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OCTOBER 24-27, 1956

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Officers and Executive Council
## Past Presidents of the N. S. T. A.

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<td>Phillip J. Clark</td>
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<td>Russell Hastings</td>
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<td>R. Victor Mosley</td>
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<td>Willis M. Summers</td>
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<td>J. Gentry Dagny</td>
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<td>Henry J. Arnold</td>
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Presidential Greetings

It is with a deep sense of gratitude and an acute awareness of the responsibility involved that I accept the Presidency of the National Security Traders Association, Inc., for the coming year.

I pledge you my boundless interest in the Presidency of our organization. I intend to work hard—and consistently for you—for our organization, and for our industry.

The current convention was the largest ever held by our organization and is just another indication of the increasing recognition of the vital importance of the security trader in the modern mechanism of our present day capital markets.

Next year when we assemble at the Homestead in Virginia, I hope we will be part of an even greater turn out than the record attendance in Palm Springs—gathered together not just socially—but gathered together to plan greater achievements—greater purposes for our existence—and for our industry so that the financial world and the public at large will come to appreciate us all the more.

Before closing the books on the highly successful meeting just concluded, an expression of thanks and appreciation should be extended to the Security Traders Association of Los Angeles and the Security Traders Association of San Francisco for splendid hospitality and friendship they exhibited during the course of the convention and its aftermath. Certainly their efforts contributed importantly to a highly memorable occasion.

We are no less indebted, of course, to the Commercial and Financial Chronicle which, as in the past, did a great deal to stimulate interest not only in the convention itself, but also with respect to our organization. This "Convention" issue of the Chronicle is in keeping with the high standards which marked its previous efforts.

Finally, given the guidance and counsel of all of our members, my associate Officers as well as the members of our Executive Council are confident that the year ahead will be one of further attainments for the National Security Traders Association, Inc., and for all segments of our industry.

Sincerely,

WILLIAM J. BURKE, Jr., President
National Security Traders Association, Inc.

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THANKS A MILLION TO EVERYONE!

By HAROLD B. SMITH, Chairman, NSTA Advertising Committee

FELLOW MEMBERS:

The 4,500 members of the National Security Traders Association were ably represented at the Convention in Palm Springs, Calif., which terminated Oct. 28. Well over 500 members were on hand, many of them accompanied by their wives. All will agree it was our most outstanding Convention. Much of the credit for this feat is due to the efforts of the Los Angeles affiliate, represented by Bob Diehl, of Paine, Webber, Jackson & Curtis; Don Summerell, of Waggener & Durst, Inc.; Campbell Armour, of Crowell, Weedon & Co., and many others whose work was easily recognized.

At this writing, your NSTA Advertising Committee is not in a position to give final figures on the amount of advertising revenue obtained for our Convention Issue of the Commercial and Financial Chronicle, but we were informed by Mr. Seibert's office that over $37,000 has been confirmed and, with later accounts being received, I feel most confident of another banner year. In fact, our Committee may place before you a report second only to the 1946 "Picture Issue."

The results indicate growing interest among our members in the work of the Advertising Committee, which in turn means greater financial support for the NSTA Treasury, its primary source of income.

May I suggest you earnestly compare our final report with previous ones. You will thus be readily able to see just how effective added efforts of all of us can be in making these Convention Issues increasingly successful. These remarks should not be misunderstood, as I fully appreciate that some of our smaller Affiliates necessarily have limited opportunities insofar as advertising prospects are concerned.

With your Executive Council having in mind the financial stability of all of the Affiliates, it is a source of gratification when advertising results continue to increase, thus reflecting more and more general acceptance of the work of the National Advertising Committee. So, let's lend a bigger hand to the Chronicle and show them we are worthy of their cooperation.

May I surprise you?

The gross receipts from the Commercial and Financial Chronicle since the inception of our Convention Supplement Issue in 1939 exceed $168,000. May we ask ourselves to what extent we helped to make these results possible and, at the same time, resolve that we will do even better henceforth.

Certainly, I am an optimist and very enthusiastic regarding the wisdom, and resultant value, in placing an advertisement in our Convention Issue. This applies not only to those in the securities business, but also to Banks and Corporations. So I say, let's continue with a sincere interest in the work of our Association by supporting the efforts of your Advertising Committee.

And now it is most appropriate that we give full measure of grateful acknowledgement, of thoughtful praise to our fellow member, Herb Seibert, Editor and Publisher of the Commercial and Financial Chronicle, for the part he has played in our success. His support I am unable to place before you in words, so may I say "Herb, a great big thanks and God bless you." Please extend to your salesmen, Ed Beck, Hal Murphy, Vince Reilly and Ted Peterson, our sincere thanks for another fine job, and to all other members of your staff who have never faltered in offering complete cooperation to assure the success of our Convention Issues.

And again may I say thanks for a job well done to all concerned from our entire Committee.

Ad libbingly yours,

HAROLD B. SMITH

1946 ADVERTISING COMMITTEE


And therein endeth this " Advertisement Issue" of the Commercial & Financial Chronicle, with the exception of the Members list which follows and the statement of accounts due as of December 31st, 1946. Members interested in this are requested to have a check at the office of the NSTA, or a letter confirming their membership sent to the NSTA office, Flora, Ill., so that they may be included in this number of the Chronicle.

The Members list is as of December 31st, 1946, and is based on the information furnished by the members through the Officers at their respective offices. Any additions, deletions, or corrections of the roll are to be sent to the NSTA, Flora, Ill., so that the list may be kept current in the issue of the next year.

The Members list is compiled from the roll of the NSTA, Flora, Ill., as of December 31st, 1946, and is based on the information furnished by the members through the Officers at their respective offices.
Through the consolidation of various important industrial enterprises and their subsequent prudent management, the Penn-Texas family has achieved national importance. Assets have risen from less than $5,000,000 in 1950 to more than $108,000,000 today. Sales, which were only $6,000,000 in 1950, are now at the rate of $140,000,000 per annum.

Vigorous policies have enabled the various Penn-Texas units to draw new strength from each other. Growth meanwhile has been well planned, with the result that the multiple activities of the organization supplement and balance each other. This has brought multiple benefits to employees, to communities and to the shareholders.
Three Little Adages and How They Grew

By RILEA W. DOE*

*Vice-President, Safeway Stores, Inc., Oakland, Calif.

Safeway executive examines three well known adages for their valuable lessons. Mr. Doe suggests that we expose: (1) inconsistencies and untruths about big business and corporate earnings; (2) myths about stock ownership privileges and wealth; and (3) distortions regarding claimed small business plight. Advises calling a halt to increasing corporate profits tax trend for its threat to business incentive, and finds much we can learn from foreigners who appreciate our freedoms.

4.6% return is modest enough, an 8 does not reflect anything "privileged" or exorbitant.

How About Stockholder Rights? Also, we hear and read confounding sentiments about the "rights" of 1 million union members—and how little we know about the rights of America's 10 million stockholders whose invested capital makes possible the large payrolls? These stockholders are in as small a way as the sixty-six percent of all stockholders earn less than $6,000 per year. (About all the people with assets over $5,600.) Fifty-two percent of the stockholders of American corporations are women. Women take over, as we have seen, possibly it was not intended. Just think about what women have done with Ben Franklin's advice—"Let every new year find you a better man." Good advice, but too few men are taking it—and too many women think it was meant for them.

As a clincher to prove that stockholders do not all wealthy people: 53% of the stockholders of Safeway acquired in 1953 earned less per year than the average wages of the men who worked in the stores.

Let us not forget that a corporation is actually a piece of paper, a creature of government. As such, it can be manipulated by government and judges (and not necessarily harassed by its "parent." And if a corporation is to deserve fair treatment, businessmen must support government legislation that will protect their employees the facts, for business and industry collect 75% of all the taxes paid to government. This spotlight our second clue: when we sit at the table and begin to apply its principles, there are a lot of people around who want to enforce it. And that is why our editorial is so important.

The Truths About Small Business

So much for business profits. Now let us turn our attention to another phobia which needs clarification. It is also based on "a mistake," but this time it is the charge that little business has no chance in a wartime economy. In the first place, it should not speak of little business or big business, but simply of small and big business. Both are necessary to the success of the other. Therefore, we would like to return to the provocative headline that big corporations get most of the big profits. Of course they do. No one else can handle such enormous contracts. The top

*The address by Mr. Doe before the National Securities Traders Association Convention, Palm Springs, Calif., Oct. 28, 1896.
Pacific Northwest Power Prospects

By CLARENCE D. PHILLIPS

Phillips, Coughlin, Buell & Phillips, Portland, Oregon

Power development needs, shortages and future projects, to satisfy the Pacific Northwest power hungry area under the strain of rapid economic development, will require, according to West Coast Attorney, $300,000,000 annually for the next ten years and send licensees continuously in the money market for various financing. Mr. Phillips describes, except for Washington, preference for private transmission, cooperative public-private interconnected pool extending to Utah, Montana and Idaho, and complexities in arriving at purchase agreements, a prerequisite to financing. Expects shortages to develop by 1960 and rise thereafter unless capital needs are met, despite prediction present load will more than double by 1965. Doubts atomic energy will compete for some time with hydro-electric energy in the area, and shows steam generation and storage needs.

Hydroelectric After 1939

With this background we find that Oregon power, having grown for the most part until recent years with a basic agrarian economy. In eastern Washington and also arising with some of other factors such as the depression years requiring much additional employment as possible, a general philosophy of Federal development and public ownership of power projects and distribution, the desire of the State of the Columbia being expected to irrigate much of their arid land in Central Washington, and the general desire to improve navigation on the Columbia River which was exceedingly difficult by reason of swift rapids and channel obstacles, particularly east of the Cascade Mountains. This river at times has extreme fluctuations, the will have a capacity of 1,000,000 cubic feet per second, its normal flow being about 100,000,000,000 feet, and its flow has been as low as approximately 32,000,000. This variation of flow has created difficulties in navigation, particularly during the low flow periods and has created unrest with respect to the generation of electric energy, and to some extent uncertainty as to irrigation water. On the other hand, the maximum flows at times have created serious flood conditions in the lower river where people have been indulged in search of food by clearing the stream bed as much as possible. At times very serious damages, such as was caused in the Vanport flood of 1948.

Federal Development

In 1932, after many years of study, the Congress of the United States authorized the construction of the Bonneville Dam as a "make-work" project, using as its construction funds, the improvement of navigation in the Columbia Valley and the development of electric energy as a by-product. Having no yardstick by which to determine the benefits which might accrue respectively to power and navigation, approximately one-half of the cost of the project was allocated to navigation and the other half to the development of power. The latter was to be amortized eventually by the sale of electric energy. This allocation accounts, to some extent, for the very low rate for electric power. There has been no great pressure of an economic nature upon which that water up the Columbia Valley for approximately 100 miles almost to the Canadian border. The constitutional basis for this allocation, which has had a most beneficial and important development. Although the Columbia River was kept in its natural channel, use was made of the Grand Coulee, the old ancient river channel, by diverting between its lower reaches for impounding water in a reservoir to be regulated for irrigation use and into which water is pumped from behind the Coulee Dam on the main stem of the Columbia River and is now being used for irrigation. The power from the Grand Coulee project, as

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Mr. Alfred J. Stalker, Mgr., Dealer Relations Department.
Commissioner Hastings, speaking extemporaneously, appeals for support of securities industry in the Commission's efforts to protect investing public from those elements in the business whose operations are contrary to the best interests of the entire financial community. Says Commission is interested in eliminating some of its existing rules and regulations applicable to dealers in securities.

During the past month I have been making a tour of the 1st District. The experience has been well worthwhile, and I have learned much from you, the securities industry and those in other lines of the same industry that are facing serious problems.

The SEC is faced with a problem that a healthy financial community is necessary to the maintenance of public confidence, and that a great deal of the nation’s welfare and growth depends upon that confidence. We are, therefore, attempting to maintain a high level of public confidence and in doing so not to impose upon the industry exorbitant rules and regulations and restrictions. We recognize that securities transactions of all kinds get into very complex situations, and it is impossible to write a simplified version of rules and regulations for such a complex problem as we all face.

The principal purpose of my addressing you here is to ask you who are in that complex industry, to help us in the Commission to carry out our obligations to the investing public. We may achieve our objective of protecting the public interest and do so with a realistic approach if we have the ideas and the comments from all of those groups who have a stake in the business.

The Commission, as you know, has been deeply concerned just recently over the boiler room activities and has accelerated its activities to stem this type of operation. We feel that those operations are detrimental to the public, and, therefore, will eventually destroy the public confidence.

We believe that you, all of you and other associations, to cooperate with the Commission and publicizing among your own clientele the fact that they should not deal with unknown persons. In your position, your attitude, your comments, and that they will be given every consideration in the clarification, simplification and, if possible, the they should look with a great deal of deal with these regulations which are made to them business.

Lex Jolley       Landan A. Freear       Bernard F. Kennedy       Garrett D. Lee, Jr.

John F. McLaughlin       Donald E. Summerell       William S. Thompson

Donald E. Summerell, Wageseller & Durst, Inc., Los Angeles, Calif.
William S. Thompson, Carr & Thompson, Inc., Boston.
The Over-the-Counter Market

By COLONEL OLIVER J. TROSTER
Partner, Troster, Singer & Co., New York City

Thirty-seven years of active participation in the Over-the-Counter Securities Market provides Colonel Troster with an armful of information to relate from the first hunting of a meaningful name, at the inception of this vast market, to its present development and equally important functions it provides, with the Exchanges, in the U. S. economy. In describing the growth and service provided, the author points out that quotations are made daily on 5,000 different stocks, ranging from the biggest, oldest, most conservative companies in the country to small local enterprises, with share values from $65,000 to penny “cats and dogs.” Calls attention to fact that Over-the-Counter stocks have uninterrupted dividend paying records exceeding 170 years, and are handled by over 4,000 firms with 2,600 branch offices and over 50,000 registered representatives. Cites advantages to buyers and sellers and describes stringent self-policing, code of conduct, maintained among dealers in securities traded in the Over-the-Counter Market.

How Name Originated
Where did the term Over-the-Couter—as it applies to securities transactions—originate? It was in 1928. A group of us who had been instrumental in forming the first association designed to promote just and equitable principles of trading among dealers in securities not traded on the Exchange came up with the idea that the name of our association was negative in character. It was called the UNLISTED Securities Dealers Association. We decided that we did not want to be UN anything, so we looked for a positive name. I do not remember whether that was before or after the slogan “Every day in every way I’m getting better and better”—but anyway we went looking for a better name. The late Frederick H. Hatch, a Governor of the Association, remarked at one meeting that back in the good old days before telephones came along, his father’s firm of Fisk & Hatch transacted most of their securities business by having customers walk in their offices and buying stocks and bonds right over the counter. The phrase “Over-the-Couter” clicked and soon that “negative” word “Un-listed” was dropped for the “positive” Over-the-Couter. Many object to it as being cumbersome. But up to now, no better or more acceptable name has been proposed and public acceptance of it is practically universal.

There are two markets which handle the securities business of this country—the Exchange or listed market and the Over-the-Couter market.

These two markets are complementary because all the business not handled by one is handled by the other. And they are supplementary because the Over-the-Couter Market creates through underwritings and develops through merchandising, issues which may eventually be listed.

The Exchange Market has as its main feature a centralized trading floor where brokers meet and execute customers orders transmitted to them by other brokers.

As a general rule, the stocks traded on the Stock Exchange represent ownership in America’s larger and more widely held corporations. They are the companies, more or less nationally known, with the large capital structures, and the long lists of stockholders. This is necessarily so, because the Exchange market is an auction market and a successful auction requires a constant flow of bids and offers. This constant flow can come only from a large capitalization or from companies whose stocks enjoy periodic speculative attractiveness.

Listing Not Synonymous With a Good Market

Now everyone must recognize that the act of listing a security on an Exchange does not of itself guarantee a good active market in the security. Evidence of this is seen each day in the list published every day in the “Wall Street Journal’s” column, “Closing bid and asked prices of stocks not traded.” In this column is a sampling of about 400 stocks in which there were no trades.

Now as regards the Over-the-Couter Market, it is quite correct to say that it handles all the securities business not handled by the Exchanges. Thus it is quite evident that the field is to all intents and purposes, limited only by the number of publicly held corporations in existence! Even the phrase “Over-the-Couter” is a term of many meanings. It means not only the securities which are traded in that market but also the facilities which wake up that market: the offices, the equipment, the communications, the people, the activities, the procedures—all these make up that complex apparatus known as the Over-the-Couter Market.

Traditionally, the securities traded in the Over-the-Couter Market have been the United States Government and its various agency’s bonds, notes and bills; state, municipal and public authority bonds; guaranteed railroad and equipment issues; bank and insurance stocks; and those industrial, public utility, natural resource and other issues not traded on the Exchanges.

Calibre of Securities Traded in Counter Market

Among the names that come to mind when a professional stock trader thinks of the Over-the-Couter Markets are such well known names as Anheuser-Busch, Dictaphone-Dun & Bradstreet, Grinnell Sprinklers, M. A. Hanna, Long Bell Lumber, Martin Mariner, O’Connell & Corgan, O’Shaugnessy, Walsh & Rose, W. W. Wells Fargo, Brinks Armored Cars, O’Sullivan Rubber Hells, Hudson’s Bay Company, Revlon, and so on and so on almost ad infinitum, and hundreds of others present investment and speculative opportunities for discerning investors.

Probably most people have little or no conception of the scope of the Over-the-Couter Market. Here is some help. Each day the National Quotation Bureau, a privately owned service to securities dealers, distributes to subscribers a trade publication which is an alphabetical compilation of bids and offers on Over-the-Couter securities. Each day this service provides approximately 5,000 different and approximately 20,000 different stocks are quoted. It is vast.

Continued on page 85
Role of the Investment Banker

By EDWARD GLASSMEYER

Vice-President, Blyth & Co., Inc., New York City

Blyth official reviews investment banking functions, ways of raising capital, and points out: (1) amazing growth of non-banking financial institutions, and increased competition in private placements which, in 1955, took up half of the bond issues; (2) changed channeling of private savings; (3) extent of regulation in the industry; and (4) the still pressing need for uniform state securities laws. New underwriting of corporate security issues exceeded $6 billion in 1955, according to Mr. Glassmeyer, who expects they will be higher in 1956.

The Securities Act has had another important, though completely unintentional effect upon our business. Registration of securities is expensive, with legal, printing, and filing fees, but more important, it requires an over-all plan of ways to prepare documents and another 20 days during which the registration statement is under scrutiny by the SEC prior to offering. During this time, securities may not be sold, nor a company may raise any money. As a result, the registration under the Act is required only for security issues offered to the public. With the placement of issues directly to institutional and other buyers, the latter form of financing, called private placements, has become increasingly attractive to companies that wish to issue bonds. Prior to the Act, all bond issues were sold through the private placement method without being offered to the public.

The Public Utility Holding Act of 1935 also required competitive bidding for all utility security issues under its jurisdiction, and the Interstate Commerce Commission ruled for compulsory competitive bidding on all railroad securities.

Savings Character Greatly Changed

In the last two decades notable changes were brought about in the savings habits of the private individual. During World War II, he was educated through Liberty Loan campaigns to invest, and in the 1950's he was the backbone of the commercial bank, buying bonds and preferred common stocks from investment bankers. The Act of 1935, which regulated the industrial growth of that era, unfortunately resulted in considerable loss of capital, buying power and employment.

Since then, the savings of millions of individuals have been placed in increasing amounts in the hands of institutions such as banks, savings and loan associations, mutual savings banks, trust funds and pension funds. These institutions have consequently shown a remarkable growth over the past 25 years. Over this period the private investor has ceased to be a buyer for bonds and preferred stocks, instead buying grade bonds, although he still comprises an extremely large and recent market for common stock issues.

Thus, since 1932 the status of the investment banker has changed profoundly. He is highly regulated, he can no longer accept and exercise sharp competition with the private placement department of the underwriters. These institutions have become institutionalized.

Investment Banking Methods

No investment banking firm employs the same methods at all times. Every transaction is tailor-made as no financial problems are ever exactly alike. Even an investment banker recommends a financing plan only after a study of the present and future requirements of the company. What you can do for one utility company will not necessarily do for another. What made a financial plan for a pharmaceutical company may be unsuitable for a steel producer.

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Edward Glassmeyer

The Commercial and Financial Chronicle
Thursday, November 15, 1956

An address by Mr. Glassmeyer before the Industrial Council of Roosevelt Institute, Troy, N. Y., Oct. 12, 1956.
When discussing "New Horizons in the Chemical Industry," one is tempted to describe it with the Air Force's old term—CAVU—cruising and visibility unlimited. Indeed, the danger of talking about the chemical industry's future is that I, like Icarus, may soar so high that the sun will melt the wax on my wings—although nowadays the chemical industry could surely provide Icarus with a plastic hinge that not even the sun could melt. Nonetheless, I'll try to give you a sound examination of what I believe to be the industry's future.

My subject matter is at once an advantage and a disadvantage. It's an advantage because any industry that enjoys such a high rate of growth as the chemical industry does presents an abundant source of interesting facts about its future. It's a disadvantage because the industry in the past 25 years has produced so many "miracles" that people may have become generally脑海 about it—much as they would if Don Larsen pitched a perfect no-hit game three years ago he took his turn on the hill.

Basic, Dynamic and Ubiquitous

The industry is so complex as to defy complete description; but it can be characterized by three words: basic, ubiquitous, dynamic. It is basic because it supplies products to every other industry and to everyone. It is the basis of 72 industrial classifications in the Department of Commerce statistical tables. The chemical industry, for all practical purposes, is the only one which supplies products to every other industry. It is ubiquitous because it is used in the manufacture of almost every end product whether it be destined for industry or the home. And it is dynamic because it is constantly generating new products, and it is constantly generating whole new industries. Did you know that some 50,000 new compounds are prepared and tested every year? Naturally, most of them are useless, but many become the raw material of new products; they create new markets; they are the cornerstones of whole new industries. Look at polyethylene plastics, for example. Ten years ago they were unknown to the consuming public. Now we have squeezeable bottles, noiseless garbage cans, improved piping and electrical insulation, radio housings and many housewares, all made of this tough, versatile resin. Thousands of our fellow men are employed in this expanding and expanding field of polyethylene plastics. And it is only one example of many which might be cited.

Of course the future is a continuing process of the past and the present, but we can project ourselves ahead and examine what has already been achieved.

Faster Future Growth Rate

The United States chemical industry—that is, manufacturers of chemicals and allied products—employ a total of some 13,000 plants. They are located in every part of the country. They provide jobs for about 800,000 people. Since 1882, production of industrial chemicals has grown at an average rate of about 10% a year.

The rest of industry, through the same period, has grown at an average rate of 3%. Our projections and our plans for expansion indicate that this margin of difference will not only be maintained but will increase substantially in the years ahead. Instead of growing three times as fast as the average for the nation as a whole, we'll grow four, possibly five times as fast.

The basic source of all these healthy statistics is, of course, the laboratory. As the Armour Research Foundation points out, "Half of the nation's employment can be traced directly to the research laboratory. Teams of scientists and engineers are today creating tomorrow's jobs, tomorrow's industrial, profits and tomorrow's comforts."

The chemical industry spends about 350,000 man years on research. As a result, we not only have a host of new products on the market every year, but also are blessed with new drugs and medicines that are steadily increasing the individual's life expectancy and easing his pains.

The glowing results of research, like winning performances of a champion athlete, often tend to make things look easy. In the eyes of the beholder, the less spectacular history beneath the historic moment is often obscured. For example, more than 5,000 pain-relieving compounds have been developed, each with great care and difficulty and at considerable cost. Only eight types of these compounds are commercially and medically feasible. Now this is not an isolated instance; it is, rather, an indication of what the research community can reasonably expect. Yet he has the satisfaction of seeing this burgeoning industry growing in direct proportion to his success, for it is estimated that each dollar spent on research is later followed by $10 in capital invested for the manufacture of new and improved products.

I'm reminded of the cartoon in which one nurse addresses another in a maternity ward. "Where will it ever end? " she asks. "Ask that question about the chemical industry," and the answer is equally uncertain.

Joe Smith in 1975

Maybe in 1975, Joe Smith will live in an all-plastic fireproof house. In the morning he sprays a liquid on his face, washes it off and the water goes with it. This is followed by a contacted shower, and then he dresses in a perfectly and permanently creased suit of synthetic fibers. Joe's food will consist of three-year-old eggs in plants, caviars, but a bit younger, and synthetic milk. Real milk is too valuable. It is used to make complete chemical products from which Mrs. Smith's winter coat is made.

Cars are plastic, lawns are mowed with a chemical vapor, and children will never know whooping cough, cavities or colds. But they will be amused by those thoughts to your imaginations. Perhaps, like mine, your memories reach back to the days, not so very long ago, when fanciful dreamers amused their fellow with incredible accounts of unbreakable phonograph records, textiles created in test tubes, and the end of pneumonia as a major threat to life.

Let's get down to business and examine some of the specific areas in which the chemical industry must obtain to revolutionize our economy and the lives of our children.

Chemistry Creates More Food

"Eating, folks, breakfast is of small satisfaction to the politician," and yet it will be difficult for the politicians to resist proposals for increasing the nation's meat. But we in the chemical industry will confess that we are in great measure, responsible for the farm surplus problem. Our radically improved fertilizers have made it possible to raise more crops on less land, at less work, less acreage. Our "insecticides have protected those crops, and made possible for them reach temporarily glutted markets. Many new and improved pesticides are now either in the advanced laboratory stage or practically ready for market. They will make it possible to increase production still further. Fortunately we in the chemical industry do not have to keep our eyes so closely glued to the ballot boxes as do the politicians. We can afford the luxury of looking at the long range picture."

Continued on page 94

New Horizons in Chemical Industry

By MARLIN G. GEIGER*

Executive Vice-President, Chemical Group
W. R. Grace & Co., New York

Predicting that the chemical industry's faster rate of growth than the rest of industry should increase substantially in the years ahead, W. R. Grace official sees the strength in the industry deriving from strategic position in supplying products to every other industry which are used in manufacture of almost every end product, and in generating new products and industries. Mr. Geiger reports a planned greater expansion than any other industry for 1956-1958, accompanied by 16 per cent increase in research expenditures, and discusses the paramount problem of obtaining sufficient "trained manpower." Reviews past, present, and future possible chemical accomplishments, and stresses need for super managerial scientists who can coordinate efforts of specialists.

*An address by Mr. Geiger before the Columbian Institute for the Promotion of Foreign Trade at the New School for Social Research, Oct. 21, 1956.

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Common Preferred

The COMMERCIAL and FINANCIAL CHRONICLE
Outlook for TV Receiver Industry

By DR. W. R. G. BAKER* President, Radio-Electronics-Television Manufacturers Association Vice-President, General Electric Company

Offering an excellent outlook for all phases of the television industry, despite slackened TV receiver sales during first nine months of this year, General Electric Vice-President pictures: sales recovery making 1956 one of the best years for receiver sets; 10 million sales in 1960, compared to 7.5 million sold now; industrial closed circuit television growing from current $6 million to about $24 million by 1960, true transistorized portables in two years; and a firming up of UHF market segment and a higher industry volume in sales to existing stations. Dr. Baker opines television receiver industry is now going through a transition-readjustment period which will remain until replacement market starts to take hold.

There are many other facets of the industry that must be examined, such as industrial, educational and military television. And such aspects as slow scan, ultra high frequency, color, and scatter techniques cannot be overlooked.

For many years the number of bathtubs in any given country has been used as sort of an informal measurement of the standard of living of that country. Just why the bathtub was chosen I do not know but I did note with interest recently that in the United States we now have more television sets than bathtubs. What the sociological implications of this fact are, I will not venture to guess.

The important thing is that 10 years ago there were only a few thousand sets in the country and we now have 30 million. This amounts to one television receiver for about every four persons in the United States. As for the importance of the television broadcasting industry, a Nielsen survey estimated that more hours are spent watching television than in all economic pursuits.

Television Sales

Although the first nine months of this year have seen a slackening of television set sales, it is predicted that sales in the remaining three months will equal or exceed those in the same period of 1955. Right now the television receiver industry is going through a period of transition at readjustment which will probably remain until the replacement market starts to take hold. In spite of this, 1956 will still be one of the best years for receiver sales.

This year, for the first time, there has been a true industry-wide participation in the production of the so-called transistorized sets and this fact is reflected in sales figures. We expect that the Christmas season will provide dealers with an unprecedented opportunity to sell portables. In fact, the portable market offers the best Christmas gift service since the beginning of television. In 1957, we expect that 25% of total sales should be in portables, up to and including the 17-inch size.

Looking further into the future, in 1959 we should be selling about 10 million sets a year, in contrast to the seven to seven and a half million sets now.

In the field of color television, both the technical performance and the price have reached the level where they have gained reasonable consumer acceptability. As we continue to progress, color image will become better and the price will probably be lower. But we must impress the buying public that in all likelihood there will not be the drastic price reductions in color sets that characterized the monochrome receiver market—at least in the immediate future. Color basically costs about three times as much as monochrome and, unless an unforeseen miracle occurs, color sets will always be more expensive than black and white. However, any progress that is made in the monochrome field will also benefit color set production so we can eventually expect better, less expensive color sets, and deeper market penetration.

Transistorized TV Portables

No one connected with the industry needs a crystal ball to see that the use of transistors and a wider angle picture tube will result in lighter and more compact portable receivers.

What we are shooting for, of course, is a transistorized true portable set that will operate anywhere on its own battery-supplied power source. Once we have chained the portable from its wall socket we have provided the public with a more flexible set that gives them a much greater utility.

There are still some technological problems—production at least in the transistorized set, particularly in the development of the horizontal sweep, and the high frequency circuits. In the picture tube itself, transistors operating from a low voltage battery do not provide enough picture drive for full contrast pictures.

However, research and development engineers are hard at work and I expect that we will be transistorized, true portable sets on the market within two years.

UHF and Industrial TV

Turning to the manufacture of broadcast equipment, it is expected that the 1966 level will be maintained at about the same volume in 1957. The most significant marketing trend anticipated in

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* An address by Dr. W. R. G. Baker, delivered by Arthur T. Loughran, President of Institute of Radio Engineers, at the IRE-REMTA Radio Fall Meeting, Hyatt Regency Syracuse, Syracuse, N. Y., Oct. 18.
Southern California Municipal Bond Outlook

By JAMES L. BEEBE, Esq.*
Partner, O'Melveny & Myers, Los Angeles, Calif.

My remarks will be reasonably brief but I shall enumerate for you the following points:

Generally, the bonds of Los Angeles City, the Los Angeles City School Districts, the Los Angeles County Flood Control District, The Metropolitan Water District, and the Department of Water and Power which may be expected in the next two or three years: what supports these bonds; what are the growth problems of Southern California since the war has caused favorable factors in its economy; and what are the principal adverse factors in its economy.

This sounds like a formidable list but I hope to make it reasonably short. Some of the statements I shall make are no accident—they may seem to be exaggerated. The tremendous growth of Southern California since the war has surprised no one more than the people who live in it. Southern California leaders expected the surplus war employed population to leave at the end of World War II and the number who remained and the upsurge since have been unexpected. May I urge you to come out and see for yourself. The New Year holidays are not a bad time to come. You can see a good horse race, a big parade, and probably a poor football game, as under our P.C.C. rules one of the big 10 gives us our annual trimming.

Bond Financing Potential

At the present time authorized but unsold bonds of Los Angeles City and the Los Angeles City School Districts (high and elementary), the Los Angeles County

*Remarks of Mr. Beebe at a meeting of the Municipal Forum of New York, Oct. 18, 1956.

Constitutional Bond Fund, and The Metropolitan Water District of Southern California total $389,280,000 or, in round figures, $380,000,000.

These bonds, of course, are all general obligations and most (except Flood Control) will be sold in the next two to three years. The Department of Water and Power of The City of Los Angeles will also issue some Waterworks Revenue Bonds and Electric Works Revenue Bonds, probably about $40 to $45,000,000 annually.

Exclusive of the above issues, the total amount of authorized but unsold bonds in Southern California is approximately $400,000,000. Most of these will be marketed in the next two years.

After the presently authorized Los Angeles School District bonds have been issued and sold, additional bonds will be voted. We may also have additional Los Angeles City and Los Angeles County bonds.

What Supports These Bonds

You of course know the principal facts about the Department of Water and Power of The City of Los Angeles. The official statements put out by that department have been circulated to such an extent among the bond fraternity that few buyers are unfamiliar with the Los Angeles City utilities, the waterworks system and the electric works system, and their financial position.

All of the other bonds which I mentioned are paid from ad valorem taxes upon all property or, in case of the Flood Control District, upon all real property. The assessed valuation of taxable property in the City of Los Angeles for the current fiscal year is $8,695,980,120. The Los Angeles City School District is an elementary school district, consisting of the City of Los Angeles and some additional territory, which gives it a higher valuation than the City of Los Angeles. The Los Angeles City High School District is slightly larger than the City School District and the Los Angeles Junior College District is slightly larger than the High School District. The Los Angeles County Flood Control District consists of most of Los Angeles County, excluding the northern desert and the island areas. It has a real property assessed valuation of $6,730,847,770. Los Angeles County itself has a total assessed valuation of all taxable property of $8,405,734,925. The Metropolitan Water District of Southern California consists of cities and municipal water districts in five counties and has an assessed valuation of $3,074,000,000.

The assessed valuation of the County of Los Angeles in 1933-34 was greater than the assessed valuation of any of 39 states—only nine states (including California) exceeded it in assessed value. As of Jan. 1, 1955, with 5,186,000 inhabitants (estimate, July 1, 1956, 5,515,000), only eight states (including California) exceeded it in population. Los Angeles City in 1955 was exceeded in population by only 27 states and in assessed valuation by only 31 states. In retail sales only seven states (including California) exceeded Los Angeles County in 1954.

I make this comparison with states because people generally think of a state as being of considerable more importance than a municipality or district, when actually Los Angeles City and Los Angeles County each has more population and more taxable wealth than any one of a number of states.

The relation of assessed value to actual value varies both in states and counties. Los Angeles County assessed valuations are conservative. We have a long history of conservative assessment. While the assessed valuation of taxable property in Los Angeles County is generally supposed to be about 50% of its true value, at the present time I am sure that the valuation is not up to 50%. The assessor has not increased his assessed values as rapidly as market values have increased. It is well that he should not do so. One of these days the market prices of real property will drop and when they do it is desirable not to have a like decrease in assessed valuation. The assessor's rates should go up more slowly than market values. If I were to guess on the ratio of the assessed valuation to the actual value of property in the County of Los Angeles I would say 60%. I suppose the ratio of this low percentage for two reasons: first, increased assessed valuations seldom result in a reduction in the tax rate—politically the rate seems more important than the valuation —so if the assessed valuations increase rates remain steady or even increase and expenditures increase. A relatively low assessed valuation makes for a faster economy. Second, as I stated before, if valuation is kept relatively low a re-adjustment under adverse conditions gives a smaller dislocation in the public business.

Since the war, of course, there has been a big upsurge in bonded indebtedness in Southern California.

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Continued on page 89
In presenting the report of the NSTA Corporate and Legislative Committee at the Association’s 23rd Annual Convention, Chairman Robert W. Haack, Chairman of the Stock Exchange, emphasized the importance of the role played by the group in seeking enactment by the various State legislatures of the model statute covering the gifts of securities to minors which was conceived by the New York Stock Exchange. Observes that 13 States and the District of Columbia have already adopted the statute and feels confident of its enactment by other State legislatures. Report includes a capsule description of the statute’s objectives and urges local support in States which have not yet acted favorably on the legislation.

The text of the Report follows:

Because the occasion or opportunity for the presentation of a national level was negligible, the bulk of our activity centered at the state level, particularly concerning the enactments of the model statute Concerning Gifts of Securities to Minors.

The model statute was conceived by the New York Stock Exchange and sponsored by the Association of Stock Exchange Firms, and those of us who have had the opportunity of doing background work. Evidently the provisions of the statute have been so improved with its advantages that we feel our organization might well expose its worthwhileness cause.

First, it was felt that the knotty problem of minor transactions was an industry matter and, as such, transcended the boundaries of stock exchange “united” concepts which are all too prevalent in the trade today.

Secondly, we the committee believed that many non-member firms in their particular area, by reason of deep community roots, long standing reputations, and a unique contacts, might in some cases exert an even stronger influence for sponsorship of the type of legislation than the local stock exchange representatives.

Hence, our committee offered to the Association of Stock Exchange Firms, the separate Associate Association generally and of the various Associates specifically, with the thought that we might take the lead in those states where legislation had already been introduced, and aid in those efforts, and that in those areas where nothing had yet been done, we might responsibly initiate legislation. This offer was most graciously received and welcomed by the Association of Stock Exchange Firms and its every facility was put at our disposal.

Our committee contacted the President of every NSTA Affiliate in those states in which the law had not been enacted. In those states in which legislation had private to highlight it briefly, we apprized them of the status and suggested procedures and supplied the names of interested parties, with the idea in mind that, in concert, they might bring additional favorable influence to bear. In those cases where legislation had not yet been introduced we supplied a simple copy of the Act, descriptive literature, and recommended specific procedures insofar as listing reputable and responsible sponsorship was concerned. The response and cooperation of many Affiliates was most gratifying.

At present the 12 states of California, Colorado, Connecticut, Georgia, Michigan, New Jersey, New York, North Carolina, Ohio, Rhode Island, South Carolina, Virginia and Wisconsin, plus the District of Columbia, have adopted the statute, and it is very likely that the new year will see major securities convene next year, other states to come. It is admitted, however, that the “unlimited” concepts are all too prevalent in the trade today.

Purposes of the Law

For those of you not familiar with the Act, it might be appropriate to indicate briefly that we are all certainly familiar with the difficulties which inhered in the matter of making gifts of securities to minors, and we are aware that the present legislative developments are the result of the struggle for legislation.

Because of the trouble and expense of setting up trusts or guardianships for children, there is clear need of a simple method which we enable a parent to make a gift of securities to a child.

Under the statute an adult may make an outright gift of stock to a child by registering the securities in the name of an adult as “custodian” for the child, the custodian being a close relative or, with the exception of one state, the donor himself. The designated custodian has the right to sell any securities originally given, has the right of reinvest, can collect dividends, and the investment until the child becomes 21 years of age.

Because this legislation embodies a relatively new legal concept, it is recommended that the donor adhere to the law of the state in which he or she resides, lest legal difficulties arise.

Endorsed by Bar Association

It should be noted that at present any type of securities can be given, but not cash or any other type of property, and that the statute does not place any limitation on the amount which may be given. Of interest is the fact that very recently a uniform bill was unanimously adopted by the National Conference of the Committees on Uniform State Laws, and also by the American Bar Association. It is likely that in the future legislation will be designed to permit gifts other than securities, and doubling the custodian provisions will be broadened.

Because of the fact that only securities can be given, a suit can be brought if the donor does not act, and the custodian should be supplied with the name of the custodian, the child involved, and the state whose statute is being invoked, i.e., “John Doe, as custodian for Jane Doe, a minor under Section 318.00 of the Wisconsin Statutes.” The same procedures are utilized if the gift involves transfer of stock already owned by the donor. Completion of the gift occurs when the descendant of the stock custodian. From that time on, subject to certain prohibitions, the custodian may engage in normal investment and reinvestment procedures under the “prudent man rule.”

Textwise, it has been ruled that a gift made under this enabling legislation is a completed gift for Federal tax purposes and that such a gift qualifies for the annual gift exclusion of $10,000.

“What a Panacea”

Obviously, and admittedly, the statute is new and untried. It is not a panacea and will never provide the flexibility of a properly created trust. Notwithstanding the risks and limitations, we feel that the benefits are great and urge your local support where legislation has not yet been enacted.

We of the committee wish to publicly acknowledge the splendid efforts of Mr. Northrup, President of the New York Stock Exchange, and that of Mr. M. Charters, General Counsel of the Association of Stock Exchange Firms, both of whom made their experience and facilities available to us. While it is difficult to evaluate our effort, we have definite reason to believe that we have in some localities been an effective influence, and it is our hope that we may be of help in the states in which the legislation has not yet become effective.

Respectfully submitted,

Chairman Robert W. Haack, Chairman Robert W. Baird & Co., Milwaukee, Wis.

Walter J. Dearmer

Edgar A. Snyder

John W. Fuerbacher
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Byron J. Sayre, of John Nuveen & Co., Chairman of the NSTA Municipal Securities Committee, cites impact of extremely tight money on municipal bond prices during most of 1956 and expresses view that many dealers will have sigh of relief that this "hctic year" is almost over. Says present price levels are at lowest point since 1953, but defends "hard money" policy as essential to dampening inflation and maintaining dollar's purchasing power. Contends long-range effect of Federal highway program on toll road bonds cannot be other than bullish.

Report of Municipal Committee

The Municipal Securities Committee of the NSTA, whose Chairman is Byron J. Sayre, of John Nuveen & Co., Inc., Chicago, is annual report to the 23rd Convention of the National Security Traders Association at Los Angeles, commented, among other things, on the weakness in the municipal bond price structure, and the probable bullish impact of the Federal highway program on outstanding toll road bonds.

The text of the report follows:

Our Municipal Report for the last convention ended on a note of optimism for the future, but at lower price levels. The Full 1955 and early 1956 did produce good business at slightly lower levels, with the Dow Jones Municipal Average going from 252.2 to 259.5 by December. That lower price levels are with us now is quite apparent to all.

The Illinois Turnpike deal finally came to market and was sold in the early part of the year, although the deal has never been really "put away" even as of now. The $100,000,000 Connecticut in February, came at a level too high to move and, added to congested inventories, resulted in a very bad March and April market with the Dow Jones Average going to 185. The large issues were the exception in 1956 as compared with the many we have had in recent years, with Grant County in the Utility District of $160,000,000 the only other large issue in addition to the ones mentioned above.

With the easing of money by the Federal Reserve for the March tax payment, a better feeling prevailed and there was some recovery, but not for long.

Nineteen fifty-six will long be remembered by the Investment Fraternity as a year of extremely tight money and as a difficult year in which to operate, due to the violent swings in the market.

The large size of money was evident in the corporate market as well, with A.A. Consumers Power selling at 105 7/8 for 4% and AA Pacific Telephone at a premium for 4%, neither of which were an immediate sell-off at the price.

The prolonged period of tight money has resulted in a general weakening of the entire price structure, gaining momentum in August and September and all the way to 195.6. Prices included all the various Toll Road Projects last mentioned.

The plus related headlines and articles attacking Toll Road Projects, has caused even some sophisticated buyers to lose courage, confidence, and interest in any bond carrying the risk of liquidation and forcing prices down to levels of unprecedented sensitivity. Illinois Turnpike during this period hit a low of 255.5 on Sept. 6.

Stimulated by the fact that the Illinois Turnpike Projects were still continuing, the Thrust of Federal Issuance of bonds for this purpose although some few state issues (financing the local participation in the program) may come to market.

Conclusion

As 1956 moves toward the close of its third quarter, many dealers will have a sigh of relief that this hectic year is almost over. Price levels at the beginning of the year were substantially lower than in many cases and many of the bonds now carry the risk of liquidation and forcing prices back to levels of unprecedented sensitivity. Illinois Turnpike during this period hit a low of 255.5 on Sept. 6.

As prices level off at the existing Turnpike Projects, there is no reason to believe that the existing Turnpike bonds won't be strengthened, rather than weakened, by the Federal Road Program.

The Federal Highway program as enacted removes the threat of Federal issuance of bonds for this purpose although some few state issues (financing the local participation in the program) may come to market.

New Federal Highway Program

The Federal aid Highway Act of 1956 declares it to be essential to the national interest to provide for the completion of the 4,100-mile "National System of Intervilan highways" and to develop it as nearly as practicable over a 13-year period. To that end Congress authorizes Federal aid to the extent of 90% of the cost of such highways, provided they meet the standards authorized by the Act to the satisfaction of the Secretary of Commerce, and that they are constructed by the various states so as to fit into the general pattern of such Interstate System designated by the Bureau of Public Roads of the U. S. Department of Commerce.

The Government officials and Industry experts expect the program to mean that the national economy, bringing jobs to many and more funds to various pockets, the same amount of time, it will bring greater road safety by easing traffic jams, speed flow of auto travel, desist traffic, and save thousands of lives.

The plan estimated to cost $27.5 billion of which the Federal Government will pay $23.8 billion and the states the remainder. There will also be other road improvement transactions worth $3.1 billion of primary, secondary and toll roads over the next three years, with the cost split between the Federal Government and the states.

With respect to Toll Roads, Bridges, and Tunnels, Section 113 (a) of the Act says that "Upon a request by the Secretary of Commerce that such action will promote development of an integrated Interstate System, the Secretary is authorized to approve any Federal Highway Project in any toll road, bridge, or tunnel constructed which meets the standards adopted for Federal aid for any improvement of projects located on the Interstate System, whenever such toll road, bridge, or tunnel is located on a route heretofore or hereafter designated for the Interstate System; provided, that no Federal-aid highway funds shall be expended for the construction, reconstruction, or improvement of any such toll road except to the extent heretofore permitted by law; provided further, that no Federal-aid highway funds shall be expended for the construction, reconstruction, or improvement of any such toll bridge or tunnel except to the extent now or hereafter permitted by law.

In Section 114 the Secretary of Commerce is directed to make a study, and have it available for Congress by Jan. 12, 1958, to determine if the Interstate System is receiving adequate re-imbursement of any state for certain tolls and if it is authorized to return to the states the entire toll or not, which are on the Interstate System.

Informed opinion generally tends to the view that this new program will mean that the states will go to Washington for 90% of the costs of building new interstate super-highways, rather than relying on the toll method which has been popular during the last 15 years. It is a part of the truncated that duplicating free roads will be constructed parallel to existing toll roads or that toll roads will be competitively operated instead of those states, having provided some facilities in those areas, will undoubtedly use Federal aid to construct portions of the Interstate System in other parts of the state. It is difficult at this time to foresee the exact recommendations that will be made or what a report which the Secretary of Commerce is to submit to Congress by 1956, will be viewed in the long perspective, it would appear to be only common sense that the existing toll roads fit into the pattern of the approved Interstate System, and meet its construction standards, 

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One method of compensation will be devised to pay participating banks and turn them into free roads. The long-term effect on toll roads, and toll road Court costs and other losses, a new Federal program cannot help but be nullish; the Interstate System will serve to generate additional traffic and serve as feeders for toll roads. It can be expected, however, that only in unusual cases will additional toll-road financing be undertaken, and that the cost of the toll-road financing has been paid.

Existing toll-road bonds, when issued for property and road and well-located projects, should continue to be excellent investments.

Federal Legislation

The Bricker Bill to permit banks to deal in revenue bonds died in committee but renewed vigilance is necessary if we are to see that banks are not permitted to enter in multiple revenue bonds which we think is also a wedge to their re-entering the corporate field.

At the National Committee (American Bankers Association) meeting in Washington on Feb. 16-17, it was voted unanimously that the Bricker Bill allowing banks to enter underwriting of revenue bonds is an interesting development in that: Chairman of the Committee is Lee St. Louis, president, Citizens Fidelity Bank & Trust Co., Louisville, Kentucky.

Federal School Assistance

This bill did not get through Congress this session but it is interesting to note that the rate proposed for banks to deal in bonds issued as a result of the Bricker bill was denied—being removed in early committee consideration.

State Legislation Affecting School Districts

Colorado: A model law authorizing execution of public securities with the approval of the state bonding committee was adopted this year in Colorado, applicable to all public securities in a principal amount of $3,000,000, to be provided at least one of the signatures required or permitted to be placed thereon shall be manually subscribed.

Florida: The 1955 Session of the State Legislature enacted Chapter 20691 of the General Laws of 1955. It applies to issuance suits brought by individuals in connection with validation proceedings. This has been a controversial subject all over the country, and Florida in this Act relates to bondholders of any person questioning the lower courts' validity of bonds. If the appeal is directed to the Supreme Court and the Supreme Court can cause a bond to indemnify the political subdivision to be posted. The law also allows a political subdivision to make claims of damages against the person filing the ap¬peal and against the bonds, if one is filed, for various types of damages—including attorneys' fees, if the Court costs and other losses, damages or expenses.

Michigan: Rapidly growing Michigan school districts, whose assessed valuations have not kept pace with the need for new schools and additions, can now obtain state loans to reduce tax levies for bonds issued to finance necessary improvements. Michigan school districts may now issue serial bonds secured by (and paying property taxes unlimited as to rate or amount, or both) the last maturity is not less than 25 years nor more than 30 years, and may qualify for loans in amounts set by the board or by the board. Actual loans for the years ended June 30, 1956, were total only $46,658 to 41 school districts versus $71,100,000 bonds actually sold.

Many school districts will be able to pay debt service on qualified bonds by levying less than 13 mills on the State equalized valuation. These bonds will not be eligible to borrow from the $100 million State fund to aid in servicing debt requirements.

The constitutional amendment and implementing legislation enacted in 1935 require the State of Michigan to make funds available to help pay principal and interest on the bonded indebtedness of school districts, regardless of the amount of debt of a given school district, the total amount of school districts of the State of Michigan is included, and the amount of the total amount of school districts under the program.

In order to be qualified for State Loans, new issues are approved by the State Superintendent of Public Instruction, and must meet certain requirements.

(1) It must be shown that there exists a need for the project; the issue is prominent and probable future enrollment.

(2) The cost of the new schools and improvements to be financed must reasonably conform to the standards established by the State Board of Equalization, and provide for classrooms, furnishing, and necessary facilities, including sites; but athletic fields, gymnasiums and auditoriums are excluded. (A portion of the bond issue may qualify for State aid if the proposed project includes, as a part of the financing, purposes not covered under the program.)

Insured bonds issued for the establishment of a $100 million School Bond Loan Fund by the State, which will be established by the sale of bonds, as needed, by the State of Michigan to meet the demand for loans. Estimates by the Michigan Advisory Council indicate that even underequipped or over-provisional school districts, the information will be far more than the requirements that may accrue under the program. It is estimated that borrowing will not average over $1 million a year for the next four or five years, and will decline thereafter. Actual loans for the year ended June 30, 1956, amounted to only $46,658 to 41 school districts versus $71,100,000 bonds actually sold.

Chairman William Nelson, II, shows steps being taken to publicize nationally the functions of security traders and their contributions to nation's economic life.

William Nelson, II, of Clark, Landstreet & Kirkpatrick, Inc., Nashville, Chairman of Relations Committee delivered the following statement to the NSTA Convention:

“The Report of the Public Relations Committee is more of a request for help than a report.”

Lax jokingly has told us about the idea of having members of the press as honorary members of the committee. And that can be made into quite a helpful thing, but only with the cooperation of the people in the individual affiliates. Send in the names of those in the press who are helpful and with your public relations program.

“The main efforts of the Public Relations Committee has been directed toward getting a free lance writer interested in explaining to the general public what we do, what our work as Traders consists of. We have secured the help of a man by Tom Stewart, who has had several articles published in national magazines from time to time, and Tom has become, I think, very much interested in our business to the point where he has sent in an outline of an article to several national magazines and received acceptances from two of them. In other words, they will pay him so much a word for an article on what a Trader does and what his function is in the economic world.

‘Tom has asked me at this time to tell each of you to please send him some humorous stories to sort of spice up his article. Spice is not the right word. There is another word, I can't think of it, but as I say two national magazines have said that they liked his outline of the story he has been asked to tell and he has put a lot of words into the thing, but he still needs a little human interest to add to it. So, if you think of anything along that line that would be interesting and would fit into that type of story, I wish you would send it on to me direct. That would be the easiest thing.'
Report of Municipal Committee

Continued from page 19

tax bonds issued after May 4, 1955 may not be qualified; and (3) all or a portion of the proceeds might be used to finance swimming pools, athletic fields, stadia or other purposes which are not allowed under the program. In the latter situation, the school district may qualify a portion of the issue.

Pennsylvania: Pennsylvania Act No. 333 amends the act of March 10, 1950, relating to the public school system to provide that: "In all cases where the board of directors of any school district fails to pay or provide for the payment of any rental or rentals due any municipality authority or nonprofit corporation for any period in accordance with the terms of any lease entered into under the provisions of this section, the State Superintendent of Public Instruction shall notify such board of school directors of its obligation and shall withhold out of any State appropriation due such school district an amount equal to the amount of rental or rentals owing by such school to the municipality authority or nonprofit corporation in payment of rentals."

This Act means that upon notification of a non-payment of rental, the State Department of Public Instruction must withhold from the District out of any further monthly payment of any type due the District an amount equal to the rentals owed, and that the Department must pay this money to the Authority to satisfy the requirements of the Lease. In effect, the intent of this Act is to place a lien on the property of Bondholders.

Texas: The Texas Legislature recently enacted a law, currently known as the School Bond Tax Act. Effective October 1, 1958, authorizing school districts adopting its provisions (1) to levy a tax for current expenses within revised limitations, and (2) to levy taxes unlimited as to rate for the payment of bonds. The State Education Department has requested an opinion from the Attorney General concerning several features of the Act. This opinion, now being prepared, will indicate the conclusions, will clarify some points at issue, and will, if necessary, there follows a brief discussion of the principal features of the Act and their implications.

In order for a district to operate under the provisions of this Act, it must be a majority of the voters owning property in the district. Ostensibly, the Act has two sections which will be of interest to prospective bondholders. The first authorizes districts which have not paid its provisions to levy a maintenance tax of $1.50 per $100 of assessed values unless total bonded indebtedness exceeds the equivalent of 7% of total assessed valuation. Should it exceed 7%, the tax rate for current expenses shall be reduced in the following manner: For each $1 increase in the tax rate, the current expenses shall be decreased by 10 cents. The second section authorizes districts to issue unlimited tax bonds for capital and other purposes, as to which point a $1.20 maximum rate applies.

Section 2 of the Act authorizes districts whose voters have elected to adopt its provisions to issue bonds for capitalization, construction, repair and equipment of school building, provided that total debt may not exceed 10% of assessed valuation.

The Act became effective on Sept. 6, 1955. It has no retroactive force.

While all school districts authorized and/or issued bonds are of necessity in that status limited to new, it is not indicated that all districts will issue new bonds in their present status as limited tax bonds. With some exceptions, the present taxing powers of "independent school districts" are: The total rate may not exceed $1.50 per $100 of assessed values; the debt service rate may not exceed 10 cents per $100 of assessed value; the property tax rate must be $1.50 less the amount required for debt service.

After the effective date, Texas school districts will have the option of issuing either of two types of bonds. All bonds issued by districts which have decided to sell bonds either without seeking or after failing to gain the approval of the electorate under S. B. 116 will continue to issue as limited tax bonds. If so, no limitation must be imposed on the unlimited tax variety. So long as either class will continue to enjoy and be limited to the taxing powers available to them at the time of their authorization, issuance and sale.

One peculiarity of the Act is that once a school district has decided to proceed under Bill 116 and issue unlimited tax bonds, it may no longer revert to the issuance of limited tax bonds except to refund limited tax bonds already outstanding. To date over $750 million of bonds have been issued under this new bill.

Perhaps a bit of clarification may be gained through an example. A school district has $5 million bonds outstanding; it is currently restricted to a total tax rate of $1.50 per $100; it is levy¬ing the full $1.50. Under the new current expense and 50 cents for debt service. Early in 1956, voters of the district adopted the revised requirements, and authorized a bond issue. In the following fiscal year, the total debt is the equivalent of 9.5% of the valuation. The tax rate would be levied $1.20 for current expenses. Plus 50 cents (or so much there¬ of as may be needed) to service limited tax bonds plus any rate required to service unlimited tax bonds.

Ligation

Mr. W. E. Tinley, Executive Director of the National Municipal Advisory Council of Texas, has consulted with the District in Hamilton County to whom the bond was issued, and also to whom the bond was sold for further details.

The Attorney General, whose brief has already been filed, will certainly not file a brief for the benefit of bondholders in this case, in the defense of the proceedings of N.B. Sunset, and it is hoped that the present litigation will result in simplification of the issues involved, so that which were adopted out of an act of the District and a particular ambiguous language in the

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Winners in the NSTA Tennis Round Robin

Winners in the Tennis Round Robin Tournament held in conjunction with the National Stock Market Convention at Palm Springs, Calif., were: First, Philip J. Clark, Los Angeles; Second, J. T. B. Cibor & Co., Beverly Hills; and Third, J. H. W. Cooper & Co., Phoenix. The three rounds of seven entries.

Mrs. Thomas Walker (Equitable Securities Corporation, Dallas) was the sole distiller contender.
Report of Publicity Committee

As Co-Chairmen of the NSTA Publicity Committee, Messrs. Smith and Hardy call attention to the fact that seven editions of the “Traders Bulletin” have been published since its founding in January, 1955, and stress the desire for contribution of articles pertaining to the trading fraternity and the Over-the-Counter Market.

In presenting to the 23rd Annual Convention the annual report of the NSTA Publicity Committee, Co-Chairmen Joseph E. Smith, of Newport News, and Rubin Hardy, of First Boston Corp., both of Philadelphia, called attention to the progress already achieved by the “Traders Bulletin” and the hopes for the future of the publication in emphasizing the activities of the trading fraternity and the importance of the Over-the-Counter Markets.

Text of the report follows:

The “Traders Bulletin” is nearing its second anniversary. Since the establishment of the “Bulletin” on the 23rd of January, 1955, seven editions have been published. The personnel engaged in editing and arranging the publication of the “Bulletin” have endeavored to obtain the best articles possible pertaining to the trading fraternity and the Over-the-Counter markets. Articles in this year’s issues have depicted the growth of the industry on the West Coast and in the Delaware Valley area; another article written by our President-elect featured the optimism of New England industrialists; caution in the buying of stocks of companies engaged in the uranium mining industry; and atomic development was covered in an article published in the March issue; and presentations by important committees, namely: Advertising, Convention, Corporate and Legislative, Municipal, and RIGHTS Compensation.

Contributions featuring the everyday chatter of traders and news from within the confines of Wall Street were presented by Herman J. Zinner of St. Louis and Ray Kenny of New York, respectively. Continued cooperation of those affiliates which have provided articles for publication will be appreciated, and we urge those who have been among the missing to join in presenting their news and views to over 4,000 interested members. Your editors request that in submitting articles for publication they be tailored in a style adaptable for editing.

Thanks again to the editors of the Commercial and Financial Chronicle and the Investment Dealers Direct for their continued interest in the progress of the “TRADERS BULLETIN.”

It is the hope and desire of the editors that the “Bulletin” will continue to grow in stature but in importance in the financial industry.

Winners in the NSTA Golf Tournament
Palm Springs, Calif.

Blue List Trophy Low Gross: Allen Oliver, Jr., Sanders & Company, Dallas, with a score of 80.


Second Low Net:—Donald Sumerrell, Wagenauser & Durst, Inc., Los Angeles, score of 72.


Low Gross: Tied for fourth and fifth places, with score of 82. Robert Moore, Manley, Bennett & Co., Detroit; Russell Ergood, Stroud & Company, Incorporated, Philadelphia; and Ernest Blum, Brush, Slocumb & Co., Inc., San Francisco.

Low Net:—Tied for fourth and fifth places, score of 83: Wilton Jackson, First Southwest Company, Dallas; Joseph C. Phillips, Pacific Northwest Company, Seattle; Wesley Bishop, Smith, Bishop & Co., Syracuse, N. Y.


Most Dismaying Performance: Jack Alexander, Kerr & Bell, Los Angeles, with a score of 108.

Prizes were awarded by Campbell, Crowell, Weedon & Co., Los Angeles, Chairman of the Golf Committee.

20th Anniversary of NSTA Constitution

To commemorate the adoption of the original constitution of the National Security Traders Association at its first annual Convention held in Los Angeles on August 4, 1936, a breakfast was given by Henry J. Arnold, Geo. Eustis & Co., Cincinnati. Plaques were presented by Mr. Arnold, who was the Association’s President in 1936, to the signers of the original constitution.

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Securities of INDUSTRIAL CORPORATIONS INSURANCE COMPANIES AND BANKS PUBLIC UTILITIES RAILROADS MUNICIPALITIES PUBLIC REVENUE AUTHORITIES

McMANUS & WALKER
39 Broadway New York 5, N. Y.
Role of the Investment Banker

the following companies—selected to illustrate the diversity of type. Caterpillar Tractor Co.
Pacitic Gas & Electric Co.
Jamaica Water Supply Co.
The Ford Company—a manufacturer of railroad cars and automobile equipment.
The Bank of America.
Each of the above companies is in a diverse industry affected by different economic circumstances. Each company had a different problem and each required a different approach, but all to the same objective—the raising of capital.
Once the financing program is decided, the methods of handling any particular issue vary according to a variety of given factors—some of these may be a bit confusing, but here they are anyway.
What is the financial rating of the company?
Does the company have other securities outstanding—so as to measure market acceptability?
Is the money to be raised for expansion of production facilities or merely to refund outstanding securities?
Is the issue to be debt—secured or unsecured—or preferred stock or common stock?
If the latter, what will be the maturity—10 or 30 years?
Will the interest rate or dividend rate?
Will it be convertible into another security?
What will be the sinking fund provisions—i.e., how many bonds will be retired by maturity?
What will be the protective covenants in the bond indenture or the preferred articles?
Must the issue be approved by various Federal and State regulatory bodies—such as the Federal Power Commission or the respective State Utility Commission?
You can see that all of these factors operating in almost unlimited combination naturally count for a wide diversity of techniques in the raising of the investment banking business and the nature of the services rendered.

Time Consumed

The company makes its selection of an investment banker at an early stage, and after study, the investment banker recommends a plan of financing. After this plan is approved by the company, the actual work progresses on readying the security for market. This takes approximately a two-months period.

During this period the managing underwriter and his counsel work with the issuer on the preparation of the registration statement and prospectus to be filed with the SEC. The time is key to the date of the filing of the Securities Act of 1933 upon which the issuing company and underwriter, these documents are painstakingly accurate, and their preparation is a specialized, exacting and time-consuming task.

There is no better way to learn more about any particular company—prospectus which is filed with the SEC.

If the form of the registration statement is being prepared, the managing underwriter, in conjunction with the issuer, selects any additional underwriting firms or banks to participate in the issue.

If, for the most part, it is usual to have more than one underwriter, as a single investment banker neither has the capital nor the distribution facilities, such a syndicate of underwriters would be considered a prudent practice to cover the entire issue by minimizing the price discrepancies in the case of small issues.

Need for Uniform State Securities Laws

The statement above qualified for sale by the managing underwriter and his counsel under the securities laws, normally, can be, incidentally, our industry for years has unsuccessfully campaigned for a uniform statute to be the same in all 48 states. Inasmuch as several states pride themselves on the originality and difficulty of the laws which they have already been done.

As these steps take place in the 30-day incubation period in which the registration statement is made to take place.

The real essence of the transaction lies in the promise of the underwriters, and the underwriters’ functions, known as the underwriting commission. This commission is the sum of four components.

(1) The amount necessary to induce underwriters to risk their capital—comparable to an insurance premium.

(2) The amount necessary to induce underwriters to distribute stock at the time of the sale.

(3) The amount necessary to provide for the underwriting of the issue, throughout the country to sell the issue.

(4) The amount necessary to cover out-of-pocket expenses such as printing, telegrams, long-distance phone calls, advertising the issue in newspaper and transfer fees, etc.

Taking once more the example of the Ford issue, the facing page of the prospectus shows the underlying commission to be $3.50. This amount can be broken down as follows:

Ford underwriting risk, we received $3.30.
We gave a selling concession to underwriters and dealers of $0.30.
We paid the fee for their services of $0.10.
We paid bond, stock, transfer taxes, legal fees and incidental expenses accounted for $0.10.

Making a total of $1.50.

Arranging Distribution

Once the commission is determined the managing underwriter signs an “Underwriting Agreement” on behalf of the other underwriters.commission, for payment for his functions, known as the underwriting commission. This commission is the sum of four components.

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Thursday, November 15, 1956

Continued from page 12

UTENDERS IN STOCS AND BONDS

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this undertaking until the offering date, a staggering amount of mechanical work had to be completed and more importantly the underwriting and selling facilities had to be formed to ready this issue for market. The most significant fact of the entire offering is simply that the combined efforts of the entire investment banking industry increased the number of Ford stockholders by over 230,000, the fourth largest number of stockholders of any industrial corporation.

Underwriters and Dealers

Some underwriters and dealers profess to handle all types of securities. This is certainly true with the larger firms. Out of the 1,000 underwriters and dealers with whom my firm does business, I would say that more than one-third have specialties. Some will deal only in bond issues, some only in common stocks, some only in banks and insurance stocks, some only in water company securities and so forth.

The make-up of an underwriting group requires intimate knowledge of the experience and specialties of the individual underwriters, their performance in various syndicate distributions of the past, and the size of their capital.

The same intimate knowledge of security dealers throughout the country is required of an originating underwriter.

Kinds of Investment Bankers

There are four principal categories of investment bankers—first, the investment banker who confines himself principally to origins and does not underwrite distribution. This underwriter usually has a large capital, one office and well staffed buying and syndicate departments. Examples of this are Morgan Stanley, Dillon Read and Kuhn Loeb.

The second type of investment banker is both an originator and a distributer. This underwriter also has a large capital, offices in principal cities throughout the country, well-staffed buying and syndicate departments, and a sales force and trading facilities in each office. Examples of this type are The First Boston Corporation, Kidder Peabody, Smith Barney and my own firm.

The third type of investment banker is the one who does not originate but merely distributes as a member of the selling group without assuming any risk. The underwriter's capital is usually small, and his underwriting under this type of contract is confined to a single city or a section of a state. His function is nonetheless of great importance to the successful distribution of an issue.

Summary

To summarize the operations of the investment banker—

(1) He advises the company on its best rate, its best range, and the advisability of making a study of the company and market conditions, and assists the company in readying the security for the market.

(2) He distributes the issue to investors.

(3) He contracts to pay the issuer the required money on the closing date, and, therefore, assumes the risk of what the issue may bring in the market. In other words he pays the issuing company his own money and takes in return the bonds, or preferred stock or common stock of the company.

In the past 15 years new underwritten corporate security issues totaled in excess of $60 billion, an average of $4 billion annually. In 1953, this figure exceeded $6 billion and so far the 1956 rate is even higher.

Conclusion

To conclude, the investment banker is the very essence of capitalistic enterprise which enables industry to grow. His experience must be a composite of several. He must have some legal knowledge to understand the laws and the statutes that affect his business; he must be familiar with enough accounting to interpret financial statements; he must have a general knowledge of securities so as to be able to analyze and compare relative values; he must have the vision to observe and interpret economic and political trends, and, therefore, at this, he must be able to impart his knowledge and assurances to others, which, simply, is salesmanship.

Two weeks ago I was present at the dedication in Chattanooga of the first Atomic Reactor vessel for commercial generation of electricity. On that occasion Admiral Rickover said: the real significance of Atomic energy is: Man is now able to create his own environment. Ponder that! And the tremendous additions of wealth for capital in the future to fulfill this new ability.

Report of Special Rights Committee

Chairman John Hudson points that while circumstances have limited activities in that direction, he is convinced that much work will be made in securing compensation for work entailed by firms in handling subscription rights.

In his remarks as Chairman of the NSTA Special Rights Committee, Chairman John Hudson, of Thayer, Baker & Co., Philadelphia, noted as follows:

The duties of the Secretary through the year have been quite time-consuming and there has been no formal work done with the so-called Special Rights Committee that was set up some years ago when there was what is known as a cross industry committee. That was composed of representatives of all segments of the business. I might just say at this time that we have reprints available of an editorial that appeared in the "Investment Dealers Digest" which set forth the whole picture as well as it could be done.

Shortly following publication of that editorial, you gentlemen probably read a front page article in the "Wall Street Journal" along the same line. I don't think it is any secret that Harold Young of Eastman Dillon, Union Securities and Company has been this year's prime mover on the subject. His main effort of any program has been in connection with his role as an IBA Committee Chairman. Harold is carrying the work along. I have been in close contact with what he has been doing.

I would like to, possibly next year, move into a little different spot in this as I feel it is a very worthwhile organization. I would like to undertake to do a little more in that direction and try to keep it alive and going. We don't think that one of these days we can get paid for the work that we do.

on the buying side

Our interest in bidding on blocks of securities of institutional size springs from the fact that we provide primary markets for the placement of such investments. This willingness on our part to buy as well as to sell high-grade bonds and preferred stocks in volume is of utmost importance to portfolio managers in arranging their programs.

It has been our steadfast policy for over 45 years to create and maintain the closest markets in high-grade securities suitable for meeting the specific objectives of all financial institutions enjoying the advantages of our services.

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Orchids to You

Samuel E. Magid, President of Hill, Thornton & Co., Inc., New York City, presented all the ladies of the Convention with orchids.
continue from page 8

Three Little Adages And How They Grew

five manufacturers with defense contracts 86% of the total investment was in General Electric, General Dynamics, Boeing, and United Aircraft. Whom else would you have given the contracts to? Yet together they had only 16% of the top 100 contracts. But, this does not mean that smaller companies are ignored—far from it. A Janu-
ary '54 report of the Specialists' Council in the Pentagon showed that small firms handled 56% of the Army procurement dollar. Don't be against bigness, as such. Nobody criticized General Motors, du Pont, Boeing, etc., after bombs fell on Pearl Harbor. Bigness saved us then.

How do smaller firms get in on big contracts? Well, for instance, General Electric had 8½ billion in backlog orders, but GE subcontractors paid over 400 smaller suppliers and manufacturers to produce the supplementary items on their contracts. Of the contract dollars paid to GE, the company takes 40 cents for research, engineering, salaries, etc. The larger 60 cents goes to their subcontractors and suppliers. Eighty-two percent of their sub-
contractors are "small" (less than $50 million in sales), and only 18% have more than 500 employees.

Think of the Aluminum Corporation of America. Only three companies make primary aluminum, but there are 21,949 independent manufacturing plants who work with the basic product. This is a new business. Du Pont developed dacron, a $6 million experiment—also nylon, a 10-year $27 million gamble that created 13,000 new jobs in du Pont alone. Has their original monopoly hurt either their smaller competitors or the buying public? No. Do you deplore the pleasure nylon has seen on a windy day? Ne. It's worth $27 million.

Be Corporations Earn Too Much? Co to see that corporations are vital and necessary to our incen-
tive economy system today—but do they make too much money? And what is their contribution to the economy? For the answer to this, let's look at some comparisons; for instance:

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<tr>
<th>Company</th>
<th>Taxes</th>
<th>Sales</th>
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<tbody>
<tr>
<td>Safetyway</td>
<td>$135</td>
<td>$329</td>
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<tr>
<td>U. S. Steel</td>
<td>370</td>
<td>461</td>
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<td>General Electric</td>
<td>2,542</td>
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*In Millions of Dollars*

The RCA 1954 ratio of taxes to dividends on common stock is 1.75. It seems to be in businessness for the government. The General Motors taxes equal 14% of the fiscal '54 budget of the Air Force for Aircraft and Related Procurement—from one corpora-
tion: Safetyway's '55 taxes would pay the $4.6 billion for the Office of the Department of Defense, including the Joint Chiefs of Staff—twice over.

Referring back a moment, U. S. Steel in the year 1953 paid taxes of $412 million. The then Presi-
dent, Benjamin Fairless, said, "If I told you that this amount of money would cover the entire cost of running Congress and all the Federal Judges, their secre-
taries, clerks, assistants, and stenographers, pay all the office bills, and travel expense, you would undoubtedly be shocked. Actually, it would pay all these costs and still have some left over!" In other words, that is just one corpora-
tion's contribution to wards the expense of American government.

And yet we protest that corporations should be restricted, if not actually put out of business. There are some economic facts of life which do not understand and broadcasting!

Now we come too our third adage: "Real patriotism means standing up for the Star Spangled Banner even when it is NOT be-
ing played." That means—the little things yourself that reflect patriotism without needing the spotlight. Let us somehow cap-
ture the appreciation of our own country reflected in the bursting joy of those displaced persons who come over here today in every metropolitan rail-
road station in America, and at dockside in every port.

Foreigners Appreciate Our Freedom One night in New York I saw several hundred of them in Grand Central Terminal. They were on route to the prairies, having just arrived from Poland, Latvia, etc., lustrating officials were hurriedly lining them up for tagging. Immigrants, yes, were these people who looked sick, some with tired minds and tired bodies, the confused newcomers staggered through travel-crammed luggage beside them—broken wicker baskets, battered perma-
mantus. Some agency gave each adult a dollar in American money, and the guardians turned them lose in the station to buy whatever they wanted. Here, real drama de-
volved.

Wanderlust, disbelief, almost fear was reflected from those grave faces, but the children—ah, they were not afraid. Impatiently but exuberantly, they tugged their parents to buy medicines and shoes where the miracles of the new world were displayed. But the greatest miracle of all was—anybody could buy them!—American—yes, and American—yes, and American—yes. One little girl asked, through an inter-
preter, "are we allowed to listen? Is it free?" They were

United States Investment Abroad

Annual additions to United States corporate in-
vestment abroad, as the chart below shows, are in-
creasing at a rate well above $1 billion a year. In the words of the U. S. Survey of Current Business, "The great postwar expansion of United States enter-
prise abroad through foreign branches and subsidiaries, with the total investment now reach-
ing three times ($29 billion) the investment at the end of the war, has been one of the most dynamic aspects of postwar international economic rel-
ationships.

These figures indicate the magnitude of the inter-
est in which American business has built up through-
out the Free World.

Our Foreign Investment Department will be glad to assist banks and investment dealers in the raising of capital both here and abroad to initiate or expand the foreign operations of their corporate clients.

SEE YOU NEXT YEAR AT THE HOMESTEAD, VIRGINIA

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The Commercial and Financial Chronicle Thursday, November 15, 1956
The page contains a list of NSTA Affiliates and Members, including names of individuals and companies associated with the New York Stock Exchange and the brokerage industry. There are also sections for Underwriters and Distributors, Municipal and Corporate Securities, Private Placements, Corporate Financing, and a list of Van Alstyne, Noel & Co.'s Members and Directors.
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Pacific Northwest Power Prospects

well as power from all other major Federal projects in the region, is sold and distributed through the medium of the Bonneville Power Administration.

Since the development of the first two Federal projects many more have been constructed. The major Federal developments in service as of Dec. 31, 1955, are shown in Table I.

The Federal Government also, through the Bureau of Reclamation, has constructed several smaller projects, mostly in Idaho, two small irrigation projects constructed through the Department of Interior, in the State of Washington, which have small hydroelectric developments. There is also a steam plant at the Bremerton U. S. Navy Yard. All this brings the Federal development to 4,131,760 kw name-plate rating and 4,790,810 kw peaking capacity.

Local Public Agency Developments: In the area there has been municipal operation of electric systems for many years, in fact, for many decades, such as the City of Seattle, the City of Tacoma, both in Washington, and the cities of Eugene and McMinnville in Oregon. Within the last two decades public agencies have increased, particularly in the State of Washington, through the use of the Public Utility District. The municipalities, together with some PUD's, have provided some generating capacity. We find that their generation as of Dec. 31, 1955, comprised 1,274,910 kw name-plate rating and 1,413,520 kw peaking capacity. A large portion of this generating capacity is to be found in the cities of Seattle and Tacoma in Washington, Eugene in Oregon, and smaller plants in other cities, towns and Public Utility Districts.

Private Power: The investor-owned utilities, including those in Utah, which are a part of the Northwest Power Pool, herein otherwise alluded to, have installed and had operating as of Dec. 31, 1955, generating facilities to the extent of 2,080,790 kw name-plate rating and 3,107,190 kw peaking capacity.

Northwest Power Pool

From an analysis of the above resources of power one can readily observe that as of this time, the Federal development in the area is predominant. This Federal system is also augmented by a very extensive transmission system built by the Federal Government and locally termed the "Bonneville Grid," which transmits the power from the several Federal projects to the load centers. Inasmuch as all of the distributing agencies, whether they be the municipals, the PUD's cooperatives, or the investor-owned utilities, purchase some portion, and in many instances a large portion, of their power and energy from a Federal system. It naturally follows that all of these systems are interconnected in one way or another.

About 1942, by reason of the necessity of war, all of the several agencies, both public and private, on a purely voluntary basis pooled their resources and through an operational arrangement created a system and informal organization whereby the operating personnel of the several agencies, through interconnection with each other, could provide the necessary service to carry the greatly increased loads caused by the war effort. By using the diversity factors the power could be shifted from one portion of the area to another whenever the need arose. By this method of complete cooperation of everyone, including the Federal system, there was a tremendous saving in power and energy and a greater efficiency obtained, resulting in a saving of approximately 600,000 kw which would be roughly equal to the generating capacity of the Bonneville project. Through the war years and subsequent to the war years, this system has persisted, and today the saving approximates a million kw. Each of the agencies, whether public or private, fully realize that their paramount responsibility is to the public whom they serve, and generally in the service to customers in the area, any differences of political and social ideologies are in large part removed.

Continued on page 74

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Continued from page 73

Pacific Northwest Power Prospects

Although the technical aspects of electric energy are somewhat above my head, it is amazing to find in times of emergency, or even in periods of long drought when full capacity of the hydro plants cannot be achieved, that the diversity factor, plus drawing upon resources from a considerable distance, can provide the necessities of the emergency. At such times we find power being drawn from the east end of the pool, such as Utah, sometimes from Idaho, sometimes even from Montana. In addition to this the steam plants in the area are called upon to supplement the shortage resulting from deficient water; or even from a major disruption in some portion of the transmission grid. If the representatives, executives and operating personnel of the Federal system, the public agencies and the investor-owned utilities had not developed this efficient plan of operation and developed a "knee" of how to bring about a proper coordination of all the resources of the region, including the hydro plants, the storage basins and the steam plants, there would be no such times when some particular portion of the area would be in considerable distress.

Intermediate Compact

The legislatures of the several states have recognized this as an Intermediate Compact, which would permit an over-all agency, represented by (1) the relevant power recommendations as to use and allocation of water and power. It is hoped that this will result in a just and equitable distribution of power derived from downstream generation by proper river regulation emanating from the steam storage. It is expected that the legislatures of the several states will again be considering this proposed Compact at their next session, early in 1927.

Political and Legal Matters

Although political differences are not predominant in the operation of the Northwest Power Pool, the political overtones are a lively subject of discussion. In order to get Federal development there must be some constitutional basis for the development, and the principal one of which are navigation, flood control, reclamation and general welfare. From a legal standpoint the basis of navigation, flood control and reclamation are pretty well settled as proper reasons for Federal development. For the Northwest Power Pool the general welfare provisions of the Constitution as a reason for development of electric energy, but this ground has not been entirely clarified and there is considerable doubt as to its legality as a basis for such development. From time to time there arises in the United States Congress the question of Federal development of additional steam in the area. This steam has been posed in connection with the Tennessee Valley Authority. Thus far, however, there has been no development of steam plants by the Federal Government in the Pacific Northwest.

It is recognized, however, that steam is a most valued component or, if you please, to the hydro resources, not only in emergencies, but to take care of the amply recognized low water periods or to take care of the peak loads which usually come in the winter and, coincidentally, at such a time as the snow flows in the main stream of the Columbia River are not excessive. The principal transmission lines and the load areas are those owned by the City of Seattle, the City of Tacoma, a few small ones by other public agencies and those owned by Portland General Electric Company, Puget Sound Power & Light Company, Pacific Power & Light Company and Utah Power & Light Company.

Preference Clause and Governmental Distinction

There has also been considerable political activity in local areas, sometimes augmented by activities of the Federal Government, in an effort to develop Public Utility Districts. This has been more successful in Washington than in Oregon or Idaho. One of the major factors in this political development is the so-called "preference clause." What might be called a preference clause was first voiced in some of the Reclamation Acts about 50 years ago, in fact of 1906. A modified preference clause was enacted by Congress in 1913 in connection with the Hetch Hetchy project which was a water supply for the City of San Francisco, California, in which there was incidental power. This preference was in the nature of a prohibition to prevent the city from selling or letting to any corporation or individual, except to a municipality, the right to sell the water for electric energy developed in connection with the project. The Federal Power Act of 1920 has a modified preference clause under which, where other factors are equal, and if there is a conflict of applications for the development of a power project, the preference should be given to states and municipalities. All of these early clauses provided that where all things were "otherwise equal" a governmental body was to be preferred over a private organization, but that the public interest at all times was to be paramount and if the public interest required, the right to serve, or construct or acquire energy resources, should be given to the private organization.

A stronger preference clause was placed in the Hoover Dam-Boulder Canyon Act passed by Congress in 1928 after many years of negotiation and debate. A strong preference clause was placed in the Bonneville Act and all acts creating the major projects in the Northwest since that time, including the Flood Control Act of 1944, provided for arbitrary preference to public.
agencies. In January, 1946, the
then Secretary of Interior, Harold
Ickes, set forth in a staff memo-
oundum his basic principle for
Federal power policy which in-
cluded that hydroelectric generat-
ing facilities were to be installed in
all projects where possible, and
stand-by steam plants were to be
provided, and that active assem-
bly should be given by the Fed-
eral Government to public agen-
cies and cooperatives without
waiting for them to come forward
and offer to purchase power. In
addition thereto transmission
facilities were to be provided for
delivering power to the pre-
ferred customers and that no con-
tracts were to be made with
others, which would foreclose
public agencies and cooperatives
from obtaining power from Fed-
eral projects. All contracts with
privately owned companies were
to be limited as to time and con-
tain provisions for cancellation
upon notice, when and as neces-
sary to insure preference for pub-
lc agencies and cooperatives.

Under this program we find that
the investor-owned utilities were
not only the first, but were
the largest purchasers of energy
from the Bonneville project and
subsequently Grand Coulee proj-
et and other Federal projects in
the system. They were unable,
however, to get any long-term
contracts and for many years they
were on a day-to-day basis, liv-
ing under at least a potential threa-
t that a substantial portion of
their energy resources might be
cut off. It was not until 1953 that
a long-term contract was entered
into between the Bonneville
Power Authority and the several
investor-owned utilities in the Pa-
cific Northwest, but this contract
was subordinated to the needs of
the public agencies as well as to
a good many large industrial cus-
tomers having direct contracts
with Bonneville.

As an interesting sidelight, the
public agencies were eager to
purchase and distribute the elec-
tric energy under the preference
program, but through the years
one could readily see that the
Federal Government was be-
coming somewhat dictatorial. Ul-
timate the realization came to
these public agencies that the
growth of load in the area, the
lengthy, time-consuming practices
required to get a project started
by Congress, and the growing
reluctance of Congress to appro-
ove large sums of money for a
particular area, would ultimate-
ly leave the area in a situa-
tion where there would not be
enough electric energy produced
by the Federal plants to satisfy
the needs and requirements of
the public agencies, even under
the preference clause.

Preference for Private
Distribution

The people of the Pacific North-
west are permitted to select in
each locality the charter of the
agency which shall be permitted
to distribute the electric energy.
The latest tabulations available of
such serving agencies show the
following percentages of popula-
tion served by each. (Table II)

It is noted that public ownership
has been looked upon with some
favor in the State of Washington,
while the other states prefer the
investor-owned companies. In
Oregon and Idaho the public bodies
and cooperatives has been
eliminating in recent years.

The urge on the part of some
politically minded groups to build
more Federal plants, however, has
been at least a factor in the de-
lay in building of hydroelectric
plants by the investor-owned
utilities. This is manifested by
appearances at the several hear-
ings before the regulatory bodies
such as the Federal Power Com-
mission or the state agencies, of
representatives of the public agen-
cies objecting to the construc-
tion of hydroelectric projects by
the investor-owned utilities. Such
objections have been predominant in
the hearings on the Pelton pro-
ject, the Hell Canyon project and
the Middle Snake projects known
as Mountain Sheep and Pleasant
Valley.

Opposition from Commercial
Fishing Interests

The other opposition to such
projects is primarily that of the
fishing interests which may be
termed either a political or eco-
nomic objection. Commercial fish-
ing is a sizable industry in the
Columbia River, and the anadrom-
ous fish, prior to any obstruc-
tion in the stream, had provided
stable runs of Chinook salmon
clear to the headwaters of the
Continued on page 76
These were no streams, Columbia
Continued from Jacobs, Sidney
THE 76
Jacobs Co.,
Massachusetts Cos.
New
Ludlow
Eastern
Gas Co.
—

incorporated
States
in the
City;
features
The controversy over fish is not
too prominent in the Hell's Canyon
project; it is somewhat prominent in the
Middle Snake projects, par-
ticularly in connection with the
alternative development of the
Upper Palouse Power Dam which would have
the effect of curtailing the spawning
grounds of a large number of salmon now
spawning in the
river basins of the Clearwater
and Salmon Rivers. Fish preser-
vation was a predominant factor in
the opposition to the Pelton
project on the Deschutes River,
which controversy was brought to
the United States Supreme Court,
and also on the Cowlitz project,
development by the City of Ta-
coma, Wash., which was ulti-
ately decided by the Court of
Appeals for the Ninth District,
and the Supreme Court of the
United States refused to take
jurisdiction.

Project Red Tape Detailed
To give some idea of the diffi-
culties encountered in the de-
velopment of a project, I would
summarize the various factors as
follows. It is necessary at least
to get a license from the Federal
Power Commission and, in most
instances, from the State Com-
missions. This applies to both in-
vester-owned utilities, municipali-
ties and other public agencies.
An
application is made for a prelimi-
inary permit which permits one
to go upon the properties and do
detailed engineering work, trench
gauging, preliminary drill-
and geological exploration. It is
also necessary to usually have the
matter submitted to the Army
Engineers for their review and
possible approval, the Reclama-
tion Department, the Department
of the Interior, to the interested
agencies of each state including
the Utilities Commission, the State
Engineers, the Fish and Game
Commissions of the respective
states, and any municipalities
that might be involved. If Govern-
ment lands are involved, the matter
must be considered and approved
by the Bureau of Land Manage-
ment or possibly the Forest Ser-
vice of the Department of Agricul-
ture, and possibly by the Fish and
Wildlife Service. Preliminary per-
mits now usually require about six to
eight months to be made by
some local University Science
Department for archaeological arti-
facts. From one or more of these
several agencies may come some
objections which is required to be
properly handled and disposed of,
or if not, it becomes a matter for
decision by the Federal Power
Commission.

All of this takes considerable
time, and time is running out in
the area for the necessary de-
velopment of hydroelectric resources.
If one is sufficiently fortunate to
procure a license, then financing
becomes necessary which, for the
investor-owned utilities, would
require approval of the local reg-
ulatory bodies, together with
approval of the Federal Power
Commission and the Securities
and Exchange Commission. For
the public agencies financing pre-
sents more difficulties, as bond
issues are often required to be
submitted to a vote of the people
in the district. In some instances,
as in the Cowlitz project, although
the Federal Power Commission
has granted the City of Tacoma
a license which has been affirmed
by the courts, they are still in
the process of litigation in the
local courts of the State of Wash-
ington where questions are being
raised as to the authority of the
City of Tacoma to proceed with the
project and properly finance the
same. They are still waiting for a
decision of the Supreme Court of
Washington.

Who Will Meet Shortages
Commencing 1969?
In 1929 the area had a peak
load of less than 700,000 kw; in
1940 this had grown to about
2,000,000 kw. As of this time the
peak load in the area is in excess
of 7,000,000 kw, and it is estimated
that by 1960 the peak load will
reach approximately
15,000,000 kw. The new generation
which is presently under con-
struction will give some assurance

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barring adverse water conditions) of carrying the area loads until the early 1960's. It takes from three to eight years to construct a hydroelectric project, depending upon the size, capacity and physical characteristics of the site. In other words, it is necessary to commence new dams as soon as possible in order to carry the anticipated load arising from the expanding economy of the area. Unless these new dams are started immediately and promptly completed, there will be a shortage of nearly 1,000,000 kw of firm power by 1960, and by 1965 the shortage will be correspondingly greater.

In order to meet these requirements it is necessary to install an average of 500,000 or more kw of generating capacity each year. The capital requirements for these installations will be approximately $200,000,000 per year. It is rather doubtful that the United States Congress, with its many divergent opinions within its own body, could act with sufficient promptness to provide a complete solution to the problem. It is also very doubtful if Congress under any circumstances would be agreeable to appropriating approximately $300,000,000 per year for the next ten years to build hydroelectric projects in one particular area of the country.

It is therefore necessary to assume that these projects will be built by the efforts of many different agencies, including the Federal Government, the investor-owned companies, and the public agencies in the area. As previously indicated, the non-Federal public groups are feeling the necessity of building their own projects rather than a total reliance on the Federal Government. Outstanding examples of these are the several projects in which the City of Seattle is interested, on the coastal streams as well as some of the northern tributaries of the Columbia River.

Douglas County PUD is interested in building the Wells project on the Columbia River. The City of Tacoma is pushing along as best it can on the Cowitz projects, otherwise known as Mayfield and Mosby Rock developments. It appears that Chelan County PUD, with assistance from the Puget Sound distributors, will construct the 630,000-kw Rocky Reach project on the main stem of the Columbia River. Fifty percent of the power generated will go to Puget Sound Power & Light Company as a result of a contract made at the time Chelan County PUD bought Puget's Rock Island plant. The most important development in this field is that of the Priest Rapids project on the main stem of the Columbia River in which many, if not all, of the members of your organization had considerable part in the financing thereof.

The Priest Rapids project includes two developments: one called the Priest Rapids development, and its companion, the Wanapum development. Bonds in the total amount of $190,000,000 were recently sold to finance the construction of the Priest Rapids development. This was underwritten by a group of 228 underwriters. This project was among those which had been planned and generally surveyed by the Army Engineers for possible development by the Federal Government and had already been authorized by Congress although no money had been appropriated therefor. By a special act of Congress the authorization was modified to permit the Grant County PUD to file an application with the Federal Power Commission pursuant to which a license was granted.

The headquarters of the Grant County PUD is situated at Ephraim, Washington, a small town near the Columbia River with a population of approximately 8,000 people, although it has more customers by reason of the fact that the development emanating from the Grand Coulee project has brought a considerable rural population to the area.

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Pacific Northwest Power Prospects

ulation into the area. Even this population could not use the 1,170,000 kw of power to be generated by the Priest Rapids-Wa¬

tanum projects, and it became obvious that in order to properly finance such a project a suitable market for the power would have to be found. This resulted in ne¬

gotiations extending over a period of several months with frequent meetings of the potential buyers, including the cities of Seattle and Tacoma, Puget Sound Power & Light Company, The Washington Water Power Company, several small PUD's in the state of Wash¬

ington, Portland General Electric Company, Pacific Power & Light Company, and some of the municip¬

alities and public agencies in the State of Oregon.

Complex Purchase Agreements

In these conferences, usually attended by 60 or more people representing several buyers, the seller, and in many of the meet¬

ings, financial advisors, it was in¬

deed a problem to work out the many ideas of procedure as well as matters of substance which af¬

fected each of the buyers, as well as working out the closing proce¬

dure in such a way that it could accommodate itself to the require¬

ments of the several buyers in getting approvals of their respective Boards of Directors, City Coun¬

cilors, Commissioners of PUD's and complying with the charter and other statutory requirements of public bodies. It was also nec¬

essary to satisfy the investment bankers, the brokers, and the potential buyers of securities. It is looked upon as a monumental achievement to find that this re¬

sulted in suitable contracts of pur¬

chase on what is termed a "slice of cake" basis. Parties to each of the purchasers committed themselves irrevocably to pur¬

chase a proportionate part of the output of the Priest Rapids development, take an option on a proportionate part of the Wann¬

num development, and agree to pay for a period of 50 years for the same proportionate output of power from the respective develop¬

ments. It is obvious that these purchase agreements were the substance upon which it was pos¬

sible to sell revenue bonds for 100% of the cost of the Priest Rapids development. However, the purchasers did take some risk by agreeing to pay monthly, on an installment basis, sufficient funds to amortize the cost of the project, the interest on the debt and the full operating expenses of the project, irrespective of whether or not the project was producing power.

Another huge development in the area is that of the Idaho Pow¬

er Company on the Snake River and commonly known as the Hells Canyon project. It actually consists of three dams: the Brownlee Dam (with some storage), Oxbow Dam and Hells Canyon Dam. The matter is in controversy arising from differences in ideology. The opponents thereof favor the idea that one large dam should be built, owned and operated by the Federal Government at the Hells Canyon site. The order granting the license was appealed, and on Oct. 8, 1956, the Court of Appeals for the District of Columbia found in favor of the Idaho Power Company by affirming the issuance of the license. During the course of litigation, however, the Idaho Power Company has seen fit to proceed with construction and has already expended approximately $10,000,000 in the commencement of this project.

The Hells Canyon project on the Snake River is the largest can¬

yon on the North American continent. It is no less spectacular than the Grand Canyon of the Colo¬

rado, but it is deeper. On this reach of the river the proposed development would use a head of 602 feet. The upper dam, or Brownlee, would provide a million acre-feet of usable storage and an initial installation of 360,400 kw with provision for a possible additional installation of 180,200 kw. Oxbow would have an installation of 151,000 kw with provision for an additional 75,500 kw. The low Hells Canyon would have an initial installation of 272,000 kw with provision for an additional 138,000 kw. These three developments would add 783,400 kw of initial installation to the area, and ultimately 1,175,100 kw.

The Pelton development on the Deschutes by Portland General Electric Company would add 108,000 kw, part of which is peaking capacity. The two Cowleys projects by the City of Tacoma would add 460,000 kw. Pacific Power & Light Company has completed its Yale development which provides 108,000 kw, and that company is now working on the Swift develop¬

ment on the Lewis River. On the Swift development Pacific Power and Cowlitz County PUD are working under a partnership agreement under which the com¬

pany will build and own the dam and a 189,000 kw generating in¬

stallation, and the district will construct and own a 67,500-kw generating installation, and a three-and-one-half-mile canal ex¬

tending from the dam to such installation. McNary Dam, being built by the Federal Government, is almost completed, and Chief Joseph Dam (also Federal) is par¬

tially completed, and it is expected that all 16 generators will be in¬

stalled by December, 1958. A schedule of the several proj¬

ects under construction but not yet completed is presented in Table III.

These projects will bring the total installed hydroelectric ca¬

pacity of the area to approximately 11,000,000 kw, which will be approximately 2,000,000 kw short
Priest and Chief Roza of Noxon Congress. During the complete slack-water of consideration. mention the owned companies. of point being most the Pasco, Columbia of licenses for licenses would be followed by the Idaho Power Company on the Hells Canyon development and for substantially the same reasons.

More Storage Needed

One can also sense in the future the necessity for more storage in the area. It is recognized that electric energy after it is produced cannot be stored except in small quantities in storage batteries. The only way electric energy can be stored is in the indirect form of water to be used at an appropriate time. In order to bring about the greatest efficiency in the Columbia Basin, storage is not only useful but necessary, to minimize the fluctuation of water flow and to store the water to be used at a time when the load requires.

In the parlance of the electrical engineers, one speaks of owning so many kw of stored electric energy. This is not actually electric energy—it is a piece of water behind some storage dam which someone has the right to use at particular time to a particular extent. At the present time there is some storage behind Grand Coulee and at Hungry Horse on the Flathead River in Montana. There will be additional storage in Wanapum development; there will be considerable storage in the Brownlee development in the Hells Canyon.

The Federal Government for many years has also been looking with considerable interest at the Libby project in northeastern Montana on the Kootenai River. This would not only be a tremendous storage and of great assistance in flood control, but would develop approximately 600,000 kw of electric energy. However, this project has resulted in international complications because the proposed pool behind the dam would extend over the Canadian border. This has been a subject of controversy in the International Joint Commission for some time. If a proper solution can be

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Pacific Northwest Power Prospects

found this would be one of the most beneficial projects, not only for flood control, but for river regulation and the more efficient operation of the plants all along the Columbia River.

Another storage project called Glacier View is located in north-eastern Montana in the vicinity of Hungry Horse. This, however, has another problem. It would create a lake extending into Glacier National Park, and there are very vocal groups who discourage any encroachment whatsoever on any National Park. Some of the objectors also point out that this proposed project would inundate extensive feeding grounds used by wildlife in the area.

In the headwaters of the Columbia River north of the Canadian border there are tremendous possibilities for both hydro generation and storage. If developed, these would create differences as to whether or not partners in these projects become holding companies in a generating entity. It will also be necessary for the regulatory agencies to determine the appropriate ratio of debt and equity in generating projects for such companies as the Pacific Northwest Power Company where it is hoped that the financing can be done on a basis of 85% debt and 15% equity.

At this time it appears absolutely necessary to procure $500,000,000 of new capital money, or an average of $300,000,000 per year, for electric generating facilities in the Pacific Northwest within the next ten years. Your group undoubtedly will be among those who will have the task of finding these dollars.

More Steam Generation Needed

There are some steam facilities in the Pacific Northwest at the present time which are strained considerably in times of stress. It is readily recognized that there should be more steam generation in the area. The governors of Montana, Oregon, Idaho and Washington have formulated what is called a Governor's Power Policy Committee to give consideration to the power problems in the whole area. A recent report of this Committee indicates that ultimately the Pacific Northwest will shift from a base-load hydro-electric generation into the field of fuel-generated energy. At the present time the steam plants are fueled by hog fuel and oil. Hog fuel is derived from sawmill refuse and is the cheapest for generation if it is available. However, the sawmills are moving farther and farther away from the load centers and closer to the remaining large stands of forests, and the cost of long-distance transportation of hog fuel is uneconomical. It is therefore required that steam plants consume oil which is imported and more costly than hog fuel. At the present time it is difficult to get firm commitments on large quantities of fuel oil for these plants. Those owning steam-generating plants are also exploring the possibility of the use of natural gas for electric generation.

Recently an extensive pipeline from the Southwest has been completed into Oregon and Washington, and it is contemplated that in the very near future a similar line will be available from the natural gas fields in Canada. If the cost of natural gas for generation of electric energy is found to be cheaper than oil, then the only difficulty ensuing is the uncertainty which arises from the fact that the heaviest loads on the use of gas come at the same time of year as the peak loads in the electric system. This leaves a grave question as to the availability of sufficient gas at that period to generate electric energy.

Atomic Energy

One could not complete a subject of this kind without some mention of the possibility of atomic energy. In so far as it is used or to be used for generation of electric energy, it appears to have a considerable potential. However, the cost in competitive markets of such generation is yet to be determined. There are some plants under construction and a few small plants actually in use. In the Pacific Northwest it is generally recognized that atomic energy may be used for steam plants at some time in the future. However, the experimental phase of such projects will be on the East Coast where hydroelectric energy is not available in abundance and where fuel costs are relatively high and where it would be economically feasible to preserve oil and coal resources by the use of atomic energy.

In the Pacific Northwest, however, it will be a considerable period of time before the cost of energy generated by nuclear fission will economically compete with hydroelectric energy, even though the future hydroelectric projects in the Pacific Northwest will result in higher cost electric energy than those which are now in operation.

Conclusion

This is an effort to give you a very sketchy over-all analysis.

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of the electric power problems in the Pacific Northwest and is given with the hope that it is understandable and with the faith that the ingenuity of intelligent men will be able to solve the many problems presented by our rapidly growing economy. We trust that this will give the members of your organization a general idea of what may be expected in the future as to financial requirements of this one single portion of the economy of the Pacific Northwest.

You will sense from this discourse that all of the serving agencies, whether Federal, public or private, deeply feel their responsibility to serve the people within the region. Through the voluntary joint arrangements made and being made, whether in the form of joint ventures or "so-called" partnerships, the development of the hydroelectric resources is progressing in a most comprehensive manner and for the best interests of all of the people of the area.

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Southern California Municipal Bond Outlook

It is not peculiar in that respect, though we had major population growth to deal with which many other communities have not experienced. We also, like other parts of the country, deferred capital improvements during the war and, of course, capital construction was not possible during the war. So we had a substantial increase in bonded debt. Bonded indebtedness of local governments in California in 1946-47 was $73,700,-000; in 1954-55 it has increased to $285,000,000, about 3½ times. In the meantime assessed valuation had likewise risen sharply, not so fast as bonded debt. In 1946-47 the assessed valuation, statewide, was $9,100,000,000. In 1954-55 it was $18,228,000,000, or double the amount of 1946-47. The bonded indebtedness of all local governments in California in 1954-55 was less than 14% of the assessed valuation of the taxable property in the state.

II What Are Our Problems of Growth

From 1940 to 1950 the total population growth in the United States was about 19,000,000. In California it was 4,678,000, California alone, in that decade, increased one-fifth of the total growth of the United States. In that some period of time the population of metropolitan Los Angeles (Los Angeles and Orange Counties) increased almost 50%, and in the period from April 1, 1950 to June 1, 1956, this Los Angeles metropolitan area increased 1,259,000, a new population almost twice the size of the City of San Francisco and over 10 times as great as the population of Albany, N. Y. The increase in Los Angeles County alone from April 1, 1950 to July 1, 1955 was 1,123,000. In the Los Angeles metropolitan area the present annual population increase is about 250,000.

In 1954 our metropolitan area built 104,100 dwelling units, about one-fifth of the total growth of the United States. In that same period of time the population of metropolitan Los Angeles (Los Angeles and Orange Counties) increased almost 50%, and in the period from April 1, 1950 to June 1, 1956, this Los Angeles metropolitan area increased 1,259,000, a new population almost twice the size of the City of San Francisco and over 10 times as great as the population of Albany, N. Y. The increase in Los Angeles County alone from April 1, 1950 to July 1, 1955 was 1,123,000. In the Los Angeles metropolitan area the present annual population increase is about 250,000.

Fortunately, our business seems to increase at least as fast as our population. In 1950 the Los Angeles metropolitan area had 349,000 manufacturing employees; in 1956, 794,000 manufacturing employees. In the seven years since the 1947 census, dollar manufacturing in the Los Angeles metropolitan area has increased about 149%. The amazing growth cannot be decreasing.

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Southern California Municipal Bond Outlook

best be seen in this: the 10 top metropolitan areas in the United States (exclusive of Los Angeles) from 1947 to 1954 had an increase of only 12,172 manufacturing employees; the Los Angeles area alone had an increase of 117,000, or 98,000 more than the total increase in the other 10 metropolitan areas.

Also, our assessed valuation pretty well keeps pace with our population. In Los Angeles City, in 1890, the assessed value was about $1,000 per person; in 1910, it was almost the same; in 1930, it had increased to approximately $1,500 per person; and in 1950, despite this big new population, it is still about $1,500 per person.

Even in Los Angeles County where we have a large number of rural subdivisions of small homes, the assessed valuation exceeded $1,500 per person. Some of you, of course, are remark that in 1890 a dollar in 1890 was a great deal different from the value of a dollar in 1906, and I am not going to argue the point at all; I am going to agree with you.

Of great importance is the fact that our business and industrial growth has kept pace with, if not exceeded, our population growth.

III

What Are the Principal Favorable Factors in Our Economy

Southern California industry has grown tremendously. The Los Angeles metropolitan area (the two counties, Los Angeles and Orange) in 1909 was in sixth place nationally in value added by manufacturing; in 1947, it was in fifth place; and in 1954, it was in third place, only New York and Chicago exceeding it. In June, 1956, the Los Angeles metropolitan area had 704,000 workers in manufacturing, and, in July, 1956, a total number of 2,367,500 persons gainfully employed. In 1947 the Los Angeles metropolitan district had 3,777 industrial establishments; by 1954 the number had increased to 14,402, second only to New York.

Los Angeles County, notwithstanding all of the subdivisions for residential, industrial, and business purposes, in 1954 (the last year for which the figures are available) was the fourth county in the United States in value of agricultural production, with products of over $170,000,000. The Los Angeles fishery, of which one seldom hears except when complaints are made about imports of Japanese tuna, has the greatest dollar volume of fishery in the United States. According to the 1954 report (which is the latest available), the Los Angeles metropolitan area has 13 industries with a volume of over $100,000,000 each, and eight industries with a volume of over $200,000,000 each. When you come to Los Angeles County you do not see the great industrial buildings that you see in many parts of the country. Our industrial growth is slower and it is well diversified. We have electronics, men's apparel, women's apparel, furniture, home furnishings, food and food products, petroleum refining, automobile assembly, rubber, aircraft, and others. The manufacturing employees do not include motion pictures, which employ about 34,000.

We also have a tremendous tourist trade, one of the greatest in the United States.

In retail trade, Los Angeles County in 1955 passed Cook County, Ill., in store sales. It became the No. 1 county in the nation in retail store sales.

This great diversification is a real source of strength; we are not a one-industry community. Another favorable factor, so far as our bond issues are concerned, is the care with which we incur indebtedness. Our California Constitution requires that cities, counties, and school districts obtain a two-thirds vote of the electorate in incurring a bonded debt. While that is a substantial safeguard, in our major Los Angeles units careful shifting of the various projects by citizens organizations is an even greater safeguard. Through citizen committees and official cooperation our bond issues have been limited to necessary improvements and to the accomplishment of those on an economical basis. For example, The City of Los Angeles voted $60,000,000 of sewer bonds, but only after the careful program came up with revised sewage disposal program had been checked and rechecked by an excellent citizens committee. That committee employed competent engineers, obtained reports on alternative methods of disposal, and came up with a sewer project with changed treatment method, saving initially over $1,000,000 a year in overhead and with an estimated saving in overhead alone which will more than pay the interest upon the bonded debt.

We have voted large sums of money for the building of Los Angeles schools. The school building program, in 1952, was gone over thoroughly by a citizens committee. That committee worked with the school authorities, inspected schools, went over the layout of elementary schools and of high schools, and with the active cooperation of the school board and the assistant superintendent in charge of the building program came up with revised
building standards, approved officially, which reduced costs about 30%. The revised program enabled us to build about five new elementary schools with the money we had spent on four before. And nobody builds better schools. The Los Angeles school district builds excellent schools with adequate playgrounds and tip-top equipment.

In developing the Los Angeles Municipal Airport bond issue, just recently voted, interested taxpayer groups met with representatives of the Airport Commission, went over the project carefully and raised a number of questions which resulted in some changes in the final proposed project. The airport which we expect to build do we want to be the most beautiful airport in the world, we want no marble or glass monument, we want an airport without elaboration and waste space, efficiently laid out, one which will not be excelled from the standpoint of safety, convenience.

Public officials in city, school and metropolitan water district watch the dollars carefully. With citizen cooperation they plan nothing not to be done with the public money.

These bond programs, well give us a new and solid base for expenditure. We have a new program to take care of; we must spend our money only on those projects which are essential and then only on a well planned, economical basis. We cannot afford extravagance. But we can do all we need to do if we use care and prudence and if the United States economy remains stable.

Fourth: Our water supply, if present rate of population increase continues, will be adequate until 1980 or a few years later. We must plan now for an increased demand. Much work is being done on plans to bring a supply from the Feather River in Northern California.

Our other local problems probably are much the same as yours. However, we can take care of our local physical problems and economic problems, as we see them, and while we have some concern about the points which I have mentioned we have a great confidence in the work which is being done.

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Southern California Municipal Bond Outlook

deal more concern about what is enough of state school building aid in California to know that whenever the local district doesn't new or increased Federal aid to have to pay the full bill the local governments. We have seen increases substantially in cost.

When the state aid program began the supposedly poor district which had to be aided by the state built a school costing over 50% more than a similar school built by a wealthy local district. While under pressure from taxpayers and legislators this differential has narrowed, the last example I had showed that the impoverished district using state aid spent almost 5% more for its building than the Los Angeles Districts, which pay all of their building costs. These so-called impoverished districts, during the entire period of state aid in California, have spent more per school unit than the Los Angeles Districts which pay their own way. Nor is this peculiar to California; I am sure it is a fundamental general truth that if we don't have to pay the bill we are likely to use more money than otherwise. I am reminded of the story of a famous and wealthy Senator who one day in the barber shop was getting his regular shave. As the barber applied the lather and powder he said, "Senator, why is it you have been coming into my shop now about ten years and you have never given me a tip? Your son comes in every day for a shave and he always tips me a dollar." The old Senator replied, "I don't have a rich father." The same is true in public affairs. The district that doesn't have a rich father is more careful in its expenditures.

There is also a Federal program for the construction of hospitals. That program, also, I believe, results in excessive spending. Let me give you one illustration. A little hospital district in California had voted $190,000 of bonds for a hospital and found itself unable to complete the project due to cost increases following the war. The district needed about $50,000 more than its bond funds. The Federal hospital aid program was then just beginning and Federal money was being disbursed through the state. The state and Federal authorities refused to approve a $50,000 allocation to complete the building—they were afraid that the district that it must apply for some $150,000, and as soon as its application for $150,000 went in it was approved. I have no doubt that similar cases have occurred throughout the United States. These Federal aid programs which some humanitarian and thereby get widespread support from those not familiar with public finance inevitably result in a great waste of money, in a loss of local responsibility, and in a still further increase of already excessive Federal taxes. They are not promises to us; they are threats.

I am not worried about the Socialist Party in the United States. It has never been able to get anywhere and it never will, apparently. The people who worry me are the Republicans and Democrats who adopt unsound financial schemes and some Socialististic programs which, if continued, will ultimately destroy freedom and living standards in the United States. We should look at every one of these proposals not on the basis of its source but on the basis of its nature.

I am also greatly concerned over inflation. A few days ago a public official who appeared before my committee on a proposed building bond issue stated that 40% had been added to the estimated cost of the structure to take care of anticipated increases in building costs. Increase bond issues by 40% and fewer needs can be taken care of. Group pressures increasing salaries and wages and heavy spending force up building prices.
costs. Inflation is a real and terrible danger. Unless someone affords a good many things but we start to hold the line we cannot afford further inflation, may be in for serious trouble. The whether from business, labor or dislocations caused by inflation government.

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The Over-the-Counter Market

The Over-the-Counter Market

Serves Banks and Other Institutional Investors

The Over-the-Counter Market helps to serve the largest investors such as insurance companies, banks, financial institutions, pension funds, etc. These large buyers and sellers of securities apparently like to handle many of their transactions over the counter for several reasons: They have found that they keep their costs down; they get block offerings, thus completing their total requirements at one time; and also that there is little disturbance to the market pricing of the securities by operating in this manner.

The Over-the-Counter Market likewise has the smallest investors. Their statement probably needs no further comment. In the Over-the-Counter Market are the securities of many of the largest, oldest and most conservative corporations. Weyerhaeuser: Timber, M. A. Hanna, Lever Brothers, Bank of America, Bank of New York, Travelers Insurance Co., certainty rate in all three of those characteristics. There are dozens of other examples, of course.

Small Companies on Roster

The Over-the-Counter Market likewise serves the small enterprises. Do you want to test that statement? Maybe you think your local cold storage company is making good money and you would like to own a bit of its ownership. Or, maybe your local banking situation looks good; possibly you have a locally owned telephone system; or a bottled gas distributor. Step into the office of your local Over-the-Counter securities dealer one day and ask him about buying some stock in one of them. You may be surprised that you can buy shares in the company—and I hope you are appropriately rewarded if you do. But before you invest, be sure to investigate! Ask appropriate questions about sales, cost of sales, overhead expenses, net profits, future prospects, and all the other intelligent questions you can think of. Remember that when you buy shares in a company you become a part owner of the corporation and have the rights and responsibilities which that entails. You share both the profits and the losses. In other words, if the company goes broke, you should receive some dividends on your stock and it will become more valuable. If the company goes broke, you will probably lose what you put in it. It’s just as simple as that.

The “Uranium Rush”

In the recent “uranium rush” millions of shares of penny uranium stocks were offered and sold to the public. A startlingly low percentage of these offerings “made good.” Some of the offers were not even to the segment of the Over-the-Counter securities business retaining low-priced shares. Fraudulent characters may be caught and punished—but the damage has been done. Experience in these instances indicates that in such securities in other securities—know the merchant from whom you are buying—deal with responsible firms! In fact, with the merchant as with the merchant—“never invest in securities until you investigate.”

And, speaking of investigating, be sure you do just that when you are besieged with telephone calls and telegrams from either domestic or foreign security houses offering you the one great opportunity to get rich overnight. Get in writing, the propositions that are being made. Think them over—discuss them with your local dealer—and remember that there are very, very few offerings that will be made to you that are so urgent that immediate decision must be made.

The Over-the-Counter Market is the oldest market for securities in existence. It began long before there were such things as stock exchanges. From the very first time that one man bought into a business being run by others, there has been Over-the-Counter trading in securities. For, after all, an Over-the-Counter trade is merely a private bargain struck between two individuals.

Largest Market in World

The Over-the-Counter Market is the largest of all markets. This may seem strange but it is a fact that most securities today are not traded on any exchange, but through the bigger, less publicized Over-the-Counter Market. It has already been mentioned that there are over 20,000 different corporate stocks in which Over-the-Counter dealers expressed either a buying or a selling interest last year. Engaged in handling these Over-the-Counter securities are approximately 4,000 firms. These firms have a total of 2,400

Continued on page 86

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The Over-the-Counter Market

Continued from page 85

The Over-the-Counter Market

branch offices and employ over 50,000 registered representatives who are authorized to handle Over-the-Counter business.

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FOR FRASER

Thursday, November 15, 1956

THE COMMERCIAL and FINANCIAL CHRONICLE

over a widely held issue that trades frequently even though both issues are in the same approximate price range.

Quotations are subject to constant change and the changes occur more frequently on those issues that trade most actively. Since the bid is the price someone is willing to pay for a specific security at a given moment, and the ask price is the price at which someone is willing to sell, both the bid and the ask price as buyers and sellers change their minds.

Quotations on the more active Over-the-Counter securities that have a fairly wide distribution and interest are published in our financial periodicals under the sponsorship of the National Association of Securities Dealers, Inc.

The quotations do not represent actual transactions, but rather minimum and maximum prices at which an individual could have expected to sell or buy the securities quoted at the time the quotations were compiled. In all, the National Association of Securities Dealers is responsible for the daily publication of quotations on over 2,500 issues of securities of local, regional and national nature. They also supply quotations for 800 additional issues on a weekly basis.

Source of New Capital for Industry

The Over-the-Counter Market performs several major essential functions. One is the securing of new money for corporations by the underwriting and sale of securities. The money may be used for the original capital in starting a new company or for the purpose of expansion and growth by established corporations. Practically 100% of the money raised for starting new companies is raised through the sale of securities over the counter. The same is true of new money raised for expansion and growth except in those cases
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We maintain a trading market in the stock of
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and other Ohio corporations

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Member Midwest Stock Exchange
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bound to be transgressors, human nature being what it still is. The Over-the-Counter securities industry has a policing association which was chartered by Congress in 1939. The National Association of Securities Dealers has evolved rules of fair practice and codes of conduct to prevent fraudulent and manipulative acts and practices by its members. It has set forth specific rules which enlarge upon the provision that "A member in the conduct of his business shall observe high standards of commercial honesty and just and equitable principles of trade." Disciplinary action is taken against members and their representatives who violate the rules or codes of the Association. The delegation of authority for this self-discipline is unique and the membership is jealously of its powers. A violator of a rule or the code, is disciplined by fellow members of the association who are fully aware that the penalties which they assess may be reviewed not only by the Board of Governors of the Association but also by the Securities and Exchange Commission and may even be appealed to the Supreme Court. Penalties may be, therefore, stiff but fair. One recent case was so appealed and the penalty of expulsion against a member imposed by the Board of Governors was upheld.

Not only does the Association have these rules and codes but it has also set up ethical standards which go beyond the fraudulent practices provisions of the law. It has tried hard to meet the challenge inherent in the grant of self-discipline. The relatively small number of complaints indicates a gratifying measure of success. The Association's annual budget which is approximately $1 million is contributed entirely by the membership. The Association maintains a large staff of examiners who are constantly making surprise inspections of the books and records of members.

Just recently, another forward step has been taken. All prospective registered representatives must pass an examination covering the securities business and the rules and regulations of the National Association of Securities Dealers.

The Over-the-Counter stock and bond business is over and above you. It really has a direct impact on your present pocketbook and on your future welfare. My personal interest in the Over-the-Counter Market stems from the fact that my own firm is a medium sized factor in Wall Street — specializing in making mark "There must be an easier way to make a living." There may be, but having been in it for just 37 years, but July 10, I still love it.

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Continued from page 16

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Continued from page 89

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Continued on page 92

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Continued from page 91

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2. 4 of the Top 6 New Mexico Farm Counties
3. One-eighth of the Nation's Known Oil Reserves
4. Retail Sales 20% Above National Average
5. 95% of the Nation's Potash Supply
6. 50% of the Nation's Carbon Black Production
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New Horizons in Chemical Industry

And when we do we see three major facts: Our population is growing at the rate of about 2½ million people per year; 95% of our tillable land is already cultivated; and industry is taking an increasingly large proportion of farm products each year.

These facts convince us that the revolution we have fired must continue.

The progress we already have made is dramatically illustrated in these statistics. Back in 1929 one farmer raised enough food for himself and seven others. By 1940 he could produce for himself and 10 others; today he produces enough for 18 others. Only 11% of the total working force of the nation works on farms yet we are enjoying today a greater abundance and higher quality of farm products than ever before.

Less Land for More Food

In 1890 there were 74 producing acres of cropland per person in the United States while today there are only 11. The 350 million acres producing crops now are tremendously this impact product about the same number as in 1917 and has made on agriculture; we know and with industrial plants occurring paying many acres once used for farming, hardly more than 5% remain to be put into production.

Fertilizers alone have jumped crop yields about 80%. But it is obvious that farmers will have to consume far more than the present 22 million tons of fertilizer a year to produce enough food to feed a growing population. The Pooley Report puts it strongly: "Fertilizer is a cornerstone of the welfare of the nation. It is the single most above all others that will permit our farmers to meet our future needs; without more of it the job cannot be done." To meet these vast needs, the industry has invested millions in plants and in research to improve fertilizers and production processes, to reduce the farmers production costs, and to develop new methods of application and use.

We at W. R. Grace & Co. have been connected with the fertilizer business for more than a century in this country and abroad. We are first hand witnesses to the impact on the United States and beyond.

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the same land, now frequently well worn is called upon to pro-
duce more and more food.
Today the chemical industry
furnishes about 50 basic insecti-
cidal chemicals and related destroy-
formulations for use against pests and
insects which destroy annu-
ally the equivalent of 100 million
acres of farm products. Present
production of formulated insecti-
cides approaches a billion pounds
annually.
While the United States has
made greater progress in the con-
trol of insects than any other na-
tion, annual losses are still about
$4 billion.
Cotton losses suffered from in-
sects have been reduced from $1
billion a year to $250 million, and
as a result of new pesticides, but
a major job still must be done.
Today entomologists and chemists
are vigorously applying scientific
research to the end of ridding
our crops of more than 7,000
Insects and warding off another 6,
000 kinds of plant diseases.
The chemical industry also will
play an important role in stimu-
lating a growing consumption of
meat and poultry products in the
United States. Chemicals and plastic
additives, which are converting
cheap feed into highly valuable
meat supplements and vitamins for
livestock and poultry, will enable
the farmer to produce more meat
at a lower cost to him as well as
to the consumer. While the
hen and livestock are fed a diet of
a better diet, the commercial feed
industry can enjoy a spectacular
expansion with a steadily increas-
ing demand for more of our food
supplies such as urea.

Promising Plastics Future
Moving on from agricultural chem-
ical potentialities, I believe everyone
is conscious of the spectacular birth
and growth of the plastics indus-
tory. Consumption of plastics and
synthetic resins grew from 1.4
billion pounds in 1946 to almost
3.5 billion pounds in 1955. No one
in his right mind dares make a
long-range prediction about the performance of this phenomenal
industry, except to say the
surface has only been scratched.
A look at a recent study pre-
pared by Modern Plastics sheds
some light on the very promising
future for the plastics industry.
Analyzing some of the better
known plastics, the editors esti-
mate that the values of styrene
resin, vinyl, urea, and melamine
and polystyrene will continue to
show substantial increases over
the next few years.
The explosive increase in con-
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New Horizons in Chemical Industry

Continued from page 95

Chester M. Glass, William R. Staats & Co., Los Angeles; Sue F. Pulliam, Los Angeles; Clifford E. Poindexter, Wagenseller & Detel, Inc., Los Angeles

Robert Strauss, Daniel F. Rice and Company, Chicago; Irene Strauss, Chicago; Milton J. Isaac, Strauss, Blosser & McDougal, Chicago; Fannie Isaac, Chicago

used fibers to make a cloth, and the fields of packaging, sealing compound, food preservation, construction material, additives, paints, wood preservatives, the synthesis of compounds like cortical hormones and so many others, into which we in the chemical industry have moved because we can make the product which does the job. As I said earlier, almost every industry and practically every end product bears and will continue to bear the stamp of our efforts.

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have adequate diets. With full employment of chemical and industrial resources, however, there is reasonable hope that the world will be much better fed. The industrial and economic solution is here; the problem only awaits political solution.

There are many areas of great promise for the chemical industry in which we have not even been able to touch on. Look, if you will, at the fields of packaging, sealing compound, food preservation, construction material, additives, paints, wood preservatives, the synthesis of compounds like cortical hormones and so many others, into which we in the chemical industry have moved because we can make the product which does the job. As I said earlier, almost every industry and practically every end product bears and will continue to bear the stamp of our efforts.

Permit me, if you will, to cite just a few more facts and figures. These facts and figures, I am convinced, bear out the optimism with which we in the chemical industry anticipate the future. There is, however, one fly in the ointment. The problem is one which we have read about and no doubt discussed. At the risk of boring you—but in the hope of goading you to some action—I want to discuss it for just a moment. That problem is trained manpower.

Trained Manpower Shortage

Technological ingenuity is our bread and butter. It takes men to supply that ingenuity, trained scientists and technicians. Today there aren't enough available and unless this problem is solved the industry's expansion may be slowed.

For the period 1956-1959 the chemical industry is planning a greater expansion than any other industry. By 1959 the chemical industry anticipates that 15% of its sales will be in products it wasn't even making last year. Over the next three years research expenditures are expected to increase by 16%.

Of course, this manpower shortage has a national security aspect, but our need for men is by no means confined to military survival. We have, as I suggested earlier, virtually no room to expand the farmlands of this country. Our raw materials are not inexhaustible. Research in such fields as soil improvement through chemicals, irrigation by desalted sea water, and greater utilization of waste materials is of crucial importance.

Man, in short, must look to new resources to replace those which will soon be inadequate to his needs.

It is clear, then, that all industry—and the chemical industry in particular—is faced with the serious problem of finding the trained personnel to carry out this search for the means of our survival—military and economic. The methods of doing so would almost seem to suggest themselves.

We must increase the interest of high school students in science. One-quarter of all American high schools offer no chemistry or physics. This situation may become worse because there is a steady decline in the number of science teachers available each year.

Mountain Fuel Supply Company, now in its 27th year of natural gas service to communities in the Salt Lake City—Ogden—Provo area of Utah and to southern and western Wyoming, is continuing its program of exploration and distribution on a greatly accelerated basis.

Capital expenditures this year will be about 10 million dollars, of which more than three million dollars will be spent in exploration, field compressors and gathering systems, nearly two million in transmission and about five million in distribution facilities.

For the fourth consecutive year, we expect to add 10,000 meter customers to our distribution system, thus increasing service to 136,000 meters.

This aggressive program will be a vital factor in the continuing development of the progressive area the company serves.
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OUTLOOK FOR TV RECEIVER INDUSTRY

1957 is a firming up of the ultra high frequency market segment and other industry volume in sales to existing stations.

It is not anticipated that the FCC-proposed rule making will affect very high frequency broadcast equipment purchases in 1957. There will probably be a higher volume of sales to existing UHF stations as well as sales to some new UHF stations which will begin operating in 1957.

We expect that in the next year many of the existing UHF stations will modernize their transmitters and studio facilities. The foreign market potential continues to increase and many new countries will actually begin their first television broadcasting in 1957.

In the industrial television field, new applications are being found every week. In this new area, current industry-wide sales are about $8 million annually but are expected to grow to about $24 million annually (by 1960).

Closeout of basic industrial installations are relatively inexpensive and are becoming less costly all the time. A closeout of basic monochrome chain consisting of a camera, a control unit and a monitor with good color installation sells for about $28,000. These systems can pay for themselves in a few years because of reduced labor and greater efficiency of operation.

Generally speaking, industrial television can go where people can’t go or wouldn’t want to go, from the interior of a huge boring machine to the inside of an industrial furnace.

Tasks Done by Closed Circuits

Let us take a glance at some of the many tasks now being done by industrial television — tasks that are being done faster, cheaper, safer, and more accurately than if human beings were on the spot.

It is a solution to many situations where heat, cold, rain, dust, radiation, distance, hazards, and other similar conditions make the accurate and instantaneous transmission of required visual information inconvenient or impossible by human means.

Industrial television finds innumerable applications in material handling, quality control checks, boiler ignition inspection, observing hazardous operations in steel plants, observing wind tunnel tests, and detecting forest fires.

There are several ways closed circuit television can be used in hospitals. It can help overcome the chronic national shortage of trained medical personnel by supplying remote observations of individual patients to doctors at distant points.

In the operating room, a color television installation permits any number of medical students to have a surgeon’s eye view of operations. And in the laboratory, the same students can observe the action of live living organisms through televisions.

In the commercial field, regional sales managers or other executives can participate in nationwide sales conventions or conferences without leaving their home city.

Automatic inspection can often be accomplished by using television. For example, using two cameras, one watch for a spot on a standard part or piece of equipment and the second camera on the production line or individual machine, where people can’t go, vision inspection can be automatically rejected.

Slow Scan Uses

One technique of closed circuit television that is finding many new uses is a slow scan television. In slow scan television produces one image every four or five seconds whereas normal broadcast sends 30 pictures per second. Slow scan has its greatest potential in uses not requiring transmission of motion. Slow scan can be sent over modified telephone lines, it is much cheaper than normal cable.

Where coaxial cable costs $6.00 to $7.00 per thousand feet, a slow scan television can be sent many miles at a reasonable cost. This system might be used, for example, by branches without service with several branches in suburban areas. By using slow scan, a Roller at any branch bank window could check a signature card at the central office in a matter of seconds.

This system is already being combined with telephones to enable users to view the signature card at the other end of the line. Salesmen can meet clients face to face and display their wares over long distances at a reasonable cost.

TV MILITARY INVASION

Television is rapidly invading the military field and bringing with it new military security and inspection never before possible.

Cameras are now being mounted on observation aircraft to give field commanders a picture of what is happening to his own troops...as the situation the field, help the enemy side. Lightweight cameras — the so-called "waist-lookers" — can be carried easily to the front lines by artillerymen, spotters and other fire control center personnel to actually see where their shells are falling.

The first successful demonstration of closed circuit color television observed fire firing of both missiles was recently held at the Army facilities of the Missile Test Center at Cape Canaveral, Fl. Because of security regulations, specific details of the demonstration cannot be disclosed.

However, it can be said that the color system already in use is a close-up view for the first time of actual variations in flash and flame at the launching of a Redstone missile. The first few seconds of missile launching are extremely critical. Prior to the color television demonstration, details and close-up visual observation was next to impossible because of required safety precautions and the extreme variations of brightness as the missile is fired.

Although the firing was viewed from a distance of only 300 feet, and on home-sized screens, it is feasible to watch such events from thousands of miles and on large theater-size screens.

Closed circuit television is also helping ordnance experts de-fuze and neutralize live bombs and shells left over from World War II. Faced with the sensitive task of disposing of active but obsolete ammunition, the Army has turned to television to help make the job safe and simple.

They are using remote controlled television and machines to gently remove booster charges, igniters, from thousands of bombs and shells at a sheltered distance of 300 feet. Since base plates holding the boosters were literally jammed onto the ammunition during wartime production day, great pressure must be exerted to uncrew and loosen the plates.

The ammunition handlers who operate the machinery that uncrews the plates can watch the operation on color screens while seated behind three-foot-thick concrete walls. At the first sign of excessive pressure—a tell-tale wisp of smoke—the uncrews machine is idled while water pours over the bomb.

Needless to say, military and civilian television experts are constantly working new ways in which television can be of further use to our armed forces. The safe observation of atomic tests, the bore sighting of artillery and the transmission of printed data are just some of the potential uses.

Vector Driving Tool

The outlook for television in the field of education is particularly encouraging. This new medium is being used more and more to help overcome the critical...
Outlook for TV Receiver Industry

nation-wide shortage of teachers. Many educators feel that television is the greatest teaching tool to come into use since the textbook.

Both broadcast systems and closed circuits are being used with great success in this field. Television can bring the whole world into the classroom and it can project the classroom beyond its walls and out into the world. Science laboratory experiments and homemaking demonstrations are being brought to thousands of viewers at a fraction of the cost of any other effective method of teaching. With it, residents of the most remote hamlets can take advantage of the very best teachers. Recently the state of Alabama inaugurated the first state-wide educational television network in the country. Their three stations, bringing educational programs into 90% of the homes of the state.

A closed circuit installation began operations last fall in Hagerstown, Md., and 6,000 children in eight public schools are getting their initial experience in learning by television. Next year this program will be expanded to include 12,000 students in Washington County where Hagerstown is situated. This program will be expanded in the county will be tied into the program which will then include 20,000 students.

These are just two examples of what television is doing to help education. Its growth potential is limited only by the population of the United States because television can help adults continue their education as well as it can teach children.

TV From Europe

There is a great new development coming in television which, when perfected, should open up new vistas for people throughout the entire world. This is the so-called “scatter” transmission technique. By using this technique, it is only a matter of time until we will be able to send and receive live programs from Europe and, eventually, from other countries. The impact of these cultural, educational and entertainment programs cannot be underestimated. It is only through a better understanding of our neighbors in other countries that we can maintain a peaceful world.

Ignorance breeds misunderstanding and suspicion and an exchange of programs of television broadcasts would do much to overcome these misconceptions. I firmly believe that the United States Department of State should support the development of transatlantic television for the more efficient operation of our foreign policy in the economic, cultural and political spheres and to promote better understanding between nations.

In closing, I think you will see a very excellent outlook for all phases of the television industry. This is not to say that there are not certain problems which must be overcome. Many of these problems are purely technological in nature and I have full confidence that our scientists and engineers will solve them in due time, as they have done in the past.

Thorough Study Needed

However, there is one problem that cannot be solved by science alone. This is the problem of the most effective use of the radio spectrum which is one of our great natural resources. The question will enable the United States to have a truly nation-wide competitive television system.

Television is a comparatively young industry. But it is a vigorous industry and as I look into the future I can see steady and should be no radical changes in sustained growth as more and more people take advantage of the benefits offered by this important communications medium.
For financial institutions

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