

Independent Telephone Companies Collapse

A NNOUNCEMENT was made September 4 by the New England Telephone & Telegraph Company (Bell) that it has secured control of the Northeastern Telephone Company, the Lewiston-Auburn Telephone Company and the Cumberland Telephone Company, three independent telephone companies operating in some twenty-five towns and cities in the State of Maine. The largest of the three companies is the Northeastern, which was incorporated under the laws of Maine in 1882, under the name of the Dirigo Telephone Company, its name being changed to Northeastern Telephone Company in 1902. The company was not successful financially, and in 1907 passed into the hands of a receiver. At the time the receivership was established the company had about 3,000 subscribers and a deficit of more than \$59,000.

The Lewiston-Auburn Telephone Company, operating in the cities of Lewiston and Auburn, was organized in April, 1903. On August 29 last its subscribers numbered 1,421. The company did not prove to be a money-making corporation, its balance sheet on June 30 last showing a deficit of a little more than \$24,000.

The Cumberland Telephone Company was organized five years ago last July and operated principally in the town of Gorham and the city of Westbrook. At the present time the company has 85 subscribers, while the June balance sheet shows a deficit of \$2,000.

After considerable negotiation between representatives of the majority stock and bond interests of the three independent companies and the New England Company, the latter corporation made an offer to purchase, which was accepted.

Terms of the Deal.

The seller agreed to assign certain unsecured indebtedness, to pay the receiver's salary, attorney's fees in excess of \$2,500, certain receivership expenses, and to pay all other outstanding indebtedness other than bonded; this for all the companies. In addition he transferred to the New England Telephone & Telegraph Company \$20,500 receivers' certificates of the Northeastern Company, \$475,000 bonds and \$388,500 stock of the Northeastern, \$234,000 bonds and \$144,900 stock of the Lewiston-Auburn. There is in the treasury of the Northeastern Company \$40,120 of its own stock, \$80,000 of the stock of the Lewiston-Auburn, and \$8,300 of the stock of the Cumberland Company. For all of this, including \$1,662,900 of securities, the New England Telephone & Telegraph Company paid the sum of \$325,000. This gives the New England Company 79 per cent of the bonds of the Northeastern Company and 93.6 per cent of the bonds of the Lewiston-Auburn.

For additional stock and bonds, though not necessary for the control, the New England Company will negotiate on the same basis on which it secured the majority interest.

The New England Company claims that the rates charged by the independent companies were not adequate to maintain the companies' existence, and those subscribers who had only the independent service will have to pay more under the new conditions. The New England Company officials state, however, that the passing of competition will not affect its charges for service in the cities of Portland, Lewiston or Auburn.

Receiver Asked for Kentucky Concern

George E. Bryce, of Toledo, O., brought suit against the Independent Long Distance Telephone and Telegraph Company, of Wilmington, Del., in the United States Court in Covington, Ky., early last month, asking the court to appoint a receiver for the concern; to restrain other creditors

from instituting proceedings against the company, and to make the suit filed by him a cause for all creditors who are to file their claims with the receiver.

The petition also asks for an order restraining the defendants or agents from interfering with the property of the defendant.

The petition states that the company operates in Anderson and many other counties in Kentucky, and that it also operates in Clark and other counties in Indiana, and is part of a system that operates in Kentucky, Indiana, Tennessee and Alabama.

The petition further states that the complainant recovered a judgment of \$5,000 against the defendants in the Jefferson Circuit Court and that no part of the judgment has been paid.

It further states that the property has been mortgaged to the National Trust Company, of Louisville, for \$1,000,000 and that this mortgage was executed to secure the payment of bonds issued by the defendant and that the payment of the bonds has been defaulted.

Property Needs Repairs.

Bryce further alleges that the stock of companies in Frankfort and Carrollton, Ky., is owned by the defendant and that all of the property needs repairs, and that the stock of the defendant is owned by the Central Home and Telephone Company, for which a receiver was recently appointed by Judge Cochran upon the application of Judge John M. Lassing.

The petition also states that receivers have been recently appointed for associate companies in Tennessee and Alabama.

Interested Parties

A LTON, Ill., and its water company are in litigation over the justice of increased rates for service promulgated by the company. The city seeks to restrain the company permanently from putting in effect the new rates. The case, following the ordinary course of events, would have been heard by Judge Dunnegan of Alton. Judge Dunnegan, however, begged to be excused. He said he was a patron of the water company, that his payments for water had been advanced from \$15 to \$24.50, presumably annually, and that it might be said he was an interested party and possibly prejudiced.

We are compelled to admire this judge. He exhibited a sense of delicacy and fair dealing which lacks general popularity.

Mayors, aldermen and other local authorities often are more personally interested in matters affecting utility companies than this Alton judge. They are under the direct political pressure of their constituents, and this usually is a far more powerful lever than their own service bills. Yet they presume to sit as judges on the service companies and prescribe rates, rules and conditions.

This is another potent reason why supervisory powers over service corporations should be vested in state commissions.

After years of litigation the city of Tampa, Fla., has decided to abandon its efforts to compel the Tampa Waterworks Company to reduce rates. A recent federal court decision found proposed ordinance rates non-compensatory, but the authorities for a time considered the question of an appeal.