

MAINE STATE LEGISLATURE

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STATE OF MAINE

EIGHTY-THIRD LEGISLATURE

**Stenographic Report of Hearing before
Joint Committee**

on

Ways and Bridges

on

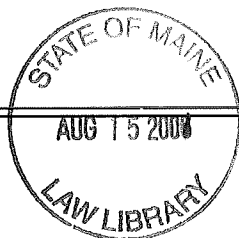
Bill "An Act to authorize the Issuance of Bonds for construction of State Highways conditioned upon an amendment of the Constitution increasing the amounts of Bonds issued for State Highways and Bridges" (S. P. 407) (S. D. 177), and Resolve proposing an amendment to Section 17 of Article 9 of the Constitution, to provide for an increase in the amount of State Bonds to be issued for the purpose of building State Highways and Bridges" (H. P. 68) (H. D. 26).

March 23, 1927

THE COMMITTEE:

Senators—Smith of Somerset, Chairman; Case of Washington, Bond of Lincoln

Representatives—Kitchen of Presque Isle, Pike of Lubec, Marden of Waldo, Ayer of Cornish, Metcalf of Farmington, Lowell of Lincoln, Merrill of Dover-Foxcroft



CHAIRMAN SMITH—We seem to have two acts pertaining to the issuing of bonds, one presented by Senator Pinkham and the other by Representative Hale.

MR. FRANK D. MARSHALL—Mr. Chairman, I presume I can speak with respect to the one presented by Representative Hale, the one sponsored by the Maine Automobile Association, which was given to him to introduce.

CHAIRMAN SMITH—This is No. 302 on our books. It is likely, Mr. Marshall, you can explain the provisions of the proposed act and thereby save the time of reading it, and we would be glad to hear from you in behalf of House Document No. 26.

MR. MARSHALL—Mr. Chairman and gentlemen of the Committee, this is a resolve for an amendment to the Constitution in the usual form. I presume it is not necessary to take the time of the Committee in reading it.

It in effect asks that the Legislature submit to the people, to be voted upon by the people, a resolve to amend the Constitution to increase the bond issue by \$12,000,000, to be used for the usual purposes of constructing state highways, interstate, intrastate and international bridges. This is, in other respects, as I before stated in relation to the resolve, in the same form as previous issues, and I will not repeat in detail the provisions unless the Committee desires it in some particular. Accompanying this resolve is a bill, which will be taken up perhaps a little later, but I will be very glad to discuss it concurrently with the proposed resolve if so desired. The bill is to carry out the provisions of the bond issue should the same be adopted; and that is the real thing, I presume, in which the Legislature is more interested, and the people, because that provides for the actual funds for the construction.

In the bill it is provided for the issuance of not exceeding \$2,000,000 per year for the next two years for highway construction purposes. If it be more convenient to the Committee, I will defer discussion of that and let the two run right along together.

CHAIRMAN SMITH—I think you are very much in order, and you may proceed, if you please.

MR. MARSHALL—The bill calls for \$2,000,000 par issue, issuable at not exceeding 5 per cent—and, by the way, our bonds have always heretofore been marketed at 3.95 or 4.05, right around 4 per cent—these bonds for the next two years to be used for highway construction, thereafter for highway or bridge construction as may be determined.

That is practically the only particular in which this proposed act differs from preceding acts which have accompanied constitutional bond amendments; and it is made for the next two years for highway construction, or suggested, for the rea-

son you now already have in reserve over two million dollars of bonds available for bridge construction.

Now in the bill as drafted it was provided for \$2,000,000 per year. Of course that is simply a suggested amount, it may well be made somewhat less. We had to put in some amount, and we put in the usual amount, I think, of \$2,000,000.

That brings us practically, in a sense, to a continuation of the hearing of last week, which had to do with the mill tax for highway construction, and the gas tax, it being, I think, pretty generally understood that these were alternative propositions to a bond issue provided the program of the State for an adequate highway construction is to be carried forward and continued.

If I may digress a moment in a measure to speak of something of the history of the bond issues in this State, I will say that it was in 1912 that the Maine Automobile Association through its officers first proposed and put forward to the legislature the original \$2,000,000 issue. Those were in the days of the beginning—it was the beginning—of highway construction and highway development in this State. Then in 1919 another issue was put to the people, providing for an increase of \$8,000,000, carrying the total to \$10,000,000. This was passed by an affirmative vote of some 26,000 voting yes and 5000 voting no, men only at that time voting. That issue carried through the highway and bridge construction work until 1925, when the last issue of \$6,000,000 was submitted to the people for highway and bridge construction. That was adopted by an affirmative vote of 50,000 yes and 10,000 no. The legislature of the same session of 1925, as the Committee will remember, divided that \$6,000,000 issue into two equal parts, three million for bridges and three million for highways.

Now we as an association have felt and still do feel that it is the better plan for the State of Maine, situated as it is with respect to valuation, population, mileage, and in comparison with other states, that the bond issue program should be carried further in order to complete our present state highway system, consisting of 1750 miles at present taken over, 250 more miles projected. Of that approximately 1300 are now constructed. Of the 1300 quite a bit must be reconstructed because of early light construction, and on the part of which no bond money ever went, as I understand it—notably, between Portland and Saco.

I suppose, strictly speaking, from the viewpoint of the motorist, the mill tax might be considered the easier burden for him; but when we speak not only as motorists but as taxpayers it seems to us that it is as yet only fair and reasonable to the State as a whole that the burden should be carried further by the man who uses the road. I will say that we do not feel at the present time, we cannot bring ourselves to feel at the pres-

ent time that the industrial and other interests of the State should be called upon to bear it by way of the mill tax.

Now we feel, and are quite positive, that a bond issue spread over a period of years, issuable say one and one-half million per year, which we believe is necessary in order to carry forward the program adequately, that this can be financed without addition of the mill tax, without addition of the gas tax, without addition to the motor vehicle registration fees.

I have a schedule here on which we base that, and I will be glad to submit it to the Committee as far as my copies go. They are not complicated figures, and I think perhaps to get the matter before the Committee I will read from them with comments as I pass along.

It is headed "Estimated Income For 1927."

The registration fees for the year 1926, as I remember it, were \$2,324,000. I placed them at practically that figure for 1927, \$2,400,000. One-sixth of the gas tax, \$315,000. Added income from towns for maintenance and state aid highways, \$245,000, making a total income from those three sources of \$2,960,000. Deducting your bond requirements for 1927—which, by the way, because of maturities falling this year, 1928 and 1930, are exceptionally large—deducting your bond requirements of \$1,007,000, brings your total to \$1,953,000; and deducting the requirements of the three departments, Secretary of State, State Police, and State Highway Commission, brings you to \$1,633,000 for this coming year available for maintenance, which is a little over \$300,000 short of the amount expended for last year, as I understand it. And this year is the hard year to find the money, both for construction and maintenance, as I understand.

Now for your 1928 figures, adopt your same total of \$2,960,000 for registration fees, adding merely a five per cent increase, which is conservatively small, of \$135,000, and it gives you a total of \$3,095,000. Deduct bond requirements for 1928 of \$1,005,000, and deduct your maintenance of the three departments, \$320,000, it brings you to \$1,770,000 for maintenance. And the next item, I believe, is the key to the situation.

There is a bill before you, heard last week, providing that one cent of the present three cent gas tax which now goes for construction purposes, for highway construction purposes, and which is the only highway construction funds which you now have, that that be shifted to your maintenance fund, provided the bond issue is adopted, which will add at least \$615,000, and deducting your proposed bond issue of \$1,500,000, which would not be issued until some time next year, will give you for maintenance purposes for the next year and substantially for succeeding years the amount of \$2,345,000.

I recite these figures to demonstrate that funds are available

under a bond issue without going to the necessity of increasing, as I said, either your registration, your gas tax or your mill tax.

On the second page I have offered suggestions which the Committee might find necessary to consider for funds for the present year, in order to meet your Federal aid and to meet your maintenance requirements.

"This \$630,000 (of gas tax) could be further supplemented in a small way for the year 1927 by appropriate legislation, providing that an equitable part of the \$320,000 now required from motor vehicle fees to maintain the Highway Commission, the Secretary of State's office and the State Highway Police be paid by direct appropriation. This is especially true of the State Highway Police, whose activities are not wholly confined to enforcing motor vehicle laws. There are also now available over \$2,000,000 of state highway and bridge bonds which are segregated by statute only for bridge construction. By statute the Governor and Council could be authorized to use a minimum amount of these bonds for highway construction purposes, as well as bridge construction pending a further issuance of highway and bridge bonds under the proposed constitutional amendment.

Whatever plan is adopted, it is imperative that the \$1,400,000 of Federal money now held in Washington for the State of Maine be secured for use in this state and not allowed to lapse by reason of failure on the part of the state to provide adequate funds."

These, in brief, are the reasons for our urging upon you the consideration of a further amendment of the Constitution to provide for highway construction.

We wish to cooperate with the Committee, and certainly with the Legislature, in every way, and with the Governor, and all departments and citizens of the State, in every way which shall most equitably and fairly insure an adequate highway construction program. We believe that upon the completion of the work as now laid out depends in a very large measure the prosperity of our State. Certainly no State project, be it highway construction or whatever it was, has been undertaken which has brought more credit, more favorable comment to the State of Maine than the work of the Highway Commission in laying down its permanent first-class highways during the past year. We believe that should be continued and not allowed to shrink to the proportions of years ago. We believe the people of the State would not be satisfied with anything less than the substantial continuance of the present program.

I would be glad to answer any questions.

CHAIRMAN SMITH—Are there any questions the members of the Committee would like to ask Mr. Marshall?

MR. MARSHALL—I haven't gone into detail much, because I know the Committee are familiar with these things.

MR. MARDEN—Mr. Marshall, when the bond issue is complete do you consider that what we receive from the automobiles, the license fees, would be sufficient to maintain our roads and also to retire the bonds at that time, pay the interest?

MR. MARSHALL—I am inclined to think so, at least for six or eight years to come. You will remember that we are now at the peak of the bond issue requirements so far as respects registration fees. That is to say, after the year 1930 the bond requirements, the maturities and the interest begin to depreciate quite rapidly. And I believe that a bond issue spread over the proper time—a matter which is in the hands of the Governor and Council to work out and distribute properly—and with the natural increase in the motor vehicle fees, and with the gas tax, which goes into maintenance and therefore relieves so much the motor vehicle fees, I believe that will be adequate to handle the situation.

MR. MARDEN—If it is not, then we would be called upon for a mill tax too?

MR. MARSHALL—No; you wouldn't necessarily be called upon for a mill tax. You might be called on for an increase of registration fees, or most any way, possibly a mill tax.

CHAIRMAN SMITH—Mr. Marshall, you would not, however, expect that in addition to the proposed bond issue that the automobile fees would take care of the bridge bond issue that must come?

MR. MARSHALL—No; I wouldn't expect that. Only remember this, that in the present proposed amendment it is provided for highways and bridges both, and they will go along together. Also, at the present time you have over \$2,000,000 of money segregated for bridges. Of course we realize there is facing the people, facing the State, a serious condition with respect to permanent bridge construction.

CHAIRMAN SMITH—And you would not expect that the money available for bridges and the amount proposed in the bond issue would anywhere near take care of the amount required to take care of our bridges, would you?

MR. MARSHALL—Well, I don't know. I really have no idea of the amount required for bridge construction in the next ten years. I have heard it expressed everywhere from forty million to ten million, so I don't know.

MR. KITCHEN—Mr. Marshall, this program of yours is set up on an estimated level, estimated in 1927, rather than on actual amounts received for 1926?

MR. MARSHALL—The only variation there, I think I put the registration fees at \$2,340,000 instead of \$2,324,000, and

I put the sources of revenue from towns for maintenance at \$245,000 instead of \$242,000, but substantially the same.

MR. KITCHEN—This says, Registration Fees, \$2,400,000. Would you estimate to increase that amount this year?

MR. MARSHALL—No. That would be an increase of only about \$66,000.

MR. KITCHEN—You are setting this up on an estimated basis?

MR. MARSHALL—Yes.

MR. KITCHEN—In your estimated amount for 1928 you have \$2,960,000. How do you get that increase in registration fees over 1927? This sheet says \$2,960,000. Is that a mistake?

MR. MARSHALL—I took the same total. That is not strictly correct about "adopt same registration fees." It should be, "adopt same registration fees, gas tax and town resources." It is the sum total of the three.

MR. KITCHEN—You mean the requirements of the three departments which might well be provided for in some other way that would total approximately one-half the mill tax of the State?

MR. MARSHALL—Yes; a little less than one-half.

CHAIRMAN SMITH—Does anyone outside of the Committee desire to ask Mr. Marshall any questions? Very likely he would be pleased to answer. Is there anyone else appearing in behalf of the bond issue as a means for building better roads?

MR. FRANK A. BROWN—Mr. Chairman, there seems to be one point that has not been brought out in regard to the bond issue. Now I am in favor of the bond issue until we get our other 400 miles of road built, and for this reason: I think future generations should help pay for what we are doing in the road line and in our bridges. The way we are constructing our roads now we have to go to the bottom, have to drill our ledges, get our grades and get our drainage, and all this work is done for all time. Now if in the future we wish to change the type of road, to put in concrete or macadam or anything of that sort, it is easily done, because we have our width and our grading, and the bridges we are building today are substantial for all time. It seems to me the bond issue would be the thing until we get our other 400 miles of road built.

MR. HIRAM W. RICKER—Mr. Chairman and gentlemen of the Committee, I do not know as I can say anything to you but what you have heard me say before. I am very much interested and a great believer in the bond issue. It seems to me that in the reconstruction and development of our State that the business interests of this State should have their money to put into their business in the development of the business of this State. It does not seem right to me that we should burden ourselves, cripple the industries of our State by heavy taxation for future generations when we are building something you

might say for almost all time, especially our bridges and our permanent highways.

There has been a little argument put up for the last two or three years that our highways, our permanent highways that we are issuing bonds on, by the time the bonds become due will be worn out. The facts that I have been able to accumulate through the State Highway Department show that such pieces of road as between here and Lewiston and between Brunswick and Portland that were built twelve or fourteen years ago today are worth more to rebuild and make a more permanent road than the road cost in the first place, or, in other words, there is from ten to twelve thousand dollars value in the road that the State Highway Department is building over; therefore there is not any loss on that part. And we know that some of our European roads that were built hundreds of years ago, and some of which I have been over, have more material value today than they had when they were built. They have been kept up and maintained.

A permanent road, such as concrete, we issue our bonds and take our own money and put it into that road. That money goes into circulation, and when the road is completed we have 71 per cent of that money in the State. On the bituminous macadam we have 91 per cent of that money in the State. It seems to me that it is just as necessary to keep our money at work as it is to keep our labor at work.

There is another thing about this bond issue that strikes me with a good deal of force, and that is the general plan.

Mr. Chairman, if you and your Committee in your wisdom decide on this bill it will enable the Highway Department to have a concrete plan of development of the roads for the next eight or ten years. It will work very much to the financial advantage of the State and for the benefit of the State to know what they propose to do and can do. The business interests of our State really demand a continuance of our road construction. For instance, just for the sake of argument, if we should return to our old road system where would we go? What would happen to our business interests?

The State of Maine has increased in value. We are no longer a poor state. According to our population we have increased 55 per cent since 1910. In my judgment, Mr. Chairman and gentlemen, to carry along a good healthy permanent road development that the increase in value of our State through our business interests will take care of any reasonable bonded debt that you in your wisdom may decide on.

As a matter of economy to the 125,000 or 130,000 of our own people in the State handling cars and trucks it seems to me that when we can improve our roads, lengthen the life of their trucks, increase their efficiency, increase the efficiency of their business, it is good business on the part of the State.

I know you gentlemen will give this matter and have given this matter serious thought. I trust that you will go into it thoroughly, and I believe if you do that in your wisdom you will decide in favor of this measure. I thank you.

CHAIRMAN SMITH—Is there anybody else who has something to say in favor of the proposed act?

MR. EDMOND CYR—Mr. Chairman, I am a great believer in the bond issue for the following reasons:

I believe that if you issue bonds we will have our roads built quicker than they will be by a pay-as-you-go proposition, because you will have more money to work on. I believe in the work of the State Highway Department last year on the permanent concrete road, and I believe with a bond issue on such roads as they have been building that the interest on those bonds and the paying of the bonds on a road of that kind that will last, as they claim, about fifty years, is much less than the cost of the upkeep of some of our present lower grade roads, the same as from Waterville to Bangor. I think it costs more to keep that road from Bangor today than the interest on the bonds to build the road, and what the bonds would cost to pay for in the next fifty years would be less than what it would cost to try to keep that road in repair. And, besides that, I believe the State of Maine could advertise the State with concrete roads and have so much more business by having good roads than to delay longer and not have a good road to travel on. Besides, I believe the automobilists going over a good road, a concrete road, can save quite a lot of money on the repair and the wear and tear on his car, and also on gasoline. For myself, Mr. Chairman and gentlemen, I am in favor of a bond issue and hope you will take it into consideration and see fit to report favorably on it. I thank you.

CHAIRMAN SMITH—Is there some one else to appear in behalf of the bond issue? If not, is there anyone in opposition?

MR. GEORGE C. WEBBER—I am George C. Webber, of Auburn, representing the Maine Automobile Dealers' Association. May I be permitted to ask some friends of mine to distribute some papers here without disturbing you.

Mr. Chairman and gentlemen of the Committee, may I have the privilege of reviewing very briefly some of the things that were stated here a week ago, without trespassing too much on your time?

First, I would like to make plain to the gentlemen of this Committee that none of these figures in this sheet which is handed to you, headed "Estimated Revenues and Their Distribution In Accordance With Provisions of Statutes Jan. 10, 1927" were arranged by me under the direction or control or advice of the Highway Commission or Mr. Paul Sargent or anyone connected with that organization. I want to make that

plain, because it seems that some people have felt that the Highway Commission or Mr. Sargent may have had something to do with these figures. Now that is not the case in any way, except that I telephoned to Mr. Sargent and wrote him and asked him if he would give me any information out of his office, and he took it up with the Commission, and the Commission told him to give me whatever figures I might want. I went in there and spent considerable time, and he gave me these two budgets. And I wish to take credit, if you please, for the arrangement of this sheet myself, and for the facts that were dug out by me from various magazines and articles and speeches; and I want to give Brother Marshall credit for a great deal of study and some of the figures I obtained here, because I took them out of a speech, one or two of them, that Brother Marshall made in Portland, and I feel positive, gentlemen, that these figures are accurate. I feel positive that they are very conservative. I feel positive that you have every reason for relying upon these figures because they are the result of a great deal of time and study on my part, and the reading of various magazines and articles from abroad, etc., to get them together.

Now there is just one other thing I would like to speak of here, and that is due to a misunderstanding by some of what I said last week in regard to the state aid and third class highways. I do not wish to give you gentlemen the impression that the Maine Automobile Dealers' Association wanted this State to stop building state aid or third class construction highways, not at all. What we were trying to urge upon your thought was that we would like to have more of this money which is spent in state aid highway and third class construction spent by the selectmen of the towns for the better and higher cost roads, if they could be persuaded to do it. That has become purely and simply a political question and a matter of education; but we do not want to be understood, gentlemen, as urging any cut-down in that expenditure.

It has been called to my attention that the towns feel, the selectmen feel that the requirements now made by the State for the building of state aid highway are very severe and somewhat stricter than they feel sometimes they ought to be. Well, perhaps I don't agree with that proposition. You, Mr. Chairman, might not agree with that. But that is a matter of education. So I wanted that to be understood, as to our position in that matter before I started in.

Now we stand squarely where we stood four years ago, and six years ago, and we are mightily pleased to see the trend of public opinion and the trend of this legislature, if you please, swinging slowly, gradually towards the position which we took four years ago and two years ago, that this State should, if possible, adopt a pay-as-you-go policy, and that the construction of our highways so far as was politically possible should be

paid out of general taxation. Now that is our contention. We know that you gentlemen are confronted with a political situation. Right off we would say to you, as a business proposition, I think you will all agree, it would be better, if we could do it, to pay for these highways by a mill tax; but we submit to you that may not be possible politically, and you may be obliged to go to a one cent gas tax and one mill on taxation. The gentleman who has just spoken, the figures he has given you show the mill and gas tax would give you \$1,400,000, which added to your Federal aid will give you \$2,000,000 each year for this construction. It doesn't make any difference whether you do it by gas tax or mill tax, or whether you do it by bond issue, you are going to get the money required by this department.

Now some estimated figures have been submitted here. We have 750,000 people approximately in the State of Maine. We have 150,000 automobiles. Now that is one for every five people in the State of Maine. And we automotive dealers say to you frankly that we hope we shall not reach the saturation point on the sale of automobiles for a good many years; but some of us are shaking in our boots for fear we are going to come to that saturation point in a few years. There is some dissention of opinion on the part of automobile dealers on the saturation question. Some feel we are reaching it faster than others are willing to admit. But, Mr. Chairman, one automobile to every five people in the State of Maine looks to me, as an attorney at law, as a pretty good record. I think we are pretty close to the saturation point. I am not one of those that cry down business conditions in Maine, but I do not believe that with the present business conditions that are going to exist for the next two to four or six years that we are going to gain very much in registration. I believe that when we say that we are going to have \$2,350,000 in auto fees, registration fees, next year that that is a good-sized figure, and that that is certainly a reasonable estimate.

Now the Federal aid is approximately \$15,000 per mile. The Federal aid money stands for twenty-four months. The Federal aid available last July was \$683,574. The Federal aid available next July will be \$680,794. There is about \$57,000 of old stuff, I mean old accounts of Federal aid, that can be called upon, so that for the next two years we can safely estimate \$700,000 of Federal aid.

This morning I read a letter addressed by the Lewiston Chamber of Commerce to each member of this Legislature, in which they said, "We are unalterably opposed to any increase in gas tax;" and in the next breath I learned that they had asked the Highway Commission to build the road from Lewiston to Rockland, 70 miles, at a cost of \$2,100,000, which would

take more money than the Highway Commission has appropriated for all the permanent roads in the State of Maine for next year. I am just telling you that to illustrate how business men carefully study into this problem of expenditures on State Highways.

Now I hope I haven't a better friend in the world than Hiram W. Ricker. I worked for him when I was a boy in college, and hopped bells for him, and had a lovely time, and made a lot of money over in his beautiful hotel, and spent it for a college education. But Mr. Ricker comes in here last Wednesday and says he thinks a five cent gas tax would be outrageous. He doesn't want any increase in the gas tax, and he wants this bond issue put over, and in the next breath he rather infers, it seems to me, that in the forty years those bonds will be standing those roads will be pretty much gone.

Isn't it a business proposition? I have got a boy 20 years old, just getting out of Bowdoin College. I don't want to hand any load of road construction to that boy. I do not want to ask him forty years from now to saddle the load of these bonds and find his old roads all worn out that we built with the money. Isn't that a business proposition?

Mr. Ricker speaks about European roads. Now it is true that the European roads were well built, considering the soil and the climate; but Mr. Ricker does not want to overlook the fact that they have a wheel tax, especially in France, and practically all the teams you see in France are two-wheel, because if they have four they have to pay an extra tax for them. And, furthermore, he does not want to overlook the fact that when the American smash struck their roads it smashed them like paper, and we saw them go to pieces right under our feet over there. They would not, they could not stand up under the drive of American traffic. They don't have any traffic in France, any automobile traffic even, compared with the automobile traffic in Maine, as sparsely settled as we are. I haven't statistics of the number of automobiles per person in France, but it would almost startle you to see the poverty of automobiles in European countries. They haven't our problem with European roads.

Now our contention is this: that nobody has come in here and told you how those bonds were going to be financed, how they were going to be paid. They haven't been able to put their pencil on those figures on this sheet and deny one of them. In ten years from now, if we are going to continue to build roads, one and a half million a year, plus \$700,000 of state aid, our upkeep on these roads will be increased, I believe, to \$3,081,000 a year for maintenance, and that is no small figure. When you take the interest on your old bonds—and bear in mind, gentlemen, this, that since 1913 we have retired \$535,000

worth of bonds and some \$750,000 worth of them retired and reissued—and they talk about issuing these bonds at a low rate of interest and of it not being very expensive to the State. I called your attention last week to the fact that in Mr. Baxter's administration they issued about four million and a half of State bonds at 5 per cent, and when those bonds are retired the State of Maine will pay 96.2 cents interest on every dollar they borrowed on that proposition. And you ask me to ask my boy to shoulder that load and push it over onto him.

Now we do not want an income tax in the State of Maine, certainly, do we? I don't think anyone does. I have all I can do to wrestle with a very small income up to the 15th of March each year. That is all I want to do, to handle the United States government. I don't believe we want an income tax in the State of Maine.

What about this \$100,000,000? I say it with all due respect to Mr. Ricker and our hotel interests. What about this \$100,000,000 of income that they tell us about this coming year from these tourists? Who is getting that. Is it fair to ask the hotel interests of the State to pay a mill tax on their property to build up something which is giving them an income every year of \$100,000,000?

All legislation is a compromise. Some people might say it is the bunk; but it is not. Mr. Marden has an idea, Mr. Kitchen has an idea; they are not alike; they come over here to the legislature and the get together and they discuss things together, and the first thing you know they are seeing things alike because they have studied it out together. And that, it seems to me, must be the result of this tax proposition which we are up against today.

The American Woolen Company today, as I said last week, is loaded with bonds, and they wish they didn't have them, and they would be a good deal better off today, gentlemen, if they had paid as they went, and that is our proposition as a business matter on this bond issue.

Now the automobiles in the State of Maine last year—the automobiles, not the automotive property—were taxed on a valuation of \$28,016,186, twenty-eight million dollars and more in automobiles alone taxed, according to the State Assessors, in the State of Maine last year. That is no mean business. Add to that the real estate that the garage people own, that the automotive dealers own, add to that the stocks of fixtures and of accessories that are owned from Portland to Kittery and north to Houlton—I couldn't get that out of the books, gentlemen—I tried, but couldn't find it—your guess is as good as mine. I don't know how many million dollars it would run into, one or ten. But you can see that is no mean business in the State of Maine. And we say to you as automotive dealers

that we are a vital factor. I don't know how that \$28,000,000 compares with the investment in hotel and summer property in the State of Maine. I didn't take the trouble to look that up; but twenty-eight or thirty million dollars is quite a lot of money to have in one business, and we think we are entitled to protection.

Now we say that we drive from here to Bangor and we find beside the road in various places a half a dozen day and night camps, a dozen day and night camps, a summer place here and there with camps in it for autoists. We say that these people along the road are getting an increased value. We say that it is helping the grocymen in these towns. We say it is selling gas and helping to pay a gas tax. And we say that these people along the road should pay their proportion of that increased tax in the form of a mill tax. We believe that Mr. Marshall put his finger right on the answer to Mr. Marden's question when he said that in order to finance this thing later on, as I understood him, and you all heard him, we would have to have an increased registration fee or something of that kind to take care of this proposition. Why not face it now? Why try to fool ourselves? Why not go through with the program that we have fought for and that we know a great many men in this Legislature believe in, and not have this bond issue to pile up for future generations?

I think Mr. Kidder had something he wanted to say this afternoon.

I will ask all of those gentlemen here who favor my presentment of this proposition to stand up, please, so that the Committee may see you, how many men there are here who are actively engaged in the automotive business.

These, gentlemen, are the young active business blood of the State of Maine; they are fighters for business; they are go-getters, and I believe that they have thought this thing out and thought it out carefully.

Mr. Kidder.

MR. MYRON KIDDER—Mr. Chairman and members of the Committee, I do not know that Major Webber has left very much for me to say on this subject, except possibly for me to reiterate some of the things which I did say here a week ago.

Before I start, I might answer from a book which I have here, showing the facts and figures and issued by the National Automobile Chamber of Commerce, the question which he raised and was unable to answer himself, and that is the number of people in France for every automobile. There is one automobile in France for every 54 people, according to that tabulation, which I think is correct. That is something against one in five as we have in Maine.

I think it is pretty generally understood just where the automotive dealers in the State of Maine stand on this proposition. We are trying to be as unselfish about it as it is possible for business men to be and still protect the industry which is our bread and butter. We do not believe that that industry has had too much protection in the matter of taxes. We are still one of the few outstanding industries of the country which are burdened with a Federal excise tax to start us off with; and when we have gotten over that we face a tax in the form of registration fees on motor vehicles, as you all know, a tax in the form of a license fee from the driver, another tax in the form of gasoline, and then our local taxes, so we are not too favored in that direction.

I feel that it was at least a wise expedient which rather established the policy some years ago whereby the motorist was willing and did assume responsibility not only for maintenance of highways but of construction. I say it was an expedient. I think all gentlemen in this room will agree with me that had the motorists not been willing to make a demonstration to the people of the State of Maine of the value of good roads we probably never would have had our highway system where it is. But the motorists were willing to make the demonstration and have made it, and it has been somewhat of a burden to do it.

We feel that we are standing in the same position today as the automobile salesman who meets the prospective buyer in his sales room and invites him to take a demonstration in his automobile. The salesman or the dealer is perfectly willing to pay all the cost of that demonstration to convince, if he can, this prospective buyer that that automobile is something he wants. The salesman honestly believes that the man is not yet convinced that he wants an automobile, that he wants to spend a rather substantial sum of money to own one; therefore he is willing to pay the expense of gasoline, tires, depreciation and all the expense involved to give a demonstration. But certainly the wise automobile man is not going to say, when this prospective buyer tells him he does not think he can afford to buy the car, "All right, I will keep on demonstrating to you until you feel you can afford to buy it. You ride in my automobile until you are ready to buy and pay for this car."

I think that might be a fair parallel as to what has happened in the highway program in the State of Maine. There seems to be somewhat of an uncertainty on the part of those who advocate this bond issue as to just how the future is going to dispose of the retirement of the bonds and of the costs which run along with it. It appears to me as though there is still another parallel there with the very splendid message we had this morning, which I was privileged to hear, in which the

Governor of this State, feeling that perhaps a step is being taken which was of considerable moment, where the future was not entirely clear, that it might be wise to first positively determine the future before we assumed an obligation. That, gentlemen, is what I would like to see our legislature do this year and in this matter, to know before we take upon our shoulders a \$12,000,000 indebtedness just how, without question or doubt, that is going to be taken care of.

I think perhaps those who favor a bond issue might agree with me that if we were to have a bond issue it at least ought to be controlled by a balance wheel made up of a mill tax. In other words, if you of the legislature of the State of Maine feel disposed to issue a certain amount of bonds or recommend the issue by the State based upon the understanding that those bonds will be paid for out of a mill tax, I am constrained to believe that that mill tax would become a pretty good balance wheel as relates to issuing the bonds. In other words, give the people what they are willing to pay for, but let them know before they start in that they are going to pay for it. I quite heartily agree with Major Webber that I for one do not wish to saddle upon my children some forty years hence the burden of a substantial indebtedness, the results of which may have by that time been entirely used up. In other words, I do not wish them to pay for a dead horse.

It has been said here that we should not burden ourselves with a cost today for the benefit of future generations. I wonder how many men in this room are doing just that thing, how many men in this room perhaps are making substantial investments in life insurance in order to create a life insurance estate for a future generation. I think perhaps that may appeal to you as a sound policy.

I think we might bring out one point which has been suggested here, the comparison between our highway system, the capital invested in a highway system and our school system in the State. You gentlemen will agree with me, I am quite sure, that when these highways are constructed they stand as a capital asset of the State of Maine. As such they would, in line with the history of all the years of the State of Maine, naturally be paid for out of direct taxation, just as our roads were paid for out of direct taxation before the automobile came into being. I cannot see any reason why a specific class, the motorists, should be called upon to build and present to the State of Maine a highway system than we fathers who have children to send to school should build out of our own pockets and create and present to the cities and towns of the State of Maine an educational system, just because our children are the ones that use it. Certainly both the educational system and the highway construction are essential and imperative to the welfare of the State. You would not live here if

we did not have schools, neither would any of us live here if we did not have a highway system, because we would be so far behind we would all want to get out of the State.

I ask favorable consideration by the Committee of these things, and I thank you for your consideration.

MR. HIRAM W. RICKER—Mr. Chairman, will you give me permission to reply to my friend, Judge Webber, in some little things?

MR. WEBBER—Before Mr. Ricker speaks, I would like to say one word.

There are 25,000 miles of highway in Maine; there are 6000 miles designated as State Highway; there are 1750 miles designated as completed State Highway; and the 6000 miles to be of state aid construction. Is that right, Mr. Marshall?

MR. MARSHALL—Yes.

MR. WEBBER—I wanted to get my statement correct.

The present call upon the State Highway Commission today is for 500 more miles. You go over there this morning, and I think they will tell you they have demands for 500 more miles of the best improved highway, and they could spend \$12,000,000 this year to supply the present call upon them for highway in the State of Maine. I thought those facts would be interesting. Also, that a certain percentage of the highway now constructed in the State of Maine costs \$2500 per mile per year for repair. The average repair, as I understand it, last year, for our highways in Maine was \$950 per mile. That was for 1925. For 1924 it was \$890 and a fraction per mile. This year I have been unable to get the repair average in the State of Maine.

If there are any questions before Mr. Ricker speaks, I would be glad to answer.

CHAIRMAN SMITH—Any question any member of the Committee would like to ask Mr. Webber? Anyone else appearing in opposition?

Mr. Ricker.

MR. RICKER—Mr. Chairman and gentlemen, I did not anticipate taking any more of your time, but as Judge Webber referred to one or two points and left, I think, a rather peculiar impression upon his listeners, I want to say that Judge Webber is one of the 120 or 125 of our boys that we have been very proud of, that worked at our place and earned money, as he said, to put them through college. If we had adopted the principle that he is talking of here today, he would not have had that opportunity.

In my own town, at our last bond issue, they got the idea, our people there, of pay-as-you-go. I went to work in our town and made up my estimate and I convinced those people that if we had adopted the policy of pay-as-you-go the \$31,000

old war debt that my brothers and I started with would have been hovering over us at that time.

That subject he has referred to is something I must certainly protest. That business in that town has brought into the State of Maine \$60,000,000 of new money. He spoke of it as though the hotel men had that \$100,000,000, as if it was our money. As a hotel man of fifty years experience I know where that money has been distributed. The people have got it—we haven't. \$60,000,000 of new money that never saw the State of Maine before is distributed among our people, and it is more than the valuation of the cities of Lewiston and Auburn combined today.

What has happened since our State Assessors department was created in 1892? The State of Maine has increased 190 per cent in her valuation. The non-resident taxpayer has increased 324 per cent, and is now paying a tax upon \$143,000,000 worth of property, and largely due to summer homes and summer property in the State of Maine.

In our development work for the last five or six years I have spoken before probably fifteen to eighteen thousand people. I have asked that audience every time I have spoken if there were any men in business or any farmer who was actually selling his produce at home who could stand up and say he didn't get some part of that \$100,000,000. Out of that fifteen or eighteen thousand people, Mr. Chairman and gentlemen, I never have been able to get one man to stand on his feet.

Summer business is strictly an industry and one of our largest. It brings in money to our State, and every man from the bootblack to the banker gets his proportional part in accordance with the service he gives. So I don't want you gentlemen of the Committee and our audience here to feel that the hotel man is getting that hundreds of millions of dollars. It is simply a clearing house, that is all. I thank you.

MR. KIDDER—Mr. Chairman and members of the Committee, I would like to ask Mr. Ricker a question, if I may.

I would like to ask Mr. Ricker, if the roads of the State of Maine have been responsible for bringing all this traffic into the State of Maine which has enabled him through his business to turn over to this section \$60,000,000, how are we going to get back on the cost of those roads some of that money that came in and passed through his hands and into the hands of the citizens unless we tax it.

MR. RICKER—As I understand the question, that money comes in here, is distributed among the people and it increases the business, adds material wealth to our State and we are able to meet our obligations. I doubt if you can find a large corporation which has helped build up our commercial interests in all lines that has done it on a proposition of pay-as-you-go. The Great Northern Paper Company, a man inter-

ested in the development of that splendid corporation that has brought millions upon millions into our State told me within two days that at the beginning of their operation and for fourteen years they were a constant borrower of money, and if they had adopted the principle of pay-as-you-go that they never would have developed that great business.

MR. BENJAMIN F. CLEAVES—Mr. Chairman, I haven't had an opportunity to be here until just within a moment, and I wonder whether I am too late to be partly in favor and partly in opposition to the measure which this Committee is considering?

CHAIRMAN SMITH—I would say you were just at the right time.

MR. CLEAVES—As some of you know, at any rate for the benefit of those who do not know, I will say I am Benjamin F. Cleaves, and I am executive secretary of the Associated Industries of Maine. The Associated Industries of Maine does not pretend to embrace within its membership or to represent all of the industries of the State of Maine. We include within our membership about 150 of the manufacturers, perhaps 20 per cent of whom are the larger manufacturers, and 50 per cent of the very small manufacturers who employ from a dozen up to 50, and the balance is made up of those producers who employ from 50 up to 150 employees.

We had a meeting of the directors of this organization on the 29th day of January. At that time the various proposals, which involved what I refer to as the Governor's policy, the matter of pay-as-you-go, which involved the imposition of a one mill tax and the increase of one cent in the gasoline tax; the proposal to submit and suggest the authorization of a bond issue of \$12,000,000, to be supplemented by approximately \$8,000,000 of Federal assistance, making an aggregate proposal of \$20,000,000—those matters were all before the directors of the Associated Industries. The matter was discussed very fully and by each member of the 22 of our 31 directors who were there, and at the conclusion of the discussion they adopted a resolution, and instructed me to present the result of their deliberation to whatever committee was to have the consideration of the bond issue or any of the pay-as-you-go plans, and in speaking I am speaking for them—I do not conceive that I have any right to express any personal opinion which I may entertain which is at variance with the expressed will of the directors of the association which I am representing here.

Their suggestion, their command to me, was that any increase in taxation was objectionable to that proportion of the industry which is represented by our association.

The further suggestion was made that industry as a whole within the State and throughout the United States pays 34.9 per cent of all of the taxes, Federal, State and municipal, which

are imposed, and that gives them that per cent of interest in any increases in taxes which may be suggested.

They feel, and instruct me to suggest to you that they feel that any further increase in taxes is a burden. While I am not and they are not pessimists so far as the future industrial situation with the State of Maine is concerned, they feel that superimposing burden upon burden so far as taxation is concerned is extremely likely to dishearten and discourage those who are at present engaged in industry, and those elsewhere who might be tempted to come into the State of Maine and engage in industry; and their feeling is that there should be no increase in taxes within the State of Maine; that the urge and the desire and the purpose of the legislators should be rather to reducing the opportunities for expenditure, the apparent necessities for expenditure, rather than creating opportunities for taxation and a further raising of funds. That, in brief, is their feeling with reference to the proposed mill tax.

So far as the proposed increase in the matter of gasoline tax—and I realize I am travelling outside of the matter you are ostensibly hearing, but they are so interrelated that you cannot consider one without having in mind all of the other interrelated proposals—in the matter of the increase of the tax upon gasoline I do not think industry has any particular personal or organized objection so far as the members of the Associated Industries or industry as a whole may be concerned. The only suggestion which they ask me to leave with you is the psychological situation which may come from an increase in the gasoline tax which will elevate Maine in its tax upon pleasure, that form of pleasure which is contained in the use of the automobile and the consumption of gasoline, over other states from which our visitors come. Now I think we are all pretty much alike. We do not regret the payment of a cent—we do not regret the payment of ten cents so far as the amount of money is concerned, but we do hate to feel that we are being gyped. If Maine is doing something which is not thoroughly understood by our visitors, which other states are not doing, or are not doing to the extent which Maine is doing the same thing, it is the feeling of our people that the natural reaction of business will be that Maine is not properly welcoming the visitors for which we have spent vast sums in advertising; and the psychology of the situation is the only thing which industry so far as represented by me presents to you.

So far as the bond issue is concerned, it is the feeling of our organization that the issue of bonds and the accumulation of funds from that issue is the better business way of financing over a period of ten years or more the building and completion of our trunk lines and our state aid systems,. We realize, of course, that in the years to come, perhaps not very far distant, there will come up the question of bridges, upon the construc-

tion of which anywhere from \$20,000,000 to \$40,000,000 has got to be expended. The great majority of these bridges are located in communities where the expense of building a substantial structure which shall last for a hundred years is in money practically prohibitive, and hence the State must take hold and relieve those small communities from at least a portion if not the whole of the burden of creating those structures. Now there is an obligation, there is a necessity, there is the opportunity and the necessity for the creation of credit and the raising of funds; and we are not losing sight of the fact that in the next twenty years to come, after perhaps five years, there is going to be that urge and that necessity for creating bridges within the smaller towns of our State, where it is only fair that the people as a whole should contribute a substantial amount if not the whole of the funds necessary to create those structures for general use. They have that situation in mind. Still they feel that the issue of bonds for the purpose of creating funds for present and ten year future construction of highways is the proper way to proceed, and so I am under instructions from them to leave with you their mandate to me. They have in mind the situation which I have no doubt Mr. Kidder has presented to you and concerning which I had a very interesting talk with him last evening, at the end of which neither one of us was definitely convinced, but we have tried to take into account all of the circumstances which surround the matter of the creation of funds for the completion or partial completion of our highway system, and our people feel that the better way is to finance by a bond issue rather than an immediate mill tax and an increase in the gasoline tax. I am in full agreement with those people, personally, who feel that the money produced from automobile registration is intended for and should be applied to maintenance of highways. When you take away from that maintenance money interest upon bonds at the present time issued or to be issued, when you take away from that fund the contribution to sinking fund, you are depriving the users of the highway of the benefit of money which they have contributed towards the maintenance and the increasing of mileage of highways. That situation must be met. That situation will be minimized, in my judgment, as time goes on, until there comes a time when the requirements of the bond issue can be so minimized. There must be and should be some contribution by direct taxation either to take care of interest or sinking fund or to supply the deficit in maintenance money that comes about from paying the interest and paying the sinking fund contribution. That necessitates some form of direct tax, but that contribution by direct tax will be diminished and finally cease when we reach the point where the retirement of bonds minimizes the sinking fund and interest money to the extent that automobile money will then maintain the highway. I

think I have fairly expressed the sentiment of that portion of industry which I represent in favor of the bond issue rather than the adoption of a continuing policy of a mill tax and the continuing policy of a higher tax upon gasoline. They feel that the tax upon property and upon gasoline once assumed will be likely to be a continuing policy. The bond issue, while it may have to be supplemented by a tax to take care of this deficit will not be a permanent, a continuing policy, and so far as industry is concerned the tax will diminish and finally reach a vanishing point when the retirement of bonds brings the occasion and the time when there is no necessity of supplementing interest and sinking fund upon one hand or deficit in maintenance upon the other.

Now I think I have fairly stated the position of the industries with reference to their acclaim for a bond issue rather than a permanent policy of a tax upon property or a tax upon gasoline. Now that concludes, so far as I am able to, the proponents' side.

I am in opposition to the raising of any money, whether it be \$2.50, or \$20,000,000 or \$80,000, if it is to be placed in the hands and under the control, so far as expenditure is concerned, of the Highway Commission as at present constituted.

We have had a Highway Commission for a number of years, and during 16 years of that time we have had as its Chief Engineer a man who stands among the first four highway engineers in this country, and that means in the world. We have had the advantage and the value of his services.

During this legislature two members of the Highway Commission, Mr. Murray and Mr. Innes, have been about amongst the members of this legislature, one whispering out of the side of his mouth, the other whispering from the ignorance of his mind, and trying to poison your minds against the Chief Engineer of the Highway Department of the State of Maine.

During these sixteen years when Paul Sargent has had charge of the engineering and has had virtual charge of the expenditure of millions of dollars of money raised in the State of Maine, there never has been the slightest whisper or suspicion of graft or crookedness in the Highway Department; and Paul Sargent, if he had been a crook, during these sixteen years could have been a rich man. And that is something for you and I to think of and be proud of, that during all of this time, when countless millions of dollars have been expended, there never has been a suggestion or whisper of suspicion against that man who has been the bulwark between graft and honesty.

During the last ten weeks there has been whispered into your ears poison against Paul Sargent and his administration.

Within two weeks Mr. Murray has shown to people in the State of Maine a list which will be the personnel and make-up of the Highway Commission after this Legislature adjourns,

and Paul Sargent is eliminated, and his place is being taken by a man of ability at a lesser salary, but a man who is pliant and compliant.

Mr. Wiggin is going to be eliminated from the Highway Department and his place taken by a man of ability who is pliant and compliant. And there is to be left these two men.

Now Mr. Clifford I want to eliminate from any criticism, because Mr. Clifford is a straight-shooter and a square man—none better anywhere in the State of Maine—but since he has come upon the Highway Commission he has been told that he didn't know what is necessary, that he has not been on the Highway Commission long enough to find what is going on, and that he must sit still and step aside until he has been to school long enough so that he may take part in the deliberations of the members of the Highway Commission. Mr. Clifford is out of this picture so far as I am concerned. He is all right.

But they are undertaking to eliminate the only bulwark, in my judgment, which stands between the people of the State of Maine who are asking to put in the hands of these two men \$20,000,000 under a bond issue—and have \$6,000,000 to be left each year besides that—ten times six million is sixty million, and added to the twenty is \$80,000,000 which is going to be put into the hands of these two men.

While Paul Sargent was absent in Europe it seemed to be necessary for the State Highway Commission to buy a crusher. They paid \$3500 above the lowest bid for a stone crusher. The man who was the agent of that company has said and will say again that he had an order for that stone crusher at the higher price before the bids for stone crushers were placed by the Highway Commission.

In the matter of oil, it is being sold by a company of which Mr. Murray is the representative at a price higher than it can be procured from other companies.

In the matter of calcium chloride, calcium chloride is being sold by a son-in-law of Mr. Murray of the Highway Commission. It may be that doesn't mean a thing—I make no claim it does. I simply leave those, it seems to me, important facts in your mind. And so if it be true, as I believe, that the skids are under Paul Sargent and under Mr. Wiggin, and that just as soon as this Legislature adjourns those two men are to be slid out of the picture and somebody else supplanted for them and Mr. Murray and Mr. Innes left to expend our \$80,000,000, I am absolutely opposed as an individual to giving them a damned cent.

(Applause)

When I was a boy, fifty-two years ago, a boy two years old, there was a fire in Saco, and a slaughter house was burned, and there were sheep and hogs and cattle and other property destroyed. I started to school with the best intentions, in the

world, and I met Freddy Deering, and he suggested it was foolish to go to school when we could go to a fire. So we went to the fire. At noontime, instead of coming home, as I should now, with my maturer ability for deception, I stayed over at the fire. And when I didn't come home at noontime my father naturally made inquiries of the teacher who lived nearby, and when he found I hadn't been at school it didn't take him an awful long while to conclude where I had gone. He came over to the fire and took me back with him. Along the lane from John Goyen's to the brook there was an alder swamp where the alder bushes were growing. My father had a sharp knife, and he took it out and said, "I am going to cut a stick to lick you with, and you are going to select it." I selected a stick and he cut it and we went home and sat down at the table. I can now see of course my mother took my side, where father took the other side. Eventually they compromised by taking that stick and standing it up by the door which led from the kitchen to the back entry, with the understanding that if I didn't offend further there would be no punishment, but if I did the stick would be there and two lickings would be coming to me. Wherever I went I could see that stick behind the door, and however much I was tempted to evade or defraud that stick stood up behind me.

I believe that Paul Sargent or someone of a similar character is as necessary to the State of Maine as was the stick behind the door to me, and if Paul Sargent is going to be eliminated from the Highway Commission and Mr. Murray and Mr. Innes are going to be left in charge, then the State of Maine is in a damnable situation. (Applause.)

CHAIRMAN SMITH—Is there anyone else appearing against the bond issue? Are there any questions anyone would like to ask of Judge Cleaves?

MR. WEBBER: Mr. Chairman, for the sake of the record may it appear that one cent extra of gasoline tax would produce approximately \$700,000 per year, and that one mill of general taxation would produce \$724,938.30. And may I ask the Judge a question?

CHAIRMAN SMITH—You may.

MR. WEBBER—Assuming, Judge, that we have 25,000 miles of road in Maine, approximately, where would you expect the demand for permanent high-grade improved highway in Maine to stop?

MR. CLEAVES—Do you mean now, or fifty years from now?

MR. WEBBER—In point of mileage, I mean.

MR. CLEAVES—I would expect that the highly improved highway in the State of Maine would naturally be desired and demanded when the present necessity in our cities, larger towns, our trunk lines had been supplied. I do not expect that any

program which the Highway Commission or any other agency sets up will attempt to go to the far reaches of our communities in the 25,000 miles of highway we have until the major necessities and demands of the larger communities have been supplied. I think it will be years before we will complete the last mile of the 25,000 miles we have in our State. I think it will grow and progress in accordance with the insistent demand of these communities that have either the larger population or the more urgent need for highways.

MR. WEBBER—Now one more question. You knew, I suppose, Judge, that no sinking fund has been provided by the State of Maine to take care of any of the \$16,000,000 worth of bonds already authorized?

MR. CLEAVES—I haven't followed that, Mr. Webber. I had assumed that a sinking fund contribution would be made each year as it ought to be made.

MR. WEBBER—And I understood you to say to the Committee that you believed in such a sinking fund, and that if it was necessary to provide such a sinking fund to assess a mill tax that your association felt that that was the thing to do?

MR. CLEAVES—Either to take care of the interest or sinking fund or the deficit in maintenance. In the matter of dollars and cents it does not make the slightest difference to which it is applied.

MR. WEBBER—So assuming we have \$16,000,000 worth of bonds already authorized and \$12,000,000 in contemplation, making a total of \$28,000,000, the people that you represent would be in favor of providing a sinking fund annually to take care of and retire those bonds?

MR. CLEAVES—Absolutely. And, further, it is our feeling—I don't know whether it is good business or not—it is the feeling of the directors of the Associated Industries that these bonds should not be reissued.

MR. WEBBER—It is their feeling that these bonds should not be reissued?

MR. CLEAVES—Should not be reissued.

MR. WEBBER—And, as I understand it, you haven't figured this over to know or to answer the question as to what interest each year would be required and what retirement fund to take care of these bonds by way of sinking fund?

MR. CLEAVES—If you are correct in your assumption which is contained in your question that there has been no sinking fund for the \$16,000,000 now out, that is a matter that will have to be taken care of separately. It doesn't have the slightest effect, it seems to me, upon the proposal to issue \$12,000,000. If in the past we haven't done our duty then we must provide some way to take care of that hiatus. So far as the \$12,000,000 is concerned, our association feels that if the interest and the sinking fund and the maintenance leaves

a deficit that deficit should be provided for by a general tax.
MR. WEBBER—And that no other business policy should be followed by the State of Maine.

MR. CLEAVES—I think I speak for them when I say they cannot think of any other way except that each year out of the contribution which we make as individuals, which we make as users of automobiles, which we make as consumers of gasoline, we should pay our year's bills. The only difference of opinion is as to the way of financing our capital expenditure, whether by a tax or whether by bonds. That is what I understand our association believes in.

MR. WEBBER—Well then, if you, by putting your pencil on these figures, should arrive at the conclusion that the assessment of a mill tax would be necessary in order to provide the retirement for these bonds but that a mill tax and a gas tax of one cent would provide that necessary fund from year to year, it would change your opinion about the issuing of \$12,000,000 of bonds?

MR. CLEAVES—It would if I should put my pencil on paper and arrive at that conclusion, but I have put my pencil on paper and reached an entirely different conclusion.

I argued with Mr. Kidder last night. He had an opinion there was a deficit of a million dollars in the matter of maintenance, and according to my figures, eliminating the matter of interest and sinking fund there was about \$60,000 deficit in the matter of maintenance. That brings me again to the direct statement which I make, that any additional, either in interest, sinking fund or maintenance, should be taken care of separately. But I haven't, by the use of my pencil or my head, so much of it as is left, been able to reach the conclusion contained in your question, Mr. Webber.

MR. WEBBER—You know, do you not, that the requirements for 1927, to take care of maturities and interest on the \$16,000,000 bonds already issued, is \$1,039,416.67?

MR. CLEAVES—I have no doubt those figures are correct. But you understand, Mr. Webber, that if there is \$16,000,000 already out there should have been during the years that these bonds have been outstanding an interest and sinking fund contribution from automobiles. If it has not been produced, I do not think that we should take it into account today in objection to the issuing of \$12,000,000 worth of bonds under proper conditions. If we have gone wrong in the past, that should not be charged up to this \$12,000,000 worth of bonds; so if it is necessary to take care of \$16,000,000 worth of bonds and interest must be paid and sinking fund must be contributed, that should be taken care of by a mill tax.

MR. WEBBER—Do I understand you want the Committee to understand that this \$16,000,000 worth of bonds already issued or authorized should have been paid, principal and in-

terest, out of the receipts from automobiles in gas tax and registration fees?

MR. CLEAVES—Sure I do.

MR. WEBBER—And then you maintain that the \$12,000,000 which is to be issued should be paid absolutely out of gas tax and registration fees of automobiles?

MR. CLEAVES—Sure.

MR. WEBBER—Principal and interest?

MR. CLEAVES—Absolutely.

MR. WEBBER—And you are one of those who believe that automobiles should pay it all, construction, maintenance, repair, the whole thing?

MR. CLEAVES—Yes. Just the same in arguing with Mr. Kidder last night, he asked me what other agency there was on the face of the earth that required that same thing. I called his attention to the steam railroad. When you buy your ticket on the steam railroad, in the price of that ticket is a return upon the investment, and beyond that the taxes, insurance, depreciation and other operating expense; but there is a return upon the investment. Now I cannot see in principle the slightest difference between the State creating and paying for the agency and the State paying an interest to the people who own the agency; in the one end the highways, in the other the steam railroads. I cannot see the slightest difference. I believe the users of the highways should pay for the construction and their maintenance.

MR. WEBBER—And that Mr. Ricker, who owns a hotel in Poland, worth say \$5,000,000, and derives his income therefrom and from the transportation furnished him over those roads, shouldn't pay in general taxation to build or maintain them?

MR. CLEAVES—Absolutely not. The moment you get outside that you are getting socialism, Mr. Webber. If you undertake to divide the increment of the property which Mr. Ricker or you or I have, you are in the realm of socialism.

MR. MERRILL—I would like to ask the Judge if your association contemplated a changing over from automobile moneys of the three departments, placing them under direct appropriation from the State, and if they realized that that would cost half a mill direct tax, and did they object to that half mill tax?

MR. CLEAVES—I am not sure I just understand you.

MR. MERRILL—Under the proposition here it says, going on after enumerating the items, "This \$630,000 could be further supplemented in a small way for the year 1927 by appropriate legislation, providing that an equitable part of the \$320,000 now required from motor vehicle fees to maintain the Highway Commission, the Secretary of State's office and the State Highway Police be paid by direct appropriation."

MR. CLEAVES—No; that could not have been considered, because I do not think it was put into form at the time. We could not have considered that, because our meeting was on the 29th of January, and that proposal had not been put in form.

MR. MERRILL—That proposal came from the Automobile Association before the legislature met, with the sister proposal there must be an increase in registration fees. That has been abandoned. I wondered why the proponents of the bond issue are so apparently opposed to a one-mill property tax and still propose and advocate placing those three departments which are now paid out of motor vehicle taxes under direct appropriation, which means one-half mill tax from the State of Maine.

MR. CLEAVES—I cannot answer for them, but I can assume, of course, they felt the administration of the motor vehicle law, registration, highway police and other things was a matter in which the people as a whole were interested rather than merely the users of highways or automobiles, that that would be justifiable as a tax upon the whole people, where the construction and maintenance of the road might have to be charged to the users of the road. That is just my off-hand presumption.

MR. MERRILL—It is only a question of half a mill, but the principle would remain the same.

Mr. KIDDER—Mr. Chairman, I am reluctant to encroach further upon your time, but one or two things I feel impelled to say. The first is that assuming the property holders of this State who own the greater amount of property to pay in proportion to their property for the construction of our highway system, it must also follow there is the same psychological trend in the administration of our school system. I would like to have it on record, please, in connection with the statement which has been made that the motorist should pay all, both construction and maintenance, I would like to have the record show that the average price of automobiles sold in this country in 1925 was \$820. I think that points pretty definitely to the fact there are many, many automobiles in this country owned by men of small means, and, if you please, by men who are laboring men. I think we all know that to be a fact. That might also point to the farmers of this country.

Now it seems a bit unreasonable to me that we should ask the man who is earning from \$25 to \$50 per week to bear the same burden in connection with the construction of the highway system of the State in dollars and cents, not in proportion, but the same in dollars and cents, that those who are more fortunately situated so far as property is concerned bear. I believe that it is imposing an unfair burden upon the laborer, the mechanic, the farmer. And I want to go one step further.

I think perhaps I have said this heretofore. There are many here today who were not here last Wednesday. I think we can thank the fact that so many of our citizens of this State and nation, although they may not be wealthy, the fact that they own automobiles and derive pleasure and enjoyment from them, I think we can point to that and say it has a tremendous influence in keeping our laboring class of people happy and contented and in reducing to a minimum the difficulties of the people whom the Judge who has just spoken represents, keeping labor troubles out of their industry. We all know we have got enough of those things, but we are not in any measure in as serious a plight as respects labor troubles as they are in England and other countries where they don't have automobiles. You ask why that is? When the laboring man has finished his day's work in the mill he goes home, and after supper he and his family are out for a spin in the automobile. They are not assembled in the back yard with nothing better to do than to discuss the labor situation and nurse their grievance against capital. And I submit to you gentlemen in all seriousness, that the existence of the automobile in this country to the extent that we have it today and in the hands of the laboring class of people is wielding a tremendous influence in making for better conditions in industries, not only in the State of Maine but throughout our country. I, for one, do not believe that it is fair to ask those men to pay as much in dollars and cents for the construction of the State Highway system as you ask me to pay. I am willing to pay the difference.

I believe if we go on with this program and ask those men to continue to pay increased registration fees and an increased gas tax, that the day is coming when they cannot own automobiles, their economic situation won't permit it. Then I say we are headed for some trouble. Those men are going to wake up some day to the fact they do not realize yet—that in dollars and cents they are paying the same sum towards the construction of that highway that the millionaires are paying, not in proportion to what they own, but the same amount in dollars and cents, based upon the registration cost of their vehicle. Gentlemen, I submit to you that is not a fair proposition. I submit to you it is a proposition which cannot go on in the State of Maine or any other State; and I think the sooner we recognize that, the sooner we let the State of Maine build only such roads as the State of Maine, not any class, but the State of Maine is willing to build and pay for, and then allow the registration to take care of the maintenance, which is its proper function, the sooner we will be on the right road and the sooner we will get away from economic troubles.

MR. MARSHALL—Mr. Chairman, may I just read into the record two items?

The first is that according to the figures given me by the State Highway Commission the present state highway system as laid out serves 81 per cent of the population and 80 per cent of the valuation of the State. The second item which I would like in the record is the fact that the bonds heretofore issued and any proposed bonds to be hereafter issued are serial bonds, therefore no sinking fund provision is necessary. For instance, in the present year, 1927, there are maturing and to be paid \$444,000 in bonds; for the year 1928, \$461,000; for the year 1929, \$461,000; and for the year 1930, \$561,000. Thereafter it begins to drop off gradually, so that all the bonds are cared for under a serial provision.

CHAIRMAN SMITH—Is there anyone else appearing in opposition to the pending question, the bond issue? If not, we will consider the matter in executive session.

MR. J. T. TAYLOR—Mr. Chairman and gentlemen of the Committee, I was a very interested listener for a few moments to Judge Cleaves, and as an acquaintance of many years of Mr. Charles Murray, and a man who has enjoyed riding on the roads he has built and today is building, I wish to emphatically take exception to the line of allegations he has made.