

News Making

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ing they can enlist for six months of intensive training and 9½ years in the military reserve. On the other hand, if they wish to get all their military service over with, they can be drafted for two years and no reserve service. The President also suggested some inducements in the way of pay increase and benefits for train-

ed men who stay on in service. Surely, today no one suggests that we don't need a strong military force. Surely, we have now learned the terrible, terrible cost of sending untrained men into battle to buy time while we train others. And surely today with all the technical aspects of modern warfare, training is even more important than ever before. The President's proposal seems to me to be a good common sense approach to solving

the problem of having a career and allowing a young man to meet his obligation to his country in the way of military service in time of need.

For several years, I wrote in this column concerning the need for a good hard surfaced all weather road between Franklin and Nantahala, crossing one of the various gaps in the Nantahala range. Now it seems that this need is on the way to being met as crews are at work on such project.

I think that now the greatest need for the people in Macon County is a matter that applies state-wide. The people of North Carolina need a Utilities Commission that is dedicated to serving the people of this state rather than one that seems to have as its guiding star the idea of catering to the requests of the companies that it is supposed to regulate. How long could a teacher keep order in a school room if her main idea was to respond to the vari-

ous and many requests of her pupils? Proof of my accusation, I think, is found, not only in the rate increases of the Western Carolina Telephone Company and the local bus situation, but, also, in the fact that the Attorney General of North Carolina has seen fit to step in and protest against a recent rate increase granted the Southern Bell Telephone Company. If one department head bucks another in conservative harmony-seeking North Carolina, you can feel sure there is really something "dead up the branch."

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ords, was nearly as involved as the company's. For all the involvements, it may show how a little-known phase of government operation is handled.

Background

To explain the answer, some of the background first must be set down:

1. Western Carolina Telephone Company was formed Jan. 1, 1952, by a group headed by Linn D. Garibaldi of Charlotte from five smaller companies—Western Carolina Telephone Company, Carolina Mountain Telephone Company, Weaverville Electric and Telephone Company and two non-operating companies. The Madison Telephone Company and The North Buncombe Telephone Company.

2. Before the merger, Western Carolina Telephone Company had a total assessed tax value of \$194,920; Carolina Mountain, \$242,000, and Weaverville Electric and Telephones, \$71,974.

3. In 1953, following the merger, the State Board of Assessment fixed the total taxable value of the new Western Carolina Telephone Company for the year ending Dec. 31, 1952, as \$724,606. This valuation, under state law, became the basis on which counties and municipalities in which the company operates would levy local property taxes.

4. In 1954, the valuation for the year ending Dec. 31, 1953, was assessed at \$836,372.

5. In spite of this increase, Macon County and Franklin each learned they would have less to tax.

6. In Macon County, the taxable value of the company's properties was lowered from \$134,129 in 1953 to \$88,588 in 1954. On the basis of the county's new \$1.40 tax rate, Macon stood to lose \$637.58. In Franklin, the valuation was lowered from \$74,109 in 1953 to \$44,129 in 1954, and the tax take due the town was down \$329.78. At Highlands, the tax value was cut from \$42,063 to \$27,296.

7. The only explanation The Press could get was that the company's line mileage was less. It was reduced from 1,935.72 to 969.17 miles in Macon County; from 1,069.53 to 381.26 miles in Franklin, and from 607.04 to 298.62 miles in Highlands. These figures, all hands agreed, were those the company had filed with the State Board of Assessment.

8. The Press, aware that telephone companies don't reduce line mileage while they apparently are expanding, asked the company how come. (The question was first asked by the

Town of Franklin, Editor). The company answered there had been "mistakes" in the report filed in Raleigh and promised the mistakes would be corrected.

9. The Press asked editorially how a state board could accept a company's figures without checking on their accuracy. It asked, too, whether other public utilities in North Carolina might not be making mistakes. And it wanted to know if it might not be possible for such "mistakes" to benefit the companies at the expense of local governments and the public generally.

The Answer

Now, the answer:

1. First off, the changes in the company's mileage of line in Macon County, Franklin and Highlands did not enter into the total valuation placed on the company's property by the state board.

2. The board sets the total valuation by taking into consideration the company's total plant investment, its capital structure and its earnings. It does not consider line mileage in this. The figures the board uses are checked against comparable figures filed in reports with the State Utilities Commission for rate-regulatory purposes and with the State Revenue Department for income and franchise tax purposes. The figures filed with the Revenue Department may be checked in turn against figures reported to federal income tax authorities.

3. The line mileage in counties and towns is used only to determine what proportion of the total valuation may be taxed by local government units. So long as the mileage the company reports for county and towns adds up to the total mileage shown on its system-wide records, the net effect to the company would not be material. It could stand to benefit only if it managed to allocate a greater mileage to low tax rate counties and towns than it allocated to higher tax rate local units.

4. The "mistakes" discovered resulted from a confusion as to how line mileage should be reported. Some of the companies merged into Western Carolina Telephone had reported "circuit" miles in some counties and others had reported "conductor" miles. The new Western Carolina Telephone Company reported some of its mileage on the basis of "circuit" miles. A "circuit" mile consists of the two lines required to form a circuit listed as one. A "conductor" mile lists the wires as two.

5. When the line mileage figures filed in 1954 were examined by the state board's secretary, J. C. Bethune, director of the Revenue Department's franchise and intangible tax division, he found they did not jibe with earlier figures. He learned they were based on "circuit" miles and so had them doubled. But the doubled or "conductor" line miles did not jibe either. Puzzled, Bethune took his problem to V. L. Choate, the State Utilities Commission's accounting chief. Choate went to Western North Carolina, made a study and prepared a new set of local line-mile figures for each of the counties and municipalities in which the company operates.

New Figures

6. On the basis of the new figures supplied by Choate, Bethune prepared a "corrected" breakdown of the company's line mileage. This was adopted by the State Board of Assessments. The chairman of the board is the state revenue commissioner (Eugene Shaw). Its members are the Utilities Commission chairman (Stanley Wilborne), the state treasurer (Edwin Gill), the attorney general (Harry McMullan) and the director of the State Department of Tax Research (James S. Currie).

7. Western Carolina Telephone operates in 11 counties — Buncombe, Cherokee, Clay, Graham, Macon, Madison, McDowell, Mitchell, Jackson, Swain and Yancey — and 16 municipalities — Andrews, Bakersville, Bryson City, Burnsville, Dillsboro, Franklin, Highlands, Hot Springs, Hayesville, Marion, Marshall, Mars Hill, Murphy, Robbinsville, Sylva and Weaverville.

8. The company's "uncorrected" reports listed a total of 9,799.06 line miles in 1953 (for 1952) and 8,657.52 miles in 1954 (for 1953). On this basis, the taxable value per mile was \$89.2916 in 1953 and \$91.4059 in 1954.

9. The "corrected" figures are 13,745.01 miles in 1953 (for 1952) with a taxable value of \$49,399.2 per mile and 18,487.60 miles in 1954 (for 1953) with a taxable value per mile of \$43.8035. The figures are important only in their relation to those in other counties and towns. They all are based on the "conductor" miles reporting system

used for other telephone companies. The taxable value per mile represents "excess valuation" after real estate is subtracted. Real estate items are listed with local assessors.

10. On the basis of "corrected" mileage, the allocations per local unit have been revised. The Macon County figures for 1953 were revised from 1,935.72 miles and \$134,129 valuation to 1,935.72 miles and \$95,623. Those for 1954 were changed from 969.17 miles and \$88,588 to 2,400.87 miles and \$102,766. Similarly, changes were made in figures for the other counties and municipalities.

11. The total valuation was not changed. It remains at \$836,372 in 1954 (for 1953) and \$724,606 in 1953 (for 1952). The total amount of "excess valuation" certified to the counties and municipalities remains at \$678,993 in 1953 but was changed in 1954 from \$791,348 in the first form to \$791,338 in the "corrected" form.

12. All figures on which the Board of Assessment based its valuation — plant investment, capital structure and earnings — checked with comparable figures the company listed in reports on file with the Utilities Commission.

Embarrassing Fact

That's about it, except for the embarrassing fact that the revisions will mean some counties and municipalities won't get the taxes they expected and may have to make refunds for 1953.

Bethune explained this in a letter he sent to counties, cities and towns December 14.

"The Western Carolina Telephone Company, in filing with the State Board of Assessment its report for 1953," he wrote, "made some errors in computing and consolidating the wire line mileage that was taken over in the merger (in 1952). These errors have affected the distribution of the valuation to some of the counties, cities and towns in which it operates."

"Through the cooperation of Western Carolina Telephone Company and the chief telephone accountant of the North Carolina Utilities Commission, we have determined the correct wire mileage for the years 1953 and 1954 which is reflected in the recertification certificates enclosed.

"We regret that a number of the affected counties, cities and towns will have to make tax adjustments to correspond with this report. However, we feel that the future years will work out to the satisfaction of all concerned, by reason of this effort of correction."

Smith Is Speaker At Rotary Club

Don B. Smith, Franklin Rotarian, was guest speaker at last Thursday's meeting of the Asheville Rotary Club at the George Vanderbilt Hotel.

Mr. Smith related some of his experiences as a trapper in Canada a number of years ago.

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