

## To Lawrence Fraser Abbott

July 1, 1907 Boston, Mass. [Brandeis Mss, NMF 16-1]

MY DEAR MR. ABBOTT: <sup>1</sup> I have yours of June 29th.

I enclose you herewith a copy of Chapter 422 of the Acts of Massachusetts of 1906, and am sending you under another cover a copy of the report to the Legislature of 1906 of the Special Commission appointed to consider the Sliding Scale law.

It is not worth your while to read any of the first fifty-six pages of the report occupied by the opinion of the majority. It is the minority report which is valuable, and was acted upon by the Legislature.

The operation of the law is this:

Under the act of 1905 our Gas Companies were consolidated. Under that act the capital was limited to \$15,121,600, and the price of gas within one year after consolidation was to be reduced to 90 cents.

The Sliding Scale bill of 1906 provided that the Gas Company could not pay a dividend of more than 7 per cent. upon its capital unless or until one year after it had reduced the price of gas below 90 cents, and that its dividends might then be increased in the proportion of one per cent. for each 5-cent reduction in the price of gas.

At the time the Sliding Scale act was passed the Company was paying 8 per cent. dividend (although upon the actual cost and value of the property this was only about 5 per cent.). The immediate effect of the act, therefore, was to compel a reduction of the dividend of one per cent. The Company however at once reduced the price of gas to 85 cents. As a result of that reduction, which took effect July 1st, 1906, the Company is at liberty, beginning July 1st, 1907, to return to the 8 per cent. dividend.

Having reduced the price of gas again by 5 cents—the 80-cent price to take effect to-day,—the Company will be in a position, if its earnings permit, to increase its dividend July 1st, 1908, to 9 per cent.

The ability to reduce the price of gas and to increase the rate of dividend is mainly dependent upon the ability of the management to increase the consumption of gas. This has been done partly as a result of the lessening of the price and partly as a result

of increase in the efficiency of the service, and also to a considerable extent to the extraordinary courtesy which the present management,—unlike most of our public service corporations,—has shown to customers. There has been developed in the last two years a feeling on behalf of the community that they would rather deal with the Gas Company than with the Electric Light Company. A great many large business concerns have installed gas engines to generate their own electric light rather than deal with the Edison Company, which people quite generally believe has not treated the community fairly. It has discriminated largely in rates and has introduced a very complicated system of rates which is not understood and is quite generally distrusted.

In introducing the Sliding Scale system the important question which required the utmost consideration and ultimately negotiation was to determine what should be accepted as the standard price, what the standard dividend, and what the rate of progression of increased dividend to reduction in price, and finally the term for which the arrangement should be made.

You will find all of these subjects discussed in the minority report of the Special Commission.

President Richards ascribes a large part of his success to the fact that he and his associates have been free to devote themselves strictly to the gas business, whereas theretofore a large part of their time and attention was occupied by the political end of the business. The gas interests had maintained the most extensive lobby at the State House and at City Hall, and were themselves the constant prey of strikers among the petty politicians. They were also carrying on their pay-rolls a large number of nominees of politicians, to whom they had felt themselves forced to give places to satisfy the politicians.

The Public Franchise League undertook to strike at this evil also a few years ago, and secured the passage of Statute of 1903, Chapter 320, prohibiting persons in public office from soliciting positions and quasi-public corporations from giving them,—copy of which is enclosed.

If there is any point in respect to the operation of our Sliding Scale law that is not entirely clear to you, I hope you will let me know.<sup>2</sup> Yours very truly

1. People identified in the first volume are not identified again in this volume.

2. Abbott's magazine published a laudatory editorial, "The Price of Gas in Boston," *The Outlook*, 86 (20 July 1907): 577-78. Suggesting that "New Yorkers will look with some envy at the success" of the Boston system, Abbott relied on LDB's wording and invited other communities "to get into communication with Mr. Louis D. Brandeis, a distinguished lawyer of Boston, whose effective devotion to the interests of both consumer and capitalist has done so much to make the Boston Public Franchise League a useful power in that community."

## To Norman Hill White

July 1, 1907 Boston, Mass. [SBLI]

MY DEAR NORMAN: You have conducted a grand campaign on the savings bank insurance and annuity bill.

Now, before we take up the greater task of making the law a practical success by educating the public to avail itself of its privileges, let us pay our bills.

I hope you are having the accounts made up as indicated in my letter of May 21st, showing the account made up to July 1st.

I am eager to send you a check for my share of the expenses.<sup>1</sup>

Yours very truly

1. See LDB to White, 6 July 1907.

## To Warren Augustus Reed

July 6, 1907 Boston, Mass. [SBLI]

MY DEAR REED: Would it not be advisable to arrange immediately for calling a meeting of the trustees of the People's Savings Bank [of Brockton] to vote upon authorizing the establishment of the insurance department?

Of course the trustees of the Central Guaranty Fund have not yet been appointed, and the bank could in no event commence to do the insurance business before November 1st. But I think it would help the movement considerably to have prompt action on the part of your bank.

As soon as I hear from you that it meets with your approval, I should like to suggest also to the Bridgewater Bank that it take immediate action.

What do you say? <sup>1</sup> Yours very truly