

# OUTLOOK FOR UTILITY COMPANIES

### Babson Forecasts Increased Utility Rates

By ROGER W. BABSON

Babson Park, Mass., May 22.—Due to war, we have lost sight of many activities of the New Deal. Among these is the "death sentence" provision of the Holding Company Act. In its recent annual report to Congress, the SEC stated that there would be no moratorium on the "death sentence" because of the war.

Hence, utility holding companies may continue to be liquidated. Among the most orderly of such break-ups is that which has been taking place for some time in the North American system. This was one of the first great holding companies to bow to the SEC. Stockholders will undoubtedly receive far more in liquidation than the currently quoted price for this stock.



BABSON

### HOLDING COMPANY TROUBLES

The gross income of most utility holding companies is better than ever. They are really suffering from high earnings which spell higher taxes. Hence, gross is up; but net is off. Operating units of holding companies have in many instances during the past year been called upon by the government to expand their systems and up their generating capacity for the expanding war program. This has entailed considerable new construction at high costs. Holding companies have, hence, been obliged to go to the banks to provide funds for their subsidiary companies.

The majority of the utility holding companies have become reconciled to the Holding Company Act and are willing to break up. It must be remembered, however, that there are outstanding in the hands of the public huge amounts of bonds which must be taken care of in some way. Due to the SEC requirements it has been particularly difficult for several past years for these companies to carry on any refunding operations. This situation is now worse than ever due to the necessity of keeping the banking and public market open for such new financing and refunding operations as becomes necessary for U. S. Treasury requirements.

### TAX SITUATION EASED BY UTILITIES

There is many a city throughout the country in which property owners think they pay almost no municipal tax due to city-owned utilities. However, while the property owners in these localities may not get much of tax bill from the municipal authorities, they are paying taxes just the same. Such taxes are buried in the bills they receive for electric power, gas and other municipal services through the relatively high rates they are paying therefor. In the majority of instances it would probably be cheaper for most such cities to buy their juice from outside private utilities, have it delivered to a central switchboard, and distributed over city and town-owned lines. This is true in my own home town where residents enjoy some of the lowest light and power bills in the country.

To aid utility holding and operating companies now suffering from high taxes, I believe that legislation should be passed to allow these companies rate increases to cover their tax bill. A customer might get a \$6 utility bill a month with a separate item thereon of \$2 for taxes. In this way the government could use the utilities as tax collectors in a fair and above-board manner. If the utility companies would voluntarily change their methods of billing or if they were provided with rate increases to take care of a portion of their taxes, both investors and consumers would be treated more fairly. Today the utilities are being treated like a tax collector who might be compelled to pay all taxes out of his own pocket instead of being permitted to collect them!

### RELATIONSHIP OF SEC

One thing more. I hear much complaint that the SEC is hurting investors by forcing the holding companies to dissolve. Let me say from personal experience that the SEC is working hard to protect all legitimate investors. If the stockholders of the utility companies will follow cheerfully the suggestions of the Commission as to swapping securities and purchasing operating companies' shares, they need suffer no

shrinkage in any actual values they ever had.

I am decidedly bullish on most utility operating companies' preferreds and some holding company preferreds. Ordinarily I do not like preferred stocks. They are a hybrid type of security and generally speaking I was brought up to avoid them. Ordinarily, from an investment point of view, I would prefer a first mortgage bond having a distinct claim upon the assets of a company or else a common stock having voting power and a real chance for profit. Today, however, all the stocks of well managed utility operating companies seem to have discounted the worst.

### GOOD NEWS AHEAD

I have already referred to the remarks of Edward Eichel, former Chairman of the SEC, that war conditions would not be allowed to delay the execution of the "death sentence" of the Holding Company Act. Recently, however, Edmund Burke, Jr., a distinguished member of the Commission, told the New York Savings Bank Conference it is unlikely that the SEC will require or even permit widespread sales by holding companies which will harm legitimate investors. From the very first I have had confidence in the SEC and believe that those who cheerfully follow their instructions will get on O. K., provided they subscribe to their proportional interest in the properties that have been separated.

For a while I was troubled by the possible effect of inflation on the utilities. Ordinarily, they and the railroads would be the worst sufferers. Yet the New Deal crowd now is rendering the utilities a real protection against inflation. Washington is making a serious effort to help the utilities keep down costs. Hence, the utility cloud is really developing a silver lining!

Unless farm operators tell us about their labor needs and use our recruiting service, we can be of little help to them, says Fay W. Hunter, Chief, Farm Placement Section, U. S. Employment Service.

Farm housewives are being urged by home economists to store, dry, brine and freeze garden products whenever possible, due to the shortage of canning equipment.

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## For County Accountant



J. H. Boone

Your vote and support in the May 30th Democratic primary will be greatly appreciated.

4-24-42 J. H. BOONE.

The U. S. Employment Service is responsible for matching farm labor supply and demand so as to prevent as far as possible a surplus of workers in one area while farmers in another are looking for help.

Howard Hubbard was crowned 4-H health king in Northampton County after riding his bicycle 25 miles to compete in the health contest.

The United States Employment Service is the key agency for bringing men and jobs together to speed up the wartime food production program.

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### CASH-DEBRUHL

New Bern.—Miss Mary Louise DeBruhl, of New Bern, and J. Howard Cash, of New Bern and Louisburg, were married Friday evening, May 8, at 9 o'clock at the home of the bride's uncle and aunt, Dr. and Mrs. C. S. Barker. The Rev. Leon Russell, pastor of Centenary Methodist Church, performed the ceremony.

The residence was arranged with white roses, white peonies and lighted candles. Due to Mrs. Barker's illness, only members of the immediate family were invited.

The bride wore a yellow crepe ensemble, with harmonizing green and yellow accessories. Her shoulder corsage was of orchids.

Following the wedding, the couple left for a motor trip, after which they will reside here.

Mrs. Cash is the daughter of the late Mr. and Mrs. W. J. DeBruhl, of Jones County. She has made her home here with the Barkers for a number of years. She attended Queens College, Charlotte, and was graduated from ECTC. After receiving a degree of Bachelor of Science from Duke University, she has been teaching home economics.

Mr. Cash is the son of R. E. Cash, of Louisburg. He attended Bule's Creek Academy and Massey's Business School in Richmond. He now is connected with the T. A. Loving Company at Cherry Point.

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The U. S. Employment Service estimates that this year the farmers of the country will be calling for many thousands more workers than they employed in 1929, the peak year of food production.

Government entomologists studying survival of boll weevils in winter hibernation at the Pee Dee Experiment Station in South Carolina, estimate that weevil infestation this year will be about the same as in 1941.

## FOR THE HOUSE



W. L. LUMPKIN

I wish to personally thank the large number of voters of our County who have assured me of their support on May 30th. To those of you whom I have not had the opportunity to see personally, I assure you that any interest you may take in my behalf will be genuinely appreciated.

If elected to this office, which is more important than ever on account of the critical and unpredictable conditions resulting from war, I promise the people of Franklin County that I will continue to work with all the force at my command for the improvement of conditions in the County, State and Nation. My policy shall continue to be that of working in the interest of the working man, whether he be on the farm, in the factory or in the store. It shall be my purpose to continue to try to serve the best interest of all the people of our great County and State.

In order to co-operate with the Government in the gasoline and tire conservation program, I will be unable to visit all the voters in the County, but assure you of my gratitude for your support.

W. L. LUMPKIN

The National Jersey Cattle Club show and sale will be held at Biltmore Farms, Asheville, on June 3 and 4.

Five 4-H Club sheep projects have been started in Greene County.

The U. S. Employment Service is responsible for matching farm effective recruiting and placement service for agricultural workers and growers in every part of the country. There is no charge for this service to either worker or grower.

## TOO MANY PEOPLE WANT THIS SEAT ON WEEK-ENDS



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