

HOUSE No. 63

The Commonwealth of Massachusetts.

BOARD OF TRUSTEES OF BOSTON ELEVATED RAILWAY COMPANY,
108 MASSACHUSETTS AVENUE, BOSTON, Dec. 7, 1921.

To the Honorable Senate and House of Representatives.

In compliance with the provisions of section 33 of chapter 30 of the General Laws, we respectfully present the following parts of the third annual report of the Board of Trustees of the Boston Elevated Railway Company for the year ending Dec. 31, 1921, which contain recommendations for legislative action, each accompanied by a draft of a bill embodying the legislation recommended.

Respectfully submitted,

JAMES F. JACKSON,
WINTHROP COFFIN,
STANLEY R. MILLER,
SAM'L L. POWERS,
JOHN F. STEVENS,

Board of Trustees of the Boston Elevated Railway Company.

RECOMMENDATIONS FOR LEGISLATION TO BE CONTAINED IN THE THIRD ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE BOSTON ELEVATED RAILWAY COMPANY.

1. PURCHASE OF BONDS BY COMMONWEALTH.

In its last annual report this Board explained in detail the great necessity for new repair shops and the imminent need of extensions to the power plant (House Document No. 103, 1921).

New repair shops are even more urgently required than last year. Since the trustees assumed management of the Boston Elevated system over four hundred new center-entrance cars have been added to the equipment. Much of the repair work is now conducted in shops erected in horse-car days or in buildings designed for other purposes and made over as well as possible to care for this work. These shops are not constructed nor adapted for repair work on the new cars, which are much larger than the old equipment.

As these cars advance in age more repairs will be necessary than in the first years of their use. Some arrangement must be made to permit of their proper maintenance. Satisfactory service cannot be furnished without shops in which all cars can be kept in condition. To-day this is the greatest single need of this system.

Repair shops and additions to power plant can be paid for only out of moneys raised by capital issues. Operating receipts from car fares and other sources can lawfully be applied only to meet the cost of service as defined in the public control act.

During the coming year capital will be required not only for the purposes mentioned above but also to pay \$2,700,000 bonds of the West End Street Railway Company which fall due Feb. 1, 1922. Some provision should be made for meeting this obligation.

Prior to the time when this report will be considered by your honorable bodies, bids will be asked upon a new issue of bonds at least sufficient to refund these West End obligations. Even if it is possible to secure capital in this manner there are many advantages to be derived from the financing of further capital requirements through a purchase by the Commonwealth of bonds of the Boston Elevated Railway Company in the manner provided by the bill hereby recommended.

The Commonwealth might purchase Elevated bonds and pay for the same by a State issue on a serial plan for a term of from twenty to thirty years, and the excess in interest received by the Commonwealth above what it would have to pay would retire the bonds as they mature; thus, at the end of the period, the Commonwealth would hold the bonds without having placed any burden upon the taxpayer whatever. If, on the other hand, the Legislature desired to advance the day when car fares might be reduced, the purchase of bonds of the company at a rate of interest sufficient to pay the interest upon bonds issued by the Commonwealth would assist to that end, by the saving in interest thereby obtained.

Assuming that the trustees can sell bonds of the West End Street Railway Company or of the Boston Elevated Railway Company at current rates of interest, the trustees hesitate to put such an obligation upon the community served without once again bringing to the attention of the Legislature, as forcibly as they are able, the advantage of the State financing capital necessities to a reasonable extent.

At the present time there is an added reason for the Legislature to lend the assistance of the State in financing the projects recommended.

Federal, State and local agencies are at work studying the problem of unemployment, and all persons in position to do so are urged to make every effort to relieve this situation. To the extent that the trustees are supplied with funds with which to construct the repair shops so urgently needed, every dollar spent goes to relieve this situation, whether used for labor directly employed or in the purchase of materials which themselves are the product of labor.

While dealing with the present capital needs of the Elevated system, one other matter should be mentioned.

The subject of rapid transit through Everett and Malden has been dealt with by various Legislatures. At one time an elevated railway to Malden was authorized, but by Stat. 1913, chapter 777, this authorization was revoked and a subway from the terminus of the present Elevated structure in Everett to Malden Square substituted. The company was granted the right to build this subway within five years, after which time its right ceased and the cities of Malden and Everett were permitted to do so under a plan quite similar to that under which the Boston subways have been built.

Chapter 364 of the Special Acts of 1917 required the Elevated to construct so much of this subway as would carry the line to a point in the vicinity of Broadway and Main Street, Everett, and provide an underground station or terminal at that point. Construction was to be begun on or before Dec. 31, 1918, and completed within eighteen months. If the company was unable to obtain capital on reasonable terms, the time for construction might be extended by the Department of Public Utilities. Under this provision various extensions of time have been granted, — the last until July 1, 1922.

It may be doubtful whether capital can be obtained on reasonable terms, as that phrase was understood in 1917, for some years.

If, however, public credit were extended, funds could be provided on reasonable terms. Purchase of the company's bonds either by the State or the district served would make possible the construction of a station at this point as soon as a proper plan therefor has been approved.

2. RAPID TRANSIT TO MALDEN.

As stated above, the Elevated is under statutory mandate to begin construction of an underground terminal for the Elevated Railway to Everett at a point in the vicinity of Broadway and Main Street, Everett, as soon as capital can be obtained on reasonable terms.

This requirement is a part of the amended act for construction of a subway to Malden Square (Stat. 1913, c. 777). It requires very dense traffic to pay interest on the cost of building a subway, and, accordingly, one cannot well expect that

conditions for years to come will justify this most expensive type of transportation in a district so far removed from the center of metropolitan Boston.

That does not necessarily mean, however, that street railway development in this area should stand still. The trustees believe that before the time when a subway is warranted improvements might be made, and that the subject of rapid transit to Medford or improved facilities should at least be thoroughly investigated before a station is built which might not harmonize with the future development of this area.

Accordingly, we recommend that a commission be created to study this question and report to the next Legislature. On such a body the cities of Malden and Everett should be represented as well as the general public.

Pending such report, construction of a permanent terminal should be suspended so that when built it may fit in with such plan as may be decided upon.

3. PURCHASE OF BONDS BY SAVINGS BANKS UNDER THE LAW WITH REFERENCE TO INVESTMENTS BY SAVINGS BANKS.

A bond of a street railway company is not a legal investment for savings banks unless the company has earned and paid dividends of at least 5 per cent during the five last preceding years. During the years 1917 and 1918 the Boston Elevated Railway Company did not pay dividends equal to 5 per cent, and, accordingly, its bonds will not become legal investments until 1924, at which time they are certain to become legal because the payment of dividends during that period is guaranteed by the Commonwealth.

Inasmuch as it is certain that dividends must be paid under the guarantee of the State, it seems useless to forbid savings banks from purchasing bonds of this company at this time, whereby they might obtain the benefit of the State guarantee for a longer period than if they were compelled to wait until 1924 before being permitted to make such investments.

We recommend the enactment of appropriate legislation to permit savings banks to invest in bonds of this company at the present time.





