

MAINE STATE LEGISLATURE

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ACTS AND RESOLVES

AS PASSED BY THE

Eighty-first Legislature

OF THE

STATE OF MAINE

1923

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THE WATER POWER RESOURCES OF THE STATE OF MAINE

A Message to the People of Maine, by Percival P. Baxter, Governor of
Maine

I have given to the public the inside history of the short-lived Kennebec Reservoir Charter, and of the attempt to substitute for it the Dead River Charter. The people of Maine have become aroused by the widespread discussion of these two measures and the question now arises, what of the future? Although certain newspapers have undertaken to shape public opinion in the interest of the corporations, I fear little or nothing from such sources because I have faith that the water power issue will be settled right before it is settled finally.

It is well to look to the past, for history often repeats itself. In 1918 when this question was young, sixteen of the largest corporations in Maine, with resources in excess of \$150,000,000, openly joined in an alliance to end all water power discussion, and attempted to show that the people had no rights in the State's most valuable natural resource.

The 16 companies referred to were Rumford Falls Power Co. and Oxford Paper Co., H. J. Chisholm, President; Great Northern Paper Co., Garrett Schenck, President; Union Water Power Co., Union Electric Power Co., and Androscoggin Reservoir Co., Wallace H. White, Treasurer; St. Croix Paper Co., Arthur L. Hobson, Treasurer; Central Maine Power Co., Walter S. Wyman, Treasurer; Androscoggin Mills, P. Y. deNormandie, Treasurer; International Paper Co., Philip T. Dodge, President; Androscoggin Electric Co., William T. Cobb, President; Hill Manufacturing Co. and Lewiston Bleachery Co., H. B. Richardson, Treasurer; Pepperell Manufacturing Co., William Amory, Treasurer; Bates Manufacturing Co. and Edwards Manufacturing Co., H. deF. Lockwood, Treasurer.

The leading representatives and spokesmen of the above companies were Hon. William T. Cobb, ex-Governor of Maine, and Hon. William M. Pennell, ex-Sheriff of Cumberland County. A Statewide campaign was inaugurated, expensive publications were issued and widely distributed, and addresses were delivered in many of our towns and cities. This campaign however was costly and fruitless; in fact it caused a healthy reaction against the corporation standpoint and greatly stimulated public interest in water powers. The people of Maine in 1923 understand the water power situation far better than they did in 1918. These sixteen corporations were unable to shape public sentiment throughout the State

five years ago, and such being the case the seven corporations at present represented in the Kennebec Charter cannot hope to do so now.

The "cessionaires" or gentlemen interested in the Kennebec Reservoir bill are Philip T. Dodge for The International Paper Co.; H. deF. Lockwood for Edwards Manufacturing Co.; Rudolph Pagenstecher for Shawmut Manufacturing Co.; Waldo E. Pratt for Hollingsworth & Whitney Co.; Garrett Schenck for The Great Northern Paper Co.; W. E. Winchester for Lockwood Manufacturing Co.; and Walter S. Wyman for Central Maine Power Co. I unhesitatingly state that had this bill been signed by me these seven gentlemen immediately would have been enriched by at least one million dollars. In fact this is a modest estimate of the value of the "Kennebec" franchise that the Legislature gave away for the asking. In this message I shall speak frankly and openly, not hesitating to give the names of those connected with this subject. The people of Maine are entitled to full information.

"Keep It Out of Politics"

The corporations now plead that water powers should be "kept out of politics," but in my opinion an issue of such magnitude, one that affects the health, prosperity, and welfare of all the people of the State must continue to be a matter of public concern until it is settled on a basis fair to all parties. It cannot be thrust aside, or overlooked; it must be faced. The corporations naturally would prefer to have it forgotten so that what remains of the State's water resources can be quietly absorbed by private interests. I welcome a full discussion, however, hoping it will result in a prompt, final and reasonable settlement that will protect the people's rights and encourage development. I shall endeavor to keep advised of every move that is made, and shall take the public into my confidence.

The Kennebec-Dead River Charters of necessity will be injected into the 1924 political campaign, unless settled before that time as I wish they might be, because too many people and too many interests are affected to allow them to be forgotten. If both political parties will make a frank declaration on this subject saying that until the State itself enters the field they favor leasing the State's water resources to private interests for a reasonable length of time and for a proper consideration, the atmosphere immediately will be cleared and the people and the corporations will know on what ground they stand.

"Greeks Bearing Gifts"

The "interests" that lost their Kennebec charter in the 81st Legislature now propose to "enlighten" the people of Maine. I do not recall that these "interests" ever before have consulted the people or taken them into their confidence. They however possess a distinct advantage in being in con-

trol of several large newspapers whose columns always are open to them, editorially and otherwise. Already it is apparent that the newspapers affiliated with these corporations plan to conduct an aggressive campaign to prepare the people for the granting of future concessions. Citizens of Maine naturally will be skeptical of views disseminated through corporate channels, for it is the old story of the "Greeks bearing gifts." I believe our people will understand, and will not be swayed by the arguments of those whose interests are entirely one-sided and selfish.

The "Truth" About Water Power

One of the leading newspapers under date of April 25th carried this headline, "To Tell Truth About Maine Water Power. State Chamber of Commerce to Name Fact Finding Board." It also stated that the Executive Council of the State Chamber of Commerce recently held a meeting and "went on record as favoring immediate action in placing before the people of Maine the complete facts and truthful information in regard to the Maine Water Power situation." It is interesting to analyze the background of some of the gentlemen alleged to have been present at this State Chamber meeting.

The President of the State Chamber of Commerce, Mr. James Q. Gulnac of Bangor and Portland, consistently has opposed every move to protect the rights of the people in Maine's water resources. He has traveled extensively over the State, and at times I have been with him. More than a year ago he planned to hold "Boom Maine" meetings in every county in the State and invited me to attend them. I promptly accepted the invitation, and after visiting five or six counties and expressing my views on the water question, which he invariably opposed, his enthusiasm for further meetings waned, and as a result Maine no longer was "boomed." This gentleman is so imbued with the rights of private corporations that he believes the State in the years gone by acted wisely in selling its vast areas of timberlands at prices that virtually gave them away. As a matter of fact if Maine had retained these lands today not a single dollar would need to be raised by direct taxation in this State. Great developments would have resulted, and a portion of the profits from them would have gone into the public treasury instead of all of them having gone into private fortunes. Gentlemen of Mr. Gulnac's views would give away our water resources and thus repeat the timberland calamity of sixty years ago. He properly may be called a member of the corporate school, out of sympathy with modern ideas as to the rights of the public in the State's natural resources.

One of the Vice-Presidents of the Central Maine Power Company, Hon. Guy P. Gannett of Augusta, who has a large interest in timberlands and water powers, as well as in certain newspapers that bitterly attack every

move to protect the rights of the people in the water resources of the State, also was in attendance at the meeting, if his newspaper had a correct account of it. This gentleman cannot be classed as an impartial observer as he has a direct personal interest in water power companies. He also is Republican National Committeeman, a position that gives him a certain following among those who blindly follow party leadership. From this it is apparent that "politics" immediately are brought into the question. Mr. Gannett's affiliations are well understood, and being a co-director and co-beneficiary with Mr. Walter S. Wyman, one of the "Kennebec concessionaires," he cannot be expected to make an impartial contribution to the proposed "Fact Finding Board."

Dr. Walter E. Elwell of Portland, the President of the Associated Industries, an organization of which Judge Benjamin F. Cleaves is Executive Secretary, is alleged to favor the "Truth Telling" plan. Water powers naturally would appeal to both these gentlemen from a somewhat one-sided viewpoint, as the Associated Industries, being an association of corporations and large business interests, depends for its existence upon corporate support.

One of the newspapers referred to Hon. Arthur R. Gould, a citizen of Presque Isle, in connection with this meeting. Mr. Gould is the owner of practically all the water powers and electrical plants in Aroostook county. He has deserved success and has achieved it. It is interesting to recall that the 80th (1921) Legislature gave him water storage rights of great value, and whatever he may say on the water question of course would be colored by his interest in his several water power and electric corporations.

I have given the background of some of those who seek to "Tell the Truth" about Maine Water Power. Their findings will make interesting reading but will carry little weight, for these gentlemen cannot be expected to rise above their immediate surroundings and take a stand against their own self-interest. "Fact" findings and "Truth" tellings of a committee whose sponsors represent the corporate interests of Maine will not make a deep impression upon impartial and disinterested citizens.

Present Day Lobby

It often has been stated that the Lobby maintained by corporations at Augusta 20 or 30 years ago was more powerful than that of today, and I once inclined to that view. My recent experiences have shown me to be in error. The water power lobby of 1923 at Augusta was almost invincible. "Legislative agents," or lobbyists, were summoned from every county in the State; they appeared upon the scene overnight and the corridors of the Capitol were crowded with them. They actually were to be found at every turn, inside and outside legislative halls, sitting in Leg-

islative seats, and entertaining Senators and Representatives freely at the lobbyists' rooms, where oftentimes liquor was indulged in to excess, with the result that their parties became a public scandal. To check what had become a troublesome and objectionable situation I called the enforcement officers to Augusta and gave them orders to act regardless of consequences. Legal difficulties in connection with the seizure of liquor in guests' rooms hampered my efforts but some improvement resulted from them.

It is interesting to note that the State's official record shows that 67 "legislative agents" were officially registered at Augusta during the 81st Legislative session, while no account was made of those who acted in an unofficial capacity and did not feel obliged to record their names as the law requires. Surely with all the good advice that these gentlemen were ever ready to give, the Legislature should not have gone far astray! In view of the fate of the Kennebec charter, legislators hereafter are likely to regard lobbyists with some suspicion and will not be eager to accept their statements at full face value as too often has been done in the past.

The lobby situation is both troublesome and dangerous, and in my opinion if allowed to continue, future legislative sessions in the State of Maine will be dominated by a water power lobby that will control legislation with an iron hand. It is not easy to over-estimate the power of these men, mostly lawyers, well paid, resourceful and of long experience. When they cannot carry their point by flattery they bring pressure to bear from all sides. Members have come to me and expressed regret that they could not vote for certain measures, because by doing so their homes or their business would be jeopardized. Lobbyists pursue legislators until they wear them out by one means or another. They are not concerned with party lines and use Republicans and Democrats without discrimination. Theirs is an occupation "for business only" and principles mean nothing to them. They block the road to progress, and when I see that steps already have been taken to procure the election of water power sympathizers, and men the lobby can rely upon or control, regardless of their party affiliations, as members of the next (82nd) Legislature I am apprehensive of the future. The Lobby in the Maine Legislature is a menace to popular government.

Door Open for Compromise

In my official Dead River Proclamation I left open the door for a compromise and for the encouragement of private development. I stated that if, and when, private corporations are prepared to pay the State a fair rental for leases of State-owned water resources I will call a special session of the Legislature to consider the proposition. In fact I would like to have storage developments actually started during the summer of 1923, if the State's interest in them is properly protected.

Maine Industries Prosper

Some newspapers in the State repeatedly are emphasizing the precarious condition of Maine's industries. This is an unfortunate practice and well may be a part of the propaganda of the water power interests who seek to bring to terms our legislature and our people by alarming them over an imaginary crisis. Stories are frequently published about industries that threaten to move out of Maine, and some pessimists would have it appear that our State is entering upon an industrial decline. The same newspapers that publish these depressing statements unwittingly contain statistics of a very different color showing that our industries have grown and prospered far beyond similar industries in other states.

A newspaper dispatch from Washington dated April 11th from T. S. Forsyth and published in a Maine paper, states: "Within the confines of the State of Maine are many industries steadily forging ahead and rapidly taking their places on a par with similar industries in other states. The commercial business of Maine is becoming a big factor in the State. Maine, with its agriculture, its fisheries, its industrial plants, its fur trade, and other activities is mounting up to a higher plane of importance and prosperity. * * * * It would not be surprising if the total wealth of the State of Maine in everything did reach five billion dollars, and might perhaps easily go beyond that figure, if personally owned bonds are considered."

A Banker's Optimism; Maine's Industries Boom

As a sequel to the above encouraging statement from an outside source, one of the large banking houses of the State, Beyer & Small, on April 16th last published in a daily Maine paper a Market Record of Maine Stocks as compared with New York Listed Stocks, and in commenting upon it says:

"Our chart shows that the twenty listed (N. Y.) stocks started in February, 1922, at an average of about 82 and moved upward and downward according to the market to an average of about 103 on April 1, 1923, a total advance of about twenty-one points. In the same period the average of twelve Maine stocks moved from about 164 to 254—an advance of about ninety points. It is worth noting here that the average never moved downward during the fourteen months." The same writer makes the illuminating comment that:

"It is certainly not to Maine's credit, that about seventy-five per cent of the important Maine corporations are controlled by capital foreign to the State."

The newspaper that published the above, on its own part says:

"Maine industries have far outdistanced those of the Country as a whole in increase of prosperity in the fourteen months ending April 1. This

fact is established by a tremendous increase in the value of shares of capital stock in those industries—the average increase in value per share in the Maine industries having been \$90, while for the Country as a whole, the increase was but \$20 a share.

“Another fact to Maine’s credit is that in the fourteen months for which comparison is made, the prosperity of the industries has steadily increased. There have been no ups and downs; it has been a continuous trend upward.”

The inconsistencies between the depressing stories herein referred to, and the statements of the Washington correspondent and local banking firm may be explained by the thought that the water-power people, by having it appear that our industries are on the decline, seek to pave the way for further water power concessions; while the bankers, by showing that our industries are prospering and in a healthful condition, seek to encourage citizens to invest in them.

Real Water Power Issues

The immediate issue before the people of Maine is not between public and private ownership. It is: Shall the water resources of the State that now belong to the people be deeded to corporate interests forever; or shall they be leased to said interests on reasonable terms so that the people may share either directly in the rentals accruing therefrom, or indirectly through the benefits that accrue by having storage and its incidental power furnished at cost, or nearly so, to our industries, municipalities and public utility companies.

The corporations and some newspapers would have it appear that the water question is one that only experts can understand. They deliberately confuse the issue and do not want it made clear and understandable. As a matter of fact instead of being complicated, it is simple and easily grasped by citizens of average intelligence. My views as to the State’s policy are as follows:

(1) Maine’s hydro-electric energy should be retained within the State for the benefit of our own people and our own industries.

(2) Whatever water resources now belong to the people of the State should be retained by them both for (a) development by the State itself, and (b) development by private interests under leases for which adequate rentals are to be paid. Never again should the people deed away their water resources for all time.

(3) Every charter that hereafter grants water rights should include a clause that if the State ever acquires the property by legal process, no payment shall be made for the franchise granted. I am responsible for having this clause, as well as one providing for non-transmission, inserted in all storage and power charters since 1917.

The Lakes of Maine

The people of the State of Maine always should keep in mind that they are the actual owners of the lakes of Maine and of the water contained in them. These lakes and this water are public property of inestimable value. Although in the past much of this water has been given to certain private interests under legislative charters, in the future this practice must be discontinued, and those who are privileged to use this natural resource for private purposes should pay for it.

The rights of riparian owners on lakes and rivers must always be recognized, and I know of no one who would interfere with them. Private owners are entitled to the natural flow of our rivers but their rights do not extend beyond that point, whereas if the State or private corporations impound water for the benefit of these riparian owners the latter should pay for such use as they make of it. Storage reservoirs benefit private property and increase its value. They do not in any way interfere with the property rights of private owners, and their development by the State does not involve the dangers usually incident to public ownership.

Retain Our Own Hydro-electricity

Maine's policy of keeping her water powers (hydro-electricity) within the State already has been justified. Within the year a well-known New York engineer called upon me and stated that if Maine would not allow its hydro-electricity to be transmitted to Massachusetts and the other New England States, Maine's development would be stopped for a generation. He stated that industries would not move into Maine, notwithstanding the advantage of our water powers, and that the development of these powers would take place only in case outside capital was allowed to take the power to other states to use it there. This engineer threatened that if Maine maintained her present non-transmission policy the New England States would obtain all the power they needed from Canada and New York, and that Maine's undeveloped water powers would remain idle for another 50 years. He pictured an industrial decline for Maine, but wanted our State to furnish electrical power to build up Massachusetts, Rhode Island and Connecticut.

What actually has occurred? The State of New York soon may adopt a non-transmission policy similar to that of Maine. Canada already has placed a tax upon the export of some of its water power, and threatens to stop it altogether. Where will new industries locate? Whether they like it or not they must locate where they can secure cheap power, and some of them will be forced to come to Maine after the power from New York and Canada is completely shut off from them. If we are patient and are not stampeded by pleas of outside capitalists, before long our water

powers will be developed both for our own expanding industries as well as for those that will move into our State to obtain here the power that is essential to their prosperity. Water power magnates, since New York and Canada are seriously considering the adoption of a policy similar to Maine's, are beginning to realize that the situation has materially changed.

Maine people, however, need continuously to be on guard for there are forces at work to break down Maine's policy. Only as recently as three years ago the well planned attack that was to be made upon it was frustrated by unforeseen events. The first move was to come from Washington, to be supplemented by others from within our borders, and with the influences that were gathering in support of this attack it had an excellent chance of being successful.

Within a fortnight the head of one of the largest electrical companies in the country openly attacked our State non-transmission policy at a large gathering of power men in New York. He stated Maine was blocking progress and advocated tying our power lines into a great Eastern Atlantic system. The United States Supreme Court in the West Virginia case has held that that State cannot restrict the flow of her natural gas to other states. If this be so, Maine's 1909 law may prove valueless to us. We however have a positive remedy and I have adopted it since 1917. Every Maine power charter should be amended so as to prevent the power companies from taking electricity out of Maine. The State itself can limit the powers of the corporations it creates, and if this be done we care not for the 1909 law or the Supreme Court's decisions. This is the "Baxter Amendment."

It is interesting to note that the Central Maine Power Company in 1917 withdrew from the Legislature a bill it had presented amending its charter because I insisted that the "Baxter Amendment" also be added to it. This shows the way the wind blows, and indicates that that particular company in 1917 had in mind plans for the future and wished to be free to take power out of Maine if occasion offered. This is the situation that exists today and is one to cause alarm to those Maine people who believe in our traditional non-transmission policy.

Rental—A Practical Example

As an example of the benefits to be derived from leasing water privileges, it is interesting to note that the newspapers report that the Province of Quebec recently sold at auction a 60-year lease of a 60,000 H. P. water power privilege. For this lease the Province receives an annual rental of \$80,100, and in addition to this rental obtains a royalty of 50c per H. P. per year, or a maximum of \$30,000 per year for all power developed and used in the Province; while \$1.00 royalty per H. P. per year is to be paid

for all exported power. This rental plan is based upon the same principle as the Dead River Charter that the last Legislature refused to pass.

Another striking example of the great value in water power and storage is shown by a recent Associated Press dispatch from Keokuk, Iowa. The Keokuk dam cost \$29,000,000, and the dispatch referred to says that by reason of it "six million tons of coal are saved annually," and "the saving in one year would more than pay the entire cost of the dam." It is interesting to note that until a few years ago no steps ever have been taken in Maine to preserve for the benefit of the people such rights as belonged to the public in the State's water resources. Private corporations gradually have absorbed most of the available locations and are plotting to obtain the few that still belong to the people.

Corporations Must Carry Their Share of the State's Burdens

Certain newspapers frequently publish articles about "developing" the State. They appear willing, even eager, to give away all the State-owned natural resources to certain select individuals and corporations that want to "develop" them for their own private profit. Regardless of the people's rights in these resources these newspapers will not rest until the corporations have acquired them all. In my opinion, however, the public owns valuable water rights and is entitled to receive a proper income from them. The State must have money with which to carry on its affairs and pay its bills for hospitals, schools, roads and other State activities. Industries as well as individuals must bear their share of these burdens. It is one of the fundamentals of government that all "development" shall contribute its share toward paying the State's expenses, and development by a corporation does not carry with it any special privilege, or entitle it to any gift of the State's property. If the newspapers' ideas are carried to an extreme, all corporations would be exempt from taxation because they "develop" the State, and the **common people** would be left to pay all the taxes. As to taxes, few people realize that under an opinion of our Supreme Court, water power as such is not taxable in Maine. This is not the rule in many other states. With us, water power, regardless of its great value, does not bear its share of the burdens and this situation needs to be corrected.

Maine's industries are not entitled to, nor do many of them seek sympathy or special consideration. They are not philanthropic institutions, although many of them are conducted upon broad lines and recognize their responsibilities to their employees and to the communities in which they operate. They were established for profit, which is eminently proper; they are prosperous and deserve fair treatment, which they always have received; but their having "developed" the State's resources does not entitle them to any relief from the burdens that others are forced to carry.

Maine's great industrial companies are a credit to the State, but they are no more entitled to special privileges than are the farmers who "develop" their crops, or the merchants who "develop" their business concerns.

Water Storage

In my opinion, the State itself should control and develop storage reservoirs, and for the use and benefit of all the power owners and power users located on the rivers of the State should impound the water that now is running to waste. For the time being it is apparent that owing to those corporate influences that absolutely control the action of the legislature, such a plan, regardless of its merits, cannot be carried out. If, however, these water rights can be leased to private corporations on terms favorable both to them and to the State, development will result and that is what is desired by all. Under leases the State retains actual ownership of the water resources, and the question of State development can be postponed until the people fully realize and appreciate the importance of the water power question. The future will take care of that problem. If this lease plan is adopted no title to these rights will pass, the interests of posterity will be safeguarded, and this generation will not have sacrificed the heritage of those who are to succeed us, as our predecessors sacrificed our rights in both the forests and waters of the State. I want the people of Maine to retain their ownership of these water resources, so that the great advances in electrical science that are destined to be made in the coming years will accrue to the benefit of the people themselves, rather than to the heirs and successors of those individuals and corporations that in the past, as well as at present, dominate the politics and business of our State.

The People's Will Is Blocked

In accordance with an opinion of our Supreme Judicial Court, the Legislature, until the State constitution is amended, cannot lawfully enact laws providing for water storage by the State. For seven years I consistently have advocated such an amendment, but owing to corporate opposition never have been able to have such an amendment submitted to the voters for their decision.

Maine is supposed to be a State where the will of the people governs. We have a constitution adopted by the people in 1820 and since then amended several times. An unusual provision in this document makes it possible for 11 men to thwart the wishes of the voters. The Senate and House consist of 31 and 151 members respectively, and no amendment to our constitution can be submitted to popular vote, and thus become effective, unless two-thirds of each branch of the legislature passes a resolution to that effect. Eleven senators, or 51 representatives, have the absolute power to stop all progress, and this has been done on the water power

question. A self-governing people finds itself unable to change its fundamental law because a comparatively few legislators, swayed perhaps by hostile and selfish interests, are able to block the way. This is not popular government.

In the days when the resubmission of the prohibitory amendment of the State constitution was a live issue in political circles the dry forces did not want to submit this amendment to popular vote. They believed in it and fought hard and successfully to retain it. About that time the initiative and referendum came into the political arena and those who favored the prohibition cause prevented the adoption of the initiative in so far as it related to **constitutional** questions. As a result the initiative in Maine applies only to statutory law while a new constitutional amendment is required if the initiative is to be opened to **constitutional** questions. This explains the difficulties of the present situation, and the people seem to be helpless on the water issue as long as a small number of legislators stand out against them. For four legislative sessions the constitutional water storage amendment never has had a remote chance of passing, because the corporations always have said "No." Once submitted to our people I have every reason to believe it would be adopted by an overwhelming vote but the water power corporations will not allow the people to amend the people's own constitution! In my opinion the people of Maine should adopt the initiative on constitutional questions, but this only can be accomplished after a hard fight, as the corporations will oppose it with all their forces and resources.

My Seven Years' Work

For seven years I have devoted myself to the discussion of the water power and storage issue, and throughout that period the water power "interests" constantly have opposed my views. No delay, however, has been caused in the normal development of the State's water resources, although it is amusing to hear the cry of special privilege that development has been retarded. I have been a member of the State government for twelve years, have been a close student of State affairs for twenty years and in so far as I recall during all that period every water power and water storage charter that has been asked for, with the single exception of the "Kennebec" Charter in 1923, has been granted by the Legislature. The State has given out its privileges with a liberal hand, and few questions have been asked. The Kennebec Charter was so flagrant a case that even the 81st Legislature could not hold to its own bill, after the same corporations that had forced its passage offered the State a few weeks later a million dollars for the Dead River charter. It is unjust to accuse any legislature or any public official of having retarded water power development. If any criticism is warranted it should be that too

many charters have given away the people's rights without the State's having received proper compensation therefor.

"Dog in the Manger" Policy

A recent newspaper dispatch from Bangor quoted Hon. Albert R. Day, Mayor of that city, as saying that the State had adopted a "dog in the manger" policy in connection with the water question. In view of the fact that according to my recollection not a water power or storage charter ever has been refused by a legislature and, with one exception, not one ever has been vetoed by a Governor, Mayor Day's position is entirely untenable. There has been a "dog in the manger" policy, however, but the corporations are the ones that have adopted it. They persistently have refused to allow the State to undertake much needed storage development and, resembling the dog in the manger, they hold onto storage possibilities which they have not used, but which they hope sometime in the future to use when it suits their convenience and is profitable. They say to the State "hands off, we will use this when we are ready; you shall not have it." On the other hand, the State has given them almost everything! The corporations want to keep all these great privileges for themselves, and though not wishing to develop them immediately they intend that nobody else shall have the right to do so. Mayor Day fails to grasp the modern viewpoint for he also is a gentleman of the old school. His dog in the manger reference was not a tactful one for it hits the corporations that he sought to defend.

Much propaganda is being broadcasted by the corporations about the dangers of public ownership. Corporations would have it appear that they are the only wise managers of business enterprises. I agree that there are dangers incident to public ownership, and I unquestionably favor private initiative. Special circumstances, however, may warrant public control. Where the State owns water resources of great value the State, and not private owners, should reap the benefit therefrom, either indirectly by having the State furnish water storage and the power incident thereto at actual cost to municipalities, public utilities and private industrial establishments; or directly by arranging that the State receive an income from these resources so as to reduce the burdens of taxation of the people. Much of the anti-public ownership propaganda is deliberately designed to frighten our citizens. Some of Maine's leading business men do not hesitate to advocate a State Pier at Portland, State Ferry at Bath, and other public ventures that cause heavy drafts upon the State Treasury, all the while being fearful lest the State should build a storage dam that actually would prove a profitable investment!

Private initiative is not infallible and often has brought disaster to both individuals and communities. When public ownership is condemned, I

often call attention to two shining examples of private ownership close at hand: the wrecking of the New Haven and Boston & Maine Railroads. In the days of Tweed and Tammany it would be hard to find such barefaced abuse of power and such wholesale dishonesty, for which the people are even now paying, and yet the criminals responsible for all this were urgent advocates of private ownership, stood high in business circles and have gone unpunished. This occurred long before the railroads were taken over by the Government as a war measure. Countless other cases can be cited to show that the argument against public ownership is not altogether one-sided.

Freshets

It is amusing to read how the spokesmen of special privilege blame the present Governor for the recent freshets. No doubt these gentlemen will amplify this argument, hoping thereby to becloud the issue and thus obtain for nothing the water privileges that still belong to our people. It is rare that a spring freshet has received so much newspaper comment!

As already stated, the people of Maine should not forget that for the past seven years I consistently have advocated the construction of storage reservoirs by the State "to control the flood waters of the Spring and make constant the flow of our rivers." I have used this phrase hundreds of times in addresses throughout the State, for it is one of the fundamentals of my water power policy. The attorneys of the corporate interests, while estimating a \$5,000,000 loss by the recent floods, now hold the Governor responsible because dams have not been constructed. If this \$5,000,000, or one-half of it, had been invested in storage dams as I have urged, the spring floods of 1923 would have caused much less damage. Dams, however, are not always an unmixed blessing, for when they give way, as did the one at Ellsworth, they cause tremendous damage. The people of Maine suffered from the recent floods because the corporations have prevented the State's building proper storage dams. These corporations, however, are not interested in protecting the property of our citizens; their only interest in storage is a business one where there is a profit to themselves.

Propaganda Must Be Checked

I was content to have the water question discussed by the people of the State for the next few months without my taking an active part in it, but the well-planned propaganda that already has been started by the corporate interests has aroused me to action. I should be derelict in my duty if I remained quiet and did not inform the people about what has occurred and about the present campaign of the corporations. In this message, as well as in the preceding one, I have spoken frankly, for the people of Maine are entitled to detailed information.

The Remedy

The present situation should not be misunderstood. Those corporate interests that heretofore have obtained liberal grants of the State's water resources without paying for them, hereafter should pay a reasonable compensation for the use of these rights, and LEASES from the State, not DEEDS, should be given them. Expensive and arrogant corporate lobbies should be abolished, and no further attempts should be made by them to control legislation. Newspapers no longer should be owned or subsidized by the water power interests, nor should these interests continue their present practice of paying regular retaining fees to lawyers in the principal towns and cities of the State, whose duty it is to shape public opinion and check adverse comment on corporate activities. The Republican party of Maine should not be represented on the National Committee by the Vice-President of a corporation that heads the water power lobby, and seeks to obtain valuable franchises from the State. In selling shares of stock of utility and power companies to the public, good faith requires that they be sold at prices consistent with their actual value in the open security market. This has not always been done in Maine and some of the stock-selling methods resorted to today are not in accord with high standards of business ethics. Our own citizens should be given adequate protection in the investment of their savings, and utility companies should not attempt to build up a political organization through the sale of their shares to thousands of small investors. The statements of such companies should be carefully scrutinized for such methods do not make for financial stability. The managements of corporations in which the people are induced to invest their savings assume grave responsibilities, and certainly Maine investors who, out of loyalty to home institutions, purchase shares of stock in local companies should not be asked to pay more per share than similar shares can be bought for in the open market. Our own people should not thus be penalized in buying home securities. All old-time and out-of-date practices should be discarded, for Maine's public utility and other corporations cannot afford to continue them, both on account of their cost in dollars and cents and also on account of a growing public disapproval.

The corporations doing business in Maine are essential to our progress. All good citizens are interested to have them prosper. The power companies of Maine are performing valuable services in the territories they serve, and I hope their future is bright and that those interested in them reap a proper reward. A change, however, in the policies of some of these companies, especially in their attitude toward public affairs, would place them in an enviable position. As long as they confine their activities to the production and distribution of hydro-electric energy, keep out of politics, and render good service to our citizens they have nothing to fear either from the citizens or "politicians" of Maine.

There are many public service and industrial corporations now doing business within the State that keep entirely aloof from politics, employ no regular lobby and attend strictly to their own affairs. These companies are not included in the criticisms I have made in this message, for when measures are presented in which they are interested, their representatives appear at legislative hearings at Augusta, present their cases and return home, properly assuming that fair treatment will be accorded them by the representatives of the people.

The investments in Maine corporations are safeguarded by a conservative, well-intentioned public sentiment. There is no fear of confiscation or even of hostile legislation. Our people have confidence in most of our business enterprises and desire to accord them every privilege consistent with the public interest. The animosities and difficulties that have arisen, as a rule can be traced to those few corporations that take an active part in politics and are continually seeking to obtain special privileges. If the corporations in Maine that desire to develop state-owned resources will adopt the methods of the Quebec corporations and offer the State of Maine a fair rental for the privileges they seek, our State Legislature no doubt will meet them half way and do whatever is necessary to encourage development. The door is open for a business man's settlement, and I am prepared to call the Legislature in special session when the "Kennebec" or other interests are ready to accept charters based on the principles of the Dead River Charter, an excellent measure that went down to defeat in the closing hours of the 81st Legislature.

Without seeking reward, and without thought of political preferment, during this year and next, I shall do whatever I can to bring together those whose interests conflict, for I want the people and the industries of the State of Maine to prosper by the prompt and full development of all our natural resources.

(Signed)

PERCIVAL P. BAXTER,

Governor of Maine.