through its bonds when these were floated in the east by F. W. Little and others. When Little was forced to give over control, the system went into a receiver's hands and at the foreclosure sale in December, 1897, it was purchased by Mr. Scudder and some associates representing the bondholders.

Shortly afterwards the Lincoln Traction company was formed, and the rights, franchises and property of the

old system passed into its hands. If Mr. Scudder had cared to follow the usual plan of reorganizing financiers and expanding the capitalization here would have been his opportunity. But he had other and sounder ideas. These he proceeded to carry out in the reorganization and they mark a distinct variation, a new feature, of corporation forming. The old company, the Lincoln street railroad concern, was bonded for \$1,480,000 and there was a stock issue of \$1,200,000 besides. This meant a total of \$2,680,000 upon which interest and dividends had to be earned to keep the company a going concern.

The new corporation has but \$45,000 bonds outstanding. There are \$700,000 of preferred stock and \$277,000 of com-

mon—a total of \$1,022,000, or a reduction in the process of reorganization of almost two-thirds, to be exact, \$1,658,000.

This theory, which was urged strongly by Mr. Scudder and adopted by his associates, is unusual. The common method, in reorganizing a financially stranded corporation, is to increase the capital stock, at least enough to afford some one a fat commission for floating the securities and stock of the new concern.

Contrary to the general belief, the strength of a company is not indicated by the millions of its capitalization. A company with merely adequate capital is stronger than one with too much capital. The latter is embarrassed by its fixed charges and the expectations of its stockholders. It can not use its funds for needed replacements and improvements. Its credit is vulnerable. It is open to all sorts of

operation of a given utility is greater than in private enterprise, but the greed of capitalists and the temptation to make unearned money by watering stock and issuing bonds so materially increases fixed charges for a private corporation that in a comparison of figures it is at a grave disadvantage.

The business of the traction company has been fairly profitable. A material increase is shown each year in the gross receipts, and while a few dividends have been paid, the larger part of the net earnings have gone to improvement of the physical condition of the system. It is the almost invariable practice in financial circles that when a business is earning a comfortable surplus it should be exploited. In other words, the capitalization or bonded indebtedness should be increased. This is regarded as legitimate, and the temptation is great. So far the owners of the Lincoln Traction company have resisted outside pressure along

these lines, and if they are fairly treated by the city authorities they will continue to resist the temptation.

It is Mr. Scudder's most earnest desire that Lincoln people become interested in the company by becoming stockholders. He thinks that this would knit more intimately the relations between the organization and the citizens, lead to better service and greater development. The earning power of the stock under present conditions is considerable and it is regarded as a good investment. This matter of citizens purchasing stock has not been urged upon the people, nor will it be; the officials merely content themselves with saying that they would like to have Lincoln men associated more numerously with them. Already about a score of Lincoln's citizens own stock in the Traction company, which they have bought at market prices. It is said that twenty-five per cent of the common stock is already owned here.

Some local prejudice has been worked up against the corporation by interested parties because of the unfortunate complications over paying taxes left unpaid by the former corporation. The Traction company itself owes not a dollar in taxes; these are promptly paid up. The old company was careless about the payment of its paving assessments, and the city officials of those days did not press them very hard. Some \$55,000 of paving taxes assessed against the Lincoln street railroad company are due from its successor and this the traction company has stood ready to pay for several years. What it objects to paying is the \$42,000 of Rapid Transit taxes, which became a lien upon the company property after the mortgage through the foreclosure of which the traction company traces its title was executed and delivered. It is unfortunate that some one must lose this sum, but the owners of the traction company, who were the holders of the mortgage, think it unjust to require them to pay, following the maxim of the law that where one of two innocent parties must suffer, the burden must fall upon that one which had the best opportunity to have saved itself from loss. In this case, if the city officials had insisted upon prompt collection of taxes from the Rapid Transit company the city would not now be holding the sack for a large amount.

M. L. Scudder, the president of the company, began his business life in a bank at Waterbury, Conn. He now resides in New York city, but has many interests in the west that have taken up so much of his time as to thoroughly imbue him with the distinctive energy of the western man, combined with the conservatism of the New Englander. Mr. Scudder was born in Massachusetts and educated in New York and Connecticut. He has been looking after investments for himself and others for many years, and has spent much time in Chicago. For years he has been familiar with traction interests in various cities, and his thorough familiarity with them and his connection with strong financial interests has enabled him so far to carry out his plans for the rehabilitation of the Lincoln system. The reconstruction of the lines of the company has now almost reached completion. The power house is now receiving undivided attention and new and improved machinery is being installed there.

Mr. Scudder has visited Lincoln at least once a month for the last four years and is thoroughly identified, not only with one of her most important industries, but with the hopes, aspirations and interests of her people.



M. L. SCUDDER.