The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Off.

THE LEADING AND MOST INFORMATIVE PUBLICATION IN THE FINANCIAL FIELD . . . ESTABLISHED 1839

Volume 197 Number 6232 New York 7, N. Y., Thursday, January 24, 1963 Price $1.50 a Copy In 2 Sections — Section 1

EDITORIAL

As We See It

In constructing their own preview of the year, 1963, most astute businessmen will, we believe, first of all seek some rational conclusion about what the coming months may bring, or would bring, without the benefit of the "stimulation" and general "assistance" now promised in Washington. In the name of promoting business activity, employment and "growth" the President has come forward with proposals of expenditures during the coming fiscal year which exceed any in our history, including even the World War years. And almost boastfully it seems, the Administration envisages a deficit that, according even to its optimists, will be second only to the then-regarded as "awesome" deficiency of upwards of $12 billion in one of the later Eisenhower years. The prospective huge deficit was, of course, planned that way and is according to the Keynesian New Frontiersmen, therefore not only harmless but the only certain road to budgetary surpluses in the future. Those surpluses in the future are to come, so the theory goes, by reason of the greatly increased activity in American industry and trade in the months and years immediately ahead.

Any thought that all this obvious unorthodoxy might be troublesome to our balance of payments, and thus to our standing in the international world, is dismissed with the assertion that foreigners would be delighted to see our cow jump over the moon, and in anticipation of the great things in store for American business would hurry to bring their funds here for investment. Hypothetical tables are presented to show how much of the average man's income heretofore going into taxes will henceforth be available to him *(Continued on page 75)*

Business and Finance Speaks After the Turn of the Year

As is our usual custom, THE CHRONICLE features in today's ANNUAL REVIEW AND OUTLOOK ISSUE the individual opinions of the country's leading industrialists, bankers and financiers, also government officials, as to the probable trend of business in the current year. These forecasts, written especially for THE CHRONICLE, provide the reader with up-to-the-minute official views as to the indicated course of business in all industries. The statements begin herewith—

HON. LUTHER H. HODGES
Secretary of Commerce

At the close of last year, demand for the nation's output, while not requiring full capacity, was moving higher, with the main stimulus coming from consumers and government. While total income was on the rise, payrolls in private industry showed little improvement from July, reflecting the fact that industrial production, after seasonal adjustment, was little changed.

Luther H. Hodges

Consumption expenditures were being bolstered by heavy purchases of the new model cars. Nondurable goods expenditures were not showing much improvement over the previous quarter, but spending on services continued its long-term upward trend. At the government level, defense expenditures continued to rise — as did state and local outlays, buttressed by increasing expenditures for highway construction.

Business investment outlays appear to have leveled off in the final quarter, and the most recently reported plans point to a slight dip in expenditures in the first quarter of 1963, after seasonal adjustment. Housing outlays in the closing months of 1962 averaged somewhat lower than in the third quarter, although nonfarm private housing starts late in the year were higher than they had been during the summer.

In the final quarter, the excess in steel stocks had disappeared, and retail stocks of autos were low and in need of rebuilding. In general, however, business inventory policy continued to be conservative.

The figure for Gross National Product in the last quarter of 1962 is expected to exceed $560 billion at an annual rate. This will bring the year's total to $554 billion, representing an increase over 1961 of 7%. And most of this advance has been in the physical volume of output, since prices have risen only a little more than 1%.

Economic activity is now at record levels, and our economy is basically strong. But, while the economy displayed some additional momentum in the fall period, the rate of advance was still substantially less than the improvement for 1962 as a whole over 1961.

The American economy should continue to move upward in 1963 but at a slower pace than in 1962 and at a level well below full employment of the nation's economic resources.

For some time now, the overall pace of our economic growth has not been satisfactory. The level of unemployment is much too high, and the trend of business investment in plant and equipment has been disappointing.

The current increase in economic activity stems primarily from growing *(Continued on page 26)*

ANNUAL REVIEW AND OUTLOOK ISSUE

The Security I Like Best . . .

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

This Week's Forum Participants and Their Selections

Pacific Intermountain Express Co. —Bruno Kordich, Analyst, Hirsch & Co., New York City. (Page 2)

Fieldcrest Mills, Inc. — Van V. Midgley, Analyst, Mason Brothers, Oakland, Calif. (Page 2)

BRUNO KORDICH
Analyst, Hirsch & Co., New York City

Pacific Intermountain Express Co.

This company currently occupies an important position in the trucking and freight forwarding industries, ranking fourth in terms of motor freight revenues and sixth in freight forwarding. Operations are carried throughout the United States but predominantly on the Pacific Coast. The company also maintains a truck leasing division and distributes motor parts, but even combined, these activities contribute only nominally to revenues.

With the acquisition of Pacific and Atlantic Shippers in 1959, and National Carloading in April of 1962, the company has placed considerable emphasis on freight forwarding, a field with excellent potentials. Although revenues from these two acquisitions may have contributed only about $45 million out of a 1962 estimated total of $110 million (including National Carloading for the full year), they are expected to grow rapidly. In fact, management believes that revenues from Pacific and Atlantic could climb to nearly $16 million in 1963, up from perhaps $12 million in 1962 and only $10 million in 1960. By the same token, National Carloading, too, is expected to score impressive revenue gains this year, possibly some 20% over the $33 million anticipated in 1962.

It is interesting to note, that before joining the P. I. E. family, National Carloading had compiled a distinctly poor operating record with losses reported consistently. However, P. I. E. is applying its own business techniques in moves to revitalize this enterprise. Significant success is already evident since National Carloading is currently operating in the black and should be an important contributor to earnings in coming years.

Profit margins from the freight forwarding operations should widen perceptibly with the growth in volume. In large measure, this reflects the fact that the company now plays a dual role as a common carrier and as a freight forwarder, and the rapid expansion of the latter phase of the business is permitting important savings through better joint use of equipment, terminals and sales force. Even now, profit margins on freight forwarding may amount to about 2.2% this year, up from 1.6% in 1962. All told, earnings from freight forwarding could conceivably climb from 30 cents a share in 1962 to better than 50 cents a share in 1963.

Pacific Intermountain has enjoyed fairly strong revenue growth over a period of years, partly reflecting a series of acquisitions. Its earnings record, has been an indifferent one and in fact, quite erratic. However, considerable progress has been demonstrated since the poor earnings performance witnessed in 1960, when earnings plummeted to $0.61 a share, as a result of heavy expenses of integrating freight forwarding activities into the overall business and revamping operations generally. The benefits of this program, together with higher rates, saw earnings climb to $1.24 in 1961, and to perhaps $1.70 a share last year.

Further attractive gains appear to be in prospect for 1963. With additional cost savings in the burgeoning freight forwarding business and in the context of a favorable operating economy, it is possible to envisage earnings approaching $2 a share in 1963. In this connection it is well to note that in the nature of the business, profit margins in recent years have been very modest and only a small improvement in these ratios can make for a substantial improvement in earnings.

At the close of 1961, current assets amounted to $10.0 million against $7.9 million of current liabilities. The 1.7 million common shares outstanding (23% closely held) is preceded by close to $12 million in long term debt. In the nature of the trucking business, depreciation necessarily generates a sizable volume of cash, amounting in the case of P. I. E. to a healthy $5.8 million in 1961. No new major financing is anticipated in 1963. Dividends, recently increased to 15 cents quarterly from 12½ cents, were supplemented with a year end extra of 20 cents. Moreover, with a marked gain in earnings expected in the current year, another increase in disbursements is a distinct possibility.

In the meantime, the present indicated annual rate of 80 cents provides a 5% return. Consideration is being given to a listing of the stock on the New York Stock Exchange. The stock is now traded in the Over-the-Counter Market.

Market prices for Pacific Intermountain shares are up from $9 last year but are still under the peaks of the previous years when earnings were lower and the outlook not nearly as bright. The current multiple of eight times estimated 1963 earnings assume added significance in light of the relatively liberal appraisals accorded many other trucking and freight forwarding operations. In conclusion, the common stock of Pacific Intermountain is recommended as an attractive speculative vehicle for capital enhancement providing at the same time a satisfactory dividend return.

VAN V. MIDGLEY
Analyst, Mason Brothers, Oakland, California

Fieldcrest Mills, Inc.

The quality of this long established manufacturer of high style merchandise plus the fact its stock is currently available around 10 times earnings are two reasons, in my opinion, why the issue justifies my endorsement.

The company's history dates back 60 years. The current company was organized in 1953 to take over the Fieldcrest Mills division of Marshall Field, Inc.

The company manufactures a broad range of household textile products, consisting of regular and electric blankets, towels, sheets, bedspreads, woven rugs and carpets. The company also styles and markets a coordinated line of bath fashions including bath rugs and shower curtains, marketed under their trade names of Fieldcrest and St. Marys. In addition, the company sells a broad line of such domestics to leading mail order and retail chains, including Sears Roebuck, Montgomery Ward and J. C. Penney. The company also manufactures electric blanket "shells" for others, including Westinghouse.

Since its organization in 1953, Fieldcrest has held tight reigns on its merchandising outlets. As a rule, its domestics will be sold exclusively by one store in an area, with the sales personnel trained by and continually under supervision of the Fieldcrest people. Franchises for Karastan carpets and rugs are granted on a one year basis and discounting in any form is not allowed. The company is a pioneer in the coordination in matching design for bathroom and bedroom.

One accounting practice which appeals to me is the use of John P. Maguire & Co. for handling of its accounts receivable thus eliminating the necessity for the company to operate an expensive credit and collection department. Credit risks for this reason are reduced to a minimum and cash balances are held at minimum adequate levels.

Of the 2,270,000 shares of common stock outstanding, I am advised that Amoskeag Company of Boston owns 1,560,000 shares and furnishes management advisory services to Fieldcrest at an annual fee of 1/10th of 1% of company's net sales. An additional 125,400 shares are held by management and John P. Maguire leaving 584,600 shares in the hands of others besides management.

Under aggressive management, sales have increased from $64.9 million in 1957 to $77.1 million in 1961, and have had a further 15% increase in first half of 1962. Earnings per share during these years, adjusted, have been:

1957	$0.63
1958	0.84
1959	1.25
1960	0.70
1961	1.13

Non-recurring costs connected with relocation of certain operations, reduction of manufacturers' prices on certain kinds of domestic blankets and increased prices for carpet wools were the principal causes for lower earnings in 1960. In the first half of 1962, however, earnings were 54 cents compared with 23 cents in the 1961 like period. Normally about 60% of the company's sales and earnings come in the second half of the year. Therefore, conservative estimates place the full 1962 results between $1.30-$1.40 per share.

The stock is now on an annual dividend basis of 70 cents a share showing a return of around 5%. It is traded in the Over-the-Counter Market.

(This is under no circumstances to be construed as an offer to sell, or as a solicitation of an offer to buy, any security referred to herein.)

Why the Stock Market Rise And Optimism for This Year

By Robert B. Johnson, Director of Research, Paine, Webber, Jackson & Curtis, New York City*

Recently, the Dow-Jones Industrial Average has hovered around 650. This is approximately 85 points below its record closing high of 734.91 on Dec. 13, 1961. Following the easing of the Cuban crisis late in October, the market staged an unusually rapid recovery. In approximately 25 trading sessions, the market regained about 100 points . . . it's been a long time since we've seen a rise of this extent in such a short time.

Robert B. Johnson

In this recovery thus far, the major buying has been by **institutional** investors. The **public** has approached re-entry in the market with some apprehension. However, "The Wall Street Journal" observed recently (an observation with which I heartily agree): "When this fact is more generally recognized by the public, individual investors may become much more aggressive in their buying."

Why has the market gone up?

First, the easing of the Cuban crisis relieved all of us. In addition, there's been an increasing volume of very favorable economic news recently. A point of significance: I've noticed in recent trading markets, whenever prices declined, volume has declined. **But**, when prices increased trading volume also increased.

There's another point I think significant with respect to the market: there are indications that there **could** be a relative scarcity of equities immediately available for trading. Why? Because of the increasing absorption of stocks by institutional investors. And, **additional** institutional buyers are now in the development stage. For example, **uninsured** pension plans have shown a steady increase in their stock purchases.

In drafting today's labor contracts, there's an increasing tendency to use pensions as a fringe benefit. Thus, the volume of new money flowing into these funds has increased substantially. For example, between 1956 and 1961, stocks bought by uninsured pension plans advanced from $900 million to $2 billion. (These are figures provided by the SEC.) The possibility of a squeeze on the **supply** of stocks appears reasonable on the basis of:

(1) Institutional investors (especially the pension funds) are primarily **buyers**. As the funds keep growing, generally they keep buying—even when individual investors are selling. Then when the **public** begins buying, less stock is available because the institutions are **still** buying.

(2) There's been a substantial **reduction** in new issues brought to market. For example, in the first half of 1962, investment companies bought $1.2 billion of stocks, uninsured pension funds bought $1.1 billion. Together, this nearly **four times** the $600 million in new stock issues publicly offered during that period. Theoretically, then, in order to satisfy the institutional investors' demand for equities, the public must be a net seller.

Several technicians suggest that the market this year could range between the high of 1961 and the low of 1962—i.e., in terms of the DJIA, this would mean between approximately 735 and 525. Although, admittedly, such a projection encompasses a rather broad range, it seems realistic to me. However, if we **should** get a tax cut this year, I would think the previous high point on the DJIA might be exceeded in 1963.

There are several industry groups which, in my opinion, may offer better-than-average investment opportunities for 1963. One of my personal favorites is the petroleum industry. Many oil stocks are regaining some of their former broad appeal. Why? Here are six possible reasons:

(1) Leading oil companies have continued to increase earnings—despite pessimistic forecasts of a few years ago. In fact, profits in 1962 probably were the highest in history.

(2) Consumption in the Free World has increased at an average annual rate of 6%. (According to the Chase Manhattan Bank's Petroleum Department, the major impact of the compact car and the extension of natural gas systems has already been discounted.) Petroleum demand in **foreign countries** has increased by 10% annually.

(3) Since the second quarter of 1962, prices have become more firm. (Price instability has been one of the major contributing forces behind investor disenchantment with oil stocks.)

(4) Increased efficiency of operation. Labor costs, as a percentage of revenues, have been declining.

(5) Diversification. Many companies have boosted their margins by going into petro-chemicals—the oil industry now accounts for about 25% of the total petrochemical business (Jersey and Shell are leaders in this field).

(6) Financial strength. In re-

Continued on page 20

CONTENTS

Thursday, January 24, 1963

Articles and News

BUSINESS AND FINANCE SPEAKS AFTER THE TURN OF THE YEAR

Starting on the cover page of today's ANNUAL REVIEW AND OUTLOOK ISSUE, we present the opinions of leaders in Government, Industry and Finance regarding the outlook for business in 1963.

* * *

In the SECOND SECTION of today's issue will be found our usual tabular record of the high and low prices, by months, of every stock and bond issue in which dealings occurred on the New York Stock Exchange during 1962.

Regular Features

The COMMERCIAL and FINANCIAL CHRONICLE
Published Twice Weekly — Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, PUBLISHER
25 Park Place, New York 7, N. Y. — REctor 2-9570 to 9576
CLAUDE D. SEIBERT, President
WILLIAM DANA SEIBERT, Treasurer
GEORGE J. MORRISSEY, Editor
Thursday, January 24, 1963
Every Thursday (general news and advertising issue) and every Monday (complete statistical issue—market quotation records, corporation news, bank clearings, state and city news, etc.). Other Office: 135 South La Salle St., Chicago 3, Ill. (Phone STate 2-0613).

Second class postage paid at New York, N. Y.

SUBSCRIPTION RATES
MONDAY AND THURSDAY EDITIONS (104 issues per year)
In United States, U. S. Possessions and members of Pan American Union $80.00 per year; in Dominion of Canada $83.00 per year; other countries $87.00 per year.
THURSDAY EDITION ONLY (52 issues per year)
In United States, U. S. Possessions and members of Pan American Union $20.00 per year; in Dominion of Canada $21.50 per year; other countries $23.50 per year.
OTHER PUBLICATIONS
Bank and Quotation Record—Monthly, $45.00 per year (Foreign Postage extra).
Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

OBSERVATIONS...

BY A. WILFRED MAY

WHAT MARKET?

The Box Score covering the market performance of individual stocks for the year 1962 again shows the fiction in referring to "the" market.

Standard & Poor's Average of 500 stocks fell by 12% net, and the Dow Jones Industrial Average declined by 11% during the year. But, as disclosed in a compilation by the New York Stock Exchange, 204 issues showed a net price *gain*. Advancing by 50% or more were 6 issues; one stock rose in the 40-to-50% category with 10 stocks advancing by 30 to 40%.

The Complete Score

Intra-market divergence over the longer-term is more fully cited in his Breadth Index by Harold X. Schreder, research director of Distributors Group, Inc. (an investment management company).

He interprets the Index as showing that, from 1956 to the present, of the total issues traded on the New York Stock Exchange, the majority actually declined—in the face of the "Bull Market's" concurrent net advance of 44% as exhibited in the Dow Jones Industrial Average. In other words, the exceptional spectacular advances in a relatively small number of individual stocks completely distorts the impression of the performance of the market as a whole.

Entire industry groups also have since the mid-fifties moved directly counter to the sharply rising Averages. These stock groups, which topped out then and have since registered a net decline, include: the autos, chemicals, nonferrous metals and rails in 1955-56 (the DJI-Average has risen by 80% in the ensuing period to the present); the oils in 1957 (the DJI has since advanced by 18% net); and the steels in 1959 (preceding an 11% net rise in the market averages). The electronics and other "glamor" issues have declined since their mean prices of 1960 to the present—in the face of an 8% rise in the Dow Jones Industrial Average.

Blue Chip Deserters

The same extreme divergence has even occurred between the individual issues comprising the Dow Jones Industrial Average. When the latter attained its all-time high of 735 in December, 1961, over 40% above its mid-1950's high of 525, 15 of the 30 component issues were *lower* than their own individual highs of the period by an average of 21%. The "contra-trend" performance of some components of the Dow Average follows:

Aluminium Co. (Alcoa) which in 1956 sold at 133, is now 59; Anaconda, 87 in 1956 is now 42; Chrysler, 101 in 1955 is now 82; International Paper, at 48 in 1957 is now 28; Standard Oil of New Jersey, 68 in 1958 is now 59.

So impressed is Mr. Schreder with the breadth and degree of long-term market declines, in the case of groups as well as individual issues, that he advanced the proposition over the past weekend,* that we have really been in a Bear Market since the mid-1950's, which culminated in last May-June's Break—and marked the initiation of a major long-term bull market.

THE UNIONS AND COMMON STOCKS

Here and Abroad

Here and in England, points of similarity as well as of difference between the attitude of labor unions toward the acquisition of common stocks are striking.

As related during a visit here by Desmond Hirschfield, British fiscal economist, who is manager of a unit trust composed of equity funds of major U. K. labor unions, there is considerable "stickiness" there on the part of unions' embarking into the common stock area.

Our Amalgamated Clothing Workers Union, presided over by Jacob Potofsky, keeps completely free of equities, having $175 million resting in U. S. Governments and cash.

*In a forum, "The Economic Outlook and Your Investments," Jan. 19, at the Harmonie Club, New York City.

Our International Ladies Garment Workers Union, similarly avoiding common stocks, keeps its $200 million in a portfolio of corporate bonds and mortgages.

While the exiling of common stocks by U. S. unions is somewhat exceptional—with the vast majority of unions' portfolios holding them, and managed jointly by union officials and their employers, the huge amounts involved make them significant.

Ideological Objection

The British - American difference in causing the nonstock policy is striking. Here (as vouchsafed to us by President Potofsky) it is the alleged risk factor, seemingly larded with the distaste of "trustee responsibility," which is primarily motivating. (The unions might note that holdings of common stocks now constitutes 50.3% of the total market value of the investments of 64 university endowment funds, as shown in the currently released 1962 Study by the Boston Fund.)

In Britain, on the other hand, the unions' abstention from equities' ownership is *ideological*—in unwillingness to help finance "labor's enemy, the capitalistic company."

A "REIN" ON FISCAL IRRESPONSIBILITY

In the current public controversy over tax reduction-budget deficiteering, temporizing over advocacy of either outright unbalancing or balancing is at the maximum. Frank championing of budget-balancing is seemingly shunned as "fuddy-duddy public relations."

Our Award - of - the - Week for adeptness in such discussion goes to William H. Moore, Chairman of the Bankers Trust Company, New York, for his contribution in the Bank's Annual Report to Shareholders: a tax cut could be an important forward step only "if Federal spending is kept under a [sic] tight rein."

Apparently, ever-further debt creation is O. K. if done with "a tight rein."

OTHER QUOTES OF THE WEEK

Called Forth by Gen. de Gaulle's Banning of Britain From The Common Market.

"Bonaparte Rides Again in France"—from the London *Economist, Jan. 19.*

Also, "White House shock over de Gaulle is the worst since Cuba. It's virtually washed out Kennedy's State of the Union Optimism, confirmed what a few U. S. Diplomats have feared for some time: JFK's Common Market policy will collide with his NATO policy—unless someone can get de Gaulle's hands off the switches." *—The Research Institute of America—January 18.*

Now Cairns & Co.

PASADENA, Calif. — The firm name of Cairns & Campbell, 345 East Green St., has been changed to Cairns and Company.

J. C. Rahel Branch

SIOUX CITY, Iowa — J. Cliff Rahel & Co. has opened a branch in the Badgerow Bldg., under the management of John H. DeVries.

FROM WASHINGTON ...Ahead of the News

BY CARLISLE BARGERON

Although it probably won't make much difference in the end, there is all sorts of grumbling in Congress as it meets the Kennedy program. But the main themes of American foreign policy are the subject of the most discontent.

They include such seemingly unrelated issues as the Administration's call for record budget spending, increased rumblings about the wisdom of foreign aid, the coming investigation of the cancellation of the Skybolt missile system, and even the undeclared "little" war in Viet Nam.

Administration officials say they recognize the danger of a flare-up on Capitol Hill and are giving serious thought to the need for precautionary measures.

It will be necessary to have "plainer talk" about the objectives of American policy in a period when both the Eastern and Western forces in the world are experiencing the pangs of transition.

But the Administration feels that it would be most unfortunate if the West should become obsessed with its own growing pains. It is necessary to examine the disquiet, these sources argue, but not to be distracted.

There is considerable discontent over France's holding up of Britain's entry into the Common Market but Administration officials believe that what is happening between Soviet Russia and China is much more grievous for the East than the Common Market problem is for the West. The demonstration of United States strength in the Cuban crisis, and the impact on the uncommitted nations of Red China's attack upon India count more for the future than the internal travail, the Administration believes. In the end, its view will probably prevail although it is likely to be preceded by considerable fireworks.

Terrible tempered Senator Wayne Morse, of Oregon, fairly summed up the prevailing feeling in the Senate when in a speech on Wednesday he charged that the United States is being used as a "doormat" by its European Allies.

One Senator cannot start a blaze, but the indication this time was that Morse was expressing a large sentiment.

Many Senators are having some misgivings about giving the President free trading tariff power to deal with the Common Market since France seems determined to make it a more restricted trading unit including France, Luxembourg, West Germany, Italy, Holland and Belgium when the idea of the United States was just the opposite. It was expected to be a bigger and more powerful unit and this is the reason Congress gave the President power to deal with it. It can now be said that Congress is smoldering over France's recalcitrance.

Since the Administration has been in office, it has escaped a full blown debate over its foreign policy. There are at least a few Senators who do not count that as a blessing.

If a full blown debate occurs, a likely central issue, and one that reaches into the grass roots of Congressional districts, is the shift in world trading expectations that will result if DeGaulle succeeds in limiting the Common Market. This will tend to make the market more protectionist in trade and, as the economists say, more "inward looking." America will have no bargaining power with such a unit and we will be at a disadvantage, whereas Mr. Kennedy had advertised it as a world trade millenium.

David Clark & Co. Private Financing

David D. Clark & Co., Inc., has been formed with offices at 40 Wall Street, New York City, to act as specialists in privately arranging purchases and sales of blocks of stocks for institutions and corporations. Mr. Clark was formerly in the institutional sales department of Hornblower & Weeks.

Joins Prescott Staff

CLEVELAND, Ohio—Leonard P. Seeley is now affiliated with Prescott & Co., National City Bank Building, members of the New York and Midwest Stock Exchanges. He was formerly with Goodbody & Co.

Timing Railroad Mergers For Profitable Investment

By Hans Jacobson, Analyst, Kalb, Voorhis & Co., New York City*

Rail securities' expert is not worried that the eventual long-drawn outcome of the 14 currently prospective mergers will be successfully consummated. He is, however, concerned with some recent developments which bode ill for a relatively speedy and realistic processing of some of the more important pending cases. Mr. Jacobson singles out several pending mergers for their investment possibilities, and explains cruciality of timing occurrences of merger proposals.

There is no doubt in my mind whatsoever that almost every one of the merger and control applications filed with the Interstate Commerce Commission will be approved in due time, so that what I really want to discuss in this paper is the timing involved in these proceedings. Many, of course, are familiar with the time-consuming hearings, briefs, counter-briefs, examiners' reports and final decisions that mark the stages in the slow progress towards consummation of a railroad merger. Even a case as simple as the Pennsylvania Railroad application to acquire additional stock in the Lehigh Valley, of which the Pennsylvania already owned 44% prior to application, took almost a year and a half to become effective. There had been no opposition to the application in its final stages. As a matter of fact, the last hearing date was cancelled because of lack of appearances; still it took the examiner about five months to write the opinion approving the application, and we then had to wait another 30 days before the approval became final, during which time appeals could have been filed.

Oppositionary Views

None of the current merger and control applications are that simple, nor are they unopposed. It is true that neither the B & O-C &O, nor the New York Central-Pennsylvania, nor the Norfolk & Western-Nickel Plate-Wabash mergers have met with more than lukewarm opposition from other railroads, though some of the other proposals have provoked neighboring railroads to intervene. I doubt, however, that more than one or two of these interventions need be taken seriously. But the railroad labor unions, as well as some local authorities, seem to think that it is better to have two financially weak independent railroads which lose money than one merged company operating profitably and able to compete successfully with trucks, private carriers, or barges.

I have paid a great deal of attention to these developments and must admit that I am rather worried about the effect of these negative forces—not on the final outcome, but upon the timing of the merger proposals.

Discouraging Developments

Let me recite in detail some recent developments that seem to bode ill for any hope we might have had of a relatively speedy consummation of some of the railroad mergers currently under discussion. In the B & O control case which the Commission decided on December 17th permitting C & O to acquire B & O control, the approving report of the Commission occupied 50 pages. The dissenting opinion of Commissioner Tucker occupied 56 pages. This dissenting opinion, in which Commissioner Webb joined, Tucker and Webb being Kennedy appointees on the Commission, strikes me as unusually well written and well reasoned. The approving opinion, on the other hand, contains all the standard phrases and statistics of which the run of the mill ICC decisions abound. As Commissioner Tucker pointed out, the record before the Commission is composed only of what the applicants and interveners, in the pursuit of their own selfish interests, care to insert therein. If, as in this case, the Norfolk & Western for reasons of its own did not object to control of B & O by C & O, the fact that such control would divert substantial traffic from the Norfolk & Western to the B & O-C & O will not enter into the deliberations of the Commission. Don't misunderstand me. Commissioner Tucker is not against B & O's association with C & O. He is against a piece-meal decision of the Eastern railroad mergers. In other words, he takes a position similar to the one the Justice Department had earlier advocated in a brief filed with the Commission proposing that either the three merger cases be decided on a consolidated record or that, if this should be unfeasible, they be decided at one time. At any rate, Commissioner Tucker suggested at one point that one of the more important subsidiary findings of the Commission in favor of piece-meal procedure "will not withstand the effects of close judicial scrutiny."

Typical Log-Jam

I have gone into these somewhat legal details because I am afraid that they will serve the Railway Labor Executives' Association as a most welcome weapon in what I believe is a carefully planned campaign of exhausting all legal possibilities, to delay as long as possible, the loss of jobs incident to a streamlining of the railroad structure. In this connection I want to call attention to the fact that Labor has just asked for a rehearing of the Central of Georgia-Southern Railway control case which would otherwise have become effective on January 4th. Incidentally, Southern Railway also asked the permission to clarify certain labor conditions. I am sure this request will be denied in a couple of weeks. Labor then has again 20 days in which to file another petition to the Commission to reopen the record. This again will take two or three weeks to deny and another 20 days thereafter to become effective. Then Labor can go to court and appeal from the ICC's decision. Pending this appeal, Labor will get a temporary injunction without too much trouble. When, as I have no doubt, the Federal Court will have thrown out the appeal, Labor can then go to the Supreme Court with a request for certiorari.

My guess is that it will be late in the fall or early winter of 1963 before this decision will become finally effective. And this is a case that involves relatively few jobs and a wealthy railroad that had agreed to protect affected labor generously. I have become convinced that this is the pattern we must expect because of what has happened in the Rutland Railroad case. ICC approved abandonment of the railroad in September 1962 after the railroad had been on strike for a year—a strike, incidentally, that had defied all attempts at mediation. By various maneuvers, similar to the ones just mentioned, Labor has delayed the effective date to January 29th and has just announced that they will now move into the Federal Courts, having exhausted all possible legal moves before the Commission.

The railroad has now been out of operation for a year and a half, and certainly more than two years by the time the case is finally decided. Even in the very unlikely event the Court should rescind the permission to abandon the Rutland tracks, labor will have gained nothing. The cost of repairing tracks and bridges that have gone without maintenance for two years is such as to preclude any resumption of service. All present traffic patterns have been disturbed, so the jobs are surely gone, The employees, too, will undoubtedly have found other jobs in the meantime. But the boys in Cleveland keep filing appeals. For what purpose? I don't know. Except, possibly, to prove to the membership that the union will fight for every job irrespective of the effect on the ability of the railroads to compete for a larger share of the freight market.

One Case Supported by Labor

The only merger case I know of, where Labor has supported a control application, was presented in the petition of the Missouri Pacific to control Chicago & Eastern Illinois. As I recall it, when the hearings began about ten months ago, Missouri Pacific requested and received a statement from the engineers and firemen of the Chicago & Eastern Illinois supporting the move. The record in this case was completed on July 30, 1962. The examiners' report should be available shortly. However, the Illinois Central has objected to this application and requested that they be given control of the Chicago & Eastern Illinois. In other words, Missouri Pacific and Illinois Central will probably object to any decision giving control to the other, so that this case will also end up in the courts, but at least should be free from delay for the sake of delay.

I would like at this point, to express unhedged opinions and make suggestions.

(1) **B & O-C & O** probably effective late in 1963. Both B & O stamped stocks are rather unattractive at the current level of a discount of less than 10% from C & O common, particularly since B & O, unlike C & O, does not pay dividends. I think the spread could widen to 15% sometime this spring. At that spread I would consider the stocks good buys.

(2) I would imagine that the Commission will think twice before they approve **Norfolk & Western-Nickel Plate** merger without simultaneously approving the Pennsylvania-New York Central. I therefore think that the Norfolk & Western-Nickel Plate decision will be delayed and the Pennsylvania-New York Central decision will be speeded up and a simultaneous decision issued in early 1964. There is just one reason that could cause an earlier Norfolk & Western decision: If the Erie situation, which Norfolk & Western has promised to take care of **after** the Nickel Plate merger is approved, should deteriorate faster than expected. However, Erie is selling off real estate right and left and will probably be able to last into 1964. Under the circumstances, I think Nickel Plate, yielding approximately 5% on its dividends and selling about 15% below its workout value in Norfolk & Western, is attractive.

(3) The savings expected for **Pennsylvania-New York Central** are too far away to be a material factor in the market. Assuming

Continued on page 89

Tax-Exempt Bond Market

BY DONALD D. MACKEY

The state and municipal bond market has been relatively quiet during the last week and there is evidence that many dealers have become somewhat restive with the prevailing lack of profitable activity. There has been enough investor interest and business to support the general level of prices, but behind the facade of this apparent level, blocks of secondary market bonds and the leftover bonds from recent new issue accounts trade only at prices 10 to 15 basis points below the original pricing and frequently even more inducement is required in order to readily move inventory items.

Price Index Shows Moderate Decline

However, it is obvious to those who follow the market closely that the bidding for new issues has not backed off from the market's high level reached early in January. Were our market index to be figured from the relative level of new issue bidding over the last few weeks, there would be little, if any, change in the index or average price.

The Commercial and Financial Chronicle's weekly yield index is, of course, derived from averaging the yields at which typical high grade 20-year bonds are offered. Averaging these yields on Jan. 23 results in a 2.938% index. A week ago the index averaged at 2.920%. The market's offered side is thereby off close to one-eighth of a point. The change in itself is inconsequential and the index would appear to properly approximate the new issue market's position.

Nonetheless, we reemphasize the fact that investor interest seems to pervade the market to only a limited extent at present and, unless this interest soon broadens, the bidding for new issues must be moderated.

Scarcity of Merchandise Encourages Sharp Bidding

This easing in secondary market items is the perhaps, natural consequence of overaggressive bidding under conditions of scarcity within the long-term bond market. It must be recognized that a condition of relative scarcity continues to obtain and that bidding for the sake of merely buying new issues may continue to be overcompetitive to the extent that buyers generally may not sensibly follow along with it.

Unfortunately, however, the new issue calendar, excluding the several king-sized negotiated issues, as between now and March 1, totals but little more than $375,000,000. On the tentative schedule there is but $35,000,000 more to be now considered. This prospective underwriting load bears so little impact for the industry that extravagant bidding could conceivably continue unless a much heavier calendar soon looms.

The inventory situation has ostensibly changed but very little over the last 60 days or more. The most obvious key to the street's inventory load is the daily listing of the *Blue List* offerings. These have been averaging somewhat below the $500,000,000 total for some time now and a quick build-up seems not necessarily imminent in view of the now moderate new issue schedule. *Blue List* total of municipal bond offerings on Jan. 23 was $486,704,000.

Huge Revenue Bond Offerings Scheduled

In the more distant future there is a sizable public power issue being readied for offering. This large issue involves $130,000,000 Washington Public Power System, revenue bonds and the reoffering date is tentatively scheduled for April 17, 1963. Sealed bids are to be sought in this case in order to finance power generation facilities for the Hanford Atomic Energy Project. The power to be generated will be contracted for by both private utility companies and public agencies. Long-term bonds will undoubtedly be involved.

In the negotiated bond issue sphere the Triborough Bridge and Tunnel Authority has set Feb. 19, 1963 as the sale date for $100,000,000 revenue bonds in connection with the Verrazano Narrows Bridge project. Serial and term bonds will be involved, it is understood. An underwriting syndicate has been designated, headed by *Dillon, Read & Company, Inc., Merrill Lynch, Pierce, Fenner & Smith Inc., W. H. Morton & Co., Inc.* and *Allen & Co.*

Feb. 6 has been set as the reoffering date for $89,000,000 New York State Housing Finance Agency, General Housing Loan revenue (1965-2007) bonds. As we have previously mentioned, *Phelps, Fenn & Co., Lehman Brothers, Smith, Barney & Co., Inc.* and *W. H. Morton & Co., Inc.* will negotiate the loan for a large underwriting group. This is the second series of the agency's bond financing.

These items round out the visible supply of tax-exempt new issue financing as presently foreseen. The relatively moderate total seems not likely to press the market even in the face of the sizable Treasury financing to be accomplished during the same limited period.

No Likely Change in Interest Rate Structure

The Federal Reserve's job in maintaining a receptive, long-term bond market ought not be a difficult one, since the Treasury financing will be preponderantly short-term while the corporate and municipal long-term financing calendars are still subnormally light.

In the light of the Administration's economic and social goals we are unable to perceive much change for the level of long-term bond prices. An "easier" market trend cannot possibly accomplish the long-term capital financing envisaged as necessary to carry the New Frontier to fruition.

Recent Awards

This past week has been somewhat more active in the area of new issue financing with a total of $135,614,000 of bonds having sold at competitive sales. Competition among underwriters to buy the important loans continued strong and unabated, but investor demand has recently been mixed. On Thursday, Jan. 17, there was an award of $15,000,000 Metropolitan Seattle, Washington Sewer Revenue (1966-2002) bonds to the syndicate headed jointly by *First Boston Corp.* and *Eastman Dillon, Union Securities & Co.* on a net interest cost bid of 3.536%. The runner-up bid, a 3.544% net interest cost, came from the Halsey, Stuart & Co. group and the third and final bid, a 3.548% net interest cost, was made by the Blyth & Co. account.

Other major members of the winning syndicate include Salomon Brothers and Hutzler, Drexel & Co., Glore, Forgan & Co., Dean Witter & Co., Hornblower & Weeks, Reynolds & Co., Hayden, Stone & Co., F. S. Moseley & Co., Faribas Corp., Alex. Brown & Sons, Ira Haupt & Co. and Hirsch & Co.

The serial bonds maturing 1966-1992 were reoffered to yield from 2.00% to 3.45% and the $8,500,000 term bonds due 1992 were priced to yield 3.60%. Demand for the term bonds was instantaneous, with all of the bonds spoken for during the order period. Good investor response was also reported for the serial bonds with the present balance only $2,760,000.

Amarillo, Texas sold $4,495,000 Independent School District (1964-1978) bonds through negotiation to the *First Southwest Co.* group at a net interest cost of 3.0185%. Other major members of this group include Merrill Lynch, Pierce, Fenner & Smith Inc., Underwood, Neuhaus & Co., Columbian Securities Corp. of Texas, Dittmar & Co., Alman & McKinney, Eppler, Guerin & Turner, Inc., and the Texas Municipal Bond Co.

Reoffered to yield from 1.70% to 2.95% for a 3% coupon, demand has been excellent with the present balance in account $345,000.

On Friday, Jan. 18, there were no new issues of note brought to market. On Monday, Jan. 21, there was only one issue of importance up for public bidding. *Glore, Forgan & Co.* and associ-

Continued on page 110

MARKET ON REPRESENTATIVE SERIAL ISSUES

	Rate	Maturity	Bid	Asked
California, State	3½%	1982	3.25%	3.10%
Connecticut, State	3¾%	1981-1982	3.05%	2.90%
New Jersey Hwy. Auth., Gtd.	3%	1981-1982	3.00%	2.85%
New York, State	3¼%	1981-1982	3.00%	2.85%
Pennsylvania, State	3⅜%	1974-1975	2.65%	2.50%
Delaware, State	2.90%	1981-1982	3.00%	2.85%
New Housing Auth. (N.Y., N.Y.)	3½%	1981-1982	3.10%	2.95%
Los Angeles, California	3¾%	1981-1982	2.25%	3.10%
Baltimore, Maryland	3¼%	1981	3.05%	2.90%
*Cincinnati, Ohio (U.T.)	3½%	1981	3.10%	2.90%
Philadelphia, Pennsylvania	3½%	1981	3.25%	3.10%
*Chicago, Illinois	3¼%	1981	3.30%	3.15%
New York, New York	3%	1980	3.10%	3.05%

January 23, 1963 Index=2.938%

*No apparent availability.

Larger Issues Scheduled For Sale

In the following tabulations we list the bond issues of $1,000,000 or more for which specific sale dates have been set.

January 24 (Thursday)			
Central Wayne County Sanitary Authority, Mich.	3,620,000	1967-1992	11:00 a.m.
Harris County, Texas	9,600,000	1966-1995	11:00 a.m.
Jefferson Parish Road District & Garbage District, La.	4,250,000	1964-1983	2:00 p.m.
Lafayette, Ind.	1,400,000	1964-1977	Noon
Lafayette Parish, La.	1,500,000	1965-1988	2:00 p.m.
Ysletta S. D., Texas	2,000,000	1963-1982	7:30 p.m.
January 28 (Monday)			
Barstow Union High S. D., Calif.	2,400,000	1965-1988	11:00 a.m.
Central Wash. State College, Wash.	3,325,000	1963-2001	8:00 p.m.
Fla. Dev. Comm., (Talla.), Fla.	1,500,000	1963-1969	2:00 p.m.
Walled Lake Cons. S. D. #2, Mich.	2,100,000	1964-1988	8:00 p.m.
Wildwood, N. J.	1,089,000	1964-1993	8:00 p.m.
Will Co. S. D. No. 96, Ill.	1,490,000	1966-1983	8:00 p.m.
January 29 (Tuesday)			
Bi-State Dev. Agency Authority (Mo.-Ill.)	25,000,000	-------	-------
[Syndicate headed by John Nuveen & Co. and Stifel, Nicolaus & Co., Inc.]			
Cobb Co. S. D., Ga.	3,000,000	1964-1983	Noon
Colorado River Municipal Water District, Texas	2,750,000	1964-1969	2:00 p.m.
Hartford Town Sch. Dist., Vt.	1,010,000	1966-1983	11:00 a.m.
Milwaukee County, Wis.	9,175,000	1964-1983	11:00 a.m.
New York City	103,200,000	1964-1993	11:00 a.m.
Opelousas, La.	2,700,000	1964-1992	10:00 a.m.
Ottawa-Glandorf Local S. D., Ohio	1,245,000	1964-1986	Noon
St. Petersburg, Fla.	5,000,000	1965-1992	11:00 a.m.
Springfield, Ill.	6,000,000	1966-1991	10:00 a.m.
Wichita Falls Indep. S. D. Texas	3,000,000	1965-1987	11:00 a.m.
Winston-Salem, N. C.	6,660,000	1964-1987	11:00 a.m.
January 30 (Wednesday)			
Arlington, Texas	1,500,000	1964-1990	11:00 a.m.
Bowling Green State Univ., Ohio	5,500,000	1965-2002	Noon
Cook & Will Cos. Tp. H. S. D. #206, Illinois	3,750,000	1965-1981	7:30 p.m.
Western Ky. State Coll., Board of Regents	3,257,000	1964-2002	2:00 p.m.
Wickliffe City Sch. Dist., Ohio	1,800,000	1964-1983	Noon
January 31 (Thursday)			
Chester, Ill.	1,700,000	1964-2002	7:30 p.m.
Kane Co. Oil Type S. D. #129, Ill.	2,875,000	1964-1976	4:00 p.m.
February 4 (Monday)			
Cincinnati City Sch. Dist., Ohio	6,000,000	1964-1987	1:30 p.m.
South San Francisco, Sewage Trtmt & Disposal Plant, Calif.	1,893,000	-------	-------
February 5 (Tuesday)			
Boulder Co. S. D. No. RE-2, Colo.	6,000,000	1964-1983	2:00 p.m.
Fort Smith Spec. S. D., Ark.	2,500,000	1964-1988	10:00 a.m.
Hinds County Sch. Dist., Miss.	1,000,000	1964-1978	10:00 a.m.
Lafayette, La.	15,545,000	1964-1987	10:00 a.m.
Orange County, Moulton Niguel Water Imp. Dist. No. 1, Calif.	1,750,000	1966-1995	11:00 a.m.
Orange Co., Co. San. D. #12, Calif.	1,810,000	1966-1995	11:00 a.m.
Orange Local Sch. Dist., Ohio	1,875,000	1964-1983	1:00 p.m.
Pensacola, Fla.	2,300,000	1963-1982	10:00 a.m.
Richfield Ind. S. D. No. 280, Minn.	2,750,000	1966-1993	8:00 p.m.
February 6 (Wednesday)			
Clinton, Sewer Rev., Iowa	2,500,000	1965-1990	Noon
DuPage Co. Comm. HSD #95, Ill.	3,343,000	-------	-------
Kansas City, Mo.	3,100,000	1964-1983	10:00 a.m.
Miami Util. Tax Serv. Rev., Fla.	3,125,000	-------	-------
New York State Housing Finance Agency, N. Y.	89,000,000	1965-2007	-------
[Underwriting group headed by Phelps, Fenn & Co., and including Lehman Brothers, Smith, Barney & Co., Inc., and W. H. Morton & Co., Inc.]			
Oshkosh, Wis.	1,835,000	1964-1983	11:00 a.m.
February 7 (Thursday)			
Buffalo, N. Y.	10,960,000	1963-1976	11:00 a.m.
Michigan (State Park Rev.)	1,000,000	1965-1990	11:00 a.m.
Washington Toll Bridge Authority	37,200,000	-------	-------
West Kern Co. Water Dist., Calif.	2,375,000	1965-1993	8:00 p.m.
West Orange S. D., N. J.	1,300,000	1964-1993	8:00 p.m.
February 11 (Monday)			
Yakima, Wash.	1,000,000	1965-1983	3:00 p.m.
February 13 (Wednesday)			
Bloomer Sch. Dist., Wis.	1,200,000	-------	8:00 p.m.
Campbell Co. S. Bldg., Va.	1,845,000	1963-1977	Noon
DuPage Co. Comm. S. D. #99, Ill.	4,050,000	-------	-------
February 14 (Thursday)			
Elk Grove Village, Ill.	3,750,000	1973-1983	11:00 a.m.
Fairbanks, Alaska	2,050,000	-------	-------
Shelby City Sch. Dist., Ohio	1,900,000	1964-1984	Noon
February 18 (Monday)			
Chandler Sch. Dist. No. 80, Ariz.	1,050,000	-------	-------
Las Cruces, N. Mex.	1,700,000	-------	-------

Montgomery Ward & Co., Inc.

By Dr. Ira U. Cobleigh, Economist

Citing the significant improvements underway in this renowned merchandising enterprise, after years of dreary retrenchment and negative progress.

Montgomery Ward is a famous name, and the company carries on a business begun over 90 years ago. Until 1926, the company was exclusively a mail order firm, and its catalog, and that of its historic competitor, Sears Roebuck, were for decades the most widely read popular literature in America. Montgomery Ward was not only a merchandising favorite, and its common stock (Monkey Ward, in Wall Street parlance) sold as high as 156⅞ in 1929.

The Post-War Drag

At the end of World War II, there was a strong opinion among certain business leaders, that a depression was in the offing, and that prudent corporate management dictated a policy of retrenchment. No major American corporation was more wedded to this recession theory that Montgomery Ward, and under the regressive leadership of Mr. Sewell Avery, the company, for 15 years (1941 to 1956), opened no new stores and pared maintenance to the bone. Sales, although averaging well over $1.1 billion annually, from 1947 through 1952, showed no upward trend and, in fact, slipped below the billion mark in the three following years. Cash position, however, was elegant, and when Mr. Avery retired in 1954, the balance sheet was bloated with current assets, including $327 million in cash.

While Montgomery Ward was busy fattening its balance sheet, its competitor, Sears, was busy expanding. Sears became a most popular and rewarding growth-minded merchandising stock in the market, while major holders of Montgomery Ward evidenced their lack of confidence in Avery management by selling their shares.

The Road Back

In 1954, Mr. Barr replaced Mr. Avery as Chairman, and steps began to be taken, designed to make Montgomery Ward, once again, a competitive merchant and a money maker, and to apply corporate resources to a program of expansion, in step with the obvious growth in the American economy. A substantial amount of progress was made, with sales increasing in every year since 1954, to a high of $1,325,941,000 for fiscal 1961. Earnings, per share, however, did not keep pace, averaging above $2.30 for 1954-59 but slipping to $1.07 per share in 1960.

On Nov. 2, 1961, Mr. Robert E. Brooker became President and Chief Executive Officer. A former president of Whirlpool Corporation, he had previously been with Sears Roebuck for 14 years, and was a Vice-President and Director when he left that organization. Under Mr. Barr and Mr. Brooker, Montgomery Ward has developed a competent and aggressive management team, and the company now seems poised for real progress.

In the last five years, 72 new retail stores have been opened; and during 1960 and 1961, $70 million was laid out on capital expenditures. During 1960, Montgomery Ward Credit Corporation was formed, and in fiscal 1961, it purchased $267 million of customers deferred payment accounts from the parent company. Also in 1960, two real estate subsidiaries were formed which now own 13 sizable properties; and, in 1961, Montgomery Ward Travel Service was introduced to merchandise planned tours to a travel-minded America. Also in 1861, the company began making large volume sales directly to builders, contractors, industrial companies and Government agencies.

Further basic progress is indicated by the "private label" program now being implemented. By the end of this year, Montgomery Ward will merchandise all its "wearables," most appliances, radio and TV sets, under its own private label. This practice builds customer loyalty to products of dependable quality, and tends to offset the offering by discount houses of "brand name" items at "special inducement" prices. Further, Montgomery Ward is now turning over its inventory at a faster rate, and appears to be stabilizing its inventory at somewhere below $300 million.

About outlets, the company plans to open 28 new stores in 1963. Presently, it has 512 stores, and 692 catalog stores. Roughly 90% of sales volume is now derived from these stores, with only about 10% coming in from direct mail orders.

Cash Register Progress

All of the foregoing elements of forward motion are now paying off at the cash register. Sales for fiscal 1962 (year ends Jan. 31, 1963) are expected to exceed $1.4 billion for the first time, and a quite dramatic improvement in per share net is expected. For the year ended Jan. 31, 1962, the per share figure was $1.15. For this year, $.80 a share was earned for the first nine months, and the figure for the full year should be around $1.50.

This is obviously quite an improvement and suggests that M (NYSE symbol) offers, at this time, an interesting value at $34 a share. This price represents only 70% of book value, while Sears common is selling at around four times book value.

M common sold, last Fall, at a 10-year low of 24¾, against a 1960 high of 53⅜. At 34, therefore, the stock is not high by historic levels, and the present price but dimly reflects the quite dynamic changes in structure and management that have taken place, especially in the past two years. A soggy trend, extending for nearly a quarter of a century, has been definitely reversed. Merchandising is more aggressive, cost controls improving, and long range planning far more imaginative.

For the future, we would expect a continued uptrend in sales, a gradual improvement in profit margins, and in net income as a percentage of sales. Assuming the continuance of these fairly visible trends, we might expect M common to respond with some buoyancy marketwise, and to reflect its corporate resurgence in quotations at higher price/earnings' multiples, calculated on higher net profits per share.

There are 13,004,756 shares of Montgomery Ward common listed on the NYSE. Current dividend is $1, producing a yield of not quite 3%, at 34. There is a reasonable possibility that this stock may again find an honored place in institutional portfolios, and recapture the quality and blue chip status which it formerly enjoyed. In that event, a more detailed investigation of this equity, at this time, may prove rewarding.

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Correction on General Cigar Earnings

In the article on "Cigar Shaped Profits," which appeared in the Jan. 17 issue, we were overoptimistic (by about 40 cents a share) in our estimate of 1962 profits of General Cigar Company, for which erratum, our sincere apologies.—I. U. C.

Stein Bros. & Boyce To Admit Partners

BALTIMORE, Md.—On Jan. 31, Stein Bros. & Boyce, 6 South Calvert Street, member of the New York Stock Exchange and other leading exchanges, will admit to partnership David J. Bucker, Arthur G. Jennings, William E. Kidd, Charles A. Bodie, Jr., Albert J. Warner, Harold L. Sullivan and Richard J. Eskind.

Mr. Warner is Manager of the municipal department of the firm's Louisville office in the Starks Building; Mr. Sullivan and Mr. Eskind are Resident Managers of the Paducah and Nashville offices, respectively.

W. H. Pflugfelder Forming Own Firm

Effective Feb. 1, William H. Pflugfelder, member of the New York Stock Exchange, will form Wm. H. Pflugfelder & Co., with offices at 61 Broadway, New York City. Mr. Pflugfelder is a Partner in Pflugfelder & Rust, which will be dissolved.

BUO Branch

DENVER, Colo. — BUO Corporation has opened a branch office at 1726 Champa Street, under the management of James Owsley.

J. F. Reilly & Co. Chicago Branch

CHICAGO, Ill.—J. F. Reilly & Co., Inc., has announced the opening of a branch office at 208 South La Salle St., under the management of Michael D. Carioscia. Mr. Carioscia was formerly associated with Merrill Lynch, Pierce, Fenner & Smith Incorporated.

J. F. Reilly & Co. will have direct connecting wires from the Chicago office to their correspondents, Morgan & Co. of Los Angeles and Amos Sudler & Co., of Denver.

Join Universal Secs.

DENVER, Colo. — Thomas S. Edge, Douglas D. Douglas and William A. Clinesmith have joined the staff of Universal Securities & Investment Corp., 5670 E. Evans. Mr. Edge was formerly with B. J. Leonard & Company.

DEALER-BROKER INVESTMENT LITERATURE AND RECOMMENDATIONS

IT IS UNDERSTOOD THAT THE FIRMS MENTIONED WILL BE PLEASED TO SEND INTERESTED PARTIES THE FOLLOWING LITERATURE:

Bond—Seventh annual review and outlook, including a discussion of the tax-exempt market in 1962, a review and outlook of the corporate and general money markets; list of 24 obligations of major toll road and bridge facilities, and a discussion of the possibility of a tax cut and what it might mean to the tax-exempt market—Goodbody & Co., Dept. FC-10, 2 Broadway, New York 4, N. Y.

Business Outlook for Western Europe—Report—Chase Manhattan Bank, 1 Chase Manhattan Plaza, New York 5, N. Y.

Canadian Economy — Outlook — Ross, Knowles & Co., Ltd., 105 Adelaide St. West, Toronto, Ont., Canada.

Canadian Outlook — Bulletin — Watt & Watt Ltd. 6 Jordan St., Toronto 1, Ont., Canada.

College and University Endowment Funds—1962 Study—Vance, Sanders & Co., Inc., 111 Devonshire St., Boston 9, Mass.

Drug Stocks—Analysis with particular reference to **Parke, Davis & Co.**, **Schering Corp.** and the **Upjohn Company**—Hornblower & Weeks, 1 Chase Manhattan Plaza, New York 5, N. Y. Also available are comments on **Chrysler**, **Consolidation Coal**, **Timken Roller Bearing**, **Bendix Corp.**, **Greyhound**, **Pittsburgh Forgings**, and **Pepsi Cola.**

Foreign External and Internal Securities—1962 Year End Prices—Brochure—New York Hanseatic Corp., 60 Broad St., New York 4, N. Y.

Graphic Stocks—1963 issue containing over 1001 charts showing monthly highs, lows, earnings, dividends, capitalizations volume, on virtually every active stock listed on the New York and American Stock Exchanges, covering 12 full years — single copy (spiral bound) — $12.00 Yearly (6 revised issues) $60.00. Also available are 500 charts of graphic stocks 1924-1935, $25.00 per copy.

Hawaii—Review and outlook for 1963 — First National Bank of Hawaii, Honolulu 1, Hawaii.

Indianapolis Banks — Statistical Comparison—City Securities Corporation, Circle Tower Indianapolis 4, Ind.

Japanese Market — Review — Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also available is an analysis of **Mitsukoshi Ltd.**

Japanese Market — Review — Yamaichi Securities Co. of New York, Inc., 111 Broadway, New York 6, N. Y. Also available are reviews of **Daikyo Oil Co.**, **Nippon Oil Co.** and **Toa Nenryo Kogyo Kabushiki Kaisha.**

Japanese Outlook — Bulletin — Daiwa Securities Co., Ltd., 149 Broadway, New York 6, N. Y. Also available are memoranda on **Bank of Tokyo**, **Bridgestone Tire**, **Citizens Watch**, **Nihon Cement Co.**, **Nippon Express Co.**, **Nippon Suisan Kaisha**, **Shionogi & Co.** and **Tokyo Gas Co.**

New York City Bank Stocks—Comparison and analysis of 10 New York City banks for 1962—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Oil Stocks — Bulletin — Goodbody & Co., 2 Broadway, New York 4, N. Y.

Oil Stocks—Comparative Figures—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are reports on **Sinclair Oil Corp.** and **Westinghouse Electric Corp.** and a review of **E. I. du Pont de Nemours & Co.**, **International Paper Co.**, **Radio Corporation of America**, **Standard Oil of New Jersey** and **Hammermill Paper Co.**

Outlook For 1963—Study—W. E. Hutton & Co., 14 Wall St., New York 5, N. Y.

Over-the-Counter Index — Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 23-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Proven Uses of Kennametal—Booklet on the company's facilities, services and products—Kennametal, Inc., Latrobe, Pa.

Public Utility Common Stocks—Comparative figures whose 1962 dividends are wholly or partially tax exempt—The Illinois Co., Inc., 231 South La Salle St., Chicago 4, Ill.

Rail Stocks—Analysis—The Milwaukee Co., 207 East Michigan St., Milwaukee 2, Wis.

Railroad Industry — Analysis — Evans & Co., Inc., 300 Park Ave., New York 22, N. Y.

Selected Stocks — Discussion of business prospects and a list of more than 100 common stocks with yields ranging up to 6% or more—Booklet FC, Hornblower & Weeks, 1 Chase Manhattan Plaza, New York 5, N. Y.

Selected Stocks — Review — Blair & Co., Inc., 20 Broad St., New York 5, N. Y. Also available are reports on **American Enka**, **Celanese**, **Lorillard**, **Mack Trucks**, **Miehle Goss Dexter**, **United Shoe Machinery** and **U. S. Rubber.**

Stock Market Commentary—Bulletin—J. R. Williston & Beane, 2 Broadway, New York 4, N. Y.

Stock Transfer Tax Rates— Booklet giving current Federal and State stock original issue and transfer tax rates—Registrar and Transfer Company, 50 Church St., New York 7, N. Y.

Stocks For Income — Bulletin — Bache & Co., 36 Wall St., New York 5, N. Y.

Telephone Stocks — Analysis — Hemphill, Noyes & Co., 8 Hanover St., New York 4, N. Y.

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Aluminium Ltd.—Memorandum—Jas. Oliphant & Co., 61 Broadway, New York 6, N. Y.

American Biltrite Rubber—Memorandum—Walston & Co., Inc., 74 Wall St., New York 5, N. Y.

American Brake Shoe—Report—Colby & Co., Inc., 85 State St., Boston 9, Mass. Also available are reports on **Columbia Pictures**, **Garret Corp.** and **Radio Corp. of America** (firm requests stamped self-addressed envelope when requesting reports).

American Cyanamid — Memorandum — Rittmaster, Voisin & Co., 40 Exchange Place, New York 5, N. Y.

American Home Products — Review—Orvis Brothers & Co., 30 Broad St., New York 4, N. Y. Also available are reviews of **American Telephone and Telegraph Co.**, **Fram Corp.**, **Magnavox Co.**, **Southeastern Public Service Co.** and **United Artists.**

Anaconda Company — Report — Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y. Also available is a list of **Selected Stocks.**

Arizona Public Service Company—Analysis—Paine, Webber, Jackson & Curtis, 25 Broad St., New York 4, N. Y. Also available is an analysis of **Union Pacific Railroad Co.** and a memorandum on **Radio Corporation of America.**

A. J. Armstrong—Memorandum—J. M. Dain & Co., Inc., 110 South Sixth St., Minneapolis 2, Minn.

Barber Greene Company — Analytical Brochure — William Blair & Co., 135 South La Salle St., Chicago 3, Ill.

E. J. Brach & Sons—Memorandum—Baker, Weeks & Co., 1 Wall St., New York 5, N. Y.

J. I. Case — Discussion — Investment Management Inc., Bank of St. Louis Building, St. Louis 1, Mo.

Cenco Instruments—Memorandum—Shields Co., 44 Wall St., New York 5, N. Y.

Champion Spark Plug—Analysis—Stanley Heller & Co., 44 Wall St., New York 5, N. Y.

Chrysler Corporation — Detailed Report—Laidlaw & Co., 25 Broad St., New York 4, N. Y.

Circuit Foil Corporation—Analysis—Pyne, Kendall & Hollister, 60 Wall St., New York 5, N. Y.

Colonial Sand & Stone Co., Inc.—Analysis—Higas & Co., The Wellington, Rittenhouse Square, Philadelphia 3, Pa.

Consolidated Bottling Co.—Memorandum — Suplee, Yeatman, Mosley Co., 1500 Walnut St., Philadelphia 2, Pa.

Consolidated Edison of New York—Review — Fahnestock & Co., 65 Broadway, New York 6, N. Y. Also available is a review of **Dana Corporation.**

Consolidated Paper Corporation Ltd.—Analysis — Royal Securities Corp. Ltd., 244 St. James St., West, Montreal, 1, Que., Canada.

Doughboy Industries — Memorandum—Kalman & Co., Inc., Endicott Building, St. Paul 1, Minn.

Duffy Mott — Memorandum — Frank Ginberg & Co., Inc., 25 Broad St., New York 4, N. Y.

E. I. du Pont de Nemours—Analysis in current issue of "Investor News"—Francis I. du Pont & Co., 1 Wall St., New York 5, N. Y. Also in the same issue are reports on **Archer Daniels Midland**, **Midland Ross**, **Union Oil**, **Baldwin Lima Hamilton**, **Raybestos Manhattan** and **Pendleton Tool.**

E. I. du Pont de Nemours—Memorandum — Pershing & Co., 120 Broadway, New York 5, N. Y.

Equitable Gas — Review — Newburger & Co., 1401 Walnut St., Philadelphia 2, Pa.

Fairchild Camera — Comment — McDonnell & Co., Inc., 120 Broadway, New York 5, N. Y. Also available are comments on **General Precision.**

Fruehauf Trailer—Technical Bulletin — Joseph Mayr & Co., 50 Broadway, New York 4, N. Y.

Fruehauf Trailer Co.—Comment—Watlin, Lerchen & Co., Ford Building, Detroit 26, Mich. Also available are comments on **Gamble Skogmo Inc.**, **Savannah Electric & Power**, **Halliburton Co.**, **Wolverine Shoe & Tanning**, **General Motors Corp.** and **Associated Truck Lines.**

General Battery and Ceramic Corporation—Report—Gude, Win-

Continued on page 15

The State of TRADE and INDUSTRY

Steel Production
Electric Output
Carloadings
Retail Trade
Food Price Index
Auto Production
Business Failures
Commodity Price Index

This being the CHRONICLE'S Annual Review and Outlook Issue, we can, pardonably we're sure, think of no better material for the reader to ponder over on the probable course of trade and industry in the year ahead. We are, therefore, foregoing our selected contribution on the overall economic outlook to permit maximum consideration of the views and opinions expressed herein by the participants in our yearly symposium on the subject. As noted on the cover page, the roster of contributors includes, in addition to personages prominent in public life, an extraordinary cross-section of the nation's leading industrialists, bankers and financiers. Written for the most part, expressly for the CHRONICLE, the articles constitute an invaluable set of guideposts to the general economic outlook and, perhaps more importantly, to the expectations for the specific components of the nation's entire economy.

Our customary review of significant year-to-year changes in the economy follows.

Bank Clearings Increased 12.5% Above 1962 Week's Volume

Bank clearings this week will show an increase compared with a year ago. Preliminary figures compiled by the *Chronicle*, based upon telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, Jan. 19, clearings for all cities of the United States for which it is possible to obtain weekly clearings will be 12.5% above those of the corresponding week last year. Our preliminary totals stand at $36,278,598,155 against $32,255,236,513 for the same week in 1962. Our comparative summary for some of the principal money centers follows:

Week End. Jan. 19—	(000s omitted) 1963	1962	%
New York	$20,783,443	$17,437,569	+19.2
Chicago	1,540,759	1,494,156	+ 3.1
Philadelphia	1,243,000	1,290,000	— 3.6
Boston	963,347	947,287	+ 1.7
Kansas City	624,862	555,903	+12.4

Steel Output in Advancing for Third Straight Week Gains 0.2% From Previous Week But is Down 18.2% From Last Year

According to data compiled by the American Iron and Steel Institute, production for the week ended Jan. 19 was 1,915,000 tons (*102.8%), as against 1,912,000 tons (*102.6%) in the week ending Jan. 12. The week to week output advanced 0.2%.

So far this year—through Jan. 19—the output of ingots and castings registered a 17.7% decline (102.1%) compared to Jan. 1-20, 1962 production of 6,935,000 net tons (124.1%).

Data for the latest week ended Jan. 19 shows a production decline of 18.2% compared to last year's week output of 2,341,000 net tons (125.7%).

The Institute compares the Index of Ingot Production by Districts for the last two weeks as follows:

District—	*Index of Ingot Production for Week Ending Jan. 19 1963	Jan. 12 1963
North East Coast	90	90
Buffalo	95	105
Pittsburgh	94	93
Youngstown	93	89
Cleveland	113	105
Detroit	151	155
Chicago	109	111
Cincinnati	133	132
St. Louis	113	115
Southern	88	90
Western	98	95
Total industry	102.8	102.6

*Index of production based on average weekly production for 1957-1959.

Steelmaking Operations Increase For Three Consecutive Weeks

Steelmaking operations have increased three consecutive weeks, and the trend is expected to continue upward into February, *Steel* magazine said.

Ingot output this week is expected to be above the 1,935,000 tons that *Steel* estimated the industry poured last week. The estimated industry operating rate is about 62.5%.

January is shaping up as the steel industry's best month for shipments since May, and producers look for a sharp upturn in order entry within two weeks. They are counting on a last minute influx of orders for delivery in March, expected to be a month of heavy shipments because of seasonal factors and accelerated inventory building by users who fear a strike later in the year.

To date, inventory building has been negligible. Users are making plans, but they are in no hurry to commit themselves. They have adopted a wait-and-see attitude, and they are looking to Pittsburgh and to Detroit for clues.

In Pittsburgh, the steel industry's Human Relations Committee (made up of the ten participants who negotiated the current labor agreement) met last week to begin sessions hearing subcommittee reports. What happens at HRC meetings in coming weeks may well determine whether there is going to be a strike this year.

Automakers in Detroit are being watched because their inventory building is sure to tighten the market. One of the Big Three reportedly plans to order 30% extra steel for March delivery and 25% extra for delivery in the following three months.

When mills start quoting longer deliveries because of bigger orders for automotive steel, nonautomotive customers will step up buying and the movement will snowball.

All Eyes on Pittsburgh and Detroit

Autodom's capital outlays may accelerate in 1963, *Steel* said. More production capacity will be needed by the auto industry no later than 1965, the long awaited year when babies born in the 1940s start to come into their own as car buyers.

While the bulk of the 1958-62 domestic capital spending was for equipment, the next round of investment will include plants to expand manufacturing, assembly, and engineering facilities. Carbuilders are also ready to replace amortized equipment purchased during the 1953-57 peak building years.

Metal price movements were reported last week.

Steel's composite on No. 1 heavy melting grade of steelmaking scrap advanced 67 cents to $27 a gross ton, due to a rise of $2 per ton in Philadelphia.

The silver price soared over $1.25 a troy ounce in New York, up three cents.

The price of lead was hiked 0.5 cents a pound last week in the wake of increased demand and curtailed supply. The new price is 10.5 cents, New York.

Recent West Coast steel price reductions are threatening the railroads with the loss of some of their East-West business (as *Steel* predicted in October). Some Eastern mills ship as much as 20% of their tin plate production to Western markets. Result: Railroads are asking the Interstate Commerce Commission for permission to reduce rates.

March Steel Demand May Rise Due to Hedging

Steel production will get its first big inventory lift in March, *Iron Age* magazine reported.

The pattern of the buildup in advance of steel labor negotiations is still uncertain. But enough signs are present to point to an inflated steel demand due to strike hedging, beginning late in the first quarter.

Because of unprecedented factors in the steel labor picture, steel users are slow to commit themselves to a steel stock buildup. But the major users believe they have no choice but to repeat the past history of a systematic buildup against a possible steel strike.

This is underscored by disclosure that one major automaker has notified its plants and suppliers they are expected to have enough steel on hand to extend operations through the entire third quarter if a strike should halt steel production.

This gives the company and its suppliers more than four months to build up the equivalent of a 90-day inventory. (However, since the third quarter is normally a period of low steel use, the number of "days" is a relative figure.)

Another automaker has increased its orders for steel bars 40% for the month of March. A stainless producer looks for a 30% pickup in March.

Conversely, a major auto stamping plant has placed its March orders for sheet with no increase over February. This was followed by word that "supplemental" orders might be placed.

There are many other indications of extreme caution on the part of steel users against going overboard on strike hedging. They apparently are watching closely all preliminary moves by both the industry and the United Steelworkers of America.

In many cases, the decision to hold off is being made by top management against apprehensions of purchasing staffs. This is a normal situation, but many companies are operating with low stocks of steel with short lead times now. Purchasing agents are concerned that any surge of steel buying would put them in trouble on deliveries.

Nevertheless, barring an unprecedented labor development such as an early settlement, a period of inflated demand through the second quarter seems inevitable. This means a period of liquidation through the third quarter if there is no steel strike.

Because of the complex factors of this year's labor picture, the buildup and liquidation may not be as severe as that of 1962.

Auto Output Drops 3.6% from Prior Week But Tops 1962 By 11.5%

Record or near-record auto output in January will be accomplished by U. S. producers despite a dip in output last week and further curtailment of Saturday overtime, *Ward's Automotive Reports* said.

The statistical agency said that prodded on by record sales in early January, production of cars during the month is expected to rival the peak of 688,690 cars made in January of 1960.

Ward's said passenger car assemblies last week will reach 154,870, a decline of 3.6% from 160,595 cars made last week but 11.5% ahead of 138,949 assemblies in the corresponding week of 1962.

Most of the decline last week came as a result of fewer overtime Saturday programs.

The industry was hopeful of reaching an output of 3,000,000 1963 model cars midway of last Monday operations.

Rail Loadings Finally Outpace Year Ago Week for 3.5% Gain

Loading of revenue freight in the week ended Jan. 12 totaled 521,515 cars, the Association of American Railroads announced. This was an increase of 99,319 cars or 23.5% above the preceding holiday week.

The loadings represented an increase of 17,688 cars or 3.5% above the corresponding week in 1962, and an increase of 5,420 cars or 1.0% above the corresponding week in 1961.

There were 10,201 cars reported loaded with one or more revenue highway trailers or highway containers (piggyback) in the week ended Jan. 5, 1963 (which were

Continued on page 24

Brutal Competition Faces Area Developers in 1963

By Ted M. Levine, *President, Development Counsellors International, Ltd., New York City*

Picture 14,000 area-development organizations competing to advise 500-odd new plant location moves annually and you have, Mr. Levine says, a fairly good indication of the excessive competition prevailing in this industry. The writer outlines five changing trends shaping the future course of "developers" ranging from mergers to big-name glamorized approaches to prospective clients seeking a new location or an area seeking industry.

Imagine a business in which you have 14,000 suppliers and only about 400 prime customers.

That's a competitive business. It's also the area development business as of the year 1962 with some 14,000 area development groups and organizations fighting hard to influence the 500-or-so major new plant moves that are made every twelve months.


Ted M. Levine

Here's a story that shows how cut-throat the competition is. On March 9, 1962, a New York newspaper ran an article saying that General Foods was looking for a new Northeast U. S. location to make its Jell-O products. Within only three weeks the company was "swamped" with over 4,000 proposal letters suggesting more than 500 individual plant sites.

And the battlers include not just Federal, state, county and municipal government organizations but an equal number of private developers: Chambers of commerce, gas and electric companies, banks, railroads and industrial realtors, not to mention a couple of hundred foreign industry-attracting groups ranging from major countries like Britain, France and Canada to such lesser known places as Curacao in the Caribbean, Eastern Nigeria and the State of Hesse, Germany.

As the song says, something's got to give and, in fact, already has. A "shakedown" of the less effective developers began this year and will be stepped up next with the increasing application of Charles Darwin's principle of the Survival of the Fittest. Here are five trends shaping up for economic development outfits resolving to stay and prosper in business.

(1) *A Trend Toward Merger:* This parallels the drift in private business and for exactly the same reasons. Small developers merge, marry and otherwise blend forces. A typical example is the regional grouping of the Southern New Jersey Development Council which coordinates and captains the work of two dozen more specialized member organizations spread out over six New Jersey counties.

(2) *A Trend Toward Feasibility Research:* Just a few years ago most development promotion consisted of hog-calling all comers, telling potential investors your area, wherever it might be, was a Businessman's Utopia: at the center of a mammoth market with super-skilled workers, practically-free utilities, all manner of give-away financing and living and recreational conditions that somehow manage to combine Hollywood, Palm Beach and Monte Carlo.

This approach had two drawbacks: first, it fooled few, and second, the few it fooled found out the truth on further investigation.

Developing Honest Research

The idea in 1963 will increasingly be through honest research to pinpoint those industries that really make economic sense and then go after them with facts. Example: Maryland is hitting hard for science-based industries based in part on the many institutions of higher learning with which that state abounds; on the local level the newly established Androscoggin (Maine) Area Development Corporation is doing a complete audit of its industrial advantages and shortcomings before approaching any new plants; on the foreign level, the Trinidad and Tobago Industrial Development Corporation has defined ten "prime industries" from agricultural processing to petrochemicals.

(3) *A Trend Toward Non-Manufacturing Activities:* Some economic developers have learned almost too late that new manufacturing industry is only one source of new community or national income. Others include attracting tourists, warehousing facilities, institutions. One of the most important acquisitions by Atlantic City, N. J., during recent years was a big-scale office building of the Prudential Life Insurance Company which of course involves no manufacturing at all.

Foreign developers in particular are also stressing export sales as a method of building up home employment and foreign exchange balances. A striking example is the Province of Ontario (Canada) "Trade Crusade" currently touring the U. S. and telling American top echelon executives in such cities as New York and Chicago how they can profit by tying in and help Canada at the same time.

(4) *A Trend Toward Building the Home Economy:* Top executives of the newly established Federal Area Redevelopment Administration, aiding over a thousand U. S. high unemployment communities, note that developers often spend all their energy on new industries, forget about those already established.

An interesting anecdote here points an important direction for 1963: a certain Iowa community of 30,000 people acquired no new industries during a recent year, was roundly chastised for failure to promote itself. Then somebody looked a little more deeply into the figures: during the same 12 months five local companies had expanded adding 450 employees, millions of dollars in new payroll and purchasing power and on balance making it the best year ever.

Or, for a rather different approach, the New South Wales (Australia) Government Office in New York will make its top priority task in 1963 aiding established companies "down under"

Continued on page 99

Improving Quality Earnings And Stock Price Trend

By M. Richard Sussman, *Associate Professor of Finance; Head, Division of Finance, The Pennsylvania State University, University Park, Pa.*

To what extent do wishes, or objectively arrived at opinions, determine the price of stocks? In turn, how determining are concepts held regarding the importance of historical comparisons of P/E ratio and of the quality of earnings in shaping stock price expectations? In answering these questions, Professor Sussman questions whether or not a case can be made to the effect that the quality of earnings has improved, and points out that most of the improvement had occurred prior to and through the mid-fifties whereas P/E ratios did not significantly rise until 1958.

With the ending of the old year and the advent of the new, the game of "guess the future" is in full swing. In economics, in politics, in fashions, in a myriad of areas prognostication prevails. Certainly the stock market should not be excluded from this list for not only is forecasting a usual and necessary practice in this area, but in view of the dramatic changes which occurred in stock prices in the past year, it has become more emphatic.


M. Richard Sussman

In reading these predictions of the future, one is often led to wonder whether that which is being expressed is a wish or an opinion. Does the forecaster believe that stock prices are too high and therefore will fall? Does another seer believe that stock prices are too low and therefore will rise? Are these objective, impersonal opinions or are they hopes which somehow have gone through the metamorphic process of rationalization and emerged as opinions? The identical twins of hope and belief are very difficult to separate.

Survey of opinion concerning stock prices was presented in a recent News Roundup.[1] One group, the pessimists, maintained that stock prices, as measured by the price earnings ratio of the Dow Jones Industrial Average "still seem too high if history is any guide."

Year	Ratio
1951	10.1
1952	11.8
1953	10.3
1954	14.2
1955	13.7
1956	15.0
1957	12.1
1958	20.9
1959	19.8
1960	19.1
1961	23.0
1962	18.8

The word "if" adds flexibility to this statement and cautions the reader to question its assumption. Is history a guide — hope or opinion?

Better "Quality" of Earnings

The article continued that some analysts, the optimists, believed that historical comparisons were not valid because they did not reflect "the improving 'quality' of earnings."

"They argue, for one thing, that earnings figures don't reflect increasing sums being deducted from pre-tax income for depreciation of fixed assets. In 1950, when corporations' after-tax earnings were $22.8 billion, such depreciation funds amounted to $7.3 billion, or about a third of earnings. In 1961, when after-tax earnings totaled $23.3 billion, depreciation reached about $25 billion, actually exceeding earnings.

"These increasing depreciation deductions, the argument goes, are nearly as good as actual profits, even if they don't show up as profits in corporate reports."

Are depreciation deductions actually some kind of second-class profits as this latter statement implies? Certainly it is commonly recognized that periodic profit is not a definite and absolute matter, but rather it is a re-

1 "Stocks and Business," A *Wall Street Journal* "News Roundup," *The Wall Street Journal*, December 14, 1962. Pps. 1, 27.

sult of the methodology employed in recognizing revenues and in allocating expenses to them. However, those who would claim that depreciation is not a legitimate item to be deducted in arriving at profit should logically also ignore the amortization of prepaid rent and of patents, and in fact, should advocate the elimination of the accrual basis of profit determination and the acceptance of the cash basis. One would seriously doubt that this proposal was intended.

Do larger depreciation deductions imply that net earnings which have remained substantially the same are more certain or of higher quality? Since depreciation is one of the most arbitrary of all expense allocations, one could reasonably argue that profits resulting after a relatively smaller depreciation deduction are more certain and of higher quality than those arrived at after the deduction of a much larger amount, provided that the method of allocation had not changed.

On the basis of these admittedly brief statements, the reader is forced to the conclusion that the identical twins of hope and opinion have made another appearance and the item of depreciation has taken the role of a rationalizing catalyst. However, this need not have been the case. The possible impact of increasing depreciation charges upon the quality of earnings might well have been reasonably emphasized had the causes of these increases been examined, rather than the increases themselves.

Reason for Increasing Depreciation Deductions

Coincidentally, the November, 1962, edition of the *Survey of Current Business*[2] provided explanations for the increasing depreciation deductions. First, in the immediate post-World War II period the economy was operating with a deficiency of capital goods as a result of the war itself, and the recession which preceded it. For example, capital consumption allowances as a percent of corporate gross product was 8.3 in 1929, 8.5 in 1939, but only 5.5 in 1948. Since that time the supply of capital has been expanded to a more normal level and as a consequence, depreciation charges have increased relative to output.

Second, much of the plant and equipment in operation in the immediate post-war period had as a cost basis the lower price-level which prevailed in the inter-war period. As a consequence, depreciation charges were low relative to the dollar value of current output and, thus, the replacement costs of capital goods had risen sharply.

These two reasons offer ample opportunity for one to propose that immediate post-war earnings were overstated and that present reported earnings are more realistic.

Finally, the *Survey of Current Business* suggested that liberalized depreciation methods which emerged from the Korean emergency period and the Internal Revenue Act of 1954 added to the amount of depreciation being charged. It was estimated that this "additional" depreciation amounted to some $4 billion in 1961.

This change in depreciation allocation can also be used as a possible basis for examining the quality of earnings. One could contend that since liberalized depreciation methods are more conservative in nature, the resulting net earnings are also more conservative and therefore, of higher quality.

Although a creditable argument could have been presented which related increased depreciation charges to improved quality of earnings, it should be noted that most of these changes in depreciation as a percent of output occurred prior to and including the mid 1950's. Price earnings ratios, on the other hand, did not increase significantly until 1958. Are we to assume that this improvement in quality, if any, was overlooked until 1958?

After discussing the matter of depreciation, the *News Roundup* continued with references to the relationship between larger research and development expenses and improved earnings quality. Again one was led to question, was it wish or was it belief? However, the importance of wishes to stock prices should not be underestimated. For after all, prices and price earnings ratios are expressions of future expectations and of confidence. If a person wishes, and as a result believes and acts; if enough people wish, and as a result believe and act, that which was hoped for may come about and that which was believed may come to be true.

2 *Survey of Current Business*, The United States Department of Commerce, November, 1962. P. 26.

Form Moran Assoc.

Maria Moran Associates, Inc. has been formed with offices at 645 Fifth Avenue, New York City, offering investment services. Marie E. Moran is President.

Now I. L. Rennert Co.

The firm name of Rubin, Rennert & Co., Inc., 56 Beaver Street, New York City, has been changed to I. L. Rennert & Co. Incorporated.

Prospects for a Recession And Subsequent Recovery

By Dr. R. Pierce Lumpkin,* *Consulting Economist, The Bank of Virginia, Richmond, Va.*

Occurrence of a recession in the earlier part of this year is held not unlikely particularly since a tax cut may come too late to stop a recessionary movement from materializing. Dr. Lumpkin also avers that it will not be stimulative enough in its effect to bring about a strong reversal but, at best, will only be able to moderate the recessionary movement. The Virginian economist compares present recovery period with previous post-WW II ones; questions whether a tax cut will stimulate consumer spending; and expects a deep deficit, resulting from tax reduction and increased Federal spending, will by late 1963 halt the predicted recession. Nevertheless, he believes, this type of stimulus will not provide the basis for a sustained boom as would result from substantial improvement in profit expectations. Near future prospects for the latter are said to be near zero.

The American economy, after a moment's weakness in January, advanced with some firmness on through July. Gross National Product, for example, showed a 1.8% increase over the first half of the year. Total expenditures on new construction, after a precipitous decline in the early part of the year, had set new highs by June. The total of all types of income earned by individuals in the United States increased by 3% from January to July. Spending for personal consumption rose steadily over the first half of the year.

R. Pierce Lumpkin

Despite the advances made in these broad measures of economic activity, there were a number of indications that the economy was not behaving as well as it could even in this period. Personal expenditures on durable goods, for example, climbed in the first quarter of the year, rose moderately in the second quarter, and then showed almost no change in the third quarter. Steel production fell off sharply from early April to mid-July. New orders received by manufacturing firms set a downward trend over the first half of the year.

After July a number of the major indicators of economic activity either slowed their rate of advance or failed to show any further significant increases. Industrial production, for example, has moved within the very narrow range of from 119.3% to 119.9% of the 1957-59 average over the past five months, and in the latest two months (October and November), the index remained unchanged at 119.5%. Average weekly hours worked in manufacturing industries set a very pronounced downward trend from April through August, and since then have shown no significant improvement. The figures for average weekly earnings in manufacturing industries have marked out a horizontal trend since April. Total expenditures on new construction showed no significant gains from June through October, then fell off in November.

A number of bright spots have appeared in the economy in the past two months. Automobile sales in October set a new monthly sales record and sales continued at a high level through November although the November sales pace was not quite up to seasonal expectations. Personal income, after experiencing a slowdown in rate of advance in September, made significant gains in October and November. Orders received by manufacturing firms advanced to a new high in October after having set a very hesitant pattern throughout the earlier part of the year.

You can see the confusing set of complications facing the forecaster. When the economy appeared basically strong in the first half of the year, there were undercurrents of weakness; as many of the broad indicators of economic activity slowed down in the last half of the year, this was accompanied by some undercurrents of strength. To further confound the confusion, we were faced with a sudden surge of international tensions in October and November, and in looking at 1963, we are asked to consider the effects of a tax cut of unknown magnitude and scope. In facing such complications, the forecaster can hardly be blamed if he refused to be either bullish or bearish, but prefers to be just chicken. Nevertheless, we must frame investment, credit, and other policies for our banks and these policies must rest on some assumptions as to future economic and financial conditions. Whether we want to or not, we must attempt to appraise the future.

In appraising the future, we must look closely at both the immediate past, in this case, the current recovery from the 1960-61 recession, and also at the longer range trends which seem to have been developing in our economy. With regard to the first of these, the current recovery period has been considerably weaker than any of the similar periods since World War II. This weakness is clearly spotlighted in the following comparison of selected indicators of economic activity provided by the economic staff at the Department of Commerce in its publication, "Business Cycle Developments."

(1) Industrial production in the first few months of this recovery period moved up about as rapidly as in both the 1958 and '49 periods and slightly better than in the 1954 period, but after the sixth month of advance, showed a much slower rate of increase than in any of the other three previous recovery periods.

(2) New orders received by manufacturers of machinery and equipment have advanced thus far in this recovery period by only half the advance experienced in the preceding two recovery periods and by only about one-fourth of the advance experienced in the 1949-50 recovery period.

(3) Construction contracts awarded for commercial and industrial buildings have shown a much smaller advance in the recent period than in each of the previous recovery periods.

(4) Industrial materials prices started off this recovery period with a firm upward movement, but beginning with the fifth month thereafter, began declining and are currently running below their level at the beginning of the recovery period. In past cycles, these prices continued rising for approximately two years after the recession low.

(5) Employment in nonagricultural establishments has increased at a much slower pace in this recovery period than in any of the recovery periods since World War II.

(6) Each of the post-World War II recovery periods has reduced the rate of unemployment by a smaller amount than the preceding period. In the current period the unemployment situation has shown less improvement than in each of the past recovery periods.

(7) The advance in personal income in this recovery period was about on a par with that in 1958 and 1954 periods, but over the past six months has shown a slower rate of increase than each of these earlier periods.

(8) Looking at just labor income earned in mining, manufacturing and construction activities, the rate of advance in this recovery period has been well under that in each of the three previous recovery periods.

Longer Range Developments

Looking at the longer range trends developing in our economy, we are all quite familiar now with the fact that the demand facing American producers today does not rest on shortages of goods or on the need to rebuild facilities destroyed by war and to replace depleted inventories, but, instead demand relates to such things as population growth, the replacement of worn-out equipment, and the improvement in living standards. We can hardly expect this type of demand to match in intensity that stemming from wartime destruction and lost production. One very vital question which immediately arises is, with such a change in the nature of demand, what can we expect in the way of investment expenditures, that is, expenditures for new plant and equipment by business firms, in the months ahead?

Looking at the pattern of investment expenditures over the past four years, there has been no meaningful upward trend in these expenditures despite the continued advance in total gross national product. A basic factor related to this behavior of investment spending is the strength of demand for output relative to the capacity to produce. The current capacity of our production machine to meet demand for manufactured products is highlighted by the behavior of the backlog of unfilled orders held by manufacturers. Going back a decade, when orders increased, the backlog of unfilled orders mounted to huge proportions. In each recovery period since the 1950-51 period, the backlog of orders has increased by a smaller amount. In the current period, the backlog increased by only a tiny fraction of the rise in earlier recovery periods, and since February of this year the order backlog has steadily declined. The backlog of unfilled orders stems from the relationship between new orders being received and orders being filled, that is, shipments being made. Shipments have exceeded incoming orders only just prior to and during recession in the post-World War II period. In December 1962, shipments again exceeded orders. The basic underlying relationships are, therefore, not favorable to any significant expansion in plant and equipment expenditures and, as a further collaboration of weakness in this area of economic activity, the most recent SEC/Commerce survey of planned investment expenditures reflects no further advance in the final quarter of 1962 and a decline in these expenditures in the first quarter of 1963.

This review of short and long run trends in the economy does not generate much exuberance with regard to the immediate outlook. True, a few bright spots have appeared in the past few weeks, but they are indeed few in number, and the basic underlying patterns do not provide a sound basis for expecting a surge in over-all economic activity to result. Our economy has had several opportunities over the past 21 months of recovery, quite similar to the present one, to move into a pattern of firm and sustained advance. It has failed to do so.

The analysis, therefore, leads to the conclusion that the economy is exhibiting, in its underlying forces, a marked tendency toward recession. In the absence of any highly unusual, and unexpected, event such as a flare-up of the cold war into some kind of military action, the most probable course for the economy in early 1963 is into recession.

Tax-Cut's Beneficence?

What about the stimulative effect of a tax cut in 1963? There is some uncertainty as to whether or not there will be a tax cut at all in 1963, and even greater uncertainty as to whether or not it will fall within the first six months of the year. Further, there is additional uncertainty as to whether a tax cut, when it does materialize, will be aimed at leaving income in the hands of consumers or aimed at improving profit expectations. If the cut is aimed primarily at leaving additional income in the hands of consumers, then the very vital question is how much of this additional income will be spent by consumers and how much will go into loan repayments and saving of various sorts. The behavior of the consumer over the past year or more when income was adequate to support a much higher level of spending than actually materialized raises serious question as to the extent to which a tax cut will stimulate additional spending. Since the political chances of achieving a tax cut which will significantly improve business profit expectations are quite low, the conclusion is that about the most we can expect from a tax cut is that (1) it will come too late to stop a recessionary movement from materializing and (2) it will not be stimulative enough in its effect to put the economy into a steady and strong advance but at best will only moderate the recessionary movement.

Halting the Recession and Sustaining a Boom

Considering the frequently stated economic philosophy of the current Administration — a philosophy of maintenance of maximum economic growth—and with Federal Reserve credit policy already doing about all it can, under the overhanging threat to our gold reserves of an adverse balance of payments, to promote domestic economic activity, I feel confident that, under the conditions described above, additional fiscal policy actions will materialize. This means a further expansion in government expenditures — and, with a cut in taxes, a substantial deficit for fiscal 1964 following on the heels of an already anticipated deficit of approximately $8 billion for fiscal 1963. Under their impact, there is reason to anticipate a cessation of the recessionary movement by late fall of 1963, but this stimulus to the economy is hardly the type to so improve the long-run investment outlook that a basis for the next sustained boom will materialize. This can come only from some substantial improvement in profit expectations. With government support of steadily upward creeping costs, with government determination that these cost increases be absorbed by business, and with the over-all political climate favoring little or no reduction in the tax burden on business, the prospects for such improvement in profit expectations in the near future are close to zero.

*An address by Dr. Lumpkin at the Bank of Virginia's Correspondent Bank Conference, Richmond, Va.

Chesapeake & Potomac Tel. Debs. Offered

Morgan Stanley & Co., New York, is manager of an underwriting group which is offering publicly $50,000,000 Chesapeake & Potomac Telephone Co. of Maryland 4⅜% debentures, due Jan. 1, 2002, priced at 102⅞% and accrued interest to yield 4.224%.

The debentures were awarded to the Morgan Stanley group at competitive sale Jan. 22 on its bid of 102.13111% which named the 4⅜% coupon.

Proceeds will be used in part to repay outstanding advances from A. T. & T., parent, expected to approximate $37,000,000. The remainder of the proceeds will be used to reimburse the company's treasury.

The company intends to call for redemption in February, 1963, all its 5¼% debentures, due Jan. 1, 1996 outstanding in the principal amount of $25,000,000. Payment for the debentures called for redemption will be made from the general funds of the company and from advances to be obtained from A. T. & T.

The debentures are not redeemable prior to Jan. 1, 1968. Thereafter they are redeemable at redemption prices ranging from 106.875% to the principal amount.

Chesapeake & Potomac Telephone is a wholly owned subsidiary of American Telephone & Telegraph Co. Its head office is at 320 St. Paul Place, Baltimore.

Walter Gorey Wire To Cook Inv.

SAN FRANCISCO, Calif.—Walter C. Gorey Co., Russ Building, has announced the installation of a direct private wire to Cook Investment Co., 208 South La Salle St., Chicago, members of the Midwest Stock Exchange.

The firm also has a direct private wire to the New York and Baltimore offices of John C. Legg & Company.

Forms British Unit

Estabrook & Co., 80 Pine Street, New York City, members of the New York Stock Exchange, has announced the formation of a wholly-owned British subsidiary corporation, Estabrook & Co., Ltd., with offices at 7 Cleveland Row, St. James, London.

Associated with the London office will be Michael M. White, managing director; John A. de Laszlo, A. P. G. Ribon, and Robert P. Wilkinson.

Madison Investor

Donald Weintraub is engaging in a securities business from offices at 271 Madison Ave., New York City, under the firm name of Madison Investor.

Possible World-Wide Effect Of U. S. Tax Reductions

by Paul Einzig

Other Western economies can be expected to follow our example of deliberate tax-cut induced fiscal debt-creation and, also, to thereby invite wage and price-level rises. Dr. Einzig, in pointing this out, hopes that the economic growth sought will serve its "cold-war" purpose with a minimum of price inflation. The British economist questions Mr. Kennedy's failure to exact for the reflationary concession a restraint on wage escalation, and suspects U. K. would summarily neglect to restrain wages when it will follow our example.

LONDON, Eng. — Now that the amount involved in the tax cuts foreshadowed by President Kennedy in his Message on the State of the Union are known, the world is awaiting with considerable interest the announcement of the nature of the tax concessions which will make up the formidable total. The reason why this is so important also outside the United States lies not only in the great importance of American economy in world economy but also in the likelihood that other governments would to a large extent follow the American example.

There can be little doubt that the example of the deliberate creation of a large additional Budgetary deficit will be followed with alacrity by a number of Western governments. The resistance that had developed in recent years to the excessive rate at which public spending had been expanding was based nowhere on very solid foundations. It brought unpopularity to the governments in office and provided an opportunity for the oppositions of the day to offer bigger and better bribes to the electors. So such policy of retrenchment as has been applied until now will now be thrown overboard and few tears will be shed for its departure.

Queries Tax-Cut and Deficits In Face of Inflation

If the world were in the throes of a deflationary depression there would be everything to be said in favor of Budgetary inflation. Unfortunately the situation is not nearly as clear cut as that. It is true, there is stagnation on inadequate expansion of consumer demand and curtailment of private capital expenditure in many countries. At the same time, however, cost inflation continues and is even gaining in strength in Britain West Germany, France and other countries.

There can be little doubt that the unbalancing of Budgets—or, to be exact, the increase of the existing Budgetary deficits—will inevitably cause an increase of the pressure for higher wages. If the trade unions were able to have their way even amidst growing unemployment, how much more powerful will they be when, as a result of increasing demand for labor, unemployment becomes materially reduced. All that the Budgetary reflation could achieve would be to ensure that expanding demand might keep pace more or less with rising prices.

Cold-War Need

In pointing this out it is not my intention to denounce the policy of Budgetary reflation as such. In view of the evidence that non-Budgetary reflationary measures have not produced the desired result there is much to be said in favor of reinforcing them in order to make it sure that 1963 will be a year of expansion and prosperity. The United States and the other leading Western countries could ill afford to give the Communist countries the satisfaction of being able to claim that post-War boom in Capitalist countries is now definitely a matter of the past, and that capitalism is unable to work out its salvation. If the cost of breaking the existing deadlock is yet another dose of inflation I suppose we have to put up with it.

U. S. A. Neglects to Exact Quid-Pro-Quo

It is of the utmost importance, however, to ensure that the necessary evil represented by this additional dose of inflation is kept down as much as possible. In other words, Budgetary inflation should be administered in a way as to keep down its inflationary effect to a minimum. From that point of view it is a thousands pities that President Kennedy and his advisors should decide to make the gigantic reflationary concession in the form of a free gift given unconditionally without ensuring that in return for that concession, the trade unions would do their fair share in the effort to achieve and maintain prosperity. There is every reason to fear that in this respect too, Britain will follow the American example and that on Budget day in April next Mr. Maulding will appear in the role of Santa Claus, giving everything without expecting anything in return. A major opportunity is missed for inducing the unions, under the pressure of the recession, to give an undertaking of good behavior in the form of agreeing to the principles of a coordinated wage policy and of a genuine effort to cooperate wholeheartedly in stopping unofficial strikes.

Since no such use will be made of the unique opportunity, it is to be hoped at any rate that when it comes to the determination of the exact nature of the tax concession preference will be given to cuts which tend to stimulate production. To that end investment allowances should be increased to encourage industry to modernize its equipment and to spend more on research. There may be less likelihood of resistance to dismissals of workers made redundant by automation where employment is expanding rapidly, as it undoubtedly will under the influence of the large Budgetary deficits.

In addition, tax cuts should be such as to make it worth while for individuals and coporations alike to finance modernization schemes. To that end it is essential that the present downward trend of profit margins should become reversed. From this point of view the United States are better placed than Britain. In America at any rate profit is not a dirty word. Some years ago I told a leading American banker that I envy the United States for the statesmanlike qualities of leading trade unionists such as Mr. George Meaney or Mr. Walter Reuther, who realize that large and increasing profits are in accordance with the employees' interests. "You can have them," was the telling reply I got, which only goes to show that faults in the trade unionists of one's own country are much more visible than in those of another country. Even so, it is just conceivable that the recession resulting from the decline in capital expenditure caused by shrinking profit-margins may have taught a lesson to trade unionists on both sides of the Atlantic. Even British workers may have come to realize that they have no cause for rejoicing if their employers are doing badly.

Texas IBA Group Committee Slate

DALLAS, Tex. — The following committees have been appointed by Lewis F. Lyne, Mercantile National Bank, chairman of the Texas Group of the Investment Bankers Association:

Lewis F. Lyne

Legislative: Charles C. Pierce, Rauscher, Pierce & Co., Inc., Dallas, Chairman; Dean Guerin, Eppler, Guerin & Turner, Inc., Dallas; Wilbur Hess, A. G. Edwards & Sons, Houston; H. H. Dewar, Dewar, Robertson & Pancoast, San Antonio; Frank R. Newton, Lentz, Newton & Co., Inc., San Antonio; E. O. Cartwright, Merrill Lynch, Pierce, Fenner & Smith Inc., Dallas; Charles D. Kirkham, Merrill Lynch, Pierce, Fenner & Smith Inc., Dallas; and Felder Thornhill, Dewar, Robertson & Pancoast, Austin.

Education & Public Relations: Robert H. Baker, Rowles, Winston & Co., Houston, chairman; Duane Geis, Rotan, Mosle & Co., Houston; John Turner, Eppler, Guerin & Turner, Inc., Dallas; Richard O. Arneson, Dittmar & Co., Inc., San Antonio.

Municipal: David Arnspiger, Rowles, Winston & Co., Houston, Chairman; Arnold Kocurek, Rauscher, Pierce & Company, Inc., San Antonio; Francis Abshire, Moroney, Beissner & Co., Houston; Jack Payne, Dallas Union Securities Co., Dallas; and B. W. Lucas, Fort Worth National Bank, Fort Worth.

Nominating: R. R. Rowles, Rowles, Winston & Co., Houston, chairman; W. W. Payne, First of Texas Corp., San Antonio; and Taylor B. Almon, Almon & McKinney, Inc., Dallas.

Savings Bond Committee: Lewis Lyne, Mercantile National Bank, Dallas, chairman; T. E. Graham, First National Bank, Ft. Worth; Ted Alexander, Texas Bank & Trust Co., Dallas; Weldon Carter, Frost National Bank, San Antonio; N. R. Roberts, Republic National Bank, Dallas; C. Willard Houser, American National Bank, Austin.

Membership: H. H. Dewar, Dewar, Robertson & Pancoast, San Antonio, Chairman.

Meetings & Entertainment: Hugh Dunlap, Goodbody & Co., Dallas, chairman; Steve Denning, Goodbody & Co., Dallas; and Clarence Sample, Mercantile National Bank, Dallas.

Officers and members of the executive committee of the Texas Group for 1963 are: Lewis F. Lyne, Mercantile National Bank, Dallas, chairman; Tom Ball, Jr., Eddleman-Pollok & Fosdick, Houston, and Edward H. Austin, Austin, Dobbins & Calvert, San Antonio, vice-chairmen; Nelson Waggener, Walker, Austin & Waggener, Dallas, secretary-treasurer; Phillip Neuhaus, Underwood, Neuhaus & Co., Inc., Houston, Richard O. Arneson, Dittmar & Co., San Antonio, Robert R. Gilbert, Jr., Sanders and Co., Dallas, and ex-officio, W. A. Beinhorn, Jr., Russ & Co., Inc., San Antonio, B. F. Houston, Dallas Union Securities Co., Dallas, and Frank R. Newton, Lentz, Newton & Co., San Antonio.

The annual convention of the Texas Group will be held in Dallas at the Statler-Hilton, Hotel, on April 3rd, 4th and 5th. Part of the entertainment at the Convention will be a visit to the famous "Six Flags of Texas," between Dallas and Fort Worth.

Dealer-Broker Literature

Continued from page 8

mill & Co., 1 Wall Street, New York 5, N. Y.

General Mills—Report—Thomson & McKinnon, 2, Broadway, New York 4, N. Y.

Gillette — Memorandum — Bruns, Nordeman & Co., 115 Broadway, New York 6, N. Y. Also available are memoranda on **Metro Goldwyn Mayer** and **Napco.**

Great Northern Paper Company—Analysis — Emanuel, Deetjen & Co., 120 Broadway, New York 5, N. Y.

Grumman Aircraft — Analysis — Bregman, Cummings & Co., 4 Albany Street, New York 6, N. Y.

Home Insurance Company — Review—L. F. Rothschild & Co., 120 Broadway, New York 5, N. Y.

K V P Sutherland — Analysis — Hardy & Co., 25 Broad Street, New York 4, N. Y. Also available is a memorandum on **National General.**

Kelly Girl Service Inc.—Analysis —Straus, Blosser & McDowell, 39 South La Salle St., Chicago 3, Ill.

Lanvin Parfums Inc.—Analysis—Schweickart & Co., 29 Broadway, New York 6, N. Y.

Liberty Life and Accident Insurance Company — Analysis — F. J. Winckler Company, Penobscot Building, Detroit 26, Mich.

Lockheed Aircraft — Analysis — Gruntal & Co., 50 Broadway, New York 4, N. Y.

Major Pool Equipment Corp.—Report—Hill, Thompson & Co., Inc., 70 Wall Street, New York 5, N. Y.

Marlin Rockwell—Bulletin—Purcell & Co., 50 Broadway, New York 4, N. Y. Also available are comments on **Fram Corporation, Borg Warner, Champion Spark Plug** and **Libbey Owens Ford Glass Co.**

Martin Marietta—Review—Auchincloss, Parker & Redpath, 2 Broadway, New York 4, N. Y.

Martin Marietta—Memorandum—Halle & Stieglitz, 52 Wall St., New York 5, N. Y.

Masonite—Memorandum—Sincere and Co., 208 South La Salle St., Chicago 4, Ill.

Masonite Corp.—Analysis— Dreyfus & Co., 2 Broadway, New York 4, N. Y.

Mining Corporation of Canada Ltd.—Analysis—Hector M. Chisholm & Co., Ltd., 82 Richmond St., West, Toronto 1, Ont., Canada.

Norfolk & Western Railway Co.—Review—Carl M. Loeb, Rhoades & Co., 42 Wall St., New York 5, N. Y. Also available are reviews of **Clevite Corp., Kentucky Utilities, Howard Johnson Co. Alabama Gas Corp., P. Lorillard Co., Minnesota & Ontario Paper Co.** and **Newmont Mining Corp.**

North American Aviation—Analysis—H. Hentz & Co., 72 Wall St., New York 5, N. Y.

Northwest Airlines — Memorandum—J. W. Sparks & Co., 120 Broadway, New York 5, N. Y.

Oklahoma Gas & Electric Co.—Annual report—Don H. Anderson, Manager Industrial Development Dept., Oklahoma Gas and Electric Company, Oklahoma City, Okla.

Olin Mathieson — Memorandum—Sincere and Company, 208 South La Salle Street, Chicago 4, Ill.

Pittsburgh Plate Glass Company — Analysis — Courts & Co., 11 Marietta St., N. W., Atlanta 1, Ga.

Plastic Wire & Cable Corp.—1962 annual report—Plastic Wire & Cable Corporation, Jewett City, Conn.

Quemont Mining Corp., Ltd.—Analysis—C. M. Oliver & Company Limited, 821 West Hastings Street, Vancouver 1, B. C., Canada.

Radiatronics Inc.—Analysis—North's News Letter, 414 Mason Street, San Francisco 2, Calif. ($2.00 per copy).

Rochester Telephone Corporation — Analysis — Laird, Bissell & Meads, 120 Broadway, New York 5, N. Y.

Tenney Engineering, Inc.—Financial report, and details on reliability test equipment — Tenney Engineering Inc., Dept. C, 1090 Springfield Road, Union, N. J.

Union Carbide's Twenty Years in Nuclear Energy—Booklet on the 20th anniversary of corporation's work at Oak Ridge—Union Carbide Corporation, 270 Park Ave., New York 17, N. Y.

Xtra Inc. — Analysis—Putnam & Co., 6 Central Row, Hartford 4, Conn. Also available is a memorandum on **Connecticut Light & Power.**

Public Service Co. Of Oklahoma Bonds Offered

Halsey, Stuart & Co. Inc., Chicago, heads an underwriting group which is offering $10,000,000 Public Service Co. of Oklahoma 4⅛% first mortgage bonds, due Jan. 1, 1993 at 98.727% to yield approximately 4.20%. The bonds were awarded to the group Jan. 23, on its bid of 98.15%.

Proceeds from the sale will be applied to the redemption of $9,860,000 5% first mortgage bonds, Series H, and the remainder, if any, will be added to the company's general funds.

The new bonds will be redeemable at general redemption prices ranging from 102.86% to 100%; and on and after Jan. 1, 1964, they will be redeemable for debt retirement purposes at 100%.

The company of 600 So. Main, Tulsa supplies electricity to an estimated population of 760,000 in 49 counties in eastern and southwestern Oklahoma, including the cities of Tulsa, Lawton and Bartlesville.

John Garvey to Be Wilcox Partner

As of Feb. 1, John F. Garvey, member of the New York Stock Exchange will become a Partner in the New York Exchange firm of Wilcox & Co., 120 Broadway, New York City. Mr. Garvey is a Partner in J. Barth & Co.

COMMENTARY...

BY M. R. LEFKOE

In his Budget Message a year ago, President Kennedy warned that "The prospects are favorable for further rises in the coming year in private expenditures, both consumption and investment. To plan a deficit under such circumstances would increase the risk of inflationary pressures, damaging alike to our domestic economy and to our international balance of payments."

Last week, the President returned to Congress to present a budget calling for expenditures of $98.8 billion, the largest annual outlay in our nation's history, and a deficit of $11.9 billion. But instead of a warning, this year we were assured that "The Federal deficit which will be incurred in fiscal 1964 should neither raise fears of inflation nor cause concern about our balance of international payments."

Nothing to Worry About — Now

In the thousands of words which followed—a murky concoction of evasions, equivocations, and misrepresentations — not one word was offered to explain how a budget deficit under certain economic conditions could "increase the risk of inflation" one year, and "raise [no] fears of inflation" under the same conditions twelve months later. One will also search in vain for an explanation of how a deficit could be "damaging . . . to our international balance of payments" last year, while a projected $11.9 billion deficit (on top of the current $8.8 billion deficit) should "cause [no] concern about our balance of international payments" this year.

But this blatantly obvious attempt at deception was only the beginning. The Annual Budget Message to Congress — supposedly a clear and objective presentation of the government's expected revenues and expenditures—has been converted by President Kennedy into a morass of unjustified assumptions concerning revenues, and interspersed with misleading statistics and concealed expenditures.

Consider, for example, one of the most fundamental assumptions which served as part of the President's economic framework: "The revenue estimates in this budget assume a Gross National Product in the calendar year 1963 of $578 billion. This figure is the midpoint of a range of expectation which extends $5 billion on each side . . ."

"The Numbers Game"

President Kennedy might very well contend that no competent economists exist outside the government. However, considering that his Council of Economic Advisors overshot the mark last year by $16 billion, a sincere desire for objectivity would dictate checking the government's figures with some non-partisan private economists. If the President had done so, he would have found that most private economists do not think that GNP will reach even the government's minimum estimate. In fact, many of them have forecast a GNP of only $565 billion, $13 billion less than the figure used as the basis of the President's revenue estimate.

The economic context which guided the government's estimate of revenue was shaped by yet another basic assumption: There would be a cut in tax rates calculated to reduce income taxes by $13.5 billion over the next three years. Tax reforms, however, would reduce the net loss to the Treasury to $10 billion.

Wishful Thinking

There is considerable room for debate over whether any tax bill at all will be passed this year. But to assume that $3.5 billion in tax revenues will be recovered by closing tax "loopholes" indicates a deliberate refusal to acknowledge the facts of political life. It requires the crudest type of evasion to assume that even half the $3.5 billion will be recovered if one analyzes the specific tax reforms which the President will propose, and then considers the tremendous Congressional opposition to virtually every one of them.

Some of the tax reforms under consideration include: A significant cut in the depletion allowance for oil, gas, and other mineral producers; increasing to one year the present six month minimum period necessary for a capital asset to be held before qualifying for the lower capital gains rate; doing away with the favorable tax treatment afforded stock options; and restricting deductions on such items as charitable contributions, interest payments, local taxes, and accident and other damage expenses.

Even if one were to give him the benefit of the doubt and grant an undeserved credence to these two untenable assumptions—GNP of $578 billion and tax reforms totaling $3.5 billion — President Kennedy's use of misleading statistics and concealed expenditures make it impossible to consider his budget as anything more than one of his typical political speeches.

The new budget, he claims, "presents a financial plan for the *efficient* and *frugal* conduct of the public business . . ." (Italics added.) Thus, at the outset of his discussion of spending we are told: "I have felt obliged to limit severely my 1964 expenditure proposals. In national defense and space programs — where false economy would seriously jeopardize our national interest or even our national survival — I have proposed expenditure increases. Fixed interest charges on the debt will also rise. But total 1964 expenditures for all other programs in the administrative budget, taken together, have been held to this year's level, and even reduced somewhat."

The "Catch-All" Category

A glance at some of the tables accompanying the budget indicates that the $4.5 billion increase in budgeted expenditures is almost exactly equal to the increased outlays for defense, space, and interest. Reading further though, one might be perplexed to find that sizable increases in expenditures are planned for items in the "all other programs" category.

These include: Health & Welfare, $700 million; Education, $100 million; Commerce Department, $150 million; Interior Department, $110 million; Labor Department, $200 million. (These outlays refer only to the "administrative budget," and do not include trust fund disbursements for such items as social security and state and local government highway construction.)

The paradox is quickly solved, however, since coupled with these increases in expenditures totaling approximately $1.5 billion are several major cuts in domestic spending. These include: Agriculture, $1 billion; Post Office Dept., $250 million; Housing & Community Development, $400 million. Thus it appears on the surface that "all other programs . . . taken together, have been . . . reduced somewhat."

Dubious Assumptions

But appearances can be deceiving. And when it comes to the facade normally presented by our government, they usually are. A more intensive study of the figures indicates that most of the expected decline in agricultural spending is based on "a guess" that the government will be able to sell over $500 million in surplus cotton to private enterprise. The remainder of the apparent decline in expenditures is based on the dubious assumption that banks will request the government to cash less Commodity Credit Corp. notes than they have recently.

Further digging reveals that gross outlays of the Post Office Department are scheduled to rise by $300 million. However, due to the increased postal rates (paid for by the taxpayers), gross revenues will probably increase by $550 million. The budget shows only net figures; thus, a decline of $300 million is reported.

Housing and Community Development, the final item which shows a substantial estimated decrease in spending, can be scrutinized with the same result. Here one finds that government expenditures actually are going to increase by over $200 million; the apparent discrepancy is accounted for, to a great extent, by the government's "hope" that private investors will purchase at least $500 million in government-held mortgages.

Another Four Years?

If I weren't particularly concerned about living in a free country, and if I were willing to turn over to him my life, happiness and income as he has requested, President Kennedy's re-election probably wouldn't bother me too much.

In fact, it would almost be worth it to see what new devious methods he will devise for each year's budget to hide the tens of billions of dollars he currently is committing our government to pay over the next few years, but which he conveniently neglected to mention last week. One had to examine each table very carefully to discover that requests for new obligational authority next year totaled $107.9 billion, up $4.7 billion from this year and $15 billion from 1962.

If, through misfortune the new frontiersmen are returned to office for another four years, I would be willing to wager that the minimum accumulated deficit of $30.9 billion during Mr. Kennedy's first term will be increased by at least 50% during his second. And while such an assumption has more to substantiate it than those made by the President in his Budget Message, I have little to lose even if I'm wrong. For every 100-cent dollar I wager today, I probably will be able to pay my creditors in 10-cent dollars in 1968.

Oppenheimer & Co. To Admit Partners

Effective Feb. 1, Oppenheimer & Co., 5 Hanover Square, New York City, members of the New York Stock Exchange, will admit Paul C. O'Neill, Rodney L. White and Walter Scheuer to general partnership, and Joseph H. Kanter to limited partnership in the firm.

The Market . . . And You

BY WALLACE STREETE

If Wall Street appears to be confused these days, it has good reason. It also has solid backing in many quarters.

Good business news appears to be offset by unfavorable omens almost to a mathematical degree. Hopes of tax cuts have been somewhat dashed to a large extent by the White House call for an unprecedented peace-time deficit.

While deficits spell inflation, disappointments over promised tax slashes could mean investor reaction on the downside. The result: the market moves up a little, and then down a little with a net gain of nearly nothing.

"Technical Considerations"

Although the Dow-Jones Industrial Average flirts with new high ground of 680 in its recovery phase, it refuses to break out of its 675 pattern to any recognizable extent. The week-long stalemate poses an interesting problem.

Are we, as one market commentator of a major house puts it, seeing the end of a rally in a bear market rather than the start of a new, major bull market? If so, the unfortunate consensus must be that we cannot expect too much in the way of warning signals when a top is finally made.

Dividend Distributions Helpful

But the optimists will not be curbed. The steady score of new 1962-63 highs and the consistent number of daily advances over daily declines proves more heartening to the bulls than the bears.

Dividend action this week also helps the argument that the uptrend has not yet seen its best days. International Business Machines finally boosted its quarterly payout to $1 from 75 cents in the previous four quarters. Cities Service voted to pay 65 cents a share, a nickel more than in recent quarters.

Yet the indications are decidedly mixed. The market finds it difficult to break through the five-million share barrier. Daily turnover slipped close to the four million mark earlier this week. Last week it had topped the 5.2 million total, but was unable to exceed the previous week's volume of 23.8 million shares.

Most of the market appears lethargic compared to its pace of the past eight weeks. Rails have slipped on the average in most recent sessions. Utilities have also moved sideways rather than ahead.

Possibly the traders have discounted most of the good news. President Kennedy's forecast of gains in business investment and consumer buying have failed to have any direct effect. His position on tax cuts was well-known in advance, so proof of the expected failed to cause any appreciable flurry on the Street.

Economic Slowdown Versus Recent Financing

Predictions of record deficits are to some extent offset by reports of an overall economic slowdown. The Commerce Department notes a 3% decline in new orders for durable goods in December. This dip, following a fairly strong rise for the previous two months could indicate that manufacturers face a leaner period.

But Commerce Secretary Hodges has also announced that personal income rose last month to a seasonally adjusted rate of $450 billion, up $2.2 billion from November's rate, and up 6% from the previous year to a record high.

Outwardly the economy continues to look healthy. Reports of auto production continue to be encouraging. Talk is growing of another nearly seven million unit year, the first two-year cycle in the last 10. Demand for General Motors, Chrysler, and American Motors stock remains strong. All have hit the "Most Active" list in the past week.

Sentiment for steel stocks is still tempered by doubts on their earnings for 1963 although output continues to rise.

Last week's output gain was a mere 0.2% in capacity, but it was the third in a row. With production now up to 61.6% of an unofficial operating rate, most mills are said to be awaiting a burst of new orders from buyers who fear a strike may shut down operations this Spring.

Although the United Steelworkers of America have until April 30 to reopen the contract before invoking a right to strike 90 days later, hedge-buying is expected to start within two weeks.

Auto producers are also expected to start their reorders for March deliveries within a few days. Several large steelmakers say they will add several furnaces to meet incoming orders shortly although other companies contend the real hedge buying will not start for several weeks.

Most industries, according to a current survey, have little reason to hope for a spurt in inventory buying. Most factory managers report their inventories are in good shape, meaning they have little inclination to build them back up to their former levels.

The result will probably be tighter inventory controls, accompanied by stronger competition and likely soft spots in some areas. The fresh decline in new orders could bear out this trend.

Washington the Key

Wall Street, like most of the economy, is looking to Washington for the answers to future moves. Doubt is growing that a tax cut will prove the savior to everyone's problems despite Commerce Secretary Hodges' statement this week that a tax program is the most urgent business before Congress.

Mr. Hodges also predicted that the United States economy will lose some of its energy this year unless Congress adopts President Kennedy's plan to cut taxes on all levels.

Under the so-called tax-multiplier plan, every $1 tax cut thrown into private consumption would generate $2 to $2.50 of new production.

Business, according to Hodges, is good, but not booming. He sees further gains this year, but feels the growth will be slower this year unless business has the stimulus of a tax cut.

Depreciation Boost to the Rails

Meanwhile, rail stocks continue strong as investors remain hopeful that the new depreciation schedule will fatten profits. Although the vital Dow-Jones rail index has receded from its earlier high-water recovery mark of 150, it remains high enough to provide some encouragement.

Rail suppliers also stand to gain by the new guideline schedule. North American Car Corp. said its 1962 earnings will probably equal the $1.30 a share of 1961, but 1963 could see profits of $1.40 a share.

The problem, according to North American's President, ascertaining this year's profits, stems in part from the complications of figuring write-offs and tax credits. The number of ways of figuring the costs and accelerated depreciations, says the company's President allow different methods of accounting when cars are leased. Because North American leases many of its cars to various roads, the final profit figure can vary greatly depending on how its lessees want to take their tax credits.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Bulford Named by Greenshields in NY

Michael J. Bulford has been elected Vice-President and managing director of Greenshields & Co. Inc., 64 Wall Street, New York City. Mr. Bulford has also been named a director of Greenshields Incorporated, the firm's Canadian affiliate.

Form Lerner Securities

Lerner Securities Inc., has been formed with offices at 40 Exchange Place, New York City, to engage in a securities business.

Foreigners Own More Japan Stocks

"Foreign ownership of Japanese shares is expanding and shows signs of catching up with the situation in the United States where American stocks have for many years been regarded favorably by overseas investors," Chisato Fukuda, President of the Daiwa Securities Co., Ltd., said in New York recently. He is on a month's visit to consult with financial and business leaders in the United States and review his firm's operations in this country.

The latest census by the Finance Ministry of Japan discloses that foreigners owned 1.66% of all Japanese corporate shares at the end of the fiscal year on March 31, 1962, Mr. Fukuda reported. This compares with 1.33% 12 months earlier.

"The percentage is approaching the level of ownership by foreigners of American corporate shares," he said. "The census by the New York Stock Exchange reveals that in 1962 foreigners owned 2.58% of all shares of publicly-held companies in America. Surprisingly this is lower than the 3.71% of all American shares reported owned by foreigners in the New York Exchange's previous census in 1959. Year-to-year comparisons unfortunately are not available."

Other trends revealed by the stockholder surveys are:

Individuals in Japan account for 97.99% of the total number of stockholders. In America individuals make up 92.3% of the stockholder body.

While there are fewer stock holdings in Japan by corporations, brokers, financial concerns and other institutions, these organizations combined own 52.8% of all shares, or 30.0 billion of the total of 56.8 billion shares.

In the United States holdings by corporations, brokers and all types of institutions come only to 41.4% of the total number of shares, or 6.0 billion of the total of 14.4 billion shares.

Share holdings of substantial size evidently are not as widely diffused among the Japanese public as in the United States.

Morse V.-P. of Franklin Dist.

Samuel Morse has been elected Vice-President, in charge of administration, of Franklin Distributors, Inc., 99 Wall Street, New York City, it has been announced.

Samuel R. Morse

Mr. Morse was formerly administrative vice-president of Broad Street Sales Corp. and was employed by that organization and associated companies for over thirty years.

Acorn Estate Planning

JAMAICA, N. Y.—Acorn Estate Planning Corporation is conducting a securities business from offices at 140-40 Queens Blvd.

Form Managed Plans

Managed Plans, Inc., has been formed with offices at 45 John Street, New York City, to engage in a securities business.

SECURITY SALESMAN'S CORNER

BY JOHN DUTTON

Improving Telephone Usage

There are people who have a natural gift of projecting their personality and ideas over the telephone. They have a pleasant telephone voice to begin with and seem to instinctively comprehend every reaction to their conversation. However, anyone can improve their telephone technique even if they do not have this natural aptitude. Since most security transactions are consummated over the telephone, and it is a great time saver in making appointments and qualifying prospects, it is necessary for the security salesman to use this valuable adjunct to his business as effectively as possible.

When I first attempted to contact possible clients over the telephone it was in those days when the entire mechanism stood upright on your desk, (and that was so long ago). It had a bell-shaped mouthpiece attached to a straight cylinder and the receiver hung from a hook on the side of the upright post. When the bell rang it was almost ear shattering, especially if the office was very quiet. Usually you talked into the mouthpiece holding the upright part in one hand and the receiver which was attached to a cord, in the other.

Back in the country where I was raised, we didn't have many telephones and you can imagine my predicament when I sat in an office and watched the experienced salesman glibly conversing with clients. The words almost stuck in my throat. A helpful salesmanager took me aside one day and gave me a few pointers. He showed me how to take it easy, relax, be my natural self and use the darned thing, not fight it. Over the years, I read and studied about telephone usage and through practice have developed a good telephone personality. I doubt if anyone could have been more of a fumbler than I was was when I began selling securities.

Suggestions

Try to keep your voice pitched in a medium range between high and low. This can be accomplished by speaking more from the direction of your diaphragm using head tones (without being nasal) rather than allowing the voice to emerge from the lower throat or abdomen. Also keep your voice up when ending a sentence, question, or phrase. A voice that droops is suggestive of negativism. One of our recent presidents who was not experienced as a public speaker took voice lessons from an expert and this was one of the important improvements that he was told to make in the delivery of his public speeches.

A tempo that is midway between fast and one that is slow is usually best. But also gauge your rate of speaking to the personality of your listener and the circumstances surrounding your call. A slower rate of talking will hold attention better because it is much more difficult to follow anyone when he is talking very rapidly.

Be yourself. Be natural. Never try to be important or stuffy. Just have something to say that is of interest and use words that emotionally motivate your listener. Come to the point and don't ramble.

Avoid a monotonous tone of voice. Restrained emotion can be used to retain attention by emphasizing certain words that will indicate your optimism, confidence, or concern. Imagine as you talk that your listener is sitting there with you. Visualize his face and personality as you converse with him. This helps you to project your own thoughts effectively.

Holding Interest

Most polite and considerate salesmen (and others) ask questions such as: "May I speak with you for a moment, is it convenient?" Or, "I have something to tell you that is rather important. Is it convenient, do you have a few minutes?" These questions show consideration for the other person's time, gain attention and a favorable reaction. When the telephone rings it automatically opens the door for you. Until this happens your listener has been preoccupied with other thoughts far removed from you and your call. You capture and hold interest by using words that create an emotional response.

When you asked if it was convenient to talk you have appealed to the universal desire for "recognition" that is latent in most people. When you imply there may be an opportunity for "money gain", or a possibility of "money loss", this is another emotional area. The desire for self preservation is also a powerful emotional influence. Your subject is jam-packed with emotion so you have the battle more than won when you talk securities. Use words that create confidence, such as, stability, growth, topmanagement, etc., or—financial weakness, management problems, possible loss, capture profits; to indicate your negative opinions.

Every telephone conversation should be a two-way street, never a monologue. This is also accomplished when you ask leading questions, such as: "Are you confortable where we can talk for a few minutes—I have something important to DISCUSS with you?" Or, " Have you a pencil and paper handy, I want to go over this carefully with you—possibly you would like to follow the figures as I give them to you."

The Bell System has published helpful hints on better telephone usage and the public library in most cities has many helpful books on selling over the telephone. The security salesman who becomes an expert in using this essential adjunct to his business has a great advantage.

NEWS ABOUT BANKS AND BANKERS

Consolidations • New Branches • New Officers, etc. • Revised Capitalizations

Stockholders of the **First National City Bank, New York,** voted to increase its authorized capital by $44,123,720 to $300,000,000 which raised the number of authorized $20 par shares to 15,000,000 from 12,784,496.

1,459,814 of the added shares, equivalent to $29,196,280 in par value, will remain unissued. They will be available for future issuance by the directors from time to time, without further stockholder action, through offerings for cash, through stock dividends or in acquisition of other banks by exchanges of shares.

500,000 shares of the added amount will also be set aside for grants of stock options to key officers and employees under a plan approved, permitting the grant of options to participants, to run for not more than 10 years, to buy stock of the bank at a price not less than the fair market value on the date the option is granted, in an amount not exceeding 10,000 shares to any individual.

The remaining 255,690 added shares will be distributed as a 2% stock dividend Feb. 28 to stock of record Jan. 18.

Stockholders also approved a merger by which the bank's affiliate, **First National City Trust Co.,** will be absorbed. The trust company's stock, which has been held in a trust for the bank's stockholders, will be retired, and the assets of the affiliate will be combined with those of the bank.

* * *

The Chemical Bank New York Trust Company, elected George R. Vila a Director.

* * *

The Morgan Guaranty Trust Company of New York, New York, N. Y., received approval to increase its Capital Stock from $188,500,000 consisting of 7,540,000 shares of the par value of $25 each, to $207,350,000 consisting of 8,294,000 shares of the same par value.

* * *

Robert J. Bradley and John R. Roser have been elected Vice-Presidents of the **Empire Trust Company, New York.**

The **Empire Trust Company, New York, N. Y.,** received approval to increase its Capital Stock from $6,327,500 consisting of 126,550 shares of the par value of $50 each, to $6,580,600 consisting of 131,612 shares of the same par value.

* * *

Robert A. Gay has been promoted to Executive Vice-President and elected a member of the Board of Trustees of the **Emigrant Industrial Savings Bank, N. Y.**

* * *

The Seamen's Bank for Savings, New York, made Clarence J. Dierman a Vice-President.

* * *

Maurice D. Stack has been elected to the Board of Trustees of the **Union Square Savings Bank, New York.**

* * *

Kings County Trust Company, Brooklyn, N. Y., received approval to increase its Capital Stock from $2,662,000 consisting of 266,200 shares of the par value of $10 each, to $2,795,100 consisting of 279,510 shares of the same par vlaue.

* * *

Robert E. Benson, and John Howland Gibbs Pell, have been elected Trustees of **The Dime Savings Bank of Brooklyn, N. Y.,** it was announced by George C. Johnson, President and Chairman of the Board of Trustees.

Mr. Johnson also announced that W. Clinton Keeler was appointed a Vice-President.

* * *

Three Assistant Vice-Presidents of **The Dime Savings Bank of Brooklyn, N. Y.,** this week are observing anniversaries of long-time service with the Bank.

Senior of the three, in point of service, is Mervin Foster, who was employed by the bank as a clerk 40 years ago.

Robert D. Barker is observing the completion of his 3rd decade.

W. Clinton Keeler began his association with the bank on Jan. 19, 1933.

* * *

Manufacturers and Traders Trust Company, Buffalo, N. Y., received approval to increase its Capital

Stock from $12,150,110 consisting of 2,430,022 shares of the par value of $5 each, to $12,393,115 consisting of 2,478,623 shares of the same par value.

* * *

The stockholders of the **Palisades Trust Company, Englewood, N. J.**, have been informed that there have been discussions with the **Peoples Trust Company of Bergen County, Hackensack, N. J.**, regarding the possibility of merging the two institutions.

If a merger agreement is arrived at it must be submitted to State and Federal regulatory authorities and the stockholders of both institutions for approval.

* * *

Plans for a proposed merger of **Bank of Powhatan, Va.**, which has total resources of $17,633,000, with **The Bank of Virginia, Richmond, Va.**, with total resources of $176,058,692 have been approved by Directors of both banks and will be submitted to special meetings of the bank's respective stockholders on Feb. 27.

The merger plan is subject to approval by banking authorities and by stockholders of both banks.

* * *

Society National Bank, Cleveland, Ohio elected Robert W. Cornell, William J. Hunkin, and Edwin T. Jeffery, Directors to replace William H. Fletcher, Ernest C. Dempsey and William Harvey Kyle, who are retiring.

W. James Vandenberg has been promoted to Vice-President and Cashier.

* * *

Raymond T. Perring has been elected Chairman and Chief Executive officer of **Detroit Bank & Trust Co., Detroit, Mich.**, succeeding Joseph M. Dodge, who has retired but will continue as a director and was elected Honorary Chairman.

Charles H. Hewitt was elected President and Chief Administrative Officer, succeeding Mr. Perring.

* * *

The Comptroller of the Currency James J. Saxon announced Jan. 14 that he has issued preliminary approval to organize a new National Bank in St. Petersburg, Fla.

The new bank will have an initial capital structure of $500,000 and will be operated under the title **"Northeast National Bank of St. Petersburg."**

* * *

Abe J. Hay, Vice-President of **Security First National Bank, Los Angeles, Calif.**, announced his impending retirement, effective March 31. At the same time Bruce W. McPheeters, formerly Vice-President, was named to succeed him as manager of the Bank's Pasadena office.

Donald L. Gardner, former manager, has also been appointed Vice-President and manager of the Bank's Corona branch.

William W. Cottle, Senior Vice-President and Cashier, is also retiring at the end of this month.

* * *

The **First National Bank in Dallas, Texas**, elected John P. Thompson, to the Bank's Board of Directors.

* * *

Rudolph A. Peterson, Vice-Chairman of the Board, has been assigned responsibility for the general management of **Bank of America, San Francisco, Calif.** President S. Clark Beise continues as the Bank's Chief Executive Officer.

S. Clark Beise R. A. Peterson

Mr. Peterson, former President of **Bank of Hawaii, Honolulu, Hawaii**, rejoined Bank of America as Vice-Chairman in November, 1961.

* * *

The Royal Bank of Canada, Montreal, Canada, has announced the election to the Board of Directors of Arthur A. Schmon of Thorold.

* * *

The **Seattle-First National Bank, Seattle, Wash.**, elected Elgin M. Biddle, a Vice-President.

William N. Potter and Glen L. Seth, both Main Office, were promoted to trust officers.

* * *

Shozo Saji, Deputy Chief Foreign Manager of the **Fuji Bank, of Tokyo, Japan**, has been named to head the New York agency, located at 1 Chase Manhattan Plaza. He is succeeding Rikuro Takahashi who will return to Fuji's headquarters in Tokyo.

Appointed Manager of the Fuji Bank's London branch is Tatsuo Ogasawara, who served as Deputy Agent at the New York Agency in 1956. He replaces Shigeto Miyoshi.

Our Reporter on GOVERNMENTS

BY *JOHN T. CHIPPENDALE, JR.*

There appears to be no question in the minds of investors that more funds will be seeking an outlet in fixed income-bearing obligations, which include Governments as well as non-Federal securities, as long as there is no need to hedge against the forces of inflation. Because, for the foreseeable future, there is not likely to be a revival of the inflation psychology, it is expected that Government bonds, as well as corporate and tax-exempt issues will continue to attract investors. The trend at the moment among bond buyers is to extend maturities, with the recently offered new money bond of the Government finding a home among those investors who are interested in the best quality available along with a satisfactory rate of return. Exchanges from outstanding bonds into the new 4% bond continue to grow.

Investors Shunning Capital Appreciation Philosophy

The investment demand for fixed income bearing obligations is as good at the start of 1963 as it has been in the best bond markets we have had in recent years. The amount of money seeking an outlet in bonds is as sizable now as it has been in a long time since it seems as though investors are now striving to put funds to work in issues in which safety of principal and income decidedly take precedence over the capital appreciation idea, with income of a secondary or of minor importance.

For the time being at least, it is evident that investors are not seeking to make sizable commitments in obligations that are considered to be hedges against the forces of inflation, as it is not believed that there will be a renewal of these forces as long as the country is not operating at capacity and there is substantial unemployment. This is in spite of the fact that a very large deficit in the Federal budget is not only in prospect for the current fiscal period but also in the one that will follow it.

Private Pension Funds Going Into Long Governments

The demand for the longest Government bonds has still very much of a pension fund tinge to it, with the public ones in the forefront of the purchases which are being made. In addition, it is now evident that the private pension funds have been extending maturities a bit in some instances and the recently offered new money bond of the Treasury was purchased in amounts which were considered to have been very worth while commitments. Likewise, it is indicated that intermediate Government bonds are being bought by these same private pension funds with money which in the past might have been put to work in issues that would have been considered hedges against the forces of inflation.

The smaller commercial banks, especially those with substantial amounts of savings deposits, are also among the buyers of the new money raising long term Government bond, namely the 4% due 1988/1993 because it provides them with an income that is considered to be to their liking. Also, it is reported that these institutions are not able to get the kind of mortgage that was available in the past and the yield from this type of investment has been declining because of the intense competition that is around for such obligations.

In some cases, these commercial banks have been making purchases of corporate bonds as well as municipal obligations, but these commitments have not been sizable of late because of the levels at which they are selling, especially the tax-sheltered issues.

Corporations Continue Heavy Short-Term Investments

There is also no shortage of funds seeking an outlet in the most liquid Government issues and corporations continue to give the large money center banks and the readily moveable foreign funds competition for these short-term securities. The rates or yields on these obligations will most likely continue to remain at levels which will make them competitive with the return that is available in other free world money centers or similar securities. There are no signs yet that the demand for near-term Treasury issues is not as strong as ever.

Wm. Hess Named Chairman of Firm

PHILADELPHIA, Pa.—Hess, Grant & Remington, Incorporated, 123 South Broad Street, members of the New York Stock Exchange and other leading exchanges, has announced that William M. Hess has been elected Chairman of the Board of the company.

Mr. Hess succeeds his late father, Arleigh P. Hess.

Charles Weiner Opens

LITTLE NECK, N. Y.—Charles L. Weiner is conducting a securities business from offices at 249-15 Sixtieth Avenue.

Why the Stock Market Rise And Optimism for This Year

Continued from page 3

cent years cash flow has increased sufficiently to permit, at once, financing of capital outlays and increases in dividends.

Now, I don't mean to minimize the petroleum industry's problem of over-capacity. It still exists and may continue to exist for a long time. I am suggesting, nevertheless, that many oil company stocks today represent unusual investment opportunities. My own personal favorites in this group include:

(a) **Texaco:** Statistically, Texaco has outperformed consistently all its competitors in each of the more significant analytical criteria. To me, this suggests management competence without peer In the oil group, Texaco is my favorite for capital appreciation potential.

(b) **Standard Oil Co. (New Jersey):** Last year Jersey set new records for crude production . . . for refinery runs . . . and for product sales on a world-wide basis. For the first nine months of last year, net income equaled $640 million or $2.96 a share. For the full year, it is possible that earnings not only surpassed 1961 results, but also exceeded the previous record high of $809 million achieved in 1956. Of particular significance to investors looking for above - average income, shares of Jersey at present prices yield in excess of 4%.

Chemicals are another industrial group in which I feel there may be excellent investment opportunities this year. For more than 20 years, this group has had a nearly unbroken record of revenue growth. Volume last year was approximately $33 billion, as compared with approximately $18.4 billion in 1950 and $4.3 billion in 1939. While earnings have maintained a definite long-term uptrend, they've been more volatile than revenues. However, last year there was greater price stability which, together with economies of larger volume, produced probable gains of between 10% and 20%. This year, as a result of new and improved products, together with effective cost controls, leading chemical companies should be able to show additional earnings growth.

(a) **duPont:** This is one of my favorites in the chemical group. Right now the company looks like it's in the early stages of a strong, long-term uptrend in profits. Management has emphasized products with wider margins, e.g., Delrin pipe for oil companies . . . Lycra yarn . . . and Lucite paint. On operations alone, duPont last year probably earned approximately $6.90 and, including the GM dividend, a total of $9.25. Shares of duPont appear to me to offer an excellent **quality** investment opportunity.

(b) **American Cyanamid:** Here is another company that I like in this group. Earnings last year should have been around $2.75 vs. $2.31 for the year preceding. Dividends recently were increased to $1.80 from $1.60. One of the principal reasons I like Cyanamid is because of the Lederle Drug Division. While Lederle contributes about one-third of total sales volume, profit contributions are believed to exceed 50%. Of significance to me is the fact that, in each of the past five quarters, the increase in earnings has exceeded the increase in sales. This, too, is indicative of management competence. I think Cyanamid, at these levels, may be undervalued in view of its growth potential.

Pros and Cons for Drug Stocks

A third industrial group that I like is the **Drug Industry.** Now I recognize that, in the past two or three years, prospects for many of the companies in this group have been less clear and, as a result, many of my associates are reluctant to share my enthusiasm for drug companies. Nevertheless, as I see the industry today, there are several pros and several cons. Let's look at the latter first. In summary:

(1) There's been a marked slowdown in the number of new drugs introduced, as a result of the more critical appraisal of new drug applications by the FDA (and, secondarily, the **substantial** additional cost of the extra paperwork involved).

(2) The probability of additional losses in foreign exchange—especially in Latin America.

(3) The Revenue Act of 1962 will affect undistributed foreign earnings. This provides for taxes on earnings of foreign subsidiaries and, most of the leading ethical drug companies are increasing the operations of their foreign subsidiaries.

Now, let's look at the other side:

(1) Children today are receiving an ever-increasing amount of medication. Today's mothers take their children to doctors for treatment of many minor illnesses which, a few years ago, would have been regarded as superficial or unworthy of medical attention. This suggests there is being laid a base for what I feel may become a most unusual growth curve for many companies in this industry.

(2) Health plans in the United States are growing by leaps and bounds — adding at the rate of about 15 million people a year. Presently, there are about 135 million people covered by health insurance plans in this country. Five years ago it was half that number. Here is additional implication of growth.

(3) Regardless of how we may feel individually concerning the government and medical insurance, if we look at it realistically, we'll have to concede that, at some point and in some manner, we'll probably have some form of government medical insurance. Now, whether this will be for those over 65 years of age, or whether it may be tied into Social Security, or just what form it may take, I don't know. But I think it unwise to ignore the possibility. This, then, provides a third reason for optimism with respect to drug companies.

(4) During the recent stock decline, ethical drug stocks suffered one of the largest percentage declines of all industry groups. At present, they're selling at levels which appear to me to be reasonable and attractive with respect both to current and prospective earnings.

Among the more attractive companies in this group, I would include:

(a) **Abbott Laboratories:** It should have earned about $3.60 last year, as compared with $3.02 for 1961.

(b) **Eli Lilly & Co.:** I would think might have earned about $3.20 last year, in comparison with $2.88 for 1961.

(c) On a somewhat more speculative basis, **Plough, Inc.,** appears interesting and I would estimate, earned last year about $1.35, as compared with $1.20 for 1961.

(d) Intentionally, I have omitted any comment on **Smith, Kline & French,** due to a registered secondary offering now in process.

(e) The preceding companies are in the ethical phase of the drug business. **Bristol - Myers,** which I like very much, is essentially a proprietary company, but it does have an ethical division. Last year Bristol probably earned $3.00, in comparison with $2.46 for 1961. Results for the first nine months of last year reflected an increase of 22.8% over earnings for the comparable period in the year preceding. And, incidentally, the $2.46 reported in 1961 reflected a 20% increase over earnings achieved in the year before.

Possible Breakthrough in Communications Innovations

Many of the utility companies, in my opinion, offer unusual investment opportunities this year. But before commenting on the broader topic, let me mention a couple of thoughts on a specific segment of the utility industry—namely, **Communications.** Here, I think we're on the verge of major technological breakthroughs. I'm thinking particularly, of course, of the dramatic implications in the successful orbiting of the Telstar satellite. I think this could revolutionize world - wide communications. In addition, we've seen the recent introduction of data phone techniques, by means of which communication companies and data processing companies combine to offer a facility which will transmit quantities of data via telephone lines. This, in itself, is a breakthrough.

Now, the two major companies which, inferably, stand to benefit from these technological advances are, of course, **American Telephone** and **General Telephone.**

(a) **AT&T** has achieved outstanding advances in the fields of electronics and aerospace . . . as well as in communications satellites—and this makes AT&T look a great deal more like a growth company today than the "widows and ophans" issue of some years ago. Earnings in 1962, I would think, could have been around $5.80 on total revenues of more than $9 billion—both of which would be new record highs for the company. In addition, it is entirely possible that the 90 cents quarterly dividend may be increased this year.

(b) Now, I like **General Telephone** very much and I think its shares offer an unusually attractive investment opportunity in 1963.

Utilities Specifically

In the broader area of utility stocks generally, there are several issues which, to me, represent unusually attractive investment opportunities. There are two companies in particular that I think offer especially attractive prospects for 1963 and beyond.

(a) **Citizens Utilities,** nationwide in its geographical scope, combines all categories of utilities' service. Since the present management took over in 1946, revenues have increased 282% . . . net income has increased 411% . . . and total dividends have increased 633%.

This, to me, is an outstanding growth record. In addition, in the last 17 years, there have been 16 cash dividend increases.

(b) **Arizona Public Service** in the 10-year period from 1952 through 1961 tripled its gross revenues—a record matched only by five of the 10 largest, privately-held utilities (aside: not a single one of the well-publicized "super-growth" utilities in Texas equaled Arizona Public Service's expansion).

As an illustration of investor confidence, Arizona Public Service consistently has outperformed its industry in terms of earnings multiples — the market price in the 10 years through 1961 increased fivefold. Last year the company should have earned $1.30 a share, which would reflect a 20% increase over results for 1961. It is quite possible that the dividend rate may be increased this year.

The two major companies in the Mail Order business appear attractive — for quite different reasons:

(a) **Sears Roebuck:** For the nine months' period ended Oct. 31, earned $1.83 vs. $1.70 on sales of nearly $3.5 billion — up more than 7% over the year-earlier period. For the full year 1962, I think the company should have earned between $3.00 and $3.20.

One of the chief reasons for current attraction in Sears is because of the demonstrated, and potential, growth of the Allstate Insurance Division. Allstate initially sold automobile insurance . . . then it went into casualty, and ultimately, life insurance . . . and very recently has entered into automobile financing. This division then conceivably might afford a "kicker" for the relatively stable mail order segment of Sears' total business.

(b) In **Montgomery Ward,** the all-important question concerns management. John Barr, an attorney, was elected chief executive officer some years ago and did a creditable job in closing some of the smaller, less-profitable stores and opening newer, larger stores. However, there appeared no dramatic trend of increased earnings. But about a year ago a new president was elected (a man named Brooker, who originally was with Sears). Now, it begins to look as though President Brooker may have succeeded in effecting substantial economies and generally turning the company around.

For the first nine months of 1962, Ward earned 80 cents vs. 53 cents for the similar period in 1961. For the full year, the company should have earned around

$1.60. However—and this is the important point—this year it is possible that a substantial increase in earnings may be possible. If this is true, then the shares today appear to represent real value.

Rail Issues

For investors primarily interested in achieving above-average yield on their investments, 1963 should afford an opportunity to consider several of the Railroad issues. In the final weeks of 1962—as well as thus far this year—there has been an increasing amount of interest on the part of investors in many of the stronger rail stocks. In part, I think, this interest reflects the hope that the Administration may recognize the need for substantial revisions in legislation governing operation of the nation's railroads. Recently, Congress repealed the 10% Federal excise tax on passenger fares. Moreover, steps have been taken toward the elimination of feather-bedding practices. The ICC has indicated a desire to expedite rail consolidations, as reflected in its recent action in connection with merger and control questions.

Among the issues which might be considered attractive on the basis of a relatively high current yield are: **Atchison, Topeka & Santa Fe; Illinois Central; Kansas City Southern; Louisville & Nashville; Norfolk & Western; Southern Pacific** and **Union Pacific.**

Conclusion

In concluding, there are three points which I'd like to leave with you—I think they're important:

(1) The management of any company is, in my opinion, about a 90% determinant of success.

(2) Price/earnings ratios reflect what the marketplace thinks of management and of industry prospects.

(3) Stocks which characteristically sell at relatively higher price/earnings ratios may be preferable. Why? Because what other people think of an issue is important.

*From a talk by Mr. Johnson before the Fifth Annual Investment Outlook Meeting, Minneapolis, Minn., Jan. 16, 1963.

BANK AND INSURANCE STOCKS

This Week — Insurance Stocks

THE MARYLAND CASUALTY-NORTHERN INSURANCE MERGER—

The Directors of Northern Insurance Company of New York have recently approved a proposal of acquisition by Maryland Casualty Company through an exchange of stock. The exchange would be on a share for share basis after the payment of a 5% stock dividend by Maryland Casualty. The offer is contingent upon approval by the proper authorities and acceptance by stockholders representing 80% of the shares of Northern Insurance.

Maryland Casualty ranks as the 27th largest fire and casualty insurance underwriter with premium of $138.9 million in 1961, while Northern is considerably smaller with premium volume of $54 million. The comparison of size of assets is in a relatively similar ratio. Maryland Casualty, as its name indicates, is primarily a writer of liability coverages whereas Northern's premium concentration is in the fire and other property lines.

Northern Insurance recorded profitable underwriting results in each year of the 1950's, but fell into the red in 1960 and 1961, and had a large underwriting loss through the first nine months of 1962. The company has been under-capitalized in relation to premium volume, despite the sale of stock in 1958 and a policy of holding premium volume down over the past two years. Through the proposed merger, the Northern Insurance stockholder will become part of a larger and stronger organization, while Maryland Casualty will gain valuable diversification in its premium writings. The terms of the proposed merger appear equitable to both companies.

Selected Statistics

Maryland Casualty

			Per Share Data			
	Premiums Written (Millions)	Underwriting Profit Margin	Net Investment Income	Total Adjusted Earnings	Dividends	Price Range
1957	$119.0	—6.1%	$2.57	$—0.33	$1.50	$39-25
1958	125.2	—0.9	2.72	3.48	1.50	45-29
1959	132.0	—1.3	2.95	2.16	1.50	44-31
1960	136.9	1.1	3.18	3.82	1.50	40-32
1961	138.9	—0.4	3.40	2.96	1.70	50-37
1962*	111.1	1.1	2.61	3.01	1.42	53-41

* Nine months.

Northern Insurance

			Per Share Data			
	Premiums Written (Millions)	Underwriting Profit Margin	Net Investment Income	Total Adjusted Earnings	Dividends	Price Range
1957	$41.1	0.7%	$2.85	$1.73	$1.40	$40-31
1958	39.5	0.1	3.06	2.42	1.40	49-36
1959	45.1	2.9	2.68	2.75	1.50	53-39
1960	55.7	—3.2	3.24	0.53	1.50	48-37
1961	53.9	—1.0	3.48	1.47	1.50	60-41
1962*	42.3	—9.0	2.61	—2.23	1.12	56-35

* Nine months.

Merger Trend Continues Strong in the Insurance Industry

The trend towards mergers within the insurance industry, which has heightened in recent years, is likely to continue or accelerate in 1963. The present year has already seen the offer by Maryland Casualty to acquire Northern Insurance and the offer by General Accident to purchase the stock of Camden Fire. Additional mergers are in prospect.

The past year witnessed the beginning of the largest combination in the history of the fire and casualty industry in the proposed Fireman's Fund—American Insurance merger. The purchase of the stock of Merchants Fire by United States Fidelity & Guaranty was also of major significance. A number of other mergers within the industry also took place among the smaller companies as the desire to reduce operating costs becomes more critical to survival in these competitive times for insurance underwriters. The managements of numerous smaller companies, unable to compete effectively because of the higher costs of operation inherent in low volume production, will undoubtedly look to the merger route as an ideal solution to their underwriting problems. If not, the course of action taken by the management of Springfield Insurance in withdrawing from the business through the sale of its regular fire and casualty insurance operations to another company, is likely to be duplicated by several. The present year will undoubtedly see a number of these moves, which in most cases have proven to be highly profitable to the holder of the common stocks of the companies which have either been merged by larger organizations or have sold their insurance business to others.

Draper & Johnson Formed on Coast

PALO ALTO, Calif. — Formation of Draper & Johnson Investment Co., 780 Welch Road, has been announced in conjunction with news of the company's first placement of equity capital. The new firm headed a Bay Area financial group in a common stock investment of $250,000 in Illumitronic Systems Corp. and Illumitronic Engineering Corp. of Sunnyvale.

Draper & Johnson is licensed under the Small Business Investment Act of 1958, and will make selected capital placements primarily in California, according to William H. Draper III and Franklin P. Johnson, Jr., principals.

Mr. Draper, serving as President, was formerly associated with Draper, Gaither & Anderson, Palo Alto, since that company's founding. Mr. Johnson, Vice-President & Treasurer was formerly a production executive with Inland Steel Co. Corporate Secretary is Everett S. Layman, Jr., a San Francisco attorney.

Tennessee Gas Transmission Bonds Offered

Stone & Webster Securities Corp. and White, Weld & Co., New York, and Halsey, Stuart & Co. Inc., Chicago, are joint managers of an underwriting group which is offering for public sale a new issue of $50,000,000 Tennessee Gas Transmission first mortgage pipe line bonds, 4⅞% series due March 1, 1983 at 100.95% to yield approximately 4.80%.

The bonds are not refundable at a lower interest cost prior to March 1, 1968. Otherwise, they are redeemable at the option of the company at regular redemption prices ranging from 105.83% to 100%; and at sinking fund redemption prices ranging from 100.93% to 100%.

Of the proceeds, approximately $7,000,000 will be deposited with the Trustee to be drawn down against property additions, and the balance will be applied to the payment of short-term notes, a portion of the proceeds of which were used to make refunds to customers in connection with the company's recent rate settlement.

Headquartered in Houston, the company and two of its subsidiaries own and operate pipe line systems for the transmission and sale of natural gas. Tenneco Corp., a subsidiary, together with its subsidiaries, is engaged in the production, refining and marketing, of petroleum and petroleum products and in certain other activities.

The multiple-line natural gas transmission system of the company begins in gas producing areas of Texas and Louisiana, including the continental shelf of the Gulf of Mexico, and extends into the northeastern section of the United States. The system, which includes underground gas storage areas in Pennsylvania and New York extends into or across 14 states and includes approximately 11,340 miles of pipe lines.

Universal Sales Inc.

WAYCROSS, Ga.—Universal Sales, Inc., is engaging in a securities business from offices in the Ware Hotel Bldg. Officers are Matthew J. Carswell II, President; Wayne D. Seaman, Secretary; and Wilbur W. James, Treasurer.

Now Smith, Houston Co.

FT. WAYNE, Ind. — The firm name of L. H. Houston & Co., Lincoln Bank Tower, has been changed to Smith, Houston & Co., Inc. Lionel H. Houston and Byard H. Smith are principals.

MUTUAL FUNDS

BY JOSEPH C. POTTER

My Son, the Stock Picker

Allan Sherman, daddy of American folk singers, wasn't the only one who had to "Jump Down, Spin Around"* in 1962. The folks in the fund business also were picking items off the rack—and bringing back a lot of merchandise too.

Edward C. Johnson, 2nd, President of Boston-based Fidelity Capital Fund, and his colleagues were swapping furiously last year. Thus, at the close of the fiscal year on Nov. 30, 1961, the leading group in their portfolio was finance and banks. By the end of the latest fiscal year that category wasn't even among Fidelity's top 10, as it skidded from 9.2% of the total to a mere 2.2%.

Consumer goods, second-ranked at the end of 1961, with 8.9%, took over top place, with 10.6%. Communications issues, which just managed to make the top 10 a year earlier, with 4.5%, soared to the fourth slot, with 6.7%. Communication issues consist of American Telephone & Telegraph, International Telephone & Telegraph and Rochester Telephone.

Like many other funds, the Fidelity folks entered the buoyant new year with a radically altered line-up. Newcomers among its 10 largest holdings were W. R. Grace & Co., Chrysler, Consolidated Cigar, Xerox and Amerada. The five casualties were Crown, Cork & Seal, Hunt Foods & Industries, Monroe Auto Equipment, Certain-Teed Products and Polaroid, which was the No. 3 holding a year earlier.

The people at Fidelity, who are growth-minded, incidentally have stopped at Howard Johnson, the restaurant, motor lodge, frozen food, ice cream chain which had its beginnings in New England. They came out with 45,700 shares of the stock, which bowed on the Big Board last year.

*From the musical album "My Son, the Folk Singer," by Warner Bros.

As for Hunt Foods, the fund has sold off the entire 32,300-share holding. It was the No. 4 holding only a year earlier, toting up to 2½% of the entire portfolio.

The Dominick Fund folks also were showing a change of pace and taste. For one thing, they seem to have "kicked" the tobacco habit, selling off 10,000 shares of Reynolds Tobacco in the final quarter of last year. President Gardner D. Stout, aside from noting that Dominick's tobacco had gone from 1.8% to zero, pointed out that autos and trucks had gone from zero to 3.8%.

Result is that Dominick now has 16,650 shares of General Motors, 1,000 Chrysler and 9,700 Mack Trucks.

While everybody in the trade is looking ahead hopefully, a look back at 1962 is in order, as Keystone Co. of Boston reminds us. That company has figured out that the best-acting equity among the 30 Dow-Jones industrials in 1962 was Chrysler (up 51%) and the dreariest issue was U. S. Steel (off 44%).

So the stock pickers have good reason to shop around. After all, one of the standout stocks for many years was Big Steel and one of the most buffeted was Chrysler. Any fund salesman who gets around has met the prospect who owns Steel and can get quite emotional at a suggestion that he stayed far too long. To many of these people the bad behavior of Chrysler during years past has barred it from future consideration. It is the ability of fundmen to take a cold, objective view of stocks that separates them from the boys.

For those who were nimble, 1962 was far from a disaster. Actually, aside from Chrysler, such Dow stocks as United Aircraft, Standard Oil of California, Jersey Standard, Du Pont, Texaco, General Electric and General Motors finished the year on the plus side.

On the other hand, take American Tobacco. Yes, take American Tobacco — somebody, please. In 1961 it was the second best-acting issue in the Dow. Last year it fell nearly 42%, a slide exceeded only by Steel.

Calling a person fickle is never a compliment, but any fund worthy of the load charge must be.

Will the steels and tobaccos win new friends or lose old ones? Will the up-and-down autos stay on the high road? Will fundmen crowd the counter at Howard Johnson? Will Woolworth prove a bargain? Tune in next year and find out. Meanwhile, be grateful that yours is an easier way to make a living.

The Funds Report

Diversified Investment Fund reports that at the close of the fiscal year on Nov. 30 total net assets were $99,350,566, or $8.54 a share. This compares with $108,318,034 of assets and $9.69 a share a year earlier.

* * *

Dominick Fund, Inc. reports total net assets at the end of 1962 were $36,386,302, equal to $20.23 per share. A year earlier assets amounted to $44,877,315, or $25.61 a share. At Sept. 30, 1962, assets were $33,749,069, or $18.76 a share.

New holdings acquired during the final quarter included Chrysler, Monsanto, Chemical, Litton Industries, Radio Corp. of America, Jones & Laughlin and U. S. Steel. The fund eliminated Carter Products, Shawinigan Water & Power, General Tire & Rubber and R. J. Reynolds Tobacco.

* * *

Energy Fund reports that during the final quarter of 1962 it acquired as new holdings 5,000 shares of Marathon Oil, 10,000 Avco and 5,000 Westinghouse Electric. It eliminated Superior Oil. Significant increases in its investments in Consolidated Edison, RCA, Nevada Power, Electronic Associates, Socony Mobil, General Electric and Texas Instruments were announced. There were significant reductions in Baltimore Gas & Electric, N. V. Philips Gloeilampenfabrieken and United Utilities.

* * *

Fidelity Capital Fund, Inc. reports that at the end of the fiscal year on Nov. 30 total net assets amounted to $136,025,456, or $7.65 per share, against $160,035,792, equal to $10.64 a share, a year earlier.

* * *

General American Investors Co., Inc. reports net assets at the end of 1962 were $57,918,143, equal to $28.63 per share of common stock. The amount per common share was $24.64 on Sept. 30, 1962, and $32.60 at the close of 1961.

* * *

General Public Service Corp. reports net assets, at market value, on Dec. 31 of $76,140,181, equal to $6.12 a share. At the close of 1961 assets were $82,527,058, or $6.80 a share.

* * *

Institutional Investors Mutual Fund, Inc. reports that it ended 1962 with total net assets of $79,740,632, or $232.70 a share, against $72,931,941 and $278.80 a share a year earlier.

* * *

Investment Trust of Boston reports that at Nov. 30 net assets were $66,151,396, or $10.70 a share. At fiscal year's close on May 31, 1962, value per share was $10.29.

* * *

Lazard Fund reports that during the final quarter of 1962 major portfolio changes were highlighted by acquisitions of 30,000 shares of Collins Radio, 3,120 shares of Rohm & Haas, 10,600 Stauffer Chemical and 5,200 Union Carbide. Holdings of Borax, Ltd., Colorado Interstate Gas and United Carbon were eliminated.

* * *

Massachusetts Investors Growth Stock Fund reports that at the end of the fiscal year on Nov. 30 total net assets amounted to $540,893,815, or $7.38 a share, compared with assets of $582,008,992 and value per share of $9.38 a year earlier.

* * *

Scudder Fund of Canada, Ltd. reports net asset value per share of $14.18 (Canadian) on Nov. 30, compared with $13.86 on May 31, 1962, end of the fiscal year, and $15.15 on Nov. 30, 1961. At Nov. 30, 1962, total net assets were $43,098,971, compared with $46,535,836 at the end of the last fiscal year and $57,155,194 on Nov. 30, 1961.

Kidder, Peabody Appoints Dempsey

PHILADELPHIA, Pa. — Kidder, Peabody & Co., members of the New York Stock Exchange and other leading exchanges, announce the appointment of John P. Dempsey as Manager of Pennsylvania Municipal Department in their Philadelphia office, Fidelity Philadelphia Trust Building. He was previously Manager of the Pennsylvania Municipal Trading Dept.

John P. Dempsey

Mr. Dempsey has been associated with Kidder, Peabody & Co. since 1950.

PUBLIC UTILITY SECURITIES

BY OWEN ELY

Electric Utilities Recorded Good Gains in 1962

Electric utilities enjoyed a banner year in 1962, aided by the business recovery, good appliance sales, favorable weather for air conditioning, and new tax and accounting developments which gave earnings a good year-end filip. One example of the year-end earnings bonuses was the report of Public Service Electric & Gas—one of the first to appear—which showed earnings of $3.74 compared with $3.59 for the 12 months ended November 30, 1962 and $3.21 for calendar year 1961. The latest figure reflected a year-end adjustment for tax reduction resulting from the use of new depreciation schedules for the gas plant, equivalent to about 13 cents a share, growing out of the so-called depreciation guidelines issued this summer by Washington as one of the steps to aid business. The company normalized the tax savings resulting from the so-called 3% investment credit — another tax concession made by the Government last summer, and retroactive throughout the year.

It had been assumed that, since the company uses flow through of tax savings resulting from the use of liberalized depreciation, it might also use flow through for the investment credit. Had this been done, earnings would have been increased by 16 cents to $3.90. However many other companies are expected to include the item in 1962 earnings. Based on an informal ruling of the Public Service Commission in New York, it is expected that the utilities in this state will use flow through. Thus Consolidated Edison, whose 1962 earnings had earlier been estimated at around $4.10 vs. $3.78 in 1961, has just reported $4.41 including 26 cents for the new credit.

The electric utilities had already been showing average gains in share earnings of about 8% over earlier 12 months' periods in their latest interim statements—the 12 months ended September for those reporting quarterly, and 12 months ended October or November for those which issue monthly statements. This rate of gain compared with an average of 5% over the years 1956-61. With the favorable year-end accounting adjustments for many companies, the gain in share earnings for the calendar year 1962 might be expected to approximate 9 or 10%; and this is supported by an estimate of the Edison Electric Institute placing net income at 9.4% above 1961. Net income is, of course, not quite equivalent to share earnings since preferred dividends must be deducted and allowance also made for any increase in the number of common shares outstanding.

Apart from special accounting gains, the industry showed good growth in 1962. Sales of kilowatt-hours gained 8% over 1961; residential were up 9% and commercial and industrial 7.6%. Revenues of the investor-owned utilities, up 6.7% reached almost $11 billion. The outlook for 1963 also appears excellent, although weather conditions will, of course play an important role in air-conditioning sales. Kwh sales are expected to gain more than 7% and revenues about 6.6%, according to the estimates of the Edison Electric Institute.

One reason why residential sales made such a good showing was the increased sale of appliances last year. Moreover, many electric utilities, in order to bolster their winter sales and offset the summer peak resulting from air-conditioning business, are actively promoting electric heating, some of them for the first time. In many cases the rates for electric heating has been reduced to around 1.5 cents per kwh, which is well below the average U. S. residential rate of about 2.45 cents per kwh. There are now some 1,300,000 homes entirely heated by electricity compared with about 250,000 six or seven years ago. Moreover, almost one-fifth of all new homes built last year installed electric heat, while three years ago less than one-tenth used this method. Many of the older homes are also being converted to electric heating—about one out of six of the 1.3 million homes were originally heated by oil, gas or coal.

Long-range forecasts of sales and earnings continue favorable. It is generally assumed that the industry will double about every decade, although most forecasts discount this somewhat. By 1980 the investor-owned electric utilities (excluding Hawaii and Alaska) are expected to have a generating capability of some 493 million kw or over 3½ times the 1960 total. Annual output should approach 2.3 trillion kwh or nearly four times the 1960 amount, according to the Institute. The Federal Power Commission's forecast, once considerably lower than the Institute's, has now been revised upwards so that its trend now lies slightly above the Institute's.

Thus, the industry should remain in a "growth curve" indefinitely sofar as revenues are concerned (assuming normal economic conditions) and the prospects also seem favorable for net earnings. Further substantial economies should be obtainable in generating electricity through bigger plants, lower cost of coal, etc. Computers are rapidly taking over many labor functions, permitting the use of fewer employees in relation to output and fully offsetting higher wage rates resulting from union demands. Also, the utilities are announcing plans for construction of high voltage transmission lines (500,000 volts in some cases) which should permit transferring blocks of power from one area to another, promoting additional savings.

There are always adverse factors to contend with, but they do not seem serious enough at this time to penalize stockholders except perhaps in some individual cases. The public power proponents at Washington are attempting to use the 2% funds obtainable by the REAs from the Treasury to promote construction of generating plants which would furnish cheap, subsidized electricity for the REAs to sell to municipalities, industries, etc. Also, of course, the Government is planning to build a national grid of transmission lines, if the investor-owned utilities don't do the job first.

Regulation may also raise some questions. The average rate of return on rate base for the investor-owned electric utilities is perhaps creeping up to around 6.5%. Some rate cuts may be in order and in a number of cases the utilities have acted on their own initiative, making promotional cuts in rates for househeating, waterheating, etc. It is possible that some commissions may order that consumers be given the benefit of the new 3% investment credit. However, where utilities are still earning a below-average return, the new accounting rules and tax windfalls may permit them to "catch up with the procession." Perhaps investors should be analyzing the outlook for these stocks rather than again pursuing the rapid growth issues, the price-earnings ratios for which are creeping up to the 25-32 range.

Burns Named By AF-GL

BOSTON, Mass.—William Russell Burns, Jr. has joined Albert Frank-Guenther Law, Inc. and has been appointed manager of the Boston office of the national advertising and public relations agency, it has been announced. He succeeds August Hirschbaum, retired.

William R. Burns, Jr.

Mr. Burns previously was associated with Fidelity Management & Research Company in Boston as director of advertising and public relations.

AF-GL's Boston office is at 10 Post Office Square. The agency's headquarters are in New York City and other branch offices are located in Philadelphia, Chicago, San Francisco and Los Angeles.

M. H. Silver Opens

Michael H. Silver has opened offices at 39 Broadway, New York City, to engage in a securities business.

The State of TRADE and INDUSTRY

Continued from page 9

included in that week's over-all total). This was an increase of 529 cars or 5.5% above the corresponding week of 1962 and an increase of 1,636 cars or 19.1% above the 1961 week.

There were 61 class I U. S. railroad systems originating this type traffic in the current week compared with 57 one year ago and 54 in the corresponding week in 1961.

Truck Tonnage 3.2% Above Year-Ago Level

Intercity truck tonnage in the week ended Jan. 12 was 3.2% ahead of the volume in the corresponding week of 1962, the American Trucking Associations announced. Truck tonnage was 26.2% ahead of the volume for the previous week of this year. This week-to-week gain is attributable to the New Year's holiday observed in the earlier week and is consistent with the pattern found in previous years.

The year-to-year increase is a significant improvement over the findings of the past few weeks. However, the longshoremen strike still has the effect of depressing volume at Eastern and Gulf ports.

These findings are based on the weekly survey of 34 metropolitan areas conducted by the ATA Department of Research and Transport Economics. The report reflects tonnage handled at more than 400 truck terminals of common carriers of general freight throughout the country.

The terminal survey for last week showed increased tonnage from a year ago at 24 localities, with 10 points reflecting decreases from the 1962 level. Terminals at Birmingham reflected an over-all increase of 58.1%, while five other points registered gains of more than 10%. Only two trucking centers showed decreases of 10% or more. The unusual year-to-year increase at Birmingham can be attributed to the ice and snow that plagued the city at this time last year. At that time it was indicated that two to three days of operation were lost due to adverse weather.

Compared with the immediately preceding week, all 34 metropolitan areas registered increased tonnage. Wide variations in tonnage changes for the week would seem to be due to holiday observances.

Lumber Data Unavailable

Editor's Note: Weekly and yearly lumber production, shipment and new order data are unavailable this week.

Electric Output Up 7.4% Over Last Year

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 19, was estimated at 18,110,000,000 kwh., according to the Edison Electric Institute. Output was 643,000,000 kwh. more than the previous week's total of 17,467,000,000 kwh., and 1,253,000,000 kwh., or 7.4% above the total output of the comparable 1962 week.

Business Failures Down in Latest Week

Commercial and industrial failures, after hitting a six-week high of 315 in the prior week, turned down to 286 in the week ending Jan. 17, reported Dun & Bradstreet, Inc. Considerably fewer casualties occurred than a year ago when the toll came to 396 or in 1961 when there were 340. Also, business mortality was off 22% from the pre-war level of 367 in the comparable week of 1939.

Most of the week's downswing was concentrated in casualties with liabilities topping $100,000, which dropped to 41 from 66 a week earlier but still exceeded their last year's level of 34. Smaller failures involving losses under $100,000 changed little, numbering 246 as against 249 a week ago. However, these smaller casualties fell far short of the 362 of this size occurring in the similar week of 1962.

The toll among manufacturers dropped to 48 from 63, among wholesalers to 34 from 42, and among construction contractors to 33 from 57. In contrast to these downturns, retailing casualties continued to rise, to 142 from 132, and commercial service climbed to 29 from 21. While wholesaling and service failures equalled their 1962 levels, fewer concerns succumbed than a year ago in other industry and trade groups.

Two geographic regions accounted largely for the week-to-week decline — casualties in the East North Central States plunged to 29 from 72 and in the South Atlantic States to 27 from 48. There was a slight dip in New England to 10 from 14. In the other six major geographic regions, failures ran higher than in the preceding week. The Middle Atlantic toll moved up to 106 from 87 and the Pacific edged to 68 from 64. All except two areas, however, had fewer concerns failing than a year ago.

Canadian business casualties inched up to 51 from 49 in the previous week but did not quite reach the 55 reported in the similar week last year.

Wholesale Food Price Index Slightly Lower This Week

After five relatively steady weeks, the Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., dipped 0.5% to $5.89 on Jan. 22. This was the lowest level since the first week of November, and down 0.9% from $5.94 on the similar date last year. As well, the index remained substantially below the 1961 level of $6.15.

At wholesale markets this week, ham, eggs and steers were quoted appreciably lower, and mild dips were registered in prices for wheat, oats and lambs. The combination of these six declines outweighed by a narrow margin the higher cost at wholesale for flour, rye, lard, cocoa and hogs.

The Dun & Bradstreet, Inc. Wholesale Food Price Index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Up Fractionally in Latest Week

Edging slightly higher, the general wholesale commodity price level, Monday, Jan. 21, reached the highest point in the past two weeks but continued below both month-ago and year-ago levels, reported Dun & Bradstreet, Inc. Many small increases in wholesale quotations were registered, and somewhat stronger upturns were noted for wheat, rye, lead, steel scrap and silver.

The Daily Wholesale Commodity Price Index moved up to 269.28 (1930-32 = 100) on Monday, January 21, from 268.86 a week earlier. Off fractionally from 270.39 on the comparable day last month, the index fell considerably below its corresponding 1962 level of 274.45 for the similar day.

Upsurge in Consumer Buying Moderates

Retail purchases lost some of their zip in the week ended Wednesday, Jan. 16, although volume still maintained an appreciable margin over transactions in the comparable week last year. Bad weekend weather plagued some areas and news strikes continued to hurt others. On the other hand, tremendous gains were registered in southern regions which had suffered severe ice storms in the similar week a year-ago. Auto buying continued to pace retail activity and white sales gave a considerable boost to the week's forward movement. While shoppers called for apparel with slower zest than in the first January weeks, moderate increases prevailed. Activity in home goods followed a see-saw course, with about as many cities reporting declines as reporting gains. Hardware, garden supplies, and building materials ran even with last year.

The total dollar volume of retail trade in the reported week ranged from 4 to 6% higher than a year-ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from comparable 1962 levels by the following percentages: Middle Atlantic —6 to —2; New England —5 to —1; Mountain —2 to +2; East South Central —1 to +3; West North Central +3 to +7; Pacific +6 to +10; East North Central +8 to +12; West South Central +12 to +16; South Atlantic +13 to +17.

Nationwide Department Store Sales Rise 9% Over Last Year's Week

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index reported an overall gain of 9% for the week ended Jan. 12, compared with the like period in 1962.

In the four-week period ended Jan. 12, 1963, sales gained 11% over the corresponding period in 1962.

According to the Federal Reserve System, department store sales in New York City for the week ended Jan. 12, were 1% less than the same period in 1962. The New York City newspapers strike by the printers' Big Six commenced 2 a.m. Saturday, Dec. 8, 1962, and despite it, retail sales in New York City department stores put in some impressive weeks until last week. One can only speculate as to what the sales would have been in the absence of the strike. Even though the strike has spread to Cleveland, the four-week average totalled 11% more than a year ago for the country's 12 principal retail centers.

Fourton to Be Delafield Partner

Effective Feb. 1, Leslie E. Fourton will be admitted to partnership in Delafield & Delafield, 45 Wall St., New York City, members of the New York Stock Exchange. Mr. Fourton was formerly an officer of Hayden, Stone & Co. Incorporated and prior thereto was with Carl M. Loeb, Rhoades & Co.

Leslie E. Fourton

With Johnson, Lowry

COLORADO SPRINGS, Colo. — George P. Apostolas has become associated with Johnson, Lowry & Co., Mining Exchange Bldg. He was formerly with Copley & Co.

Joins David Means

BANGOR, Me.—Paul H. Blinkinsop has been added to the staff of David G. Means, 6 State Street.

Consumer Is Not at Fault For Sluggish 1963 Prospects

By Reuben E. Slesinger, *Professor of Economics, University of Pittsburgh, Pa.*

Analysis of this year's economic prospects absolves consumers from the charge of causing the economy's sluggishness and business uneasiness. Dr. Slesinger projects a $10-$12 billion GNP increase over 1962 to $568 billion in 1963 assuming no unusual tax or Government spending changes for the year. He postulates a $2 billion GNP rise for each 1% over-all tax reduction; singles out business activity as the real source of purchasing power; and questions public policy aimed directly at the consumer as though he is responsible for our sluggish economic growth. The economist notes that gross private domestic investment for 1963 is estimated at approximately the 1962 figure and that GNP has been sluggish despite increased Government spending.

Once more the forecaster attempting to preview the course of business for an ensuing year is confronted with a great deal of uncertainty and "iffyness." The outlook for 1963 is clouded with many contingencies and so a forecast for business under these circumstances becomes a precarious undertaking. But, the attempt will be made nonetheless. It may be well to begin with a little retrospect. The year 1962 will set new highs in many areas of the economy. Yet, the year will not be recorded in business annals as a particularly prosperous one. At best, the economy enjoyed a modicum of prosperity, but many of the sensitive indicators were not in the buoyant category. In general, the outlook for 1963 seems to be one, too, of a sluggishness in business activity. If we begin with the Gross National Product—the market value of all the goods and services produced—the estimate that is foreseen for 1963 is approximately $568 billion.

Dr. R. E. Slesinger

This estimate is far below a full employment level. Indeed when it is analyzed in depth, it is not even very optimistic at all. Although all the data are not yet available nor complete, it is reasonably safe to assume that the 1962 G. N. P. will be about $556-557 billion. Hence, the estimated increase of some $10 to 12 billion is only about 2%—far lower than the historical rate and much below the rate of growth necessary to absorb the ever increasing labor force. In addition, it is likely that the price level will rise between 1 and 2% in 1963, thus wiping out most of the apparent gain in G. N. P. Thus, in real terms, 1963's forecast does not call for much gain. In fact, there may be more uneasiness as the economy falls behind in its long run growth pattern.

Overall Outlook

Before looking at how some of the specific components of the Gross National Product may be expected to behave in 1963, let us look at the overall picture. In terms of the major components of G. N. P. we may consider three significant sectors, namely personal consumption expenditures, gross private domestic investment, and government purchases of goods and services. A fourth element—net export of goods and services — does not amount to much in total G. N. P. data. In the first category, we include the vast array of purchases by consumers for a host of items covering durable goods, semi-durable items, non-durables, and services. Under gross private domestic investment, outlays are listed for investment for both replacement and new investment purposes, including such factors as purchases of producers' durable equipment, new construction inclusive of residential building, and changes in business inventories.

Government purchases of goods and services includes all levels of government, but not for transfer outlays. The net on foreign trade represents the net balance between the exports of goods and services and the corresponding imports.

The accompanying summary table will help to summarize these components of G. N. P. and how they probably will line up for 1962 and their possible future for 1963.

As is apparent from a quick glance at the figures in the table, 1963 should be much the same as 1962 in aggregate. In fact, there is little especially to be boundingly cheerful about when it is remembered that population, too, might be expected to increase over 2.5 million during the year. Thus, on a per capita and real basis, the outlook for 1963 is much less optimistic than the $14 billion increase at first suggests.

In terms of the year itself, it is likely that G. N. P. will increase by between one-half and 1% per quarter, with a better showing for the last quarter. It is unlikely that the first quarter of 1963 will be much different than the last quarter of 1962, reaching a rate of about $560 billion on an annually adjusted basis. The second quarter, too, will probably show little improvement, perhaps a billion or two.

It is at this stage that there might be a more positive program undertaken by the government to induce a higher level of activity. The current forecast is made on the assumption that there will be no unusual changes in the tax laws in 1963, no unusually significant increases in government outlays, and no drastic change in the tenor of cold war. But, existing governmental fiscal and monetary policies may be expected to exert more influence by mid-year. Thus, the G. N. P. rate for the third quarter should be about $565 billion, with a possible $10 billion increase to be expected for the final quarter.

G. N. P. and Components, by Major Sectors

Sector	1962 Probable (in Billions of Dollars)	1963 Forecast (in Billions of Dollars)	Net Change
Consumption expenditures	$358	$365	+7
Govt. purchase of goods & services	118	125	+7
Gross private domestic investment	77	77	0
Net exports of goods & services	3	3	0
Total	$556	$570	+14

Consumers Are Not the Culprit

Now, as to the specifics of the G. N. P. sectors. Personal consumption expenditures still dominate the picture. An increase of $7 billion is expected here. The increase of approximately 2% will probably be divided fairly evenly between an increase in number of units and an increase in the prices of the existing level of purchasing. Consumer outlays have been very important in keeping the economy from showing a net drop in recent years. In fact, each year produces a new record in consumer purchases, 1962 showing a net gain of between 4 and 5%. It is interesting to note this situation in connection with public policy directed at alleviating the sluggishness in the economy. The record shows less than full employment and general business uncertainty even though consumer outlays are setting new highs. The answer, then, is that an inadequacy of consumer income and consumer spending is not the cause of the current uneasiness in business.

This becomes important in view of the repetition announced already for early 1963 by the Federal Administration of trying to inject more purchasing power into the spending stream in January. A more fundamental issue should concern itself with the real source of purchasing power, namely business activity. The speed-up of a veteran benefit, for example, does not create purchasing power; at best it only transfers purchasing power around among those who may have different marginal propensities to consume and to save.

Some question may be raised as to how long will consumers be willing to consume at current levels. Increasing evidence appears of the reluctance of consumers to incur more instalment debt, especially in view of their uncertain future income expectancies. Service industries should show better relative gains than either durable or non-durable goods industries. The $7 billion gain may be expected to be divided about $3½ billion for services, two for non-durables, and 1½ billion for durables. It should be noted that consumer purchases of new homes does not appear under this category in national income accounts, but rather is a part of gross private domestic investment.

Public Spending Has Not Pushed GNP Growth

Now, as to government spending —the second largest component of G. N. P. An increase of about $7 billion is expected here, too. Government spending for national accounting purposes is not the same as governmental budgetary outlays since transfer payments are not included in the former although they are in the latter. Spending by state and local governmental units is getting nearer and nearer to the Federal total. Only 10 years ago state and local government expenditures were approximately half that of the national government; today they are approaching 90%. For 1962, the division probably will be about $63 billion for the Federal Government and $55 billion for the state and local units. State and local units have been demonstrating an annual increase of about $3-4 billion a year. This is unrelated to considerations of fiscal policy, and so 1963 can be expected to show a like gain of approximately $3 billion.

Federal Government purchases of goods and services will probably increase by about $4 billion as the national government gets more specifically involved in trying to reach the goal of full employment with fiscal policy as a significant tool. Thus, the combined total increase is estimated at about $7 billion, reaching an aggregate of $125 billion or almost 22% of total national spending. This percentage compares to a low of less than eight in 1929, of about 15 in 1939 when the government was exercising the obligation of "pump priming" that it had assumed in the 1930's, and about 15% after World War II.

Federal spending currently reflects two big influences, aside from the normal costs of operating the traditional governmental services. One is defense, national security, and associated items which have shown a steady increase in the last decade. The second is the use of Federal spending as a contra-cyclical tool, and it is apparent that there will be increasing pressure from this score in 1963.

Again, it is important to note that the aggregate G. N. P. has been sluggish in its rate of growth in spite of a steady increase in this sector. Again, the question must be posed: where does the government get the funds it spends for goods and services? To the extent that fiscal policy emphasizes increased spending and is associated with transfering purchasing power, the major effect is more in the re-distribution of purchasing power rather than in the creation of much of a net flow of new goods and services.

Failure of Business Spending To Rise

And now we come to the third sector of G. N. P., gross private domestic investment, accounting for between 13 and 14% of G. N. P., but by far the most significant component especially as fluctuations in this area exert marginal influences on the totality of business activity. The major types of expenditure in this category include outlays for construction (residential, agricultural, and

Continued on page 83

Business and Finance Speaks After the Turn of the Year

Continued from page 1

consumer and government demand. But together these have not been strong enough to propel the economy to full employment of our manpower and material resources.

Government demands upon our economy cannot be expected to increase sufficiently to give us full employment. So we must stimulate the private economy to move ahead at a faster pace.

Important steps have already been taken to stimulate business investment through the tax credit for new investment and liberalized depreciation allowances, and we should see the effect of these incentives in the new year. But these are not enough. Further action is necessary if we are to achieve the sustained, higher rate of growth of which our free enterprise system is capable.

Favorable response to the Federal income tax reduction program which the President will recommend to the Congress is imperative—to expand consumer buying power still further and to increase the incentive for business to invest in new and more modern plant and equipment, and in inventories.

More modern industrial facilities will also increase our productivity and permit larger labor and business incomes, and improve our ability to compete in world markets.

We will need the additional incentive from tax reduction in the new year. But more importantly we need the continuing stimulus which lower taxes will give us to generate more sales, expanding job opportunities, and better profits on a long-term basis.

The sooner we release the tax brake on our economy the surer we may be that 1963 will be the beginning of a long period of rapid economic growth and rising prosperity for the American people.

HON. HARRY F. BYRD

U. S. Senator from Virginia
Chairman, Senate Finance Committee

Tax reduction will be a major subject before the Congress and the Country this year; but the question will be whether they can be made within the bounds of fiscal responsibility.

Sen. Harry F. Byrd

There is only one reason for high federal taxes, and that reason is high federal expenditures. Taxes are at their all-time high, but federal expenditures are higher—by billions.

If federal expenditures were reduced first, perhaps a tax cut could be justified, but to reduce taxes in a deficit situation would simply charge the cut into the federal debt to be paid with interest.

The federal debt exceeds $300 billion. Interest is running at approximately $10 billion a year. Net federal deficits since the end of the Korean War are now reaching an accumulated total of $36 billion.

There was a heavy deficit last year. There will be a huge deficit this year. Another deficit next year is probable, with or without tax reduction. Businessmen know chronic deficit financing is not sound fiscal policy.

No one is more desirous than I am for constructive tax reform and solid tax reduction. Nothing could please me more than accomplishment of this objective while I am Chairman of the Senate Finance Committee.

But constructive tax reform and solid tax reduction must be predicated on balanced federal budgets with expenditures at justifiable levels, and with planned public debt reduction.

This is the kind of tax reduction all of us could support. It would stimulate confidence at home and abroad, and this is seriously needed. It is a goal worthy of the effort of every citizen.

But to cut taxes under present conditions while the government continues on a deficit spending basis would be totally irresponsible. If expenditures were cut first, tax reduction would certainly follow.

Expenditures could and should be reduced without impairment of any essential and proper federal function. In the two fiscal years since July 1, 1961, they will have risen $11.1 billion or 13½%.

In view of the situation as it stands, I am firmly convinced that sharp reductions in federal expenditures should precede any major reduction in tax rates. The alternative lies in the answers to these questions:

How long can the Federal Government spend, tax, and borrow at the present rate?

Are we on a permanent deficit basis?

When will the breaking point come?

HON. EMANUEL CELLER

U. S. Congressman From New York

I am confident that our economy in 1963 will reach high levels. Business executives and factory owners are ready to move ahead quite fast. They have been greatly encouraged by the statesmanlike qualities manifested by President Kennedy in the recent Cuban crisis. As I understand it, all are planning for a rosy future.

Hon. Emanuel Celler

I think we will get back into the expansion rate that was exhibited in the early post-war years. Auto sales are breaking records. Construction is moving toward a new peak. Steel output increased. Freight loadings and business loans are gaining. There is a widened support for tax reduction. This is considered by business, government and labor to be quite essential, for sustaining a sound peace time economy. Reduction in taxes in all brackets and reduction in corporate exactions will be a sound stimulus to business and industry. More funds will be available for new equipment and machinery. Personal income, already high, will be greatly expanded and will be used to enhance consumer purchases which in turn will further accelerate the economic machinery. There will be greater income to the government.

The stock market has already indicated an incline and I think it will continue in that direction. More investors will venture into the stock market. A strong feeling of confidence will develop.

The new Congress will be as conservative at the last and will embark into untried and new frontiers first, only with reluctance and second, only under the strong whip lash of the Administration. A conservative Congress is usually, unfortunately, an ecouragement to business and industry.

I believe we will go forward in a sprightly fashion, without any so-called master plan that may be charted for the nation by some central authority. We have an economy that is distinguished by its exceptional diversification supported by seemingly unlimited natural resources. On the whole, we are a highly imaginative people, full of vigor and these factors are unbeatable. In 1963, with this combination, I would not be surprised if our general economic growth should soar to new heights.

HON. HAROLD D. COOLEY

U. S. Congressman from North Carolina
Chairman, House Committee on Agriculture

The nation's farmers should realize a net income of around $13 billion in 1963 if growing conditions across the country match the productivity of recent years.

This would represent a slight lift from the level of 1961-62, the best income years our farmers have known since 1953.

Hon. H. D. Cooley

The trend represents an improvement in the farm income situation, but still falls short of solving the disparity between farm and nonfarm earnings. The 1961 net income figure of $12.8 billion breaks down to a per capita personal income for the farm population from all sources of $1,373. More than one-third of this income was derived from other than farm sources, such as the farmer or members of his family working full or part-time in town.

Per capita income of persons living on farms, including income from non-farm sources, is less than 60% of the per capita income of the non-farm population.

Total farm income still is running $2 billion to $5 billion a year below the income of 10 years ago.

On the bright side of the agricultural picture for 1963 are prospects for a continuing rise in domestic food consumption reflecting population growth, an extension of the current record level of food and fiber exports, and the effectiveness of farm programs adopted by the Congress in 1961 and 1962 to bring feed grains and wheat supplies into better balance with demand.

The expected increase in farm marketings next year will be largely in livestock and livestock products. Little change in the volume of crop sales is anticipated.

On the legislative side, attention will be centered primarily on a permanent feed grains program to replace that expiring at the end of 1963, proposed changes in the cotton program, and possibly the dairy problem.

The new year will see a pickup in efforts to broaden rural area opportunities outside the traditional farming field. This will include development of outdoor recreation facilities to serve a steadily-growing need, and shifts of land from crops to grazing and tree farming. These efforts will be locally initiated and propelled, with government providing needed loans and technical services.

The technological revolution which has made American agriculture both a problem and one of the most shining examples of free enterprise will not end in 1963. In the last 60 years the percentage of the national labor force in agriculture has dropped from 37 to 8.6%. In 1940 one farm worker supplied food and fiber for about 10 persons. Now he supplies 27, and the end of this tremendous growth in productive efficiency is not in sight.

A year-end poll of farm families would probably reflect optimism for 1963. This feeling is basic in the philosophical structure of agriculture — if farmers couldn't generate optimism, they wouldn't be farmers. They are too often without any other incentive.

In conclusion, it should be emphasized to the readers of **The Commercial and Financial Chronicle**, a thoughtful and select group, that the agricultural economy has a tremendous impact upon the health and prosperity of the total economy. There is a great underdeveloped market for the industries of our cities in rural America, because of the low income of our farm people. It is as important to city people, as to our farmers that, as a national policy, we remedy this situation.

HON. ALLEN J. ELLENDER

U. S. Senator From Louisiana
Chairman, Committee on Agriculture and Forestry

The outlook for agriculture in 1963 is not expected to be greatly different from that prevailing in 1962. The Department of Agriculture forecasts that total demand, supply and prices for agricultural products and farm income will be about the same as last year, although we can expect some changes in the standing of some specific commodities.

Hon. A. J. Ellender

Consumption of farm products domestically in 1963 will increase at about the same rate as that of population growth. With the general economy at a slightly higher level than last year we can anticipate a further rise in consumer income which may well mean some increased demand for agriculture.

It is expected that gross farm income in 1963 will be slightly higher than that experienced in 1962, but, rising farm costs will increase somewhat with the result that net farm income will be about the same as the $12.8 billion realized in 1962 and 1961. Incidentally, this level of income is the highest since 1953.

In 1963, with respect to the major commodities we can expect to see a slight easing of beef cattle prices because of an expected increased slaughter. The same outlook prevails for poultry and eggs and for hogs.

With the increased number of livestock to be fed and a feeding rate that is constantly increased we can anticipate a slight upward pressure on feed grain prices. Wheat prices may also be slightly higher than support because of a crop that will be a little below anticipated disappearance. Because the demand for rice will be relatively strong we can expect that prices will remain about as they were last year. A question mark hangs over cotton because of the pressure for new legislation. Last year the national acreage allotment was set at 18.1 million acres and price support levels at 82% of parity. This year because of a buildup in supplies, the allotment was set at 16.3 million acres. Price supports have not been announced but we can readily see that with a reduction of almost two million acres a sharp drop in farm income for cotton will occur in the latter part of 1963 when new crop is marketed even if price supports are at the same level as last year. However, if new legislation becomes effective for the 1963 crop the income picture may change materially.

The record level of exports experienced in 1961 and 1962 will be maintained in 1963, although not all commodities will share alike. We may well see increased exports of soybeans, food fats and oils. Wheat and feed grains, however, will likely show decreases because of the improved supply conditions abroad and the slower rate of economic growth in major nations. Exports of cotton are to be about the same as in 1962, but new legislation could change this.

Public Law 480 exports will continue high. In fiscal 1962 about 70% of the wheat, 23% of the corn, 44% of the rice, 24% of the cotton, and 29% of edible vegetable oils that were exported moved under this program.

In general carry-over stocks of agricultural commodities are expected to be down in total with some change in individual commodities. The feed grain carryover at the end of this season is expected to decrease by about 14 million tons, the same as last year.

Stocks of wheat are expected to be lower. However, it is anticipated that stocks of cotton will increase materially over last year, as will stocks of dairy products unless corrective action is taken. The reduction in stocks of wheat and feed grains will materially cut storage and interest costs to the government. However, increased stocks of cotton and dairy products will offset this saving somewhat.

Agriculture, with a realized gross income of about $40 billion should contribute materially to the well-being of the national economy, notwithstanding the fact that little or no increase in net farm income is expected.

HON. ORVILLE L. FREEMAN

Secretary Of Agriculture

As we look into the new year, we find agriculture in generally improved position. Thanks to our successful wheat and feed grain programs, surpluses are being reduced. Farm production, which rose an average of about 2 percent a year during the 1950's, has held about stable the last 3 years. Domestic and foreign markets for farm products are strong. Farm income is continuing at the improved level of 1961, the highest since 1953.

Hon. O. L. Freeman

Reduced production of grains in 1961, and increased use resulted in a substantial reduction—14 million tons to 71 million—in stocks of feed grains carried over into the 1962-63 marketing year. And the carryover of wheat was reduced 100 million bushels to 1.3 billion on July 1, 1962.

Increased requirements for feed and continued relatively favorable livestock product-feed prices ratios will result in total feed grain utilization during the 1962-63 marketing year in excess of the 1962 crop, which was held down by the 1962 Feed Grain Program. This should result in another reduction in the carrover, possibly by as much as the 14 million tons in 1961-62.

And we believe that prospective use and exports of wheat in 1962-63 are going to exceed the 1962 crop and lead to further reduction, possibly 100 million bushels, in the carryover next July.

These declines may be partly offset by prospective increases in carryover stocks of cotton and probably dairy products. But net declines in carryover stocks are expected to further reduce Commodity Credit Corporation investment. This was reduced by $380 million during the 1961-62 fiscal year. We are expecting a further reduction in 1962-63.

Farmers have just completed another good year for earnings income—realized net farm rose to $12.8 billion in 1961 and continued at the same level in 1962. We expect it to stay close to this improved level in 1963. Per capita personal income of farm people from all sources and net income per farm were at record highs in 1962, and some further increase is likely in 1963.

Prices received by farmers and cash receipts from marketing in 1962 were around 1 to 2 percent above 1961. Small changes are indicated for 1963. The volume of farm marketings is expected to total more than in 1962, due mostly to increased marketings of livestock products. This suggests some decline in average livestock prices and a slightly lower average level of farm product prices. However, little change in cash receipts from marketings and maintenance of high rate of Government payments indicate a further small gain in gross farm income. But this increase may be offset by a further rise in farm production expenses.

A further increase is expected in consumer expenditures for food and other farm products in 1963, with domestic use of farm products up about 1½ percent—about in line with population growth. Consumer incomes after taxes are expected to continue rising in 1963, but by less than the gain of 5 percent from 1961 to 1962.

Foreign markets are expected to take near-record quantities of agricultural commodities this year, although slackening in the rate of economic growth in major importing countries and Common Market trade restrictions may limit exports of some of our commodities. Grain exports in 1962-63 are expected to total less than in 1961-62, mainly because of improved supplies abroad. On the brighter side, a substantial further increase in exports is anticipated for soybeans, food fats, and oils. And our export program will promote continued exports to help maintain total agricultural exports.

HON. JACOB K. JAVITS

U. S. Senator From New York

The economic climate for 1963 remains to be made: it will be made by national policy, subject to international events.

Today our economy is not really booming; it is not surely leading to bust. It is boom with a brake, an onrushing economic system with a heavy undertow that at any time could suck under the individual or send dangerous waves crashing against the national security of the United States. It is boom amid a listless, hesitant economy.

Hon. J. K. Javits

Under the circumstances, what is wise policy?

Every period has its one immediate specific need. One need for 1963 is clear-cut: a sizable incentive tax reduction for the lowest and highest income groups and further consideration of accelerated depreciation on new equipment and corporate tax rates for home and foreign business. These steps would loose a flood of buying power and investment into our sluggish economic system and spur production. I urged this vigorously during the last Congress and, I hasten to add, it was not my idea alone. It was favored by almost every leading economist, President Kennedy's own economic advisors, orgaized labor, and organized management.

Clustered around this one essential are a whole group of other measures needed to bring our economic policies into rapport with the realities of today.

A fresh, thorough examination is essential to determine the impact of our anti-trust laws upon U. S. productivity, U. S. long range economic growth and U. S. trade, foreign investment and foreign economic policy.

Many American businesses simply cannot modernize and continue to return a reasonable profit to their shareholders, who more and more represent a broad cross-section of the American people. Help must come in the form of tax relief for depreciation on new equipment. Last year the Kennedy Administration took a step in this direction but it was a short, halting step. We should grant such tax relief unrestrained by the antique idea that handcuffing industry helps the rest of the population.

Thinking along similar lines would also permit us to increase directly the income of workers. Business and labor are no longer locked in a snarling duel. Workers are not only holders of millions of shares of stock on the general market; in some industries they are participating in the ownership of the plant which employs them by systems of profit-sharing and restricted stock options. We should think about and act upon a whole variety of measures, both governmental and non-governmental, which would encourage this healthy trend of profit-sharing and equity ownership by workers.

Both to protect the worker and to keep the national consuming power high, we badly need comprehensive, permanent federal standards of unemployment compensation which would see to it that the whole national system is fair and sensible and which would take care of the specific need for extending federal emergency payments when state coverage expires.

The authority given to the President by the Trade Expansion Act of 1962 must not be vitiated by short-term measures which would reduce the great bargaining power represented by the United States market. We must be able to grasp the vast opportunities of international trade with our full strength and must implement the trade act to that end. In a positive way, this means, specifically, government credits, government guarantees, and tax incentives, to see to it that American private business, big and small, can and will move into the battle for markets with both feet flying.

Finally, we must get the vigor and skills of private enterprise into the field of foreign aid to the less developed countries. This is where the potential for future economic opportunity resides, this is where our products, our services, our financial skills must establish a foothold.

I believe that with proper, measured and far-sighted

Continued on page 28

Continued from page 27

national policies, the year 1963 holds out good hope for a level of economic activity commensurate with the aspirations of our people and with the United States position of world leadership.

HON. KARL E. MUNDT

U. S. Senator From South Dakota

1963 should be a year in which our people may enjoy ever-rising living standards because of the skills and dedicated efforts of our farmers, workers and management. However, if we are to fully realize the productivity inherent in the American free enterprise economy, the federal government must play its part in releasing the energies of our people.

Sen. Karl E. Mundt

First, we must insure our security and continue the relentless and unending effort to eliminate Communism and its pervading influence on the lives not only of our people but in other countries who are seeking to attain a developed status. This is particularly so in Latin America if our investment in the Alliance for Progress is to bear fruit.

Second, the American farmer whose productivity exceeds that of any other in the world must be given the opportunity to serve world markets, and in our negotiation with the European Economic Community under the Trade Expansion Act of 1962, his interest must be given foremost consideration. If this is done, we can gradually reduce the vast expenditures entailed in our restrictive agricultural programs which regiment our farmers and pile up burdensome surpluses at government expense.

Third, American labor must seek increased earnings through more co-operative efforts with management so that the gains of technology will not be dissipated in useless controversy nor restrained by the imposition of obsolescent work practices.

Fourth, management must meet its obligations to stockholders, customers, and workers by encouraging innovation, the development of new products, and the implementation of distribution practices that will assure mass markets. The responsibilities of management in this decade are great. A courageous and dedicated effort can secure public acceptance of those management practices which experience proves are indispensable for the continuance of the American way of life.

Fifth, the Congress must reduce every possible expenditure not directly related to our nation's security so as to permit a reduction in our present punitive levels of taxation. It must maintain a vigilant guard over every branch of our government to insure that sound fiscal and monetary policies prevail.

Sixth, the President must use his high office to provide the leadership for our people through persuasion and example rather than to restrain the acts of business and labor by threats or intimidation. No President of the United States was ever afforded such an unparalleled opportunity to provide leadership for a united people whose only desire is to achieve peace with economic growth.

In appraising the outlook for 1963, I am convinced that if each group whose acts may affect the final outcome, conduct themselves in the manner which I have outlined, 1963 will establish new records for the American people. These records will include a greater Gross National Product, higher take-home pay for our workers, better farm incomes, and a more rewarding profit outlook for investors. We have the productive resources and our people are anxious to obtain the fruits of expanding technology. In a society such os ours where the free efforts of individuals in their productive activities as well as in their role as citizens determine our economic destiny, I have great hope for the coming year, as I have great confidence in the intelligence and integrity of our people.

HON. JOHN SPARKMAN

U. S. Senator From Alabama
Chairman, Select Committee on Small Business

The current recovery has lasted two years from the low point in early 1961. During the first recovery year, the Gross National Product rose by almost 9% in current dollars and almost 8% after correcting for changes in prices. Industrial production advanced almost 12%, corporate profits over one-fourth, disposable personal income 6%, and the unemployment rate dropped from 6.8% to 5.8%, seasonally adjusted.

Hon. J. Sparkman

As many of us anticipated a year ago, 1962 was a year of continuing recovery but at a sharply reduced pace. Gross National Product advanced at a rate of only 2% per year, corporate profits hardly changed, and industrial production rose less than half as rapidly as in 1961. Unemployment was 5.8% in November, the same figure as in January.

Looking ahead into 1963, many of the same factors will be operating that produced the very slow rate of expansion during 1962. First, purchases of goods and services from the private economy by all levels of government—Federal, state and local—will continue to rise during the coming year. Purchases by state and local governments are expected to continue to rise by about $4 billion per year or perhaps a little more. At this writing, the President's budget proposals are not yet available, but present programs for defense and space, as well as the Federal pay increase and cost changes, should produce a rise of perhaps $1 billion per quarter, or a little more, in Federal purchases. Whether the rise will be larger than this will depend on assessment by the President and the Congress of the international situation and of whether a greater rise is required. If new programs are adopted, they would result in some additional rise in expenditures. On the other hand, there will be strong efforts exerted, both by the Administration and the Congress, to hold down expenditures, particularly in light of prospective proposals for the reform of the Tax Code and reduction in personal and corporate tax rates.

Consumers have been buying goods and services about in line with changes in their after-tax incomes so that their expenditures have continued to be about 93% of disposable personal income. Consumers can be expected to continue increasing their purchases with rising after-tax incomes. But, in view of the reduced rate of rise in disposable personal income, this would hardly be enough to power a large expansion in the economy as a whole.

Two areas of investment, namely residential non-farm construction and inventories, gave impetus to the 1961-62 advance, but in recent months have slowed down. On the basis of housing starts, contract awards and the general trend of business, neither of these is likely to provide much additional expansion although neither is likely to be a significant downward drag on the economy.

A very large and powerful force in the expansion of the past year and a half was a rapid rise in business spending for new plant and equipment, which rose from about $34 billion per year early in 1961 to about $38 billion at present. Surveys of business plans tend to indicate very little advance and perhaps some decline in such expenditures in early 1963 but a possibility of renewed advance before the year is out. The revised guidelines for depreciation under Bulletin F and the investment credit are intended to provide further incentives and flow of funds to stimulate a substantial increase in business spending on new plant and equipment. So far, however, we have had no evidence of quick results until demand rises closer to capacity.

Taking all these factors together, a modest further rise in economic activity seems probable. Prospects for later in 1963 are clouded due to uncertainty about Federal fiscal policies which continue to be a restraining influence. In the present situation, with large amounts of labor and capital still idle after two years of recovery, both private and public policy makers face a challenge to develop policies that will carry the economy to sustainable full employment. I am confident that policies can be devised so that the latter part of the year will be marked by a very vigorous expansion which will carry over into 1964, bringing the economy at last to something like full employment.

HON. KENNETH B. KEATING

U. S. Senator From New York

Since I am not a banker or an economist, in the company of such experts, I will not hazard a definitive prediction for 1963.

The growth rate of our economy seems to be flattening out. This has both good and bad repercussions. Our steady, but not dramatic, growth rate makes it tougher for us to compete economically with the buoyant European Common Market. At the same time, it increases the probability that future recessions will be less drastic. The slower the pace of the incline—the slower, too, is the rate of decline when the corner is finally turned.

Hon. K. B. Keating

The big economic question in Congress this year will be whether we should cut taxes. If the answer is affirmative, an even bigger and more difficult question arises: where do you make your cuts and can we partially offset these cuts with what Secretary Dillon calls "base broadening" reforms?

Because of our slow rate of economic growth, I am in favor of an immediate tax cut—assuming, of course, that it is presented in a form which I can support.

In a sense, our economy is searching for a dramatic new force to get things moving again. In the early 19th Century, the development of mass production was the great driving force in our economy. The railroads were our next great source of economic energy. In more

With H. M. Payson

PORTLAND, Me. — Joseph T. Gough, Jr., has been added to the staff of H. M. Payson & Co., 93 Exchange Street, members of the Boston Stock Exchange.

Joins Stanton-Lewis

BOSTON, Mass.—Leonard O'Donnell has joined the staff of Stanton-Lewis & Co. of Hartford. He was formerly with Godfrey, Hamilton, Taylor & Co., Inc.

Larkin With Chiles

OMAHA, Neb.—Fred S. Larkin, Jr., has become associated with Chiles & Company, Farm Credit Building, members of the Midwest Stock Exchange. Mr. Larkin for many years was associated with Smith, Polian & Company.

recent years, the automobile had the same dramatic impact. We need a new dynamic force like this today. Perhaps travel to the moon, atomic energy or even the rapid increase in automation, which we are now experiencing, will prove to be just the kind of a "blast off" we need. In the meantime, we need to take steps to speed up the process and rate of economic growth.

I refrain from making predictions because it is my feeling that the condition of our economy in 1963 will depend very largely upon the kind of action the Congress takes on this burning and all-important fiscal question—Can we cut taxes?

HON. STEWART L. UDALL
Secretary of the Interior

The business community can, in my opinion, look forward to fairly sizable overall gains in 1963.

According to present indications, a moderate upswing can be expected in major industries—with a few notable exceptions—in the first six months of the new year; with a strong likelihood of more substantial advances in the socnd half.


Stewart L. Udall

Contributing to this outlook are:

The sweeping new trade program which provides adequate tariff-revision authority to permit an increasingly profitable "co-existence" with Europe's dynamic Common Market concept.

Growing economic benefits resulting from significant progress in the area redevelopment program.

The newly authorized $400 million public works program to spur both industrial production and employment, and

Large-scale job retraining to remove idle manpower from stagnant pools and utilize its considerable potential in turning new production wheels.

Added to these, of course, as a major stimulant both to consumer purchasing and business and industrial expansion is the broad-scale tax revision program which the Administration will propose to the new session of the Congress.

It is probable that the full weight of certain of these programs—such as foreign trade and tax adjustment—will not begin to be felt until later in the year. But already there are significant signposts of hopeful optimism on the part of leaders in the business and industrial communities.

A department of Commerce survey finds manufacturers expecting an increase of about $500 million in sales in the first three months of 1963.

While leaders in construction and the railroads view the immediate outlook for their industries as uncertain, general merchandising forecasts see Spring sales increases of 2 to 4% over 1962; the automotive industry expects at least to duplicate the 1962 boom year; the petroleum industry predicts first-half domestic oil demand to be up about 2% and natural gas consumption up about 5% compared to last year. Similar forecasts have been made for such industries as food and appliances.

Such increases, of course, will place additional heavy demands on our basic natural resources, already burdened by the requirements of a dynamic economy and heavy population growth. The Administration is prepared to present to the new Congress legislative proposals designed to help meet these demands, and the outlook is for a continuation of the monmentum begun by the 87th Congress which set new records in many areas of land, water, and mineral resource conservation.

In this regard, one of the Administration's most vigorous efforts will be in support of a greatly expanded outdoor recreation program to keep pace with the rapidly multiplying demands for recreation facilities on the part of a population with more leisure time, more expendable family income, and vastly improved means of transportation.

Keystone of this program is a long-range, multi-billion-dollar Land Conservation Fund, financed by a moderate schedule of user fees and taxes, to enable both the Federal Government and the States to obtain substantial additional open space from the "green acres" still available.

While the primary aim of this program is the assurance of adequate places of rest and relaxation in the high-tension years of the present and future, inherent in it also is a substantial contribution to our overall economy. Parks do not mean a choice between picnics and payrolls; it has been amply demonstrated that they provide both. As more Americans turn to the out-of-doors, tourism is moving steadily higher in the list of today's big business.

ROY ABERNETHY
President, American Motors Corporation

With the forceful impetus of the compact car, the automobile industry should have one of its best years in 1963. The sales performance for 1962 will be the best since record 1955, with close to 7 million domestic and foreign-built cars sold in the United States. We believe next year should be in the area of the 1962 result.


Roy Abernethy

Should this occur, it would mark only the second time in history that two years of more than 6 million units have followed each other, and one of the basic reasons for this is the stimulation given to the automobile industry by the introduction and success of the compact car. There have been few periods in automobile history when the impact of a new concept has been so pronounced.

Public reaction to the 1963 cars has been the best for any new-model period in history. Retail sales from Oct. 1 through the first 10 days of December—when most 1963 models were offered to the public — were 22.7% above the same period a year ago. When it is considered that the fourth quarter sales result in 1961 was the best for that period in history, the current momentum is most encouraging.

There are signs, moreover, that the record sales will continue well into the 1963 calendar year. A recent quarterly survey by the U. S. Bureau of the Census showed that the proportion of families in October who reported plans to buy new cars within the next 6 to 12 months was up 11% over corresponding proportions reported in October, 1960 and 1961.

A further good sign is the continuing increase in the amount of disposable income. Over the past five years disposable income has increased an average of $3.9 billion per quarter. If this average increase continues, by the fourth quarter of 1963 individuals would have total disposable incomes running well in excess of $400 billion. The Commerce Department reported personal income in October rose by $2.1 billion to a record annual rate.

Personal savings are at near-record levels, totaling about $26 billion.

Another significant factor which generally is reflected in good new-car sales is the used-car market. Prices remain strong which reduces the cost of trading up to a new car and holds down depreciation, encouraging more buyers to enter the new-car market. The used car market itself is further strengthened by the first substantial infusion of compact cars.

Replacement demand for new cars continues to rise. The average car on the road today is nearly six years old. This age level has steadily climbed since 1956. Scrappage has averaged about 4 million a year for the last five years, and it is estimated to reach an all-time high of close to 5 million in 1963.

Not only is the total number of multiple car-owning families also steadily rising, but the formation of car-owning households is increasing twice as fast as the formation of new households.

American Motors itself has set a record Rambler sales goal for the 1963 model year of 550,000 U. S. sales and another 60,000 to 70,000 Rambler sales abroad. This would mean an increase of about 27% over 1962.

Compact car sales overtook standard car sales as the top volume cars during 1962, although not for the full year. During the '63 model introductory period, they have been running nip and tuck with each other, but this is normally the period in which the larger and higher priced cars take their largest per cent of the market. In the new year, we expect the compact car, as we have always defined it (ranging from 170 to 200 inches in over-all length), to assume full ascendancy over the conventional standard volume cars.

In our opinion, the automobile market will continue to move in the direction of the optimum car—that is, one that is the most effective combination of size and roominess, power and economy, and comfort and ease of handling. The factors that opened the way to the compact car are still with us but with increasing intensity today.

The influence of the compact car on U. S. automobile design is reflected not only in the total number of such cars being sold but also in the modifications that have been made in the average volume car. The median automobile, among those accounting for the bulk of U. S. production and sales, is more than 10 inches shorter than its 1959 counterpart. Automotive value has been significantly increased, a better balance between performance and economy has been achieved and extravagance has been curbed.

There is much more realism in car design today, and more reliance on quality rather than upon ostentation —which, in turn, we believe, reflects an enlarging understanding of the needs and knowledge and wisdom of the consumer.

Actually, past evaluations of market potential have tended to overlook a real phenomenon of recent years

Continued on page 30

Continued from page 29

—a factor that should have a great bearing upon the trend of the economy; the relatively new status of the American consumer. The swift rise of disposable income, both in dollars and in the number of individuals with a surplus over basic needs, combine with higher education levels and the steady improvement in communication processes to make the U. S. consumer the world's most prosperous, best-informed and most independent buyer.

This fact will increase buyer demand for the balanced, optimum automobile as well as exerting comparably realistic influence on most consumer durable goods.

Since our economy is one that is directed at and by the consumer, his ascendancy should be an important factor in increasing the general stability of the economy. This factor, combined with built-in economic buffers, should tend to level out the extreme deviations in the economy. Thus, while our total economic gains may not have been as great as was hoped for in 1962, one may interpret this as a positive result of increasing stability.

ERNEST R. ACKER

Chairman of Board and Chief Executive Officer, Central Hudson Gas & Electric Corporation

Both the natural gas and electric utility industries enter 1963 with well-founded optimism for the year and for the long-range future. This optimism is based on significant achievements and events of 1962 that will have favorable lasting effects on utility operations.

Ernest R. Acker

Research on new devices, appliances and equipment and the successful development of new markets in the face of competition in both industries helped to create a new atmosphere of excitement and anticipation in the utility business last year and promise to provide opportunities for significant growth and rewards in 1963 and thereafter.

Among the most meaningful developments in 1962 for natural gas distribution utilities was the settlement of many cases in the backlog of pipeline rate proceedings. This not only resulted in lower prices and refunds for many of the utilities, but it may also mark the beginning of a period of price stability for natural gas. These factors greatly enhance the sales and earnings outlook for the gas utilities, whose business is so characteristically competitive, to the benefit of all segments of the industry.

Both industries have made significant strides in research and development concerned with new operating technology and end-use applications. The gas industry's success with underground storage and its development of plug-in appliances are but two examples.

Similarly, the electric companies have moved forward from talk and test to reality in extra high voltage transmission, in more complete interconnection of all major systems, in still greater efficiency in conventional methods of power generation and in the early phases of competitive nuclear power reactors.

A significant by-product of the increasing size of generating units and the interconnection of electric utility systems has been the further development of power pooling agreements, providing for coordination in the planning, construction and operation of production and transmission facilities among groups of utilities to the best economic advantage of each utility, its customers and investors.

Furthermore, particularly in the northern states, the electric companies are achieving notable success in promoting the concept of total-electric living, including electric heating, and it will be in this area, highly competitive as it may be, that the real opportunities lie for greater growth than that reflecting normal expansion of the population and the economy.

In the face of higher prices for materials, higher tax payments at all levels of government and increased wages and salaries, the utilities of both industries are successfully controlling costs and increasing efficiency. Through the application of electronic computers, telemetering and other equipment; through periodic and realistic appraisal of existing business procedures and through comprehensive long-range planning they are building into their structures savings that will pay off in succeeding years—reducing costs without undermining their basic objectives of providing dependable service to their customers.

Both industries and the individual companies are doing a better and better job each year in communicating to their customers, investors, and employees the important facts about their operations including their outlook and plans for the future. One of the greatest opportunities that either industry has had in a quarter century will be available through the medium of the 1964-65 New York World's Fair. Both industries are well along in the execution of bold and imaginative plans for taking full advantage of this unusual opportunity.

These favorable trends and significant achievements do not, of course, leave the natural gas and electric utility companies without serious challenges. Indeed, the great task of 1963 will be to capitalize on the developments of the first three years of this decade and to turn the opportunities now open to them into realities. Both industries must continue to face up to such problems as the expanding role of government and government-subsidized agencies in their respective fields. They must find ways to attract and retain the best available technical, professional and management personnel for the conduct of the business in the future, and finally, they must more fully inform legislatures, regulatory commissions, financial institutions, mass media and the general public of the important positions held by the utility industries in the industrial structure of the country.

J. D. ADAIR

President, Kent-Moore Organization, Inc.

Despite conflicting estimates of the future, pessimism is hardly compatible with corporate results of the year just passed. With relatively few exceptions, earnings reports have been greatly improved over 1961, the automotive industry being among the most prominent. It is true that some industries have not been able to share in the 1962 recovery, but on the whole the economy was vigorous throughout the year.

J. D. Adair

In assessing the prospects for 1963, values must be assigned to the momentum or carry-over, which though somewhat slowed, is nonetheless a vital factor. Government pump priming and defense and space spending, although inflationary, tend further to shore-up the immediate outlook. Among other pertinent signs of a continuing satisfactory economic level are personal savings, consumer spending and a substantially improved stock market which often anticipates business conditions ahead.

In our particular fields of endeavor we expect most segments of our Company to continue their growth patterns. While it is doubtful that automobile sales can hold their recent levels, all reliable projections point to a very satisfactory year. Following this trend, our automotive Service Tool Division expects to at least maintain its 1962 pace. In recent years Kent-Moore has diversified into a number of different fields to reduce the Company's dependence upon the automotive industry and provide a broader base of operations. The balancing effect of these added operations is just beginning to be realized.

During 1962 all major segments of our Company showed increases in sales and earnings. In the year ahead, without exception, every division of Kent-Moore looks forward to further improvements with sales and earnings continuing to progress in our domestic market. Furthermore, our company's young international division, located in Zurich, Switzerland, is in an excellent position to grow and participate in the booming European economy.

There are, of course, always negative factors to be considered in assessing future prospects. Without a doubt, increasing domestic and foreign competition will continue to squeeze the profit picture. Today, far more foreign products are appearing here in America in competition with our domestic manufacturing than ever before, and it is almost certain that this trend will con-

Joins Harris, Upham

ATLANTA, Ga.—Joe H. McDonald, Jr. has joined the staff of Harris, Upham & Co., 44 Broad Street, N. W. He was formerly with E. F. Hutton & Co., Inc.

Norris & Hirshberg Add

ATLANTA, Ga. — William T. Mobley, Jr. has been added to the staff of Norris & Hirshberg, Inc., Bank of Georgia Bldg., members of the Midwest Stock Exchange.

Joins Harris, Upham

DENVER, Colo.—Peter J. Rednor has joined the staff of Harris, Upham & Co., 740 Seventeenth Street. He was formerly with the First National Bank of Denver.

F. I. du Pont Adds

ATLANTA, Ga. — Joe B. Young has been added to the staff of Francis I. du Pont & Co., 36 Edgewood Avenue, Northeast.

Three With Goodbody

ATLANTA, Ga.—Leo J. Bouchard, Jeannine R. Llera and William F. Sanders, Jr., have been added to the staff of Goodbody & Co., 59 Marietta Street, N. W.

Two With Hayden, Stone

JACKSONVILLE, Fla.—Robert H. Bryson and Franklin W. Stephens are now associated with Hayden, Stone & Co., Inc., 500 Water St. Mr. Bryson was formerly with the Citizens & Southern National Bank of Atlanta. Mr. Stephens was with Nolting, Nichol & O'Donnell.

With Reuben Rose

BRUNSWICK, Ga. — Miriam D. Grim has joined the staff of Reuben Rose & Co., Inc., 502 Gloucester Street.

tinue. Simultaneously, while our prices are being squeezed by competition, wages and other fringe benefits continue their march upward, further taxing management's ingenuity to produce satisfactory results.

However, in all its history, American industry has never failed to meet the challenges before it. There is ample evidence of management's ability to face and find solutions for the problems created by our high standard of life. No economic society can forever sustain prosperity and growth without faltering periods. I do not intend to imply that we shall falter in the coming year, but it seems reasonable to expect a degree of leveling.

All things considered, while 1963 may not be labeled a boom year, the weight of evidence indicates a good business climate for most lines.

NORMAN E. ALEXANDER

President, Sun Chemical Corporation

The nation's graphic arts industry is presently undergoing a revolution that will result in more and better printed matter for users and lower costs and higher sales for the industry. This revolution is producing some of these results right now, and many more will follow in the years to come.

N. E. Alexander

The printing and publishing industry, eighth largest in the United States, did a volume of $14.5 billion in 1961, the last year for which Department of Commerce figures are available. Volume grew at a rate of 5.9% per year from 1958 through 1961. There is every indication that a new record was set during 1962, and there is little doubt that the figures will rise again during 1963.

Despite television, Americans today buy far more reading matter than ever before. Book sales have risen 500% in the last 30 years. In 1961, they amounted to $1,360,000,000. And leisure time for reading is still increasing. Eighty per cent of the $12 billion now spent annually on advertising goes for the printed word. But the greatest asset of all is the steadily rising expenditure by U. S. industry for advertising brochures, booklets, mail order catalogs, labels and other sales promotional materials. These outlays, which now account for more than one-third of the revenues of the graphic arts industry, have been increasing at a rate of about 10% annually — far faster than the national economy.

The growth and future of the graphic arts industry is tied directly to the printing machinery industry, the paper manufacturer and the ink maker. All three must move ahead at an equal rate of progress in order to achieve success.

Rapid improvements in techniques in recent years have already contributed much to the growth of the industry; they must and will do so at a greater rate in the future. New vistas opened recently for printers of business forms, for example, when magnetic ink was introduced commercially. Now used chiefly for bank notes, it is expected to find increasing application in the imprinting of sales slips, price tags and business forms to facilitate the automation of business record keeping.

We at Sun Chemical Corporation have developed a special lithographic ink for use in offset printing, which of course has enjoyed spectacular success in recent years. Since 1951, according to Graphic Arts Monthly, the number of plants using offset equipment has increased from 5,283 to 19,327.

While offset is less expensive than letterpress printing and is particularly suited to short-run operations, it is expected to be adopted by newspapers of up to 75,000 circulation in the coming years. Development of web offset equipment made the process feasible for newspapers, of course, and also enables small newspapers to offer color to their advertisers—a distinct advantage in their competition with television and national magazines.

One of the biggest boons to newspapers in the past decade was, of course, the coming into general use of Teletypesetting. This process, which automated the line casting of type, perfectly demonstrated the advantages of such new labor-saving devices to publishers.

Other developments on the threshold of general acceptance are letterset, which is a cross between letterpress and traditional offset printing; offset presses that can use either web- or sheet-fed stock; and flexography, which will take work away from the old-fashioned, inefficient flatbed presses. These and many other developments will completely change the face of printing and the graphic arts industry in the not-distant future.

The revolution in the graphic arts industry is gradual in the sense that it is not taking place overnight. But it is occurring fast enough so that each year during the coming decade we will see much growth and many changes. For example, the printing ink industry, which has been estimated at about a $300 million volume in 1962, has been growing at a rate of better than 4% annually during the past five years. Developments in the packaging field—which required new inks to print on such surfaces as polythylene and polyvinyl—has been a big factor in total growth. At Sun Chemical Corporation we are working hard along with the other segments of the graphic arts industry to see that ink technology keeps pace with other developments.

ORVAL W. ADAMS

Chairman of the Board, Zion First National Bank Salt Lake City, Utah, and Past President, American Bankers Association

The re-enthronement of economic literacy is a 1963 fundamental "must" to preserve our priceless Free Agency. "The time is far spent—there is little remaining." On the same subject, the immortal and stalwart Democrat, Thomas Jefferson, said, "To preserve our independence, we must not let our leaders load us with perpetual debt. We must make our election between economy and liberty, or profusion and servitude."

Orval W. Adams

We must declare anew our allegiance in thought and action to the principles enunciated in the Declaration of Independence; in the Constitution of the United States; in the memorable farewell address of Washington; in the undying words of Lincoln.

We must rise to the full height of true American manhood and womanhood and rededicate ourselves to the principles laid down by the immortal Washington expressed in his final admonition to all lovers of freedom. Listen to his words: "Towards the preservation of your government, and the permanency of your present happy state, it is requisite that you resist with care the spirit of innovation upon its principles, however specious the pretexts. One method of assault may be to effect, in the form of the Constitution, alterations which will impair the energy of the system, and thus to undermine what cannot be directly overthrown. Liberty, itself, will find in such a government, with powers properly distributed and adjusted, its surest guardian. It is important, likewise, that the habits of thinking in a free country, should inspire caution in those entrusted with its administration, to confine themselves within their respective constitutional spheres, avoiding in the exercise of the powers of one department to encroach upon another. The spirit of encroachment tends to consolidate the powers of all the departments into one, and thus to create, whatever the form of government, a real despotism."

And now give ear to his final warning: "Let there be no change by usurpation . . . it is the customary weapon by which free governments are destroyed."

Who but a prophet could have foretold and described with such clarity and exactness the manner in which human nature operates, how men in public office easily become intoxicated with power gained through resorting to political expediency and capitalizing on the economic illiteracy of the people of this great nation. The colleges and schools must be alerted to the importance of the restoration of the vital and fundamental principles of ECONOMIC LITERACY. If this is not done and the professors and teachers in the schools in this country are not willing to assume this most important and patriotic obligation, I fear for the future of free enterprise.

The schools and colleges are graduating every year thousands of economic illiterate students. This deplorable condition must be righted if the vision of OUR INSPIRED FOUNDING FATHERS is to be restored and perpetuated.

Our most dangerous foe is not to be sought under foreign flags. America's No. 1 national menace now is DEMON DEFICIT. Therefore, only statemanship of the most heroic kind, backed by resolute courage and intelligence, can save the American dollar of destiny.

A. H. AYMOND, JR.

Chairman of the Board, Consumers Power Company

With the leaders of the United States automobile industry publicly affirming that they foresee a year of sales in 1963 to match or better 1962, and with Michigan's business leaders in other fields predicting a similarly high level of activity, we at Consumers look forward to a busy year.

A. H. Aymond, Jr.

Consumers Power Company provides electric or natural gas service, or both, in an area embracing 64 counties of Michigan's Lower Peninsula, outside the city of Detroit. Automobiles and the automotive products industry are prominent in this Outstate Michigan area, which is why we like to hear the producers of these necessities predict big sales years.

And Michigan's economy is substantially buttressed by other kinds of industry. It is an important area as a producer of chemicals, metal products, petroleum, food and paper, and a number of other items.

The tourist and resort business, a major economic factor, is enjoying new heights of winter activity. It has always been good in the summer. The predictions for all of these sectors are good to excellent for 1963, which explains in part the reasons for Consumers Power Company's general construction program.

Our construction budget calls for the investment of some $59,000,000 in projects to expand and improve our electric and natural gas services.

In addition, millions of dollars have been committed to the acquisition of the extensive Michigan production properties of the Panhandle Eastern Pipe Line Company

Continued on page 32

Continued from page 31

which, once absorbed into our general gas system, will enhance our ability to serve our customers and will strengthen the entire gas service area from the technical standpoint.

These properties include producing and storage fields and some 65 billion cubic feet of proven reserves, plus several hundred thousand acres of leases.

A new agreement with The Detroit Edison Company calls for close cooperation between it and our electric department in establishing an over-all program to coordinate and reinforce electric power resources throughout the Lower Peninsula of Michigan, where we both have our service areas.

Since the new Consumers-Edison program for maximum coordination of the power systems is aimed at the fullest and most productive use of electricity, studies will be made jointly to determine the desirability of connecting the two systems through the use of extra high voltage transmission lines and the joint use of generating plant facilities to be built in the future.

The joint Consumers-Edison agreement is strong evidence for the people of Michigan that her utilities are hard at work to help see to it that her future is a promising one. A less tangible example of this work might be the activities of the area development departments of both companies.

At Consumers, we have worked closely for many years with government and industry and business in general to further the economic development of this great state.

Our area development engineers report, for instance, that interest in Michigan as an industrial state is growing across the country, and that they have three times as many good prospects for new manufacturing as they had two years ago.

This good attitude to Michigan as a possible home for a new business, or the expansion of an existing business, is encouraged not only by our own people, but by many, many communities which are actively seeking new industry and businesses for their towns. These individual efforts, backed up by the state agencies and private businesses like ours are keeping the area development people hopping.

Last year provides examples of how Outstate Michigan is prospering. It was a year of milestones for Consumers Power Company. Our business in 1962 reached new highs in sales of both electric power and natural gas.

We added our 900,000th electric meter in October, and marked our first two million-kilowatt one-hour peak in December, just 11 years after reaching our first one million-kilowatt peak. Gas sales, due in part to the addition of over 35,000 gas space heating customers, grew steadily and daily sendout on a number of December days approached the billion cubic foot mark. By year end, the company had a total of more than 580,000 natural gas customers.

An important electric department activity for 1963 and beyond is the research program now under way at the company's Big Rock Point Nuclear electric generating station which provided us with two more milestones in 1962. These were initial criticality on Sept. 27, and the first production of atomic electric power in Michigan during power tests on Dec. 8.

All these facts help demonstrate that in 1963 in Outstate Michigan, just about everyone will be very busy indeed. It is our hope that the year will not only be an active one, but a peaceful one too, so that the economy of all nations progresses and so that the gains of the coming year will be real gains, here and everywhere.

MARK ANTON

Chairman of the Board
Suburban Propane Gas Corporation

In view of the fact that so many self-styled experts, as well as economists in the President's own economic council goofed pretty badly in their 1962 forecasts, I fully realize that it takes a brave heart for a mere businessman to attempt to forecast what is ahead in 1963. Nevertheless, I predict a 10% growth in the LP-gas industry. This prediction is primarily based on the pattern of our industry growth and the increased earnings which our own company enjoyed in 1962.


Mark Anton

The year 1963 starts the second half century of our industry. As one who has just rounded out thirty-five years of experience in the first fifty years of its existence, I believe I am qualified to say that the past five years have probably seen more major changes than took place during the previous thirty of which I have first-hand knowledge, plus the preceding fifteen years, which period now is merely a matter of historical record.

For forty-five years, our basic load came from the domestic market. Propane (LP-gas) was originally used for cooking, and later for water heating and refrigeration. Since the early 1950's, however, methods of production, storage and transportation have been practically revolutionized, and now the uses to which this fuel has been successfully put are too numerous to mention. Starting, as I said, as a household fuel, propane now is an essential fuel in a wide scope of industries, and an accepted agricultural tool for applications unthought of only a few years ago.

The use of propane for flame cultivation and weed burning, for example, has received acceptance by the farmers at a speed not generally granted to a new product or process. This is readily understandable, however, when all results are taken into consideration. The loss from weeds alone, to farmers in the United States, has been in the area of $15 billion a year. This represents a greater loss than that incurred from all other sources combined. In addition to being a weed control, labor saver and crop improvement process, flame cultivation eliminates the hazard of poisoning from chemicals used to control weeds. The director of the High Plains Research Foundation at Plainview, Texas, has voiced the opinion that this market is unlimited and that the potential for all crops could add up to 5.2 billion gallons per year. Estimated sales of LP-gas for all uses in 1962, is little more than double that figure, 10.8 billion gallons.

While the uses of propane in industry are too manifold to enumerate, an interesting one should be mentioned; namely, its use as a fuel to heat large buildings under construction even before they are semi-enclosed. This has enabled the large building industry to continue operations through severe winter weather and thereby accelerate completion dates. An outstanding example is the acceptance of propane for temporary heat at the tremendous home office building of International Business Machines presently under construction in Westchester County, New York. When completed, the building will be 500 feet long, 300 feet wide and five stories high. Hundreds of propane-fired portable heating pots called salamanders, fed from a 30,000 gallon storage tank, have permitted continuous construction work, including the pouring of concrete.

Add to these factors, the President's promise of a tax cut, and the restored confidence among the spending public which until the last two months has been putting a greater percentage of its disposable income into savings than into purchases. With this total picture before me, I feel I can safely exhibit bravado and repeat my prediction for a 10% growth in the LP-gas industry.

ROBERT A. BAKER

President, Matanuska Valley Bank, Anchorage, Alaska, And Alaska State Chamber of Commerce

The outlook for business in Alaska in 1963 and subsequent years is very promising in the opinion of Alaskan business leaders and government officials. This opinion is based on the fact that the economy is being strengthened by new basic industries, as well as the fact that Alaska's resources and strategic location are now being more fully recognized.


Robert A. Baker

In order to intelligently forecast and review Alaska's future, one must first have an appreciation of the size of the country, its population and some of its characteristics:

Here is a country one-fifth the size of the United States (586,400 square miles), with a population of less than 250,000 (about the same population as Wichita, Kansas); a country with 33,904 miles of coastline abounding in all types of seafood; forty-four million acres of commercial forest lands; unlimited natural gas and a promising oil industry, as well as deposits of nearly every known strategic mineral, and extensive coal reserves. This is a land of tremendous hydro-electric potential, vast undeveloped farm lands and a tourist opportunity that staggers the imagination; this is the air crossroads of the world with

Now With Lind, Somers

PORTLAND, Ore. — Herman L. Lind, Jr., has joined the staff of Lind, Somers & Co., U. S. National Bank Building. He was formerly with Dean Witter & Co.

Hallowell, Sulzberger

HARRISBURG, Pa. — Hallowell, Sulzberger, Jenks, Kirkland & Co. have opened a branch office at 2001 North Front Street, under the management of Carl S. Brandt.

Ira Haupt Office

LUXEMBOURG — Ira Haupt & Co. has opened a branch office at 49-51 Boulevard Royale, under the management of Dirk William Hendrik Van Heuven.

Walston Adds to Staff

PORTLAND, Ore. — Jack C. Meussdorffer has become connected with Walston & Co., Inc., 901 Southwest Washington Street. He was formerly with Blyth & Co., Inc. for many years.

With Green, Grdina

CLEVELAND, Ohio—Leonard R. Ervin is now associated with Green, Grdina & Co., 1940 East Sixth Street. He was formerly with Saunders, Stiver & Co.

New Edwards Hanly Branch

NEWARK, N. J. — Edwards & Hanly has opened a branch office at 730 Broad Street, under the management of Robert E. Zoellner.

Changes in New York's Banking Laws Expected

New York banking head intends to recommend State banking changes in merger and branching.

Superintendent of Banks Oren Root has announced that the Banking Department intends to recommend that the Banking Law be amended at the current session of the Legislature so as to broaden the branching and merger powers of savings banks and state-chartered savings and loan associations, and to enlarge the areas in which commercial banks are permitted to branch and merge. The proposed legislation, according to Mr. Root, will include a modification of the so-called "home office protection" provisions contained in Section 105 of the Banking Law.

Oren Root

Mr. Root stated that a bill embodying the Department's recommendations was being drafted and that he would present the Department's arguments in support of the bill at the forthcoming hearings of the Joint Legislative Committee to Revise the Banking Law. Senator Ernest I. Hatfield, Chairman of that Committee, has previously announced that Mr. Root will be the lead-off witness at the Committee's hearing scheduled for Jan. 30 in Albany.

"The proposed legislation," said Mr. Root, "will be a balanced program designed to strengthen the banking system of the State, to increase healthy competition between banks, and to contribute to the kind of economic growth which is the cornerstone of state and national policy."

Superintendent Root also noted that these recommendations will be in addition to a number of technical amendments to the Banking Law which the Banking Department has already proposed.

With H. A. Riecke

PHILADELPHIA, Pa. — H. A. Riecke & Co., Incorporated, 1620 Chestnut Street, members of the New York Stock Exchange and other leading exchanges, announce that Miss Mary Blackwelder, Miss Carol Buckley and Frederick W. Dobisch are now associated with their Philadelphia office as registered representatives.

The firm also announced that Mrs. Lorraine Rheams of Titusville, Florida, is now associated with the company as a registered representative.

Reynolds & Co. Promotes Smith

SAN FRANCISCO, Calif.—Thomas W. Smith has been made sales manager of the nine California offices of Reynolds & Co., according to James L. Murphy, resident partner. Mr. Smith was formerly sales manager of the company's San Francisco office, 425 Montgomery Street.

seven major international airlines scheduling regular polar flights through Anchorage, connecting the United States, Europe and the Orient.

Geographically, Alaska can be compared with the Scandinavian countries of Finland, Sweden and Norway, in the same latitude, with nearly sixteen million people living in an area of 428,607 square miles. With the exception of petroleum, the natural resources are much the same and the growth potential promises to be as great.

One must realize, however, that Alaska is in a unique position as the last frontier of the United States and one of the last frontiers in the world. It is being populated rapidly by settlers who travel by jet aircraft instead of by covered wagon.

These new settlers are looking for work in industry and, for the most part, are not interested in a pioneer life tilling the soil.

One must realize, also, that to create job opportunities in industry under present day conditions, there are many obstacles to overcome. With high taxes and inflation, as well as the usual "frontier" problems, the cost of developing industry and job opportunities is great. It has often been said that it would be nearly impossible today to reconstruct one of our industrial cities in the United States under the same conditions.

We are proud to state, however, that many of these obstacles and growth problems are being overcome. New investors are arriving to develop our natural resources as evidenced by the oil industry, with expenditures approaching $150 million, and two large pulp mills with a capital investment in excess of $120 million. Small industries of every description are being formed to not only utilize natural resources, but to provide services for the growing population.

The State administration and other agencies are providing statistical data to interested investors. An inventory of our natural resources is being prepared, and private industry is busy with exploration and private investigations in every sector of the State.

The Alaska State Development Corp. will commence a lending program in 1963 with $18 million in long-term loans, available in participation with financial institutions. The Small Business Administration and Area Redevelopment Administration are active, as well as many institutional lenders, in providing much needed capital.

One can truthfully say that Alaska is "on the move". Her people are anxious to share their wealth and opportunities with others who are willing to work and live as true pioneers.

ROBERT S. BELL

President, Packard Bell Electronics

The year 1963 will mark the beginning of the most challenging and rewarding period in electronics industry history.

Total industry sales will rise 13%, from $13.4 billion in 1962 to $15.2 billion in 1963. By 1970 the annual volume will exceed $20 billion.

Robert S. Bell

Industrial electronics this year will account for $3.1 billion (up from $2.6 billion in 1962), which is 20% of total volume. The percentage will reach 30% by 1970, representing twice the growth rate of any other segment of the industry.

One of the most important and immediate capabilities of electronics in this category lies in the development of communication satellites, so dramatically illustrated by Telestar.

Computers will do a lot of our work, if not our thinking, during the 60's and beyond. Automatic data processing can extend business procedures to a degree of skill, speed and efficiency that has never been even remotely achieved to date. Meanwhile, giant strides are being made toward electronic control of industrial processes.

Military-space electronics today accounts for nearly 60% of total industry sales. Despite an expanding outlay for space programs and the ever-present possibility of the cold war turning hot, there are good reasons to believe that by 1970 the electronic portion of military-space appropriations will be closer to 50% of total volume.

Electronic purchases by the Department of Defense and the National Aeronautical and Space Administration will reach $8.8 billion in 1963 (up from $7.7 billion in 1962), and will rise to a $11 or $12 billion annual level by 1970.

These figures do not include "springboard-to-the-stars" expenditures for research and development. NASA alone will spend $2.9 billion for R&D in 1963. This includes many projects of interest to the electronics industry.

Consumer products, consisting of radio, stereo hi-fi and television, will reach a volume of $2.5 billion in 1963 (up from $2.3 billion in 1962).

Both a dollar and unit volume increase in consumer products can be attributed to two principal factors: the expansion of color television and the advent of stereo FM multiplex.

There are some 40 million black and white television sets currently in use that will be reaching the replacement stage. As color television continues to become more attractive to customers, the replacement factor will stimulate color set sales. From 700,000 to 800,000 color sets will be sold in 1963, about 10% of total unit sales. It is estimated that by 1965 nearly 50% of all sets sold will be color.

Stereo hi-fi sales are expected to reach near the two million unit mark this year and expand steadily over the next few years because of stereo FM multiplex, which provides a third dimension in music via radio, as well as by recordings.

The 1962 figure of $800 million for replacement parts will change little, if any, in 1963. Although total tubes, semiconductors and other components used in maintenance and repair have increased in number, a price squeeze in this segment of the industry has retarded growth of dollar volume.

JOSE D. BAZAN

General Manager of the Colon Free Zone and Vice-President of the Republic of Panama

In the 10-year period concluding with 1962, Panama's Colon International Free Trade Zone has emerged as the second largest economic development in the Republic. After a decade of operation, the Colon Free Zone is second only to the Panama Canal itself in producing revenue for the country. This international free trade area became operational in 1953 on 96 acres of reclaimed swamp land. In that first year business volume was $14,000,000. In 1962 the annual volume grew to $175,000,000.

With a growth record of 20% annually over most of

Continued on page 34

Continued from page 33

the decade, the Zone has demonstrated dramatically that this ancient instrumentality of foreign trade, which dates back to the overland caravan routes and to the city states of the Mediterranean, can be adapted to 20th century trade requirements.

Engineering studies are under way for a port development project to expand facilities at Cristobal, the Atlantic entrance to the Panama Canal. This nearby docking area is connected by direct access to the warehousing, processing and assembly operations of some 200 companies now utilizing Colon Free Zone services.

Within three months, Otra Costa, S.A., a corporation financed and operated by Panamanian interests will begin laying an oil pipeline across the Isthmus. The line will be owned by the Free Trade Zone, thus adding a new area of resources to the operation by opening up use of the Zone to oil producers and shippers.

Emphasis in 1963 will be directed to exports of Panamanian products. In the 10 years the duty-free port facility has been in operation, management emphasis has been on importing goods and services for distribution to Latin American markets. While this policy will continue, Panamanian industry plans to seek markets for its production beyond the range of its own geography.

The Zone is presently a fenced area of 96 acres in which is located an expanding complex of modern warehouses, offices and industrial buildings. Many companies in Japan, the United States, England and Western Europe have erected their own buildings on leased land, or occupy buildings built to specification by the Colon Free Zone. Much of the warehousing is air conditioned and dehumidified for certain kinds of high value or perishable merchandise. Warehousing space can be leased at an annual cost ranging from 65 to 75 cents per square meter, depending on the size and term of lease. Lessees of this space keep merchandise under their own lock and key for packaging, labeling, processing or other manipulation as required. Public warehousing, with the Free Zone providing handling and shipping charges on a fee basis, is offered at a general cargo rate of $1.50 per ton per month for storage.

Some American companies are beginning to enter the Zone, not as wholly owned subsidiaries—as in the past—but as new overseas operations divorced from U. S. control. The first to enter the Zone in this manner is the Jackson Publishing Co., which has leased six lots on which a building will be erected. Spanish language books—multiple volume encyclopedia, classics and reference works—will be printed and distributed throughout Latin America by a new company with 50% or more of the ownership in the hands of investors outside the United States.

JOSEPH L. BLOCK

Chairman, Inland Steel Company

At Inland Steel we are mildly optimistic for 1963.

True, the general economic outlook is cloudy, even disregarding the uncertainties of the international situation. There is no strong trend discernible, either up or down, and the experts differ, with views ranging from a small downturn to a moderate expansion during the first six months of the year.

Joseph L. Block

As for steel, even if the present level of the general economy remained unchanged, there would be a slight drop in steel consumption in the first half because of the current weakness in spending for capital goods.

Steel production on the other hand is likely to increase in the first half because of customer accumulation of inventory. No one can predict the extent of such additions but they were sizable in the early months of 1962 because of uncertainty on the part of steel users over the possibility of a strike. They may be again in 1963 unless there is a prompt announcement by the union that it does not intend to re-open the contract.

Such an announcement would seem to me well justified in the light of the present high levels of wages and benefits, the industry's acute profit squeeze and the inroads of foreign competition.

For the year as a whole we find the basis for a mildly optimistic steel industry outlook in the prospects of some of the most important steel-using industries.

We believe we are headed for another good automotive year. Capital spending should accelerate during the second half as a result of the incentives for investment in plant and equipment provided by the improved depreciation schedules and the investment tax credit.

There should be a slight improvement in overall construction with government spending providing the push to offset sluggishness in industrial and commercial development and in housing.

The use of steel for cans should continue to grow. The industry has done a fine job in promoting thinner tin plate in its battle with competitive materials and the growth in the use of cans for soft drinks has been truly remarkable.

These factors lead us to the belief that steel output for the year 1963 will be slightly more than in the previous three years in each of which 98 to 99 million tons of ingots were produced. If this comes to pass, profits should improve slightly as compared with 1962 but this basis of comparison is an exceedly poor one. To attain a profit performance which would compare favorably with industry in general, steel must have a substantially larger volume or higher prices, or both.

MAURICE J. BERNSTEIN

President, American Biltrite Rubber Co.

We are looking forward to a pickup for our company as well as for the general economy in 1963.

One of the main reasons for optimism is the capital investment intentions of industry which are now being made known. Recent surveys show that American firms plan to spend 5% more on plants and equipment than they did in 1962.

Maurice J. Bernstein

The emphasis in rubber industry spending, like other industries, will be on automation. Our industry alone, according to a recent McGraw-Hill study, plans to spend about 20% more for automated machinery and equipment in 1963 than it did in 1962.

The impact of automation on rubber manufacturing will be reflected in the introduction of better products that will be produced under conditions of maximum efficiency. It will also mean lower labor and production costs.

Another good portent, as far as we are concerned, is that the chemical industry plans to increase its expenditures by 18% for expansion purposes. It demonstrates, I believe, that synthetics and plastics will play an even greater role in the economy.

American Biltrite sales have increased 10% in 1962 over 1961 and we expect another good year in 1963.

Fashion should continue to play an important role in the floor covering field. Since our Amtico division is a leader in luxury floorings, and has expanded into lower priced floorings, we expect to take advantage of these new opportunities.

In addition, we will continue to uphold our number one position in shoe soling manufacturing. Right now 72% of the $100 million shoe soling market is based on synthetic materials and we expect this margin to increase slightly.

To sum up, I think we can expect better business conditions and generally greater sales in 1963.

ROGER M. BLOUGH

Chairman, U. S. Steel Corporation

The output of steel has been rising moderately in recent weeks, and production is now at a somewhat improved level. Further improvement during the next few months seems likely if the economy continues at its present pace. The past year in the steel industry has been one of mixed trends. For the first quarter of the year, when steel consumers were building up their supplies of steel as a precaution against a possible work stoppage, ingot production reached an annual rate of nearly 123 million tons. In contrast, during the third quarter of 1962 consumers sharply reduced their inventories, buying considerably less steel than they were actually using. As a result, despite a 10% increase in the volume of steel consumption, steel production slipped by one-third to an annual rate of 82 million ingot tons. However, customer inventory reduction slowed in the fourth quarter while consumption remained high and ingot production moved upward once again. For the full year, steel output in 1962 equalled 1961 output of 98 million tons. The actual use of steel in 1962 is estimated to have increased by nearly 10% over 1961.

Roger M. Blough

This level of steel consumption promises to continue into the early months of 1963. Steel use by the machinery industry was at an all-time high in 1962, and prospects appear to be good for that industry in 1963. Construction demand has also been strong, while fourth quarter auto production was the best ever for that period. Steel consumption this year in the appliance, agriculture and container industries may closely parallel the good volume of 1962. Moreover, seasonal influences may result in some modest steel inventory building during the first half of 1963.

Total steel production in 1962 of about 98 million tons was considerably below the peak production years of 1955-57 when output averaged 115 million ingot tons; yet the actual use of steel in this country came very close (within one percent) to matching the 1955-57 level. But two factors in demand for steel were materially changed. First, in the 1955-57 period, the steel industry exported considerably more steel than was imported, while in 1962 exports were down and imports up, resulting in a negative balance in steel foreign trade. The net change resulted in domestic steel production being eight million ingot tons lower in 1962 than if the 1955-1957 export-import relationship had prevailed. Secondly, during the earlier peak years of steel production there was substantial inventory building by steel consumers, resulting in steel shipments in excess of actual consumption levels. In contrast, in 1962 there was a net reduction in inventories, depressing steel shipments. It is estimated that this reduction resulted in lower steel production in 1962 by about 6 million tons compared to 1955-57 output.

These two factors, one involving foreign competition and the other a basic change in the size of consumer steel inventories, explains the great bulk of the disparity between recent levels of steel output and the peaks of the mid-forties. With inventories now very low, a material further cut in inventories at the current rate of economic activity is not feasible. Foreign competition remains an unsolved depressant. Nevertheless, the pattern of steel sales in the fifties, sustained by the favorable export-import balance and inventory building, in contrast to the current situation in both factors, has distorted and obscured the more promising record of this nation's internal use of steel.

We are actively wrestling with the problem of foreign competition. U. S. Steel has authorized and announced a number of major facility additions during the past year. These new facilities, along with others that have already come into service in the recent past, provide one important answer to the challenge of foreign competition. These facility developments in Pittsburgh, Chicago, and plant locations across the nation offer the latest and best in automatic controls, in superior service and product quality, in efficiency of operation. There is, however, much more that must be done in modernizing and replacing steel plant and equipment if we are further to improve our market position.

There is great emphasis, too, on research and development of new products but even this emphasis can and must be increased.

Continuing attention to the long-term solution of the cost-price squeeze on profits, including further emphasis on cost reduction and relief from unduly restrictive state and Federal taxation, also remains a prime objective. The potential of modern steel-making methods becomes daily more and more critical in finding the answers to steel's competition.

Progress was made in many areas in 1962, and I anticipate intensified activity and continued progress in 1963.

J. B. BONNY
President, Morrison-Knudsen Company, Inc.

The outlook for heavy engineering construction and for industrial plant building in the United States for 1963 is most encouraging.

The overall upsurge which was indicated at the end of 1961 for 1962 and which was interrupted particularly in the industrial construction field, by the steel debacle and the subsequent stock market crash appears to be in **full bloom.**


J. B. Bonny

This boom should certainly continue throughout 1963 as far as heavy engineering work is concerned and at least through the first half for industrial plant building. The latter probably being somewhat dependent on whether the Congress enacts a substantial tax reduction. Our own Company will start 1963 with the largest backlog of construction contracts in its history.

In the field of military construction, while the rate of expenditure will continue high, the missile construction work should tend to slack off, being, however, to some degree replaced by space projects, particularly in the South and Southeast.

Public heavy engineering construction will continue good and with large major projects reaching the contrast stage, particularly in the Eastern states and the far West. The total should be up at least 20% over 1962.

Industrial building, at least in the first half, will surely be up probably 15% or more, as manufacturing plants, steel and rolling mills, chemical plants, food processing and pulp and paper plants deferred for several months in 1962 get under contract.

The outlook for gas and oil product lines appears to be about the same as for 1962.

The Federal and State Highway program in all areas should be definitely up over last year.

All this adds up to a busy year construction-wise in the United States; perhaps up on the overall as much as 15%.

In the foreign construction field, the outlook is spotty.

Canada continues to stagnate. Many projects promised for 1962, and still deferred, show some possibilities of being put under contract in the Spring of 1963. However, due to problems of financing, particularly in British Columbia, nothing is certain. Probably a slight uptrend in 1963.

In Mexico and Central America, the construction prospects are brighter. A number of hydro-electrical projects and harbor develoments have been let to contract and several are in the offing in Central America while the attitude toward American business and opportunity for American firms to join in construction in Mexico is much improved, particularly since the Cuban crisis.

In South America, the picture remains rather black. The Alliance for Progress effort has not been successful and the unstable political climate in almost every South American country does not offer much encouragement for the American construction industry.

In Europe, particularly in industrial plant expansion and new construction in the common market countries, the outlook continues very bright with the probability of new plants in this area in 1963 up as much as 20%.

The construction prospects in North Africa and the Middle East appear slightly improved over that of a year ago. The political situation in some countries like Iraq, Kuwait, Egypt, Syria and Iran remains touchy, but on the whole, construction prospects are up.

Central and South Africa remain in trouble, but in certain spots, construction prospects are good if caution is exercised in the Sudan, Rhodesia and even Portuguese Angola have some sizable projects in mind.

In the Far East, in spite of political disturbances and the Sino-Indian border troubles, the construction prospects are good in Indonesia, Thailand, Malaya, Pakistan and to a lesser extent India, Australia and New Zealand continue to offer good prospects for construction in both the industrial and heavy engineering field opportunities are at least as good as in 1962 and may prove some better.

To summarize, it would appear that the construction prospects for 1963 in the United States are most encouraging with a probable increase in volume up to 15%. In the foreign field, construction should be up from 5% to 10% with the brightest opportunities in the common market countries and the poorest in South America.

ROBERT L. BRADDOCK
President, General Reinsurance Corporation

Final results in reinsurance operations in 1962 will not be available until the end of March. However, third quarter figures of 1962, coupled with trends in the fourth quarter, indicate that the year will be profitable. The business has had problems in 1962 which are difficult and which will continue to be.


R. L. Braddock

In spite of the absence in 1962 of any disaster of national significance such as an East Coast hurricane or a conflagration in California, many reinsurers will produce results on their fire business which may be the worst for several years. This will be due to a combination of several factors, but the overriding cause is the highly competitive condition in the primary industry. It has been plagued by inadequate rates, broadened cover, insufficient ratio of insurance to value and experimental underwriting with package policies. This development has coincided with dangerous competition among reinsurers caused by expansion in the domestic reinsurance market. Many of the new writers have a rapidly increasing premium income. Experience lag is an inherent feature of the reinsurance business and until premium income levels off or declines many of these new reinsurers may falsely assume they have profitable results.

Since most of the competition for reinsurance has been generated out of excessive attention to premium growth much of it is unsound and the consequence will be serious. Over-all, reinsurers' premium income will show an increase and will continue in 1963. The only hope for better results lies in the extent to which management attitudes insist upon profitable underwriting on reinsurance portfolios. Reinsurers have their fate entirely in their own hands, but serious underwriting losses will be sustained before any widespread corrective action is taken.

The bankers blanket bond classification is running profitably at this time. There was an early frequency of claims under the brokers blanket bond classes, but by year-end the record may have returned to normal for the year. The fidelity portion of the business should therefore be capable of producing an underwriting profit in 1962. The contract category is still in trouble. Salvage on contract cases is high. Company underwriting has improved, but it is expected that there will be more losses, and more dollars of loss in 1962 than in 1961. The miscellaneous surety lines and public official classes have produced a solid underwriting profit. 1963 may not be as good as 1962. Contract experience is unlikely to improve for a year or so, bank losses can be expected to increase as they have in most previous years. Commercial fidelity is not expected to be profitable.

Third party liability results, both automobile and general, have been satisfactory in 1962. Results can vary considerably among various reinsurers, particularly on general liability lines where catastrophic losses on classes such as products liability can have a substantial effect on the limited volume of general liability premiums.

Any commentary on the general liability and automobile field in this country would be incomplete without mentioning the primary underwriters' newly acquired interest in writing excess business. A combination of many factors, largely centered about a steady inflation and its impact upon jury awards, has led to an ever increasing demand for higher liability limits. Whereas in prior years these problems fell largely to the London market, a few domestic excess writers and the reinsurance industry, today virtually any primary writer is willing to entertain excess business. Most have entered the field as a defensive measure to protect existing primary business; others are prompted by a genuine hope of profit. Results in this volatile field, however, defy prediction. Perhaps five years from now this new market will have stabilized to the point where the venture can be better appraised.

1962 will be a very bad year for crop hail insurance. Based on current reports which account for about 95% of the final results, the loss ratio is 74.6% on $79,000,000

Continued on page 36

Continued from page 35

of business. With an expense ratio exceeding 40%, the line developed a severe underwriting loss. Many states suffered frequency. Montana was hit very hard and other states with unfavorable results include Colorado, Wyoming, Texas, Kansas and, in the southeast, Georgia, Florida and South Carolina. As a result of the losses in 1962, there will be rate adjustments in the states which suffered bad losses. While the increased premium rates will be of some assistance in 1963, any forecast where results are dependent on weather conditions, is impossible.

1962 aviation results were favorable, though not quite as good as 1961. Conditions have stabilized as much as can be expected in this line where huge limits must be provided to cover exposures of jet airliners for both hull and third party liability exposures.

Accident and Sickness business written by casualty companies will have a satisfactory year. Some of the practices of life companies in this field are becoming felt and leave the future clouded. For many years non-cancellable and guaranteed renewal contracts have been confined to the large life companies—now more and more small companies both in the life field and the casualty field find themselves forced by competitive pressure to follow suit. Profit could well disappear.

The strength of a large multiple line company is its spread of risk. It is a strength when the catastrophes hit only one or two categories in a year. It could be a weakness if several major lines took a bath in a given year. In summary the problems ahead look no worse than they have in the past while the upward trend in volume of business placed with domestic reinsurers should continue.

HARLLEE BRANCH, JR.

President, The Southern Company

Sales of electric power for residential, commercial and industrial use, which rose an unprecedented 12% in 1962, are expected to reach still higher levels in 1963 in the four-state area served by the Alabama, Georgia, Gulf and Mississippi Power Companies, operating subsidiaries of The Southern Co.

Harllee Branch, Jr.

Energy sales are predicted to increase approximately 8%, reaching a total of 32 billion kilowatt hours. This increase is in line with the System's growth trend since 1927 and reflects a steady expansion in all segments of economic activity in the developing Southeast.

A long-time imbalance between agriculture and industry is rapidly being corrected in this region. Agricultural output has been increased through the mechanization and consolidation of farms. At the same time, a continued influx of new industry has provided expanded non-farm employment opportunities for residents of the area.

Industrial diversification continues at a rapid pace. The textile industry, long dominant in the South, continues to be an important element in the economy, but new plants producing electronic components, chemicals, transportation equipment, pulp and paper products, steel, home appliances, food, rubber, plastics, and petroleum products are giving new breadth to the economic life of the area.

During the first nine months of 1962, 119 new industries were announced for location within the Southern system area. These industries represent a capital outlay of more than $110 million, and will provide employment for more than 10,000 people. Of equal importance, 99 existing industries within the territory expanded their operations to provide more than 6,000 additional jobs with an added capital investment of $87 million.

To meet the area's expanding power requirements, the Southern system companies are continuing the largest expansion program in their history. More than $160 million will be spent on new power facilities in 1963, and more than $530 million during the three-year period 1963-1965.

JOHN G. BROOKS

Chairman of the Board, Lear Siegler, Inc.

I believe 1963 will be a good year for American business generally. As for our own company, we expect to see improvement over 1962 in every phase of our activities.

Lear Siegler's business is 60% military and 40% commercial. Prospects are favorable for a better consumer goods market for 1963 and there is every indication that military spending in the electronics and aerospace fields will be increased. Consequently we are basically optimistic.

John G. Brooks

Looking back over the past months, it seems to me that we have weathered a psychological recession and the economy is in an excellent position to move ahead. This is due primarily to several factors—most important of which has been the restoration of public confidence as a result of the Administration's handling of the Cuban situation. People are in the mood to buy cars and appliances, build new houses and proceed with their planning for the future.

The "slow down" in 1962 of activity has had some healthy effects as well as its negative aspects. Many managements took a hard look at their operations and ordered necessary steps to put their companies in better condition. I refer specifically to such things as inventory controls, money management and more effective use of facilities and personnel. Starting the new year from this stronger position, business should be able to turn in a better performance.

Naturally, the well organized and well managed companies with aggressive marketing programs will do better than those that are weak in these essential areas. We live in a competitive free enterprise system and the rewards will go to those with drive and skill. I don't subscribe to the charge that this country has stopped growing. There is plenty of room for new products, innovations and creative ideas. We have an expanding population and a rising standard of living. Opportunity is still very much alive and I hope will continue to be.

Further, there is promise as well as challenge for American companies in the European common market. In our own case, during the past year we took a number of steps to strenghten our activities in Europe. These included expansion of plant facilities in West Germany, consolidation of marketing efforts throughout the common market, extension of joint licensing agreements, opening of central office in Paris and an investment in a manufacturing plant in Holland where we previously had a joint venture distribution arrangement. Again, I want to emphasize that the well managed aggressive American company can find profitable markets both domestically and abroad.

In summary, I believe a combination of renewed public confidence, a high level of military and consumer spending and an apparently more sympathetic and realistic attitude on the part of government towards business should produce a good year for the economy in 1963.

F. LEONARD BRYANT

President, Hooker Chemical Corporation

We can be reasonably sure that in 1963 the earth will successfully complete one solar orbit and rotate on its own axis 365.237 times in the process. The economic progress of the earth's greatest nation, however, is not set on any such a certain and predictable course. The best we can foresee of that course now must come from a critical evaluation of where we stand today and the course we have followed through history to get to this point, to which we must then add an evaluation of the major new influences that may uniquely alter our course through 1963. Shaping our view of 1963 in this manner, we see a year of real significance ahead. If any single year can be pivotal economically for a generation, 1963 tells us now that it can be such a year.

F. Leonard Bryant

In 1962 we have reached, and have passed, the high point of the 1961-62 cyclical upturn. Over the years, we have reached our present position of strength and national wealth through a magnificent history of steady and consistent growth, with short-term business cycle variations above and below the steady growth trend upward. Having now passed another cyclical high point, will 1963 bring a downturn of the sort we usually call recession . . . a downturn of the sort we have called depression . . . or a downturn or a drift of the sort we give no name to because we scarcely notice it at all? This may sound like the same riddle we faced in 1948, 1951, 1953, 1956, and 1960. But there is a different ring to the crystal ball today, and it is this difference that will make 1963 pivotal. Looking carefully, we see these differences from other post-war business cycles:

(1) An end to the post-war period of inflation. For the present and the years immediately ahead, there is little or no room for producers to recover cost increases by increasing prices.

(2) A developing shortage of cash generation from new investment to satisfy basic profit requirements. A critical look at both national data and individual company data over recent years, along with projections for new investment for the years ahead, show a continuing decrease in our capability of providing the investment needed for economic growth.

(3) The end of the road in gold movement from the United States. Our international accounts must be made to balance . . . we've run out of room to maneuver.

(4) Unit costs discrepancies between U.S.A. and other free-world producers, with most of these to our disadvantage.

(5) The completion of post-war recovery throughout the world.

All of this adds up to the fact that the stimulation of post-war recovery world-wide is now done with. For the future we have only the forces of a "normal" growth situation to build on, and a competitive world situation to match. Will our adjustment to a post-war competitive world economy carry us upward, or down? We will begin to see our answer to that question in 1963. The answer can be a favorable one, I believe, but only if—

(1) We prevent our unit costs from rising, and reduce them if possible.

(2) We innovate to take advantage of change and the new opportunities thereby made possible.

(3) We control the "unit cost" of marketing, administrative, and management output with the same objectivity as we apply to unit production costs.

(4) We cooperate with government to develop administrative policy and legislative action needed to make, and keep, American industry competitive.

(5) We strive to educate ourselves, our government, and our publics to the realities of our economic world.

(6) We make of our business enterprises the strongest competitors and the most aggressive seekers for success that our nation has ever seen.

CHESTER M. BROWN

President, Allied Chemical Corporation

Record sales reported by most chemical companies for 1962, reflect the moderate upturn in business in the past few months. However, the improvement in sales volume has been accompanied by price weakness, and, in consequence, has brought no significant relief from the cost-price squeeze. Profit margins are still inadequate in most product lines.

Chester M. Brown

In an effort to minimize the squeeze on profits, chemical companies are giving increased emphasis to cost reduction and greater efficiencies in production, sales, and administrative functions. To the extent that this effort is successful, some improvement in profit margins should result, but it is fallacious to believe that cost reductions and increased sales volume alone can restore profits to reasonable levels.

Excess manufacturing capacity and price-cutting—largely caused by the increasing number of non-chemical companies going into chemical production—has created, and will continue to cause, marketing problems in affected product lines. These factors will further intensify the strenuous competition among primary chemical producers, in both domestic and foreign markets.

It is understandable, therefore, that a slight improvement, in recent months, in price stability of a few key chemical products has been welcome, although spotty.

Reports indicate that a number of chemical companies are providing for substantial research expenditures and capital outlays for new plant and equipment, both here and abroad. Given reasonable economic conditions in 1963, this manifestation of the industry's competitive drive and confidence in its future, together with the strenuous effort on its part to reduce costs and improve efficiency, support the view that a modest improvement in chemical sales and earnings may be expected.

Unpredictable is the possible effect of international trade in chemicals, The advent of large economic trading groups, led by the European Economic Community, and the great progress that has been made by many nations in chemical and other manufacturing, have added to the complexity of chemical marketing. This is likely to be accentuated as negotiations authorized by the Trade Expansion Act bring about basic changes in the tariff structure, and American companies continue to make heavy commitments in overseas production facilities. The extent to which these moves will seriously affect the profitability of domestic chemical operations, and the earnings to be realized from foreign investments, is not now apparent.

JOHN M. BUDD

President, Great Northern Railway

Results of Great Northern's one hundredth year of operation will be somewhat better than in 1961. While final results of 1962 operations will not be known until late January, present indications are that net income will be above previous year's $3.07 per share.

John M. Budd

Great Northern's freight volume in 1962 was slightly above the 1961 level and passenger business was the highest since 1953—the impact of the Seattle World's Fair. At the close of the fair in late October GN's passenger revenue was nearly 24% ahead of the comparable period in 1961, and is expected to be about 20% higher at the end of 1962.

The 1962 grain crop along Great Northern was the best in many years, an extremely encouraging recovery from the effects of the previous year's drouth on grain production. A substantial part of the past year's grain crop is in storage for movement in 1963. Moisture conditions generally in GN's grain-growing territory now are better than at this time a year ago.

It now is expected that GN's traffic volume will be slightly higher this year in line with the anticipated increase in general business activity in 1963. GN's management shares the industry-wide feeling that substantial progress will be made in the long, uphill battle by the nation's railways for equal competitive opportunity with other modes of transportation.

The new Congress will consider corrective legislation generated by President Kennedy's precedent-making message last April on transportation, in which he cited inequities and inconsistencies in public policy on national transport, and recommended Congressional correction of this chaotic situation. A start in this direction was made in 1962, and effective headway is hoped for in the forthcoming session of Congress.

GN's physical plant continues to be in excellent condition. The company's 1962 track and equipment improvement program was on a more moderate scale than those of recent years. A substantially larger capital improvement program has been authorized for next year.

A 373-mile pipeline for transport of North Dakota crude oil was built and opened in 1962 by the Portal Pipeline Company, in which Great Northern shares ownership with the Hunt Oil Company of Dallas and Northwestern Refining Company of St. Paul Park, Minn. The pipeline's main trunk extends from Lignite, N. D., northwest of Minot, to Clearbrook, Minn. The 16-inch Portal line connects in Clearbrook with lines serving refineries in the Twin Cities, Duluth-Superior and the Toronto-Buffalo area.

Extensive public hearings on the proposed merger of Great Northern, Northern Pacific, Chicago, Burlington & Quincy and the Spokane, Portland & Seattle railways before an Interstate Commerce Commission examiner were concluded on July 10, 1962. At the final hearing in Minneapolis ICC examiner Robert H. Murphy set Jan. 4, 1963 as the date for filing of briefs with the commission by all parties involved in the proposal. The examiner's recommendations to the ICC on the merger proposal will be submitted sometime after filing of briefs.

WILLIAM H. BURGESS

President, Electronic Specialty Co.

Nineteen-sixty-three will take its place as a logical increment of a decade of continued progress and growth of the electronic and aerospace industries during the decade of the 60's. The participation of private industry during 1963 in major programs such as communications satellites will increase as the inevitable prospect of outer space travel and supersonic global transportation becomes increasingly evident. Defense expenditures will also increase as the cold war turns warm and recognition is given to the fact that the free world is actually at war.

William H. Burgess

Therefore, the electronic and aerospace industries will continue to grow faster than other segments of the economy. And within the framework of these industries, Electronic Specialty Co. is expected to be able to maintain its average annual growth rate of 50%—comparable to the annual growth of the company during the past 14 years since its founding.

NORMAN BURNELL

President, Burnell & Co., Inc.

The recent successes of the United States' Mariner Venus probe and Telstar communications satellite point up the increasingly vital role of electronic filters in aerospace communications and control, and promise continuing growth for the industry, as well as for Burnell & Co., Inc., specialists in the design and manufacture of filters and related electronic networks for 17 years.

Norman Burnell

Without filters—super-selective electronic "gateways" that sort out unwanted signals—electronic circuits could not function. Thus, when a satellite such as Mariner flashes information back to earth, filters screen out the undesired impulses that would result in reception of electronic gibberish.

Burnell & Co. pioneered in the design and manufacture of filters. Before that, filters were manufactured by transformer companies, primarily as a sideline. Today, as imaginative engineering creates more intricate electronic devices demanding greater reliability of their thousands of components, the electronic filter stands as one of the most indispensable components in aerospace technology. By 1965, the industry's volume should approach $70 million, and Burnell & Co., as a leader in its field, expects to be an important part of this growth.

When Burnell & Co. was founded in 1945, as the first company to specialize, standardize, catalogue and advertise electronic filters, it had only a handful of customers. Today, the customer lists number more than 3,000 and we have designed and produced filters for the guidance and control systems or associated equipment of many important space vehicles, including the Atlas, Saturn, Polaris, Jupiter, Minuteman, Sidewinder and Sparrow.

In addition, Burnell filters are used in terminal bays of highspeed telegraph message centers, in microwave and data transmission, computers and industrial automation.

In no small measure, Burnell & Co.'s emergence as a leader in its industry stems from its recognized capabilities in miniaturizing filters to meet the need for smaller and smaller components. Some of our filters are no larger than the head of a straight pin. The creativity and technical know-how required of filter manufacturers is illustrated by the fact that we have designed more than 15,000 different filters.

The company is continuing its research to further refine the state-of-the-art of electronic filter design and manufacturing. To supplement our internal R&D work, we recently installed a computer in our design department. The computer is currently programming 80% of

Continued on page 38

Continued from page 37

our design work and is effectively helping us to solve difficult technical problems with important savings in time and labor.

Burnell & Co. is also beginning operations in a new field that holds great promise—crystal filters. As the name implies, crystal filters are made with crystal, a piezoelectric material that has special electrical characteristics. It is made from carefully cut and optically ground slabs of quartz. Crystal filters provide excellent performance and reliability, and will find a growing market as aerospace electronics becomes ever more complex and sophisticated. The industry's crystal filter volume, already close to $15 million, is rapidly becoming a major portion of the filter industry and may some day be substantially greater than volume of conventional filters. We believe that about half of our own total volume by mid 1964 will come from the design and manufacture of crystal filters.

As man moves closer to the conquest of space, Burnell & Co. will continue to make significant contributions to the technological and scientific advances of the era. We are looking ahead to continued progress and growth in all of our operations in the years ahead.

JAMES O. BURKE

President, Standard Kollsman Industries Inc.

The aerospace industry and this company, one of the leaders in the allied field of aviation since 1928, count on 1963 as bright with promise, underscored by hard facts that indicate the promise will be realized.

James O. Burke

Standard Kollsman itself made significant progress in advancing the planned transition from its traditional role as a leader in supplying aviation with new and improved equipment to an important place as a supplier to the fast-growing aerospace industry.

The Kollsman Instrument Corporation, our principal subsidiary, produced the first electrical tachometer for biplanes in 1928, and it has been in the forefront of many advances in the years since that significant milestone.

As 1962 drew to a close, Kollsman Instrument was successful in obtaining an important contract for a new and highly important program of the Defense Department. The Air Force selected Kollsman as prime contractor and manager for the AN/USQ-28 photo mapping and geodetic survey systems.

The amount obligated at the outset was $3,364,493, and it will go toward the development of two prototype systems for RC-135A jet aircraft. Looking ahead, the potential of the program is estimated to be at least $50,000,000.

More important, it highlights the recognition being accorded Standard Kollsman's technical competence and it means that the Kollsman division is ranked among the nation's top systems management companies on the Government's procurement list. Kollsman Instrument won out over 10 other companies, including the top-rated blue-chip and defense manufacturers in the aerospace field.

What the unit will do will be to manage, develop and manufacture this important photographic and navigational system, combining mapping cameras, an extremely accurate inertial navigation system, data recording equipment and supporting electronics to permit geodetic maps of the entire free world with an accuracy that up to now has not been possible. Each technical field embraced by the system has been an area of major endeavor at Kollsman for many years.

Standard Kollsman's sales rose steadily from $59 million in 1956 to $104.3 million in calendar 1961. The transition to the highly complex field of aerospace supply, rewarded in the past year by such important contracts as the photo mapping and geodetic survey system contract, and one for $1 million in the new and significant field of data display, nevertheless had a temporary downward effect on income, which is usually the case with such a shift.

For nine months of 1962 net sales were $67.7 million and net income, after taxes, was $2.1 million, against $76.3 million and $2.4 million, respectively, for the equivalent 1961 period.

Standard Kollsman continued to spend many millions on research and development during the year 1962. The company is hopeful that this investment will be repaid many times over in the years to come.

The Federal Government, through the National Aeronautics and Space Administration, is in the position of recognizing Kollsman Instrument's capabilities as a supplier for the age of space. NASA gave the subsidiary its work on the optical electronics and guidance system for Project Apollo, the program for landing an astronaut on the moon.

The subsidiary, under an energetic management team headed by David Nichinson, has a team of brilliant scientists and engineers well along the research paths leading to still newer frontiers of technology. Their work is producing additions to a long list of "firsts" of which the company is very proud. Its contributions over the years to the nation's explorations of the skies and beyond to the uncharted realm of distant space include the building of a family of automatic celestial guidance and navigation systems.

These have led to orders for many millions of dollars worth of sophisticated devices for tracking, aiming and navigating aircraft, missiles and space vehicles. Some of these are in actual use and are scheduled for use not only in advanced jet bombers but in missiles and in orbiting satellites to be used as astronomical observatories hundreds of miles above the earth.

The parent company, Standard Kollsman Industries, is the largest producer in the country of television tuners, one of the most expensive subassemblies in a televisior receiver. This is an expanding field as new sets come on the market with better reception, and as the cost of color receivers comes down.

Our tuners are used in the best-known brand-name television receivers. With the requirement for all-channel tuning by 1964 and with gains in color television, we look ahead to substantial increases in volume and net income in 1963.

Our Casco Products Corporation subsidiary made gains in 1962 in its volume of cigarette lighters and fire extinguishers. Several new items are being made ready for introduction by this division. Casco, which is the leading manufacturer of heating pads, supplying 35% of the industry's volume under various brand names, also has developed an application of the heating pad to assist in the relief of pain caused by sinus. This is called the Sinusmask and it can provide moist or dry heat, worn directly on the face.

In the last quarter of 1962 Casco introduced a full line of portable electric hair dryers, which have been well received and should add to profits this year. Casco will be marketing early in 1963 a cordless electric toothbrush through drug and housewares outlets, known as the "Toothbrusher."

Other autonomous divisions also showed gains. Among these are the Kollsman Motor Corporation, which makes servo motors and synchros as well as special-purpose motors for control devices; Kollstan Semiconductor Elements, which produces the basic materials of silicon and germanium crystals for semiconductors; Kollsman Luftfahrt-Instrumente G.m.b.H., a unit in Munich that makes instruments for the expanding military aircraft industries in West Germany and other NATO nations; Kollsman Instrument Ltd., England, which serves air frame manufacturers and the aerospace industry in the British Commonwealth, and Kollsman Ordnance Mfg. Corp., formed in 1962 to seek new markets for pressure-sensitive instruments.

The company is looking ahead to continued progress in all divisions. Standard Kollsman supplies vital systems and instrumentation to military and commercial aircraft as well as for missiles and space, and it is expected that defense and space expenditures will not only be continued at a high level but increased substantially. In any case, the company, through its various units and its planned diversification and research and development, is well on the road to achieving a balance among its various military, space, commercial and consumer products.

C. B. BURNETT

President and Chief Executive Officer, Johns-Manville Corporation

The outlook for the construction industry in 1963 appears good.

J-M economists have just completed a study that indicates total construction expenditures for 1963 should reach a record $83 billion.

New construction should account for about $61 billion —equal to the record level established in 1962.

We expect that an additional $22 billion should be spent during the year on maintenance and repair of existing structures, bringing total industry activity to a record high.

Some of the outstanding features of the construction picture this year will include:

The possibility of a slight dip in housing starts and new housing expenditures. However, the continued strength and growth of the remodeling, maintenance and repair markets is expected to offset any decline in starts.

New residential construction expenditures, both public and private, are expected to amount to about $25.2 billion. Of this amount some $5.5 billion will be accounted for by the remodeling market for additions and alterations of existing structures.

Aside from new construction expenditures, current estimates indicate that an additional $8 billion will be spent in the residential area for maintenance and repair of older homes. The remodeling, maintenance and repair markets are important stabilizing factors to the entire residential construction field.

Also significant in the housing category is the continuing high level in the construction of multi-family units. This area should account for approximately 29% of all housing in 1963 and is expected to increase to 35% during the next decade.

This area is being stimulated by the growing proportion of older people in the population, a back-to-the-city shift of increasing numbers of households, the need to economize land, easy mortgage money, and more liberal depreciation allowances.

Private industrial construction expenditures are expected to be a shade lower in 1963, according to our studies. We expect this category to account for about $2.7 billion, compared to $2.8 billion in 1962.

Liberalized depreciation rules and investment tax credit have as yet shown little impact in industrial building. However, if these tax measures are supplemented by additional income tax concessions during 1963, industrial construction could well exceed the '62 level.

Commercial and utilities construction is expected to increase in 1963 to a combined total of $10.8 billion, up 3% over last year. The continuing demand for more office space, more electricity, natural gas and telephone service should continue to support a high rate of construction in these categories.

Expenditures for sewer and water systems construction is expected to rise slightly in '63 to $1.8 billion. The increase in this area reflects the continuing and growing need for additional facilities to keep pace with expanding and changing population patterns.

The need for additional educational and institutional construction is expected to continue strong during 1963. However, contract awards indicate that expenditures in this area will be slightly below 1962 levels.

Total construction will continue to be our largest industry during 1963. At the present rate of expenditures, we expect the construction industry to put more money into circulation than national defense, the automotive industry, agriculture, or any other segment of the economy.

GEORGE R. CAIN

Chairman of the Board and President, Abbott Laboratories

Further advancements both in operating results and in new products for treating and preventing disease can be expected from the ethical pharmaceutical industry during 1963. But these advancements will be tempered by the increased legislative and regulatory pressures imposed upon the industry during 1962 and by the uncertainties that still exist about how these will be interpreted by the agencies that must administer them.

George R. Cain

We anticipate a moderate improvement in sales and earnings which will be achieved primarily by more efficient operations and increased emphasis upon major products. Mergers and acquisitions, a number of which were effected during 1962, probably will continue to be sought both domestically and overseas by a number of companies in the industry.

International volume also will increase moderately. However, the industry, like others with substantial overseas business, will face continuing problems of weaknesses in foreign currency, particularly in South America.

The big question mark in the outlook for the pharmaceutical industry is that of new products. The past year saw a marked slow-down in the number of significant new product introductions — the result of increased regulatory measures and concern about drug safety. There are now about 100 New Drug Applications pending before the Food and Drug Administration. Some of them represent potentially major products. If a sizable portion of these New Drug Applications should become effective during the year, the industry's showing could be improved substantially.

Over the longer term, however, it is likely that the development of new products will be slowed down by the new requirements. This will have three results: increased drug development costs, fewer new product introductions and stiffer competition among existing products.

Although competition may have some downward effects on the prices of selected products, in all likelihood prices will remain fairly firm. Existing products probably will have to bear a larger portion of the increased costs of production and of research.

Expenditures for research will continue to rise by about 10%. In 1962, the industry spent in excess of $270 million in this effort, and we can expect such expenses to go over the $300 million mark in 1963. A larger portion than ever before will be devoted to basic research.

The industry's capital expenditures probably will continue at a substantial level as domestic production facilities are improved and expanded and as new overseas operations are constructed to provide for the pharmaceutical needs of many areas of the world.

The coming year will, in many senses, be one of adjustment for the industry. But to an industry accustomed to rapid change, such a period is looked upon not with foreboding but as a challenge. We will, I am certain, meet that challenge and continue to advance.

NATHANIEL COHEN

President, National Work-Clothes Rental

The concept of renting the right uniforms and other work clothing has turned out to be more than an important economy for American management. It has been an aid to production and to safety.

Nathaniel Cohen

The American housewife would be mightily impressed if she could see the modern factory of today. It is neat and clean, and its workers are neatly dressed. They look comfortable and they do their work in a pleasant atmosphere.

Repeated observations have revealed that it is safer and costs less to keep a factory clean, and a most important way to achieve this objective is to equip the workers with the proper work clothing and to keep the clothing clean and in good condition.

The idea of renting work clothes instead of owning a quantity of clothing that might become outmoded for the tasks to be done—and would need cleaning and maintenance in any case—is growing vigorously. Our own company's volume, and we are one of the largest in the field, has gone up about $1,000,000 a year in recent years. We now have more than 50,000 customers in 29 states and the District of Columbia and our 1962 volume was over $17,000,000

Cleanliness and health go togther, and in addition there's the morale factor in good appearance. It's hard to put an exact dollar-and-cents value on these factors, but without question an employee who looks better feels better and works better.

Municipalities have found, for instance, that when they put their refuse collectors in clean, neat work uniforms complaints about the service drop sharply.

Companies dealing with the public have found that putting workers in clean uniforms enhances their surroundings and makes for greater efficiency.

The American housewife does a first-rate job of keeping her home clean, and she, too, wears work clothing—such as a housedress or an apron—chosen from a standpoint of appearance as well as economy. Even the most meticulous housewife would be amazed, however, at the cleanliness and the super-clean work clothes, required for some industrial operations.

For instance, in the aerospace and electronics industries, a speck of dust that no housewife could ever see or pick up with any household cleaning appliance is enough to upset the delicate instruments of a 10-story-high missile, or of a space probe.

To the housewife the water needs merely to be hot, and she might prefer one detergent to another, and her drying method might vary from the open air to a machine dryer. But for work clothes for industrial clean rooms, the temperature of the wash water, the type of detergent and the method of drying all must conform to exacting specifications. These details require the attention of engineers.

National Work-Clothes Rental recently set up a special laundry in St. Petersburg, Fla., in the heart of the South's missile and space vehicle complex, for clean room clothing. The laundered garments it turns out must pass a dust count in which a particle 1/25,000th of an inch is too big.

For more conventional use, our company supplies work clothing, shirts, coveralls and shop jackets many of which we also manufacture. We also rent such important items as machine-wiping towels, rags and mops for use in factories, stores and garages. All of these are selected for a specific job, and they must be exactly right.

Having to buy, wash and maintain work garments is a diversion for any company not in the industrial laundry field. Chances are that such a company will continue to use the clothing until it is worn out even though changing working conditions and needs cause the clothing to become outmoded.

Under the rental set-up, a supply of fresh and clean work clothing is always available, designed for the job at hand.

There is another "plus" factor in using the proper work clothing which has helped to build the work-clothes industry's volume. This factor is safety, an important component of productivity. Properly clad workers lose less time as a result of accidents.

The work clothing we rent is designed by our engineering department on the basis of our own years of experience and on the advice of our insurance carriers. Among other things, this results in clothing that fits properly, an important safety feature. We repair rips and tears and we use special equipment in our 24 processing plants to remove soil caused by oil, grease or chemicals.

Workers themselves are beginning to recognize the advantages of clean and proper work clothing. New collective bargaining contracts in many instances include a fringe benefit calling for provision of such apparel.

Laws in many states on cleanliness in food and drug plants have been made more stringent, and there is additional volume for the work clothing rental industry as a result.

The consequences is that among the customers of National Work-Clothes Rental are airlines, railroads, bus and truck companies, service stations, utilities, hospitals and various agencies of the Federal, State and local governments. We expect the list to grow.

Continued on page 40

Some Confuse Nature of Life Policies

Americans undoubtedly approve of life insurance—six out of seven families have policies of one type or another. But when it comes to classifying their insurance along technical lines, they are more familiar with some policies than with others, judging by a consumer survey just completed by the Institute of Life Insurance.

The survey indicates that one of the best-understood types of policy is endowment insurance—more than half of those questioned knew that this policy accumulates the largest cash and loan values. This is so because endowment insurance is basically a savings plan protected by life insurance. Premiums are payable over a specified number of years, after which the insurance ceases and the policyholder receives the face value of the policy. Thus the owner of a $1,000 20-year endowment would receive $1,000 at the end of the 20-year period; if he were to die before that time, his beneficiary would receive $1,000.

Group life insurance is apparently more familiar, the survey indicates. Sixty-one percent of those questioned identified it as a type of insurance where the employer pays part of the cost, with the rest deducted from the paycheck. (Actually, as far as millions of workers are concerned, the employer pays the entire cost, although the exact number of employees involved has not been tabulated.) Group life insurance by and large provides temporary protection that ends when the worker changes jobs; but he does have the privilege of converting to permanent insurance without a medical examination.

When it comes to term insurance, little more than one in three of those who were questioned were able to identify it as insurance that covers for only a limited term, such as five years. This type of policy is designed to protect a risk of limited duration, for example a loan. Term insurance builds no cash values and consequently cannot be counted upon as a source of funds in an emergency.

The survey showed that not too many people could identify "industrial" life insurance as the type whose premiums are collected by an agent who calls in person. This lack of identification is perhaps not surprising since industrial insurance is also known as "weekly (or monthly) premium" insurance, as "family insurance" and by other names. Industrial life insurance policies are typically for less than $1,000. Reflecting the general prosperity of the years following World War II, many owners of industrial insurance are now buying larger life insurance policies.

Continued from page 39

MARVIN CHANDLER

President, Northern Illinois Gas Company

Our company, serving gas to more than three-quarters of a million customers in the Chicago suburban and outlying areas in the northern third of the state generally, expects 1963 to be a better year than prosperous 1962. Our service area has been fortunate in having a rapid growth rate in terms of industrial and commercial activity and residential construction. Between 1950 and 1960, population in our area increased almost 72%. This growth rate, which represents a composite of people and businesses initially moving to northern Illinois and transfers from Chicago into the suburban areas, is expected to continue. Industry is highly diversified in our area, thus providing greater stability to our economy from year to year. The recent decision of Bethlehem Steel to construct a completely new integrated steel mill in the Chicago area, although not of direct benefit to us, is further evidence of the prosperity of the metal processing and fabricating industry, which is one of the largest industry groups in our service territory.

Marvin Chandler

We expect to add some 34,000 new customers in 1963, almost identical to the 1962 total. Space heating customers will increase by 45,000 to 50,000. At the end of 1963, we will still be providing gas for heating directly to less than 75% of our customers.

Total revenues of Northern Illinois Gas Company, assuming normal weather, may be up about 3% from 1962, in which latter period unusually cold weather in the beginning of the year caused our revenues to be unexpectedly high. We were happy to be able to make a $1,000,000 rate reduction on Dec. 1, 1962, the first general change in our rates since 1954.

In northern Illinois, as well as in nearly all other sections of the U. S. where natural gas is available, substantially all heating in new construction utilizes this clean, reliable, and easily controlled fuel. Gas prices are attractive and fully competitive for virtually every application.

While wellhead prices rose steadily for many years, recently improved regulatory procedures; voluntary settlements of rate questions between distribution companies, such as ours, and the pipe-line companies; adequate gas supplies; reduced pipeline expansion with all corners of the country now reached; and steadily increasing development of underground storage have resulted in a leveling off of field prices. This has permitted retention of the current favorable competitive position of natural gas. It should be remembered that the cost of gas itself for a natural gas distribution utility represents on the average only between 30 and 40% of the total cost of providing service.

We are not concerned with future gas supplies. Proved reserves of natural gas in the U. S. continue to increase steadily and at the end of 1961 stood at 267.7 trillion cubic feet. During the past five years, newly proved reserves have exceeded total production by 50%. A recent publication of the U. S. Geological Survey estimated that remaining ultimate natural gas reserves in the U. S. alone amount to 1,842 trillion cubic feet. Similar reserves in Canada have been variously estimated at 300 to 500 trillion cubic feet.

Long before shortages of natural gas from conventional sources become imminent, many decades hence, current research programs will develop methods of producing natural gas from vast deposits of oil shale, tar sands, and coal at prices which will then be competitive.

Northern Illinois Gas Company estimates it will spend $195 million for construction during the five-year 1963-67 period. The $195 million figure includes about $131 million to connect new customers and to provide for additional space heating business—gas mains and general gas distribution system improvements and replacements; $41 million for underground gas storage facilities; $6 million for supply mains to deliver the gas to the local system; and $17 million for general plant—land, buildings, office equipment, tools and transportation equipment.

We are hopeful that in 1963 substantial additional progress will be made in our efforts to develop natural gas total energy systems for industrial and commercial application. These systems will consist of natural gas fired turbines or reciprocating engines for on-site electric power generation with heat recovery for heating and cooling purposes to maximize total system efficiency. Natural gas promises to be fully price competitive in the supply of this major energy potential, not only for new construction but for existing installations as well.

WALKER L. CISLER

President, The Detroit Edison Company

The 1963 business outlook in Southeastern Michigan seems generally good.

Here in Detroit, business conditions have been up to the moderately favorable level maintained nationally throughout the year. In some respects they have bettered the nationwide level. For example, during 1962, the automobile industry had one of the best years in its history. Detroit Edison's operational records reflect the generally healthy economic climate of our area.

Walker L. Cisler

Our operational figures, summarized for the 12 months that ended Nov. 30, 1962, are as follows:

Total utility revenues of $300,400,000—or 5.6% more than those of the same period of 1960-61.

Net income of $42,200,000 — up 7.4%.

Earnings per share: $2.93 as compared to $2.74.

Dividends of $31,600,000 with $10,600,000 retained for investment in the business.

Total energy output: 17 billion kilowatt-hours — up 9.5%.

Total plant investment nearing the $1¼ billion mark —$1,221,000,000.

Of Detroit Edison's total revenues, domestic sales accounted for $115,500,000—3.1% higher than for the corresponding period of 1960-61.

Industrial revenues for the period were $81,600,000—up 9.7%, while commercial revenues rose 5.9% to reach $80,700,000. Municipal lighting, steam sales and other sources furnished the balance of revenues for the 12-month period.

We believe investor-owned companies like Detroit Edison are most significant in their function as stabilizers of our area's economy.

In a single, typical 12-month period, the company circulates more than a quarter of a billion dollars through the local, state and national economic system.

For example, in supplying electricity to serve 1,299,000 customers during the 12 months that ended with November, Detroit Edison:

Paid out more than $31,000,000 in dividends to shareowners, most of whom live in Michigan.

Paid close to $16,000,000 in interest on bonds and other borrowings.

Paid local, state and Federal taxes of about $58,000,000.

Provided jobs, payroll and retirement provisions of $83,000,000, for some 9,600 employees.

Bought almost $52,000,000 worth of coal.

Spent some $36,000,000 (including construction employees' wages of $13,000,000) on expanding and strengthening the Detroit Edison electrical system, which serves more than half the people of Michigan.

In figures like these we see how a people-owned taxpaying business, financed by investors, in one year put more than $250,000,000 into the economy. It is tremendously important that this kind of enterprise and service can be accomplished here in our country without depending upon our government for subsidization.

This is to us convincing evidence that our traditional American economic system is the best possible safeguard of our economic, social and other freedoms. We believe that in this kind of practical demonstration there is guidance and promise for people seeking freedom throughout the world.

BUNDY COLWELL

President, The Colwell Company
Regional Governor and Member of Executive Committee of Mortgage Bankers Association of America

The general outlook for the mortgage banking industry in 1963 is good. The basis for my optimism is the continued growth of the new housing and commercial and industrial construction markets, and the ample availability of funds for mortgage investments by financial institutions and investors.

Bundy Colwell

Consensus of opinion is that housing starts this year in 1963 will slightly exceed the 1.4 million starts estimated for 1962. As we approach the mid-60s the acceleration of new family formations expected will no doubt push new housing demand to record levels.

As mortgage markets expand, the mortgage banking industry will, I'm sure, continue its key role as originator and servicer of mortgage investments for institutional investors.

In the postwar era our industry has made rapid strides and at year end 1961, according to the MBA, was servicing approximately 20% of the nation's total mortgage debt.

Although the bulk of our industry's business (approximately 75%) comes from FHA and VA insured and guaranteed loans a trend toward more conventional loan activity is developing. FHAs and VAs, however, still remain the backbone of our business.

We in The Colwell Company are privileged in serving the Mortgage Markets in the West and California in particular. This dynamic area has consistently run above the national average in construction activity, and other economic criteria, and, most important, has maintained attractive mortgage yields for investors.

Our management throughout the State, and in Arizona and Nevada are bullish on the mortgage financing outlook in their areas this year.

Named Director

Henry T. Bodman, President of National Bank of Detroit, has been elected a director of Wyandotte Chemicals Corporation.

A member of the Executive Committee of the National Bank Division, American Bankers Association, Mr. Bodman also serves on the boards of directors of Cunningham Drug Stores, Inc., Michigan Bell Telephone Company and National Steel Corporation, as well as many civic, educational and charitable organizations.

He was elected President of National Bank of Detroit in 1958, having served the institution since its founding in 1933, with leaves of absence for military and Government service, including three years as a member of the Board of Directors of the Reconstruction Finance Corporation.

HAROLD W. COMFORT
President, The Borden Company

The year 1962 was a good year for business generally, and for the food industry particularly. The Borden Co., owing to increased diversification during the year, favorably reflected the high degree of activity at both levels. Its chemical operations responded nicely to increased industrial output, and its food operations, notably the specialty side, benefited from higher disposable incomes and continued consumer acceptance of new convenience products.


Harold W. Comfort

While the company's final results for 1962 will not be available until late next February, all indications at this time point to another record year for Borden's. Earnings should set a new high for the seventh straight year. Sales will exceed $1 billion for the second year in a row, going perhaps 4 to 5% above that level. The rate of profit on sales, reflecting the company's greater emphasis on higher-margin specialty foods and chemicals, promises to be the highest in a dozen years.

As with most companies, however, Borden's favorable showing during 1962 was not due to any let up in the usual business pressures. These can be summed up in one phrase: the rising cost of doing business. This problem, of course, is not unique; however, as a food company, and primarily a dairy company, Borden's is more sensitive than non-food firms to any squeezing of margins. Higher costs—without compensating increases in productivity or, lacking this, more realistic pricing—appear to underlie the current weaknesses that I have observed in the businesses in which Borden's has an interest. There is a tendency to overproduction which results in destructive pricing competition. Such a situation reflects business's hope—I do not think it is belief—that volume, even without immediate markets to absorb it, can offset rising unit costs of production.

Another current weakness of business, for which it is not responsible, is its uncertainty in coping with the actions, and inaction, of the Federal government. The 7% tax credit on investments, and the accelerated write-offs on some types of equipment are, I feel, welcomed by most businessmen—provided they are forerunners of change, and not the sum of it. As a businessman, I share the view of many that what is urgently needed at this time—not only by business but by the country—is tax relief for individuals and corporations, rather than tax reform. Reform, as the term is used, would mean primarily a shift in the burden of taxation, and not an easing of it. Obviously, any change must be subject to the requirements of national security, and these factors business is not competent to assess.

With all the problems weighing it down, the business economy has nevertheless shown good progress during the year just ended. While several key indicators are being interpreted as signs of a leveling off during 1963, the momentum should carry the economy upward into mid year. Business, wisely, does not try to provide for the unpredictable, but it is finding that the unpredictable is occurring more frequently. Consequently, it is making fewer commitments, and for shorter periods. In view of the current state of international relations, the tightening of foreign economic blocs, signs of a slight softness in some segments of the domestic economy, and the uncertain political climate, American business appears to be adopting a "line of sight" approach in its plans for 1963.

Looking at the indicators at this time, there are grounds for the belief that the economy will reach a new high level for 1963 as a whole, as the result of a slight upward movement during the first half and a pace on a line with 1962's for the third quarter. Should Congress move quickly on more than token tax relief, the effect could be felt before present stimulants run out. In this event, the economy might well get a lift after mid-year that would set off a new, and healthily supported, upward trend.

As for the Borden Company, it should benefit from the strengths of the economy in the new year while reacting mildly to any weaknesses. The company's greatly expanded research and development program is providing it with an accelerated flow of promising products, the great majority of them specialty foods, and several new items—in development for some time—should make their appearance in 1963. These new products will further shift the weight of Borden's food line toward specialties, a line which has already been strengthened by more than 200 such items in the past five years. Any rise in disposable income, and particularly in discretionary income, should both widen and deepen the market for convenience and specialty foods. And any income released from taxation would likely have a decidedly favorable effect on that market.

During 1963, also, Borden's methanol and vinyl acetate monomer chemical facilities at Geismar, La., will be fully operative, as will adjacent acetylene and vinyl chloride monomer facilities of Monochem, Inc., a joint venture of Borden's and United States Rubber Co. These plants will furnish Borden's with all its requirements of basic chemical raw materials and make its chemical operations totally integrated for the first time. The new facilities will not only provide for expansion of the company's chemical business, but opportunities for important operating economies as well.

As to prospects in the food field generally, the outlook at this time appears to be one of abundant supplies and stable prices. Food manufacturers, I believe, will be made more aware of an unusual situation brought about by their increasing diversification; namely, a lessening of competition for an entire product line, but sharply intensified competition among individual products. The beneficiary again will be the consumer. It is estimated that in 1963 the housewife will spend less than one-fifth of income for food, a new low. At the same time, the variety and convenience of the foods offered her will be greater than at any time in the past.

Continued on page 42

Corporate Growth Assoc. Elects

The Association for Corporate Growth, Inc. re-elected as its President, Ned W. Bandler, Jr., corporate development manager of Lever Brothers Company, at the sixth annual meeting held recently in New York City. The Association, comprising executives from 150 leading U. S. manufacturers, marketing firms, and financial houses, also re-elected as Vice-President, John Phillips of American Home Products. Other officers elected included Dr. Charles Roberts of FMC Corporation, as Secretary, and Neil Kirkpatrick, Goldman, Sachs & Company, as Treasurer.

Organized in 1957 as an informal discussion group for diversification executives, the Association for Corporate Growth has become a national organization with membership restricted to business executives primarily concerned with long range management planning, the development and marketing of new products, and acquisitions and mergers.

Named to the Association's nine-man board of trustees for terms of three years were Peter Hilton, Kastor Hilton, Chesley Clifford & Atherton, Inc.; O. Ben Hander, W. R. Grace & Company; and A. A. Talmage, Electric Bond & Share Company. Other trustees are Warren Dubin, Chesebrough-Ponds, Inc.; Richard Coveney, Arthur D. Little, Inc.; John May, William E. Hill & Company; Edward Coale, B. F. Goodrich Company; Joseph Fredette, American Can Company; and H. Edward Schollmeyer, Shulton, Inc.

Coast S. E. Elects Otto

George J. Otto, partner of Irving Lundborg & Co., became Chairman of the Board of Governors of Pacific Coast Stock Exchange for the year 1963, it was announced following annual meetings of the two Divisions of the Exchange.


George J. Otto

Edward Calin, Vice-President of Mitchum, Jones & Templeton, was elected Vice-Chairman of the Board of Governors and Chairman of the Los Angeles Division Management Committee. Other Governors elected for two-year terms were M. J. Duncan of Calvin E. Duncan & Co., Howard J. Greene of Sutro & Co., George W. Weedon of Crowell, Weedon & Co., and William L. Wright of Lester, Ryons & Co.

Mr. Weedon and Mr. Wright also serve as members of the Los Angeles Division Management Committee and Mr. Duncan and Mr. Greene as members of the San Francisco Management Committee.

Other members of the Board of Governors are: Gerald F. Brush, Vice-President, Brush, Slocumb & Co.; Robert A. Harker, Harker & Co.; Stevens Manning, Paine, Webber, Jackson & Curtis; Kenneth R. Rearwin, Vice-President, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Thomas P. Phelan, Exchange President.

Continued from page 41

DONALD C. COOK

President, American Electric Power Co.

I look for an excellent 1963 for the economy of the United States even though it will continue to fall short of its full potential in the absence of some presently unforeseen stimulus. For the American Electric Power System itself, as good as 1962 was, I feel confident that 1963 will be even better, with AEP significantly outperforming the general economy.

Donald C. Cook

It was gratifying to those of us in the dynamic electric utility industry to have had the results for the industry's operations in 1962 better than those of the economy as a whole. And I hope and expect that our entire industry's performance will outrun the general economy in 1963 also.

I say this because, while the electric utility industry can never insulate itself from the effects of the state of the economy, there is much it can and does do to protect itself from its rigors and, through effort and ingenuity, to rise above its norm.

As for the economy in general, I expect a modest increase in economic activity. When measured against such factors as our rising population, the level of unemployment, the nation's international obligations, the need to provide new employment opportunities, and the need to improve the standard of living for millions in our depressed areas, such increased economic activity as now foreseen might even, in a sense, be interpreted to represent a measure of economic stagnation. An early and substantial tax reduction, however, would, in my opinion, snap the country out of this stagnation.

There were paradoxes in the 1962 economic statistics and I look for these paradoxes to remain throughout this new year, unless a tax reduction comes promptly. With Gross National Product at its all-time peak, with the automobile industry having a great year in 1962 and another great year in prospect, and with our own industry producing and selling more electric power than ever before, there are still some soft spots: steel is operating at only a portion of its capacity, coal continues to have its own private depression, and over 4 million Americans are still without jobs.

I look for the 1963 GNP to aggregate between $570 and $575 billion, compared with an indicated $554 billion for 1962. I feel that the GNP will remain relatively at its current level for the first two quarters and then pick up during the second half, especially if the Administration's proposed tax cut is promptly carried out by the Congress and if it is substantial enough to stimulate increased capital expenditures.

In this regard, I feel that a tax cut such as has been indicated would be of great benefit to this company—and to the entire electric utility industry. First, it would provide additional funds with which to advance our continuing expansion program. Second, it would increase the sale of electric power to our industrial and commercial customers who, like us, would be encouraged to expand at an accelerated rate and therefore would be in the market for more of our product. And third, increased energy sales would make possible further advances in the technology of electric power generation and transmission. This would lead to greater economy and efficiency in operation and in turn to reduced rates and, finally, still greater usage.

RANSOM M. COOK

President, Wells Fargo Bank, San Francisco, Calif.

We have finished a year which began with great expectations as to our economic performance and ended in modest satisfaction with our gains. Buoyed up by strong auto sales, expanding government spending, and high levels of construction activity, the economy has been kept moving forward, but we have not reduced the rate of unemployment significantly and our balance of payments position shows much less improvement than had been anticipated.

Ransom M. Cook

Government spending will rise substantially in 1963. The federal government will further enlarge its space and defense programs and state and local governments must provide for a continuing increase in population requiring services and especially the provision of education. Construction outlays should continue at a high level, although it would be surprising if residential construction, which has been so strongly affected this past year by the rapid rise in apartments, shows any further advance. New plant and equipment spending by business can at best be expected to show a small rise as it is stimulated by the need for cost saving and depressed by widespread excess capacity. Inventories may show some small rise over the year as a whole as sales move upwards, but absence of price pressures and ready availability of product are not conducive to stockpiling.

Investment as whole, then, may show some small rise. Consumer purchases of autos may be expected to continue at high levels, although no increase should be expected from the record fourth quarter rate of 1962. Home furnishings and appliances will be depressed somewhat by the failure of residential construction to rise further in 1963 but the replacement market should grow. Consumer credit outstanding in relation to income appears to have reached a plateau and consequently affords little independent stimulus to big-ticket buying. Nondurable consumer goods and services may be expected to continue to advance.

As European business activity slows and excess capacity abroad increases, our commercial exports will have more difficulty expanding, but our imports appear to move ahead in step with our growth in output. While we lost more gold in 1962 than 1961, some small progress was made in reducing our overall payments deficit and marked progress was made in international cooperation to prevent unsettling flows of funds about the world. Improvement in 1963 in our payments balance will require great firmness and resolution in treating the basic problem of excessive government outlay abroad.

The growth of the labor force, fed now by the postwar baby boom, should outpace new job opportunity so that, in the absence of a larger tax cut than we think probable, unemployment rates will edge upward in 1963. It may be hoped that the slowing of economic growth in Europe will permit some reduction in short-term interest rates abroad and some further monetary stimulus in this country. Since incomes will remain high and spending will show only moderate rise, the flow of saving should continue heavy and, in the absence of a strong overall demand for funds, despite the federal deficit which looms before us, it will be difficult for long-term rates to move up.

When the business outlook is one of only modest advance because of a slight outweighing of the forces making for expansion against those of contraction, policy changes may be able to tilt the balance significantly. The fact that our business growth is slowing at the same time as growth in the potential labor force is accelerating is a matter of concern. It is not enough to call for enterprise and initiative in developing new products and markets and in readying for the intensified competition produced by a markedly changing technology and the new Europe; we also have to produce conditions which encourage meeting this challenge. Such conditions include reduced tax rates and increased education. The new year might most appropriately, in fact, be called the Year of Investment in the future: investment in new plant and facilities to keep competitive and investment in our young people to give them the tools they will need to be employable in tomorrow's technology.

In California, and in northern California in particular, we expect business activity to move ahead somewhat more vigorously than in the country as a whole. This should result from increased defense and space outlays, continuing growth in population, and a further expansion in service employment.

L. DU PONT COPELAND

President, E. I. du Pont de Nemours & Company

In sales and earnings, 1962 was the best year in history for the Du Pont Company. While forecasts are mixed, we anticipate that 1963 over-all should be at least as good as 1962.

L. du Pont Copeland

Our improvement in earnings reflected an 11% increase in the physical volume of sales. In many of our lines, increased sales bring an even faster rise in profits since they enable us to make use of excess capacity.

During the last 10 years, our employees have shared the benefits of the company's progress in sharply higher wages and improved industrial relations plans. Despite these higher costs, the average sales price for Du Pont products has declined 12% in the 10-year period. The trend continued in 1962 when our average sales price was 1.3% lower than in 1961, so that customers have also benefited from operating economies resulting from improved technology and development of broader markets. Our stockholders likewise have participated in these gains.

The general level of business, while better than in 1961, is still not accelerating fast enough to make full use of the country's human and physical resources. It seems to me that 1963 offers an opportunity to our citizens and their government to appraise the problems left unsolved in 1962, and in a spirit of mutual good will and cooperation, seek constructive ways to expand economic growth.

Charles G. Peelor Forms Own Co.

PITTSBURGH, Pa.—Charles G. Peelor has formed Charles G. Peelor & Co. with offices in the Grant Building to act as specialists in tax-exempt securities. Mr. Peelor was formerly a partner in Arthurs, Lestrange & Co.

Parker-Hayes Co.

BILLINGS, Mont.—Parker-Hayes & Co. has been formed with offices at 2711 Custer Avenue to engage in a securities business. Officers are Charles E. Hayes, president; E. R. Hayes, vice-president; and Charles W. Parker, secretary and treasurer. Mr. Hayes and Mr. Parker were formerly with Wm. H. Tegtmeyer & Co.

F. HUGH COUGHLIN

President, Central Louisiana Electric Company, Inc.

In Louisiana, as in many other states, the economy of the area depends largely on the weather. This is particularly true with respect to utilities, especially the electric and gas utilities. Cold winters result in electric and gas sales for house heating and warm summers result in corresponding sales for cooling (air conditioning). The year 1962 was favorable for utility sales in this area in that it provided a record cold winter during the early months followed by record warm summer. The summer season was also favorable for many Louisiana crops.


F. Hugh Coughlin

Cleco experienced a very good year largely attributable to the favorable weather. It will be a year hard to duplicate. Electric revenues increased 17.3% to a record high of $19,000,000. Kilowatt-hour output crossed the one billion mark for the first time in the company's history. Gas sales increased 10.5% to a record high of $6,000,000. The per share earnings averaged $1.47 compared with $1.29 for 1961.

Growth in the utility business depends on many factors, but primarily on the growth of the economy of the service area. This includes greater than average population growth and increase in employment opportunities, new industries and per capita income. No longer can growth be attained through acquisition of adjacent properties as service areas are now pretty well defined. Therefore, the utility must look for its growth within its own area and the exploitation of the potential resources through aggressive promotional effort in all departments. One tangible result of such effort is the increase in the average annual electric sales per residential customer, which for Cleco was 3,457 Kwh for the year ended Nov. 30, 1962, an increase of 65% during the past five years. Cleco has completed a successful year in domestic sales promotion, having exceeded quotas in gold and bronze medallion homes and "all gas" homes, as well as large consuming appliances as water heaters, clothes dryers, etc.

The location of the Saturn Project of the National Aeronautics and Space Administration (NASA) in the New Orleans area, with the test site in Mississippi across the Pearl River from Slidell, has resulted in increased business activity in Cleco's service area on the north shore of Lake Pontchartrain. The new federal highway system in the area makes Slidell very accessible to NASA's Michoud plant at New Orleans.

During 1962, Cleco and eleven electric utilities in the Southwest Power Pool consummated an agreement with the Tennessee Valley Authority for an exchange of 1,500,000 Kw of diversity power, which arrangement will become effective in 1966 and 1967, when extra high voltage transmission facilities are completed. Cleco, together with Gulf States Utilities Co. and Louisiana Power & Light Co., completed arrangements for the purchase of the entire electric output (92,000 Kw) of the Toledo Bend hydro-electric plant to be constructed on the Sabine River and scheduled for completion in 1967. Both of these projects will be beneficial in reinforcing the company's production facilities. The EHV facilities to be constructed incident to the diversity power interchange will constitute an important part of the proposed electric transmission grid of the investor owned utilities in the area.

MARK W. CRESAP, JR.

President, Westinghouse Electric Corporation

A continuing high level of business activity is in prospect for the U. S. electrical manufacturing industry in 1963, with added impetus provided by the coming-of-age of commercial atomic power.


Mark W. Cresap, Jr.

At the year-end, Southern California Edison Co. and Connecticut Yankee Atomic Power Co. had announced their plans, subject to Atomic Energy Commission approval, for construction of atomic electric generating stations using Westinghouse reactors and totaling 895,000 kilowatts capacity. And Consolidated Edison Co. of New York had filed an application for a permit to build a one million kilowatt plant in a proposal for which Westinghouse and Stone and Webster provided the designs.

These companies' foresighted actions dramatically spotlight the rapid closing of the gap between the cost of conventional and atomic fuels for electric power generation.

For the electrical manufacturers, the 1963 economic challenge will be to improve earnings so that they can support and speed the research, engineering and the development of advanced manufacturing methods which gave birth to the atomic power business and has brought America world leadership in it.

Estimated industry sales of $25 billion this year, a 5% increase over 1961, are expected to increase only slightly in 1963. Therefore, to improve profitability, the industry must place even greater emphasis on the introduction of new products and services and more efficient manufacturing techniques.

In general, the economic outlook for 1963 indicates a hesitation in the early months rather than the slight decline previously expected and then a resumption of modest growth at rates slightly lower than those experienced in 1962.

For Westinghouse, sales billed in 1962 are expected to increase 3% over 1961 and to about equal sales of $1,955,731,000 in 1960, the second highest sales year. Westinghouse sales billed in 1963 are expected to exceed the previous record sales of $2,009,044,000 in 1957. A corresponding increase is looked for in new orders.

Westinghouse forecasts of improved new orders and sales are supported by anticipated larger expenditures by business for capital equipment to achieve the efficiency demanded by continued pressure on prices, a position encouraged by the new depreciation regulations and investment tax credits, a quickening of activity in the electric utility market and greater expenditures for defense and space. Product development and new products and services should improve volume, particularly in the electronics, air conditioning and construction industries.

Indications are that the overseas market will continue to be very active, for heavy capital goods produced by the electrical manufacturing industry throughout 1963. There are encouraging signs that negotiations in domestic markets for these goods will develop at a more satisfactory rate than any time in recent years as the nation's electric utilities plan expansion of plant and distribution facilities. The tying together of the utilities' power lines into ever-expanding grids, the trend to extra-high-voltage transmission of electric power from larger central generating stations located near coal mines, and the upsurge of interest in construction of large atomic power plants give added strength to the demand for the industry's products.

Continued on page 44

George Kneass Joins Bank

The Inter-American Development Bank has announced that George Bryan Kneass has joined the bank as a financial advisor. Previously, Mr. Kneass was Senior Vice-President of the Philadelphia National Bank.


George B. Kneass

Mr. Kneass has had more than 40 years' of experience in the field of investments. He began his career in the Securities Department of Drexel and Co. in 1919. In 1927 he joined the Philadelphia office of the Guaranty Company of New York as Sales Manager.

He became Manager of the Investment Advisory Department of the Philadelphia National Bank in 1935 and was appointed Vice-President in charge of investments in 1942.

In 1956, he left the private banking field temporarily and became an Assistant to the Secretary of the Treasury. In this position his duties involved debt management. He returned to the Philadelphia National Bank in 1957 as a Vice-President and was promoted to the post of Senior Vice-President in 1960.

Continued from page 43

EVERETT CROSBY

Chairman of the Board, General Spray Service, Inc.

Service, the industry that suffers most from high labor costs, is the industry that will benefit most from automation. Science is moving ahead so rapidly few bother to estimate its effect on simple industries like service.

Everett Crosby

The fantastic savings in labor in this fastest growing part of our economy is going to revolutionize investors' approach to service industries.

Everyone, from the home owner to manufacturing industries, is in the market for service these days. People are out to save the big outlays they must make for equipment and experienced personnel by demanding that there be industries to get routine jobs done for them.

The housewife and the businessman alike are faced with the same problems—higher and higher labor costs accompanied by a lack of available labor. It is natural that they should turn to service organizations to solve their problems.

Even the farmer has joined the swelling ranks of those who need well equipped, properly trained service organizations to help solve their labor problems. Farm workers are disappearing from farms in large numbers, and the remaining farms are larger, requiring more equipment and more experienced personnel.

Because of this, farmers are turning for help to what we call contract farmers. These operators own farm equipment and work on a contract basis for many farmers, who consequently don't have to own their own equipment. Some contract farming organizations actually farm millions of acres of land.

General Spray Service is planning to step up its programs to serve the home owners, industry, the farmer and the government. In fact, it is finding an important demand for service abroad, as well as in the United States and Canada. Farmers abroad, who have even less capital for equipment than American farmers, are prime prospects for contract service organizations.

The U. S. Government, too, finds an advantage in this approach, because so many of its AID (Agency for International Development) dollars go to step up food production in underdeveloped countries. By financing equipment sold to contract service organizations, AID dollars now move further because many farmers, rather than just one, are serviced by each piece of equipment financed with AID money.

General Spray Service manufactures patented service equipment in both the United States and Canada, and plans to open an assembly plant soon in South America. Service equipment manufactured includes spray equipment for lawns and gardens, industrial and highway maintenance and agriculture. It also includes firefighting and will soon extend into the electronic and other fields with patented equipment that offers service customers substantial savings in material and labor.

The manufacturing units of General Spray Service at Minneapolis, Minn., and Stratford, Ont., Canada, will soon be renamed America Automation, Inc., in line with the company's policy of concentrating on automation equipment for service industries.

JOHN M. CURLEY

President, Eastern Stainless Steel Corporation

It is always better to look forward than to look backward and naturally we are all looking forward to '63 and what might follow it. Before going into the business of '63, I might mention that our activity in '62 has been very good; but profits, like everything else, have been hurt. But there seems to be a lot of stabilizing going on. Things are steadier and buyers are more interested in obtaining satisfactory sources that can take care of their requirements if there is a big rush, than looking to extract the last drop of blood. This is very heartening as it builds character in business and these new signs are very conspicuous.

John M. Curley

Of course in talking about 1963 you're guessing, except that you can look at the signs and they do tell you something. And in my opinion, business will be good for the coming year especially if we don't have a steel strike in June which, of course, is possible.

I have a philosophy that the economy of the country would benefit substantially (and so would the steel business) if the steel manufacturers, as a group, were allowed to sit down and talk about what might be done for the benefit of the country. Unfortunately, we have not been allowed to do this but I think there is a feeling that this might come; and, if it does, I am sure it will be beneficial to all. A large and important industry, like the steel business, has been subjected to a lot of investigation to a point where some people feel it is harassment.

I think a great deal of the trouble is due to misunderstanding as in my opinion, the steel industry is tremendously interested in the general economy of the country; they will extend themselves without question to be helpful; and I think all that is needed is an opportunity for them to express their opinions in the presence of each other regardless of what the outcome may be.

L. M. CURTISS

President, American Investment Company of Illinois

Year-end strengths in the economy gave many indications that 1963 should be a good year. With no unfavorable pressures on the economy, it is possible that 1963 could become a "boom" year. The consumer finance industry, which services the borrowing needs of millions of American families, should parallel the trend of the general economy. It is estimated that the industry should have an increased volume of business and higher earnings for 1963.

L. M. Curtiss

In recent years there has been a pronounced trend toward diverification within the broad field of credit. Some companies which had previously specialized in the consumer lending field have entered the fields of sales finance, insurance, and a few, such as our own, have entered the commercial finance and factoring areas. Others which had specialized in the sales finance and commercial finance fields have entered the consumer lending business and the credit area. Today there are probably fewer highly specialized companies in the broad field of business and consumer credit than in any other period in our history. Competition, which has grown rapidly in all areas of credit, remains intensive, and we see no indication that it will lessen in the immediate future. Diversification then becomes a means not only of survival but of maximizing profits on investment. Generally speaking, we feel that this trend is beneficial to the business community and to consumers. We believe that the "department store" finance company has become a permanent factor in our economy and that its advent is a wholesome one.

Because of the diversified activities of most companies in the finance field it is necessary to look at a broad range of economic indicators, a broader range of economic indicators than was true even five years ago. Consequently, such factors as housing starts, auto sales, appliance sales, indicators of performance in the service industries, rates of income and employment in all industries, as well as personal incomes—all have important bearings on the performance of companies in the finance field. Preliminary estimates indicate that the rate of housing starts may level out in 1963, but offsetting this are optimistic estimates of increases in employment and in personal incomes. There is ample evidence that consumers are confident and are showing this confidence in purchases of automobiles, services, and hard goods. These factors generally can be considered to contribute to the amount of business which a diversified finance company can expect.

The amount of credit extended during 1962 did not set any records, and in relation to the level of disposable income seemed to indicate that consumers had ample resources to back up an increased use of credit for purchases and borrowings during 1962. Again, in relation to disposable income, rates of repayment of already existing credit obligations do not seem to be burdensome. These two factors, plus a high level of confidence on the part of the consumers, could make 1963 not only a good year for the finance industry but a "boom" year.

It is obvious that one noneconomic factor could exercise a pronounced effect on the economy and on the finance industry. If there should be another major crisis in foreign affairs, it is possible that 1963 will need some additional push to be considered even a good year. Recently an international crisis seemed to produce a real "pause" in national economic growth. Consumers and business alike adopted a "wait and see" attitude during the crisis. Indications for a strong economy in 1963 give little evidence of having sufficient strength to overcome such a "pause" if it should occur.

One factor which could have a pronounced effect on the finance business, as well as on the economy, would be an effective reduction in Federal income taxes at both the corporate and personal level. It is our feeling that this reduction would have to be more than a token temporary reduction before it would have a major effect on the economy. We are hopeful that Congress can be persuaded that such a reduction is necessary and that it will be accompanied by comparable reductions in Federal expenditures. This, in our judgment, would be more than a tax gesture and could be the stimulus which would produce vigorous economic growth.

In summary, we would expect better than normal growth in volume and in earnings in the finance industry in 1963, assuming that the economy does not suffer any major setbacks because of international developments.

Jones Named V.-P.

FT. WORTH, Texas—Robert C. Jones has returned to Fort Worth, Texas, to assume the new post of Vice-President and area sales director of Financial Programs, Inc.

From Fort Worth headquarters at 3327 Winthrop, Mr. Jones will administer the organization's sales activities throughout Texas, North Carolina and Puerto Rico.

He will supervise the operations of Financial Programs' three regional managers in Texas — A. Glenn Miller in El Paso, Frank H. Stasey in San Angelo, Harold A. Close in Lubbock—as well as those of Regional Manager Ronald Wicks in Charlotte, N. C. and District Manager George A. Stuckert, Jr. in San Juan, Puerto Rico.

JOHN H. DANIELS

President, Archer Daniels Midland Company

Continued growth at a moderate rate but no boom. This is the prospect for the agricultural and chemical processing industries in 1963 on the basis of present economic indicators.


John H. Daniels

Food and feed grains and oilseeds from the 1962 crop have been produced in adequate supply so the processing and merchandising of these agricultural commodities have a good outlook for this crop year. Taking a longer view, however, we are seriously concerned about the major shifts in agricultural policies that have been taking place in government during the past two years. We sincerely hope that Congress will develop farm legislation that contains the elements of non-surplus producing support prices and a long range plan to return to free markets.

At ADM we expect to continue expanding our grain merchandising business, both domestic and foreign, in 1963. Soybean processing will increase with the growing market we forsee for soy products and increased farm production of soybeans. We also expect growth in the feed industry to be reflected in a higher level of operations for ADM's dehydrated alfalfa and soybean and linseed meal businesses. A steadily rising population will be reflected in greater demand for the wheat flours, durum products, oils for margarine, salad and cooking oils and protein concentrates for specialty foods and nutritional supplements.

ADM's chemical business is expected to show considerable improvement over 1962, which was a good average year for the chemical industry. Market expansion, new products and two years of plant improvements and expansion including construction of a versatile new chemical processing center at Peoria, Illinois, place ADM in an advantageous position to take advantage of the anticipated increase in business activity in many of the industries the company serves.

With automobile sales at a very high rate, ADM anticipates improved sales of resins for finishes, resins and plasticizers for plastics and foundry products for castings. Predictions are for another record or near-record for the construction industry, to which ADM supplies resins and oils for paints, materials for wallboard, soy flour for plywood glues.

A reduction in individual and corporate income tax rates, if voted by Congress in 1963, would stimulate business in general and raise employment. There is plenty of idle plant capacity to meet the increased demand for industrial and consumer goods that would be created by the tax cut.

R. C. DALY

President, George A. Fuller Company

From all reports it now appears that the general economy of the United States is on the rise. The construction industry has not felt a recession as many of the other industries have; the executed volume of business last year was ahead of 1961, and the construction awards are also better. Last year's awards in the contracting business have a great carry-over into 1963, and from the amount of work presently contemplated and on the architectural boards, it appears that 1963 will be even a better year than 1962. The volume has been greatly helped by Federal, State and Municipal expenditures. It now appears that private industry is again in an expansion mood, further solidifying the position of construction as one of the leaders in our economy.


R. C. Daly

RALPH M. DAVIS

President, Puget Sound Power & Light Company

Based upon the economic experience of the past 10 years in the Pacific Northwest, I believe that 1963 should be a year of average growth for the region.

The State of Washington in particular will experience a growth rate slightly below that of 1962 due principally to an expected return to normal economic activity following the impact of last year's successful Seattle World's Fair. Most segments of the economy will find it hard to match the records established in 1962, when many businesses were running well ahead of the national average. It can be expected, however, that the economic impetus created by the Fair will have a significant effect in the years ahead, particularly in the tourist industry. More than a million and a half out-of-state visitors were among the 10 million fair goers and many of them were businessmen here to study the market potentials of our rapidly growing region.


Ralph M. Davis

Much of Washington's population and economic activity is located in the Puget Sound region which generally encompasses the western half of the state, centering in the metropolitan complexes of Seattle and Tacoma.

One of the major contributors to the economy of this region is the Boeing Company, a leader in the aircraft and aerospace industry. Indications are that Boeing will have a good year in 1963, but perhaps slightly below 1962. On Sept. 30, 1962, Boeing reported a military and commercial sales backlog of more than $1.5 billion.

Better than average gains in manufacturing and agriculture will be offset in part by the economic problems which have beset the forest products and fisheries in-

Continued on page 46

Japan's Economy To Resume Rise At Early Date

Nomura Securities Co. head predicts Japan will reach complete business recovery by September of this year.

Minoru Segawa, President of The Nomura Securities Co., Ltd., Japan's leading investment and brokerage firm, in his outlook for 1963 said that Japan will reach the depth of the economic doldrums during January and March, the close of fiscal 1962.

"In the April-September period, first half fiscal 1963," he said, "it will be ushered into a recovery course with an improvement in inventory investments."

In and after this Fall a full-dress upward business trend will set in the wake of resumed equipment investments, Mr. Segawa added.

The global economy, the Nomura official stated, will generally assume what can be described as a "plateau-like" pattern during the year.

He said that one cannot fail to take note of the various problems besetting the world's business pattern. They include, Mr. Segawa said, the U. S. balance of payments position, West Europe's cost inflation, Britain's projected entry into the European Economic Community and the implementation of wholesale tariff cuts on a global scale.

"Japan's exports during the year are estimated at about $5,200 million with a favorable balance of $200 million," Mr. Segawa said in his analysis of the outlook for Japan's foreign trade.

Mr. Segawa listed four measures necessary for the recovery and strengthening of the Japanese economy in 1963:

(1) Promotion of investments in public undertakings.

(2) Normalization of the capital market.

(3) Induction of capital bearing low interests.

(4) Re-examination of the present industrial order and enterprise behaviors.

The Nomura Securities Co. Ltd. maintains its headquarters in Tokyo in addition to over 110 branches in Japan, Honolulu and New York City. Tadashi Ishida is general manager of the New York branch.

With A. C. Allyn

PORTLAND, Maine—Kendall F. Hatch is now associated with A. C. Allyn & Co., 415 Congress Street. He was formerly with Hayden, Stone & Co., and H. C. Wainwright & Co.

Form American Corporation Shares

LONG BEACH, Calif.—American Corporation Shares has been formed with offices at 3540 Atlantic Avenue to engage in a securities business. Officers are John J. Campbell, president; Edward W. Schofield, vice president; Jack H. Belcher, treasurer and Robert M. Devitt, secretary.

Central Calif. Secs.

FRESNO, Calif—Central California Securities is conducting an investment business from offices at 830 Van Ness Avenue. Officers are Glen L. Wohlford, president; Ernest O. Marsh, vice-president: and M. J. Morgan, secretary and treasurer. All were formerly associated with California Investors.

Continued from page 45

dustries, both of which are suffering from foreign competition.

Generally, in 1963, the rate of economic growth in the Puget Sound region will surpass that of other areas in the Northwest, but the advance will not be sufficient to reduce unemployment further or put unused industrial capacity to work. Population growth will continue to exceed the national average.

In this region, outside the cities of Seattle and Tacoma, Puget Power serves nearly a million people in 270 communities. Electric consumers here use more than twice the national average amount of electricity, but pay rates which are only about half the national average. The continuing annual increase in customer usage and a rapidly growing population are creating greater demands for electric power each year. Industrial diversification and the steady trend to suburban living have been important factors in the Company's load growth which has been increasing at the rate of about 8% annually.

To help meet this rising demand in the imediate future, Puget will buy additional power costing about $9 million more annually beginning in 1963. The higher present-day cost of generating power and the impact of this new power purchase have made it necessary for Puget to apply for its second rate increase in the Company's 50-year history. The State Utilities and Transportation Commission has been asked to grant the Company a general rate increase of 6½%.

Initially, the current impact of higher power costs and the normal lapse of time expected in obtaining rate relief wil result in lower earnings in 1963. Assuming that adequate rate relief is obtained, however, it is expected that normal load growth and operating efficiencies will provide the level of earnings for future years to which the Company is entitled under regulation of the Utilities Commission.

Puget and the investor-owned electric utilities of the state in general are ready and willing to meet the challenges and opportunities which are certain to appear in 1963 and the years ahead.

Electric utilities of the region are taking a "wait and see" attitude toward the controversial Canadian Treaty which is still unratified by Canada. Closely aligned with this problem is the question of a new private or federal intertie with California and sales of Northwest power to that state. In the meantime, Congress has approved the construction of an atomic generating plant at Hanford and plans have been announced for the construction of a large coal-fired steam plant at Cle Elum in the eastern part of the state. While the Bonneville Power Administration continues to operate at a large annual deficit, it appears that a combination of circumstances may give the Pacific Northwest a substantial power surplus in the mid-1960's, thus creating greater political pressure for the construction of a federal intertie with California. The projects mentioned above are scheduled for completion after 1965 when two large new Columbia River hydro projects will come on the line. Ratification of the Canadian Treaty may provide huge blocks of additional firm power for which there is no currently anticipated market in the Northwest.

At this time it is impossible to forecast the exact combination of events which will determine the development and use of these power resources. One conclusion appears certain, an abundance of low-cost electric power will play a vital role in developing the full potential of this region in the years that lie ahead.

POMEROY DAY

President, The Connecticut Bank & Trust Co., Hartford, Conn.

It appears reasonable for commercial bankers to approach 1963 with moderate optimism. Any forecast must take account of various unfavorable factors, but on balance these appear at this time to be outweighed by the probable effect of constructive developments.

Pomeroy Day

The earning assets of the commercial banking system should continue to rise. Our national leaders are anxious to increase the country's growth rate; price inflation is considered a less serious problem than previously. Our budgetary deficit will be sizable particularly if taxes are cut, but no stringent tightening of credit is foreseen. Despite efforts to tap the long-term market, a considerable portion of the deficit will inevitably be absorbed by the commercial banks. Sufficient reserves will probably be made available to make certain that the banks can accommodate private borrowers as well. A continued inflow of savings deposits should further increase the commercial banks' holdings of mortgages and municipal bonds.

The present level of interest rates should be largely sustained. Our balance of payments problem is by no means solved and particularly in the event of a tax cut will require the authorities to continue their support of short rates. The trend of longer rates will depend ultimately on business conditions. Sentiment has improved in recent weeks as a result of the improved international situation and the possibility of lower taxes. It is not anticipated, therefore, that long-term rates will soften materially. Maintenance of substantially our present rate structure on moderately increased earning assets should provide the banks with a year of record income.

One cannot dismiss the apparent renewal of business confidence on both local and national levels. Various forecasters have altered their rather pessimistic views of our economy and are expecting some improvement in important areas. Whether the influences mentioned above will endure beyond 1963 may well be open to question, but at least for the coming year banking should participate in the generally expected high rate of production and distribution.

Offsetting to some extent the favorable factors is the inevitability of continued keen competition not only among commercial banks themselves but with other savings institutions and investment media. While the passage of time has permitted an adjustment of portfolios to meet the higher rates of interest which commercial banks now generally pay on savings deposits, the tendency to compete for the savings dollar results in small margin of profit for all concerned.

Demand deposits have failed to keep pace with the general high level of business. Certificates of deposit, commercial paper, and other devices have reduced the working funds of business to the minimum consistent with operating needs. This is another phase of competition which seems to be intensifying rather than the opposite. In addition, the cost of salaries and other operating expenses will increase, notwithstanding efforts to maximize efficiency.

For many commercial banks, another unfavorable factor is the volatile regulatory climate in Washington relating to branching, merging, etc. Banking, like any business, can adapt itself to the requirements of society, but it needs to know the rules with reasonable certainty. At present it is an understatement to say that the administration of this phase of the federal regulatory system is in a state of flux.

DR. ARTHUR DENNING

Commissioner for New South Wales in North America

In the next ten years will U. S. industry catch or miss the investment boat in Australia? Let's take a look at the record in 1962 and then make some predictions about what may happen in the year and decade to come:

Dr. Arthur Denning

First, SIZE OF U. S. INVESTMENT: Australia is often compared to Canada in terms of area, economic potential, room for investment growth, but there is one great difference: Australia has financed its recent growth 90% from its own pocket and only 10% from foreign investment. And of this 10% less than one-third has come from the United States. This basic pattern is unlikely to change even though U. S. investment in Australia hit a record $200 million during fiscal 1962.

Therefore, **Prediction #1:** U. S. investment will continue to hit landmarks in 1963 and the coming decade, but the U. S. stake will still remain under 5% of total investment in Australia.

Next, OWNERSHIP OF U. S. INVESTMENT: While the classic pattern for the major U. S. firm is still the wholly owned subsidiary, in recent years cracks have begun to appear in the armor of 100% control. Some well known examples: Union Carbide, Rheem, National Dairy, AMF, American Smelting, Pillsbury.

Prediction #2: More and more U. S. companies will open themselves up to Australian participation.

Now to SOURCES OF U. S. INVESTMENT. Again, new patterns. In the United States in 1962, I met an unusual number of top executives of middle sized companies (annual sales perhaps around $50 million), interested for the first time in entering the Australian investment picture. These outfits were particularly aware of joint venture and licensing possibilities of like-sized Australian partners. Our New York Office has made a specialty of this kind of "corporate marriage" and, in fact, have on hand detailed histories of hundreds of Australian companies seeking know-how and financing tie-ups.

Prediction #3: The past ten years might be called the Decade of the Big U. S. Company and Wholly Owned Subsidiary. The next ten years will be called the Decade of the Medium Sized Company and the Joint Venture.

Now to a related point: the FINANCING OF U. S. INVESTMENT. An interesting statistic here: between 1947 and 1960, U. S. investments in Australia of $273 million earned $714 million. Of this sum, $453 million was reinvested. This trend for reinvestment to outdistance new investment will continue in 1963 and onward, particularly if we project the current plans for U. S. firms in Australia like General Motors, Goodyear and Union Carbide. Incidentally, the U. S. pattern here is in contrast to the British who have tended more toward the short term profit rather than the long pull.

Prediction #4: The spotlight will continue on reinvestment over new investment; in order words satisfied customers coming back for more.

Last, LOCATION OF U. S. INVESTMENT: Many Americans have a decidedly mixed up picture of Australia as a huge, sparsely populated continent something like the "Old West." Actually, Australia is more urbanized and more industrialized statistically speaking than the United States, and in terms of the 1,132 U. S. firms established or affiliated in Australia, over 1,000 of them are located in the two most highly urbanized states: New South Wales (646) and Victoria (398). From current projections we expect this pattern to continue during the next decade in terms of secondary industry, but equally important will be the exploitation largely by U. S. interests of Australia's virtually untapped natural resources: for example, the much publicized oil strike in Queensland and the tremendous new iron ore discoveries in Western Australia. Moreover, another interesting trend is forming: Sydney and Melbourne firms are beginning to build branch plants across this U. S.-sized continent to service a fast growing but faraway market.

Final Prediction: While most U. S. investment will continue in the already developed areas (particularly Sydney and Melbourne) look to new industrial development stemming from mineral exploration throughout Australia as well as the start of a branch plant concept.

In the next 10 years over a billion dollars of direct investment will flow from the U. S. to Australia, and in the above I've tried to give some notions as to what they will look like.

HERBERT D. DOAN

President, The Dow Chemical Company

The most significant development that 1963 may bring to the Amrican economy is the proposed reduction in Federal taxes.

Herbert D. Doan

Well-planned tax cuts, for business and for individuals, will do more than move our economy to new high levels. When the tax burden is lightened, we can expect to see business and industry moving with the renewed vigor that means sustained, long-run economic growth. However, it should be emphasized that real results of tax reductions probably would develop slowly. Thus, tax cuts legislated in 1963 are likely to have only slight immediate impact on the year's business operations.

Business and industry have operated through 1962 in the face of some trying conditions. The results, in sales and other indictators, and particularly in the last six months, show a strength that pretty well rules out stagnation or a sharp recession next year.

Tax cuts or no tax cuts, the 1963 business picture is clouded by some major uncertainties, including the following:

Depressed price levels, particularly on basic materials, and pressures against increases that could restore adequate profit margins.

The foreign trade outlook, where United States relationships with the European Common Market and other major trade areas have yet to jell.

The overseas investment and earnings potential, where the impact of recent tax law changes still has to be spelled out.

Business has been doing everything possible to get the national economy moving strongly. We've seen improvements, especially in the last six months. But we can also see that things could have been much better except for the drag of high taxes along with these other uncertainties on the national scene.

Industry, in addition, has had to cope with continued price attrition. In chemicals, there has been a gradual slowing of the downward price trend in comparison with the rate of decrease over the past two years. But this does not add up to an indication of general price improvement from current levels in 1963.

One thing is certain for the chemical industry through the next year. Competition in commodity chemicals will continue to be intense.

For us in Dow, that means several things. We'll be in there competing in our large-volume, commodity chemical markets. We'll also be starting or expanding activity in the several newer fields being opened up by our technological advances. And all this will be backed by the improved operational efficiency and productivity we have been developing in the past three or four years.

Tax reductions can be the key to improvement in the growth rate of the national economy. Our current growth rate, about 3.5 per cent a year, has not been matching that of the European Common Market nations.

Growth in the economy is the best answer to our great national needs—jobs to end chronic unemployment, tax revenues adequate for government needs, and the economic strength the West must have in the struggle with the Soviet bloc. A well-planned tax reduction, particularly if accompanied by some cut-back in the government's non-defense spending, could do much to put vigor back into our economic growth rate. This type of planning is something on which government and business must work together.

Dow's business has been good over the past six months. For the three-month period ended Aug. 31, 1962, we reported net income of $23.8 million, or 82 cents a share of common stock outstanding. Sales for the period totaled $231 million, a record quarter.

CRIS DOBBINS

President, Ideal Cement Company

In spite of a more unsettled situation in the cement industry than we have seen in many years, we look for shipments to increase about 3% in 1963 over 1962. The apparent use in the year just closed was 332 million barrels, which is somewhat less than 5% above 1961. The industry's best year was 1959 when 335 million barrels were consumed, and if 1963 comes up to our expectations it will set a new all-time record.


Cris Dobbins

On a nationwide basis there is over-production in the industry. Productive capacity at the year's end was something over 440 million barrels. Thus, for the year nationwide, the industry operated at 75% of capacity. Over-production exists in nearly all areas and the resulting price pressure has made itself keenly felt.

Recent price developments have again shown that it is impossible for one company to undersell the market for more than a fleeting instant—perhaps for only one job. Cement being a standard commodity, well informed buyers will not pay more for one brand than another. Any advantage gained by cutting a price is momentary and is lost at once because others have to meet the price to sell at all.

Perhaps the outstanding current development in the industry is the increase in distribution terminals by nearly every company. This tends to broaden the market area of individual plants. The expense of constructing terminals and the cost of their operation may be higher than calculated by many in the industry. There has been no way to recover this extra cost because of the keen competitive situation.

Importation of foreign cement should become less of a threat as time goes on for several reasons. First, labor rates in foreign countries, while still lower than those in the United States, are increasing. Then too, as more terminals are built at coastal locations, American producers can meet foreign competition at deep water points where it originates. Also, U. S. producers are taking advantage of lower costs in using ships and barges to an increasing extent to move cement from mills to deep water terminals and redistribution to customers.

Mergers both horizontal and vertical continue. The Federal Trade Commission is investigating acquisitions by a number of leading cement producers that have acquired other cement plants, ready-mixed concrete or concrete products plants. However, formal action is probably some time off. Decisions when they come will probably chart the future course for many companies which at present may be holding plans in abeyance.

Obviously the cement industry must work with its customers. Some of the most important are the ready-mixed concrete industry, the concrete products industries and the aggregate producers, but at Ideal we believe our industry—the cement industry—can and should maintain its own identity.

Because of its basic nature we think the cement industry over the long pull will be a good one and we believe the intelligence in management in the industry will ultimately bring the price structure back to a profitable plane.

FRANK R. DENTON

Vice Chairman, Mellon National Bank & Trust Co., Pittsburgh, Pennsylvania

During the course of 1963, the major foreseeable developments that will influence the prevailing climate for commercial banking include the following: (1) For the year as a whole, further gains will be shown in most broad measures of production, distribution, and income, although the increases will be substantially less than in 1962. (2) The level of employment will not increase as fast as the labor force, with some worsening in the unemployment rate. (3) The Administration may therefore be expected to pursue expansionary policies, involving large deficit financing even in the absence of a tax cut. (4) The Federal Reserve System is likely to maintain a credit policy of relative ease, to the extent permitted by the continued deficit in our balance of international payments. (5) A tax cut, if and when forthcoming during the year, will add to the size of the deficit to be financed, including that by commercial banks, and may tend to produce some firming of business conditions and interest rates.


Frank R. Denton

In assessing the prospects for the major sectors of the economy in 1963, we anticipate little change in the long-standing uptrends in consumer spending for soft goods and services and in government spending. In the face of excess capacity and thin profit margins, however, growth in business expenditures for plant and equipment is likely to slow down, despite last year's liberalization of depreciation allowances and the tax credit applying to such outlays. Moreover, additions to business inventories are expected to be smaller than last year. The volume of consumer spending for hard goods may show little if any rise in 1963, particularly since

Continued on page 48

Federal Reserve Currency Swaps Over $1 Billion

Currency switch with eleven foreign central banks now totals $1,150,000,000. Arrangements are designed to bolster the dollar against temporary pressures.

The Federal Reserve Bank of New York announced on Jan. 17 that a reciprocal currency swap arrangement has been concluded with the Bank of Sweden, on a standby basis, in the amount of $50 million (about 259.2 million Swedish kronor). The Federal Reserve also announced that the existing standby swap arrangement with the German Federal Bank has been increased from $50 million to $150 million (from about 200 million Deutsche marks to about 600 million marks).

The Federal Reserve now has reciprocal currency swap arrangements, totaling $1,050,000,000, with the following banks:

(In Millions of Dollars)	
Austrian National Bank	$50
National Bank of Belgium	50
Bank of Canada	250
Bank of England	50
Bank of France	50
German Federal Bank	150
Bank of Italy	150
Netherlands Bank	50
Bank of Sweden	50
Swiss National Bank	100
Bank for Internat. Settlements	100

In all such arrangements the Federal Reserve Bank of New York acts on behalf of the twelve Federal Reserve Banks under the direction of the Federal Open Market Committee.

Continued from page 47

sales of new autos may fail to match last year's unusually high level. Among the areas most likely to show some declines in 1963 are housing starts and the U. S. surplus of exports over imports. For 1963 as a whole, the increase in total output of goods and services may be only half as large as last year's 7% rise, and within the year, industrial production may decline somewhat before resuming an uptrend.

The year just ended witnessed the extraordinary development of declining interest rates in the face of one of the largest increases in total credit financing on record. That development highlights the impact of the policy of credit expansion and monetary ease followed by the Federal Reserve System. The 1962 increase in deposits of commercial banks set a postwar record, with nearly all of the gain in time deposits. In addition to a substantial increase in loans, banks also added to their portfolios of securities—with an increase in holdings of municipal bonds more than offsetting reduced holdings of U. S. Government obligations.

The great uncertainties surrounding the balance of payments position of the United States, along with the further imponderable of the effects of a possible tax cut, make it particularly difficult to anticipate the tone of financial markets in 1963. Little progress was made last year in scaling down our international payments deficit, which is likely to be a continuing problem this year. It may therefore be anticipated that monetary ease to stimulate the economy will again be constrained by the necessity of propping up short-term interest rates, with a view to dampening the outflow of gold and short-term capital from the U. S.

In view of the probable business climate in 1963, the Federal Reserve will be under pressure to pursue a relatively easy money policy, to the extent permitted by international considerations. Thus, another sizable increase in bank credit is in prospect for 1963, although it may fall short of the 1962 gain in total. Moreover, loan expansion at banks is likely to be considerably smaller than in 1962—especially in view of the reduced rate of inventory accumulation by business and the possible subsidence of auto sales from the recent record rate. On the other hand, 1963 will probably witness a renewed increase in bank holdings of U. S. securities, in addition to a further rise in their holdings of municipals. In general, the rate of deposit growth may taper off from last year's pace.

TILTON H. DOBBIN

President, Maryland National Bank, Baltimore, Md.

There are many fine students who spend all of their time studying our economy and making well considered forecasts of our economic future. I doubt if an amateur can add much to the projections for 1963 thus developed. Instead, I will try to make some observations from a slightly different point of view.

Tilton H. Dobbin

In recent years we have heard much about the fact that our economy has been close to dead center and that lack of adequate economic progress is a handicap in the cold war. These thoughts led me to take a look at the record, to observe once again the evidence of this alleged economic stagnation.

The growth of the United States since 1900, measured in term of Gross National Product in constant dollars and physical volume of industrial production, has been at an amazingly consistent rate. There were, of course, substantial variations from trend as a result of the Great Depression and then, on the upside, World War II. The important thing is that we are now performing almost precisely in accordance with the long-term pattern. In this perspective there is no evidence of lack of normal economic progress. This does not rule out a faster rate of growth as impossible, but it does suggest that a forced draft effort would be required to achieve a materially higher rate. Short of this, there is always room for worthwhile improvement.

Per Jacobsson wisely commented last year that the primary economic task of the Western World is learning to live without inflation. The problems of our economy largely are in the area of prices and profits, not the output of goods and services. Corporate profits were in a generally strong uptrend from the 1932 low of the Great Depression until 1951. War and post war recovery accounted for most of this gain. Our present intense price competition and lower profit margins have a great deal of the appearance of going back to normal, after a long period of abnormal living. We know this is little consolation to the business man being plagued by competition, but we also know that such competition is truly the life blood of our free enterprise system which keeps our business machine virile. Without price inflation we must work much harder, and this condition seems likely to continue in 1963 and beyond.

The biggest economic issue of 1963 is the recommended reduction in Federal taxes. It is possible for taxation to be at a level so high that economic progress is stifled. No one can be sure whether we are being unduly restricted, but the University of Michigan's econometric model of our economy suggests that a sizable tax cut of 15% of personal income taxes would provide a worthwhile stimulus to the economy, adding $2 to G. N. P. for every $1 tax cut. According to this study, a tax reduction of $7.5 billion would increase the federal deficit only $1.4 billion in the first year and add $15 billion, or 2½%, to Gross National Product.

Accordingly, there is enough evidence of taxes having passed the point of diminishing returns to make the economic expediency of tax reduction well worth trying. Economic conservatives and others would prefer an immediate offsetting reduction in expenditures, but even if this is not accomplished, a tax cut should be thoroughly worthwhile.

We can all accept the principle that the greater the tax cut, the greater the stimulation of our economy. Elimination of taxes, from this standpoint, would be best of all, but the price of such fiscal irresponsibility would be too high. Congress is faced with a delicate decision. A too small cut would be all but worthless as an economic stimulant. A too large cut would be irresponsible, for we could not hope to make up the immediate revenue loss through greater economic activity. It may very well be that consideration should be given to other forms of tax revenue, if required, as replacements for incentive-sapping restrictive levels of income taxes.

I sincerely hope that Congress will act in a forthright manner to effect a worthwhile reduction. We need to know the answer to this great issue and the only conclusive proof can be found by observing these component economic forces actually at work.

R. P. DOHERTY

Chairman of the Board and President, The National Bank of Commerce of Houston, Houston, Texas

From the foresight presently at hand, 1963 has to be divided into two halves for a better analytical focus. The first half shapes up as one that is unspectacular in respect to overall growth, employment and output. On the other hand, the last half will have the impetus of moderate expansionary powers resulting from decisions made in late 1962 and early 1963. On balance, the year should close with a 2-3% increase in GNP.

R. P. Doherty

Moderate structural changes in the distribution of assets and liabilities of the commercial banking industry will be apparent in 1963 as banks respond to a slow-growth economy. A high degree of liquidity will prevail in all sectors as a result of monetary and tax policies of the Federal Government. Maximum impact, however, from these will not be felt until late 1963, or perhaps 1964.

The combination of realized economic growth, easy money policies, larger corporate liquidity caused by the investment credit allowance, more generous depreciation charge-offs, and perhaps a tax reduction, probably will result in an 8½-10% rise in total bank deposits. Because liquidity-preferences of the public are high, the gain in total time and savings deposits will exceed that of demand deposits. Pressure on bank profits will not be substantially relieved from 1962. Relative to capital expansion plans, corporate liquidity also will be great because of favorable profit experience, higher depreciation flows, and the investment credit. This will of course intensify levels of internal corporate financing, concomitantly restraining loan demand to perhaps no more than a 6-8% increase. These factors also will contribute to an enlarged outstanding volume of deposit certificates.

Responding to these external developments, banks to protect or reach profit objectives will find it necessary to readjust non-loan investments and/or expand into new services. A continued lengthening of maturities and the shifting of a larger share of investment funds into municipal securities and longer term governments will typically describe expected modifications in this critical area of bank management. In terms of new services, consumer loans and direct mortgage financing will loom important as outlets for lendable funds.

As business transactions increase after the first half, interest rates will rise moderately on debt issues, and perhaps on loans. Even though economic activity gains in momentum, money should not become tight for reasons already averred to, namely, liquidity is large and activity growth is not expected to absorb it all. But as activity does increase, banks will shift some resources from the investment portfolio to loans which will exert slackened demand pressures on the open market as the year draws to an end.

The foregoing prediction assumes that current monetary policy remains similar to the 1962 experience and that a national war emergency will not arise.

FREDERIC G. DONNER

Chairman, General Motors Corporation

The automobile industry concluded a good year and, in fact, the best since 1955. Industry retail sales of passenger cars will reach and probably exceed 7,000,000 units including some 350,000 imported cars. Industry truck sales of over 1,000,000 units are anticipated. Unlike 1955, however, when sales were well above the long-term trend, 1962 sales are in line with the normal growth of automotive markets.

Frederic G. Donner

Now what about the year ahead? A fresh spirit of optimism concerning the general economic outlook has been apparent during the past two months and the most recent measures of economic activity provide sound reasons for this growing confidence.

Industrial production, employment and personal incomes continue at record levels. Recent surveys of business capital investment plans indicate a continued high rate of expenditures in this vital part of the economy. Government expenditures continue to rise. Consumer spending, currently at a record rate, indicates a high level of public confidence in the forward movement of the economy.

Assuming, therefore, continued high levels of economic activity and consumer confidence, car sales in 1963 could approximate the 1962 totals. This would result in total industry retail sales in the area of 7,000,000 passenger cars and 1,000,000 trucks.

This outlook is supported by a number of market considerations bearing directly on automotive demand.

New car prices have remained unchanged since the fall of 1958 despite rising labor costs and product improvements. New car value currently are, therefore, at the highest level which the industry has ever been able to offer. Product variety has been extended to serve the most discriminating demands of the new car buyer.

Consumers have used their potential with restraint during the past few years and have the credit resources required to meet their new car needs in 1963.

Demand for used cars has been maintained at a strong level and stocks of used cars available through franchised dealers are normal for this time of the year.

A major factor affecting our outlook for 1963 is the rising long-term trend in replacement sales. The number of new cars required each year to replace vehicles scrapped has been rising and, when account is taken of the number and age of cars on the road, it is estimated that scrappage and therefore replacement demand will continue to rise. For example, scrappage in the four-year period 1950-1954 averaged about 3.2 million units per year. Over the period 1955-1959 the average was in excess of four million units. New car demand to fill replacement needs alone in 1963 is estimated at about 5.2 million cars.

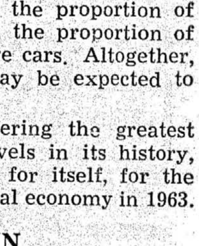
There is, in addition, good reason to anticipate continued growth in car ownership. The population is growing and, with good business generally, income, in total and per capita, continues to rise. In addition, it is reasonable to expect an increase in the proportion of families owning a car as well as in the proportion of car-owning families with two or more cars. Altogether, the number of cars in operation may be expected to increase by about 1.8 million in 1963.

To sum up, General Motors, offering the greatest variety of fine cars at all price levels in its history, anticipates continued good business for itself, for the automobile industry and for the general economy in 1963.

JAMES A. DRAIN

President, Joy Manufacturing Co.

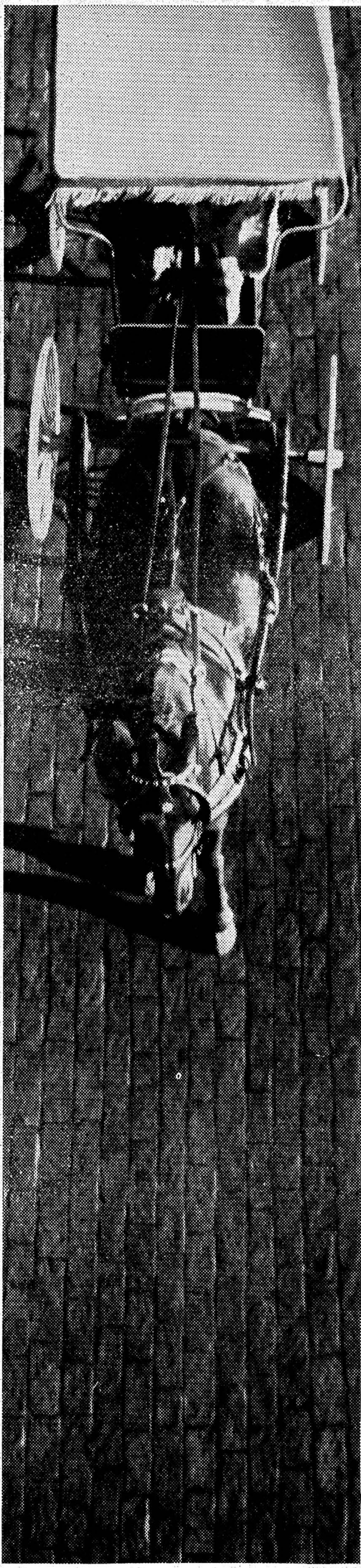
As a manufacturer of equipment for the basic industries, Joy Manufacturing Co.'s outlook for 1963 generally looks encouraging, and varies with the level of activity in each of the industries we serve. Since each industry is affected differently by economic conditions, we have to look at them separately in preparing our estimate of what the year will bring.

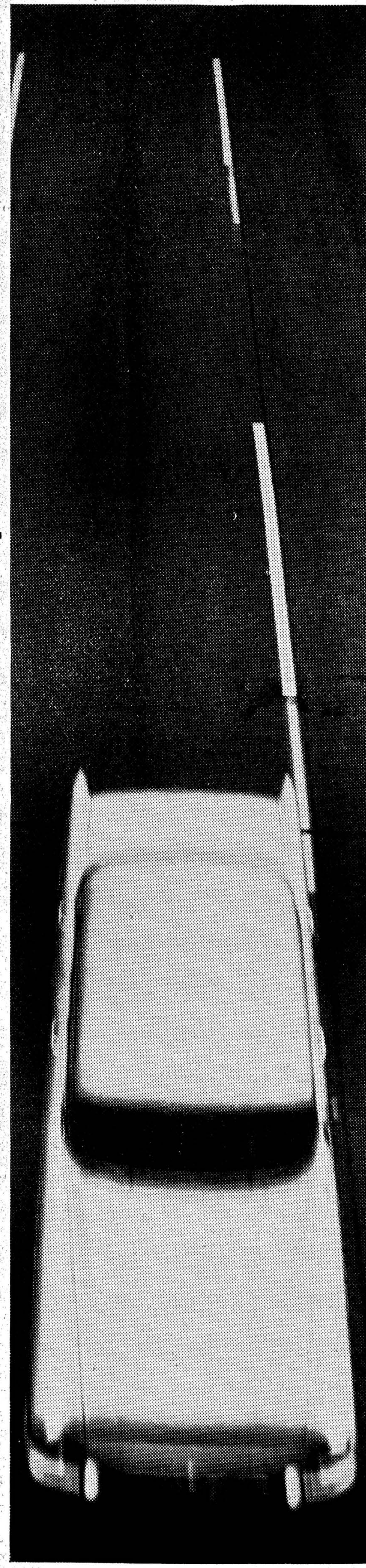


James A. Drain

Coal Mining—Normal underground mining activity is forecast for 1963. Two new continuous mining machines now in service and a third to come will strengthen our competitive position in this market and indicate improved sales for our Coal Machinery Division next year. More important, though, is the long term look at this, our largest market. A recent report of the Atomic Energy Commission to the President of the United States makes the prediction that the volume of coal which will be used in the generation of electricity will increase seven-fold over the next 40 years. When we consider that one-half of the coal now consumed

Continued on page 50





Continued from page 48

is used for steam power generation, such an increase as this indicates strong market conditions for many years. We are planning our Coal Machinery Division activities on this basis rather than on short-term outlook.

Metal and Non-Metallic Mining—Despite a rather static market condition in metal mining in the U. S., new faster drilling equipment to reduce mining costs has helped Joy to maintain a good sales level to this industry. In addition, mining outside the U. S. is being accelerated at a rate which makes our export sales of equipment for these mines look promising for 1963. Mining of non-metallics such as potash and salt continues to be a good market area for our high capacity mining machinery. A promise of sustained activity in this type of mining and in metal mining, combined with our new and proved products for both, lets us look at this market area with considerable optimism in 1963.

Manufacturing Industries—As specialists in air and gas handling and cleaning, Joy products are well established in both the hard and soft goods sides of the manufacturing industries. The brightest product outlooks appear to be in compressors for chemical and process gases, and in gas cleaning equipment for the steel, cement, and power generation fields. The lack of an increase in planned spending for capital equipment in parts of these industries, though, leads us to look for no dramatic increase in sales there during 1963.

Construction—Joy's interest in construction is primarily concerned with the excavation of rock for heavy construction of highways, dams, airports, etc. The tremendous scope of planned activity in this field presents an ever increasing market for our rock drills and air compressors. New, efficient drilling equipment has strengthened our competitive position, and we look forward to increasing our sales to this market during the next year.

Oil and Gas—Our oil field sales activity is limited to tools for rotary drilling rigs and booster compressors for gas gathering. Although drilling activity, in feet of well drilled, is not down, because of technological advances, a reduced number of rigs in operation has limited the number of customers we have in this area, creating a static market condition. With a step-up in drilling, sales of our Baash-Ross tools could improve over 1962. Improved compressors for gas gathering, collecting gas from several wells and boosting it to pipeline pressures, will place us in a better position competitively, and thus improve sales.

In general, then, the sales outlook for 1963 is brighter but not to any dramatic extent. Improved operating conditions under a strengthened division and corporate management organization should, however, show a decided improvement in our profit position in 1963 as compared with the past year.

SHERMAN DRAWDY

President, Georgia Railroad Bank & Trust Company, Augusta, Ga.

A discussion of the outlook for banking for the year 1963 would be meaningless unless set in a broader frame of reference—the American economy as a whole. For in my opinion the new year will see critical decisions made or avoided in two vital aspects of our nation's economic affairs, tax structure and gold outflow.

Sherman Drawdy

In early January the President is expected to send to the newly convened Congress a tax reduction proposal. The entire banking community will be interested to see whether this proposal takes into account the increasing menace of our accelerating budget deficit. We must fervently hope that any tax cut will be oriented to the realities of our free enterprise system and not interspersed with patchwork proposals to propitiate pressure groups. This means no stopgap measures, but rather a thoughtful and comprehensive overhaul of our entire tax structure.

I am in most hearty agreement with Mr. M. Monroe Kimbrel, President of the American Bankers Association, who stated recently in an address in our city that, in place of a single spectacular reduction, Congress should consider a series of reductions graduated over a period of years, during which time Federal spending would be held constant. The resulting stimulus to business activity would result in a progressive increase in government receipts, even allowing for the reduced rates of levy.

The other problem which faces our economy, and which well could come to a head during 1963, is a chronic one. I believe that we have been misled by the fact that the rate of gold outflow was somewhat reduced during 1962. The fundamental causes are still with us, and the outstanding success of the European Common Market could well accelerate an already alarming trend. Here again, fiscal soundness, even in the face of political unpopularity, is the only realistic remedy. The inescapable alternative of devaluation is one which would prove disastrous to our business and banking community.

Assuming a proper solution of these two critical problems, the outlook for banking appears eminently favorable for 1963. Banking, as a service industry, is geared both to population growth and to business expansion. To all appearances our Southern Region will continue in the forefront as regards these two factors.

This trend toward the technological, industrial, and financial development of the South is beneficial to the nation as a whole, providing as it does a counterbalance to the economic dead weight of those areas depressed by overdependence on a single industry. But the continuation of this growth trend is dependent, as is the economic welfare of the nation as a whole, upon a reasonable absence of politically motivated harassment on the part of the Federal Government. There is no possible way by which the nation can benefit from the remolding of the South in the image of less productive sections of the country. Historically, our nation has thrived on diversity, not on uniformity. It is this diversity which will provide the key stimulus to any growth enjoyed in 1963.

KENNETH K. Du VALL

Chairman of the Board
Merchandise National Bank of Chicago, Chicago, Ill.

At the close of 1962, observers of the economic scene are almost unanimous in the opinion that the American economy is on a plateau with which no one is happy. Dissatisfaction stems from the belief that neither our labor force nor productive capacity is being fully utilized.

Kenneth K. Du Vall

This situation is reminiscent of the economic maturity doctrine of the late 1930's. At that time an economic plateau appeared to have been reached despite many years of bold experiments under the New Deal. That plateau was ascribed to the fact that our productive capacity was limited by the labor force and facilities available. What a contrast with 1962!

World War II dissipated the concept of economic maturity and proved how fallacious it was. The post war years witnessed an unparalleled expansion in not only the American, but the entire free-world economy.

It is indeed a healthy sign to find the American people anxious about the prospects for further robust growth rather than complacent in the face of the record highs reached in 1962.

Hopeful, yes even prayerful, that the solution ahead lies not in another war, the popular cry is now for tax reduction as a stimulant. Such a remedy is not a simple one as daily comment in the press makes crystal clear.

Tied into a complex knot are many interrelated problems such as fiscal responsibility, the effect of federal deficits on the economy and the nightmare of mounting federal expenditures.

Not to over-simplify, but rather to dwell on one factor that is uppermost in the minds of many, let it be observed that we are perhaps too sensitive on the subject of Federal deficits. Surely, under present conditions of unemployed labor and unused production facilities, inflation will not follow automatically. Furthermore, let us not forget the cost of the deflation that might occur in a business recession.

Timing is of the essence in deciding upon a tax reduction. If the forces of compromise that characterize Congressional action simply delay rather than defeat tax reduction, the prospects for 1963 include a return to the pessimism that has prevailed off and on in 1962. A serious deterioration in the economy need not be anticipated, but our dissatisfaction with the present plateau could be translated into economic decisions of downward spiraling impact.

HENRY DUBBIN

Chairman, Canaveral International Corporation

The same factors which catapulted real estate values in the Cape Canaveral area of Florida to new heights in recent years will operate with additional vigor in 1963.

With the country's space program moving into a greatly accelerated phase, the entire area around Cape Canaveral will be experiencing an even greater impetus for growth. Millions of dollars in additional construction contracts are due to be let, and a tremendous new influx of workers and materials is expected to take place during the year.

Henry Dubbin

Besides the massive buildup of plants and facilities directly connected with the space age program, a host of associated developments are taking place. These include the creation of new shopping centers, homes, roads, schools, and consumers goods industries.

As a result, land in Brevard County, which includes Cape Canaveral, and in adjoining Osceola County, should continue to appreciate in value.

The vigorous expansion now taking place in Florida is similar to what happened in California two and three decades ago, when a large segment of the aircraft industry was first established there. Florida's climate and strategic location are a perfect combination for the needs of the space industry, and there is no likelihood that these favorable conditions will change in the foreseeable future. In fact, the burgeoning rocket and missile program at Cape Canaveral is by far the biggest single development in Florida's steadily expanding economy.

At the same time, new developments and cities are being created in the area, which, in turn, enhance the value of adjoining real estate. And besides the direct growth contributed by the space program and associated developments, the area around Cape Canaveral will benefit from a steadily increasing flow of tourists and visiting business men, and from the acquisition of homesites for vacation and retirement homes.

Under present schedules and commitments, the peak will not be seen for the next several years.

E. J. DWYER

President, The Electric Storage Battery Company

The year just ended proved to be a prosperous one for the packaged power industry, with most companies reporting higher sales volume and slightly better profits than were experienced in 1961.

Edward J. Dwyer

While it is too early to make an accurate forecast for the year ahead, the outlook is promising for another 12 months of good business if the firming trend in the general economy continues. Modest increases in sales volume are expected, but it is felt that the effect of the cost-price-profit squeeze may keep earnings from developing comparably to volume increase.

The battery industry, or, as we prefer to call it, the packaged power industry, is engaged in the manufacture and sale of electric batteries of all types in both primary (non-rechargeable) and secondary (rechargeable) categories in both consumer and industrial markets.

Primary batteries include dry-cell types in a range from shirt-button size for powering electric wrist watches and tiny hearing aids, through a variety of sizes for flashlights, lanterns, photo-flash units, portable radios and other miniaturized electronic devices, to larger units for engine ignition, energizing electric fences, and a variety of industrial uses. Mainly, however, dry-cell batteries go to the consumer market.

There has been a tremendous increase in popularity of battery operated electric toys and games and in the use of miniature radios and other transistorized equipment. The outlook in both of these fields augurs well for continued sales growth in the dry-cell batteries.

Automotive batteries also are consumer items. They enjoyed a good year in 1962 in both replacement and original equipment lines, due to the increased production of motor vehicles. Automotive batteries also are sold for motor boats, golf cars, trucks, tractors, buses and "off-the-highway" equipment. The almost phenomenal growth of the motor boat market and the increased use of golf cars has had a favorable effect on automotive battery sales, and there is every reason to believe that these markets will continue to grow.

The industrial battery business encompasses all types of "wet" or storage cells in lead-acid, nickel-cadmium, nickel-iron and silver-zinc couples. These find their principal applications in industrial trucks for material handling; in mine locomotives; submarines; in diesel locomotive starting and control, switch and signal operation, passenger car lighting and air conditioning on railroads; in distribution control in the electric power generating industry; in ocean liners, tug-boats and fishing vessels; in all types of communications—telephone, telegraph, radio and television; in commercial, military and private aircraft; in missiles and space vehicles; in atomic power plants, and many other specialized applications.

In virtually all of these diverse markets, industrial batteries showed improved volume in 1962. At the same time the industrial battery markets are extremely sensitive to changes in the general economy. However, if the general economy continues strong in 1963, with whatever favorable effect results from the new rules on depreciation and the 7% investment credit, the prospects for continued improvement in industrial business are good.

The Electric Storage Battery Company is the largest and oldest manufacturer in the packaged power industry, marking its 75th anniversary this year. It manufactures all types of batteries, "wet" and "dry," primary and secondary, and serves well diversified markets. In addition, it has expanded modestly into non-

Continued on page 52

Continued from page 50

battery lines such as molded and extruded plastics, corrosion-proof coatings, linings and cements, and sun glasses and personal safety equipment. It now operates manufacturing plants in countries throughout the free world and on every continent.

ESB's gains in both sales and profits in 1962 have been encouraging, and the company expects continued growth in sales volume in 1963. Possible tax reductions and a continuation of programs for improving manufacturing efficiencies to help offset the cost-price squeeze should enable the company to maintain or improve earnings.

H. M. FAWCETT

President, The Mohawk Rubber Company

The Mohawk Rubber Company celebrates its 50th anniversary in 1963, confident that its sales will exceed $40,000,000 for the first time. Although there are tire companies vastly larger and better known than Mohawk, the record we shall establish this year is evidence both of the growth of the rubber industry itself and of the ability of a smaller company to prosper in this giant rubber complex.

Henry M. Fawcett

The new year should be a good one for our industry. The following favorable factors are already at work:

(1) The apparent success of the '63 model cars should maintain original equipment sales at a level substantially above the average of the last five years.

(2) Replacement tire sales will increase a minimum of 3% over 1962 and 10% over the average of the last five years.

(3) The sales of retread tires will expand approximately 5% over 1962.

(4) The price structure for new tires which has been depressed over the past two years has recently shown improvement.

(5) The maladjustments created by the rapid change in tire marketing habits (reflected by gains in private brand sales through discount stores, department stores, etc., operating primarily in suburban shopping centers) have been handled so that the general market unsettlement and consequent price weakness stemming from this case should be eliminated.

(6) Ample supplies of raw materials should keep such costs in line throughout 1963.

The improving economic factors in the rubber industry, as outlined above, should help to lift profit margins from the disappointing levels to which they fell in 1962. In the aggregate, the increase in sales made by the rubber industry during the past five years has not been followed by any improvement in profit margins. Historically, the rubber industry has netted less on sales than many other segments of the American economy. It is, therefore, important to correct last year's profit slide. If the general level of business activity remains strong in 1963 (and most economists are predicting so), the trend of earnings in the rubber industry for the coming year should be decisively upward.

Within the industry, it seems likely that the smaller companies have the greater opportunity to show substantial gains than the large companies. The smaller companies operate primarily in the replacement tire market which has had, and should continue to have, the healthiest rate of growth. They are also relatively free from the repercussions that can develop in international markets, such as currency devaluations. Finally, they can, by virtue of their small size alone, more quickly reflect the favorable economic conditions that should prevail in the rubber industry during 1963.

M. M. FIDLAR

President, Mountain Fuel Supply Company

The growth of the natural gas industry has been one of the remarkable industrial achievements of the past 20 years. A combination of various factors produced this growth, perhaps the foremost being the demand by the public for a superior fuel. Natural gas certainly filled the bill and has met the demand.

M. M. Fidlar

There is every indication that this demand will continue through and beyond 1963. Not only will the industry be faced with the pleasant prospect of taking care of new customers, it also will be confronted with increasing consumption of gas by present customers. Of particular interest is the manner in which natural gas may begin to reclaim, indirectly, a share of the lighting market. In its earliest days, gas was used almost exclusively for illumination purposes. With the advent of electricity and the incandescent light, gas lost the lighting business. Research has now developed the gas turbine which will make it possible for a turbine engine to produce all the energy requirements of homes and buildings—even the energy to produce electricity.

Most people are familiar with the general applications of gas in the home, but not everyone is aware of the countless applications in industry. Besides being used for its most obvious function as a source of energy, gas also is being used as the raw material for many chemical processes. Thousands of different gas and oil-derived chemicals are being used in products ranging from plastics and synthetic fibers to fertilizers and detergents.

While there is no doubt about the high demand for gas and its many uses, there is some concern about the ability of the industry to keep up with the demand. This concern arises from the fact that natural gas is not a renewable resource and, therefore, there must be an ultimate limit to its supply. What that ultimate limit is, no one knows. Estimates of ultimate reserves in the United States alone range from 1,200 to 1,700 trillion cubic feet, figures which to be meaningful to the average person must be compared with the present annual domestic production of 13 trillion cubic feet.

No one within the gas industry is content with reserve figures, no matter what they may be. There is a constant search for new supplies, a search that ranges from fields with production history to offshore areas where drilling was once thought impossible. Gas supplies are being piped into this country from Canada, and in that vast country there still remains much unexplored acreage. Moreover, we literally have merely scratched the earth's surface when it comes to drilling. At a time when we are sending satellites millions of miles into space, it seems almost incredible that our deepest drilling is not measured in miles but is calculated in thousands of feet.

Surely the day will come when the problem of drilling deeper holes with greater efficiency and at lower cost will be solved, in which case an entire new reserves picture may be written. In our own time, we have found new methods of fracturing producing sands to stimulate production far beyond original estimates. The ingenuity of man knows no bounds and, this being the case, there is reason to expect the development of new techniques in the future that will enable us to solve the problems of today.

In summary, the natural gas industry has grown by leaps and bounds because of the increasing demand for this superior fuel. There is every indication that this demand will continue in the future. The natural gas industry has adequate reserves on hand to meet this growing demand, and by exploring new areas and developing improved drilling and production techniques will continue discovering additional supplies for the future.

HARVEY S. FIRESTONE, JR.

Chairman of the Board
The Firestone Tire & Rubber Company

The outlook for the rubber industry in 1963 is excellent. The record-breaking fourth-quarter recovery in general economic activity in 1962 points up the opportunities for our industry in 1963. At Firestone, we have just completed the greatest sales year in our history and the momentum that has been building up is helping us start 1963 at a pace which, if continued, should again set new sales records.

H. S. Firestone, Jr.

We are continuing to improve the efficiency in our manufacturing processes and working to eliminate excessive costs in distribution and sales operations. The November, 1962, price increase of 3 to 6% on all sizes and types of tires is another factor that encourages us to expect profit improvement in 1963.

The outlook for the sale of new tires in 1963 is encouraging. The rubber industry expects to ship 132 million passenger, truck and tractor tires. It is estimated that 91.7 million of these will be replacement tires and, of this total, 80 million will be passenger car tires. This predicted shipment of tires in 1963 would set a new high record for the industry.

Firestone intends to be ready for future sales opportunities which certainly are indicated by the potential market for tires from 79 million vehicles due to increases being registered in car mileage and the number of cars per family unit, as well as the growing system of state and federal highways and the continuing growth of suburbia. Today American motorists are able to enjoy their automobiles more for recreation and vacation trips, and this means a growing tire, gasoline and auto accessory market.

Other vital factors in the economy that give us renewed confidence are the upturn in steel, the estimates of approximately a 4% increase in capital goods, additional defense spending and advancing department store sales.

The rubber industry has available a broad field of synthetic compounds from which it can make an ever-increasing array of products. These materials will permit the industry to improve its existing products and to move into new product fields through expanded research and development.

Synthetic rubber, reaching new levels of accomplishment through research, will take a larger share of the rubber market. It will account for 75% of total rubber consumption in the United States in 1963 and 50% of total world consumption.

The industry has expanded its production base to serve the expanding foreign markets which represent additional tire sales as car populations grow and highway systems continue to increase in country after country around the world.

The new year will be one of both opportunity and challenge. We at Firestone are both confident and optimistic.

R. H. FITE

President, Florida Power & Light Co.

The 1963 outlook in Florida is for continued population growth, industrial expansion and more summer and winter visitors!

According to latest population estimates, Florida, with 5.4 million as of July 1, is still the fastest growing major state in the Union. Its two-year gain of 10.3% compared with 3.6% for the nation as a whole.

R. H. Fite

This moved Florida up from tenth to ninth place among the most populous states.

Florida's trend of industrial expansion is spread over a broad base. In 1961 there were 692 new plants and major expansions. While the 1962 figures are not yet available on new plant projects, sales of electricity to industrial users in Florida Power & Light Co.'s territory have shown an increase of 14% for the 12 months ended November, 1962, over the previous year.

While December's cold weather dealt a serious blow to the citrus and winter vegetable crops, its effect will be less noticeable in the state's economy than in years past when agriculture outshadowed industrial production and a relatively short winter tourist season.

Furthermore, agricultural income will get a big boost from the new U. S. sugar allotments. Florida's acreage was upped to 139,000 acres versus 60,000 acres harvested last year, clearing the way for a continuing $75 million a year sugar industry.

For the last fiscal year, ending in June, Florida had a record tourist year—nearly 13 million. This year the state is looking ahead to an estimated 15 million!

Determined to keep ahead of Florida's progress, Florida Power & Light Co. is embarked upon the biggest expansion program in its history. Four major power plant additions are under construction. They will add 1,575,000 kilowatts by mid-1965.

By comparison, the company's entire system totaled only 210,000 kilowatts on VJ-Day in 1945. Seven times that much generation will be added in the next three years.

Scheduled for operation early this year, a 300,000 kilowatt addition to the Riviera plant is nearing completion.

The next two additions, each capable of producing 425,000 kilowatts, are under way at the Port Everglades plant, set for operation in 1964 and 1965.

Another 425,000 kilowatt unit at a new plant site near Cape Canaveral is also scheduled for 1965.

These four units will push the company's system capability above the 4,000,000 kilowatt mark, an increase of more than 64% over the present 2,428,000 kilowatts.

HENRY FORD II

Chairman of the Board, Ford Motor Company

Most of the indicators point to an excellent sales year for automobiles in 1963.

Currently, new cars are selling at a record rate. Used car prices are strong and probably will continue to show buoyancy as an unprecedented number of young people reach driving age and shop used-car lots for their first cars.

Henry Ford II

The 1963 automobiles have high public acceptance, and abundant consumer credit is available. Total automobile sales for 1963, however, will depend upon operation of the general economy.

During 1962, we have seen some recovery from the generally sluggish economy that prevailed during the previous five years. But the pickup has by no means been strong enough or gone far enough to insure that we are headed for new plateaus of prosperity.

While 1962s gains give some grounds for optimism,

Continued on page 54

Basis for a Bearish Outlook On the 1963 Economy

by Roger Babson

Mr. Babson hopes his forecast is incorrect for he anticipates a business decline for this year. The well known prognosticator says: (1) business leaders are still scared of the Administration; (2) unemployment will grow; and (3) our laws prevent manufacturers to effectively "cooperate" in order to compete in international trade.

I have been criticized for forecasting a moderate decline in 1963. I admit that most of the forecasts by others have been for good business—"at least as good and probably much better in 1963." I sincerely hope that they are right and I am wrong. Two reasons for my doubts about 1963 are:

(1) Unemployment is sure to increase during 1963; those employed, (who, statistics show, should be more numerous in 1963) will not get overtime work. This means they will not have so much "take-home" pay. The government figures for employment and unemployment are very tricky. Actually the government should make only one computation in this whole area — namely, the total take-home pay of all wageworkers.

(2) An important second reason is that employers do not know how President Kennedy really feels toward the nation's business leaders. We know he is surrounded by a group of very liberal advisers, — mostly college professors who have been dependent on endowed funds for their salaries. Very few of them have ever been obliged to "earn a living" as most readers have. Furthermore, the President himself is a very rich man enjoying trust funds set up by his father, Joseph P. Kennedy, who is said to be worth over $300,000,000. In addition, the President knows that business leaders are in the great minority in terms of prospective votes; wageworkers not in business for themselves represent the big majority.

Importance of Larger Exports

The government is constantly urging manufacturers to install new machinery and increase production. With the present excess of commodities, this means we must develop more foreign trade. To do this efficiently our manufacturers should be encouraged to combine to form trade associations. They now do not dare to do this for fear that the President's brother Robert, who is Attorney General, will prosecute them under the Anti-Trust laws. These outdated laws should either be relaxed to meet present foreign-trade needs or else be amended so that they will apply also to labor unions.

Europe's "Common Market" not only encourages the manufacturers of one industry to work together, but also those of several different countries. Labor unions are encouraged, but are treated as these other associations are treated. The Common Market was created to encourage co-operation —in direct contrast to what our Administration at Washington is now doing.

Look At The Record

When President Kennedy took office, the Dow-Jones Industrial Average was around 650. Then it was manipulated to over 700, after which came the big break of May 28, 1962. The market had gone up from aronud 275-300 during the Eisenhower Administration. Most businessmen feel that both the stock market and general business will decline in 1963.

Without doubt the Cuban situation helped the President last year. I believe he is sure to be a shrewd enough politician to keep Cuba in the news until after the election in 1964. This, along with a tax cut which Congress will probably pass in 1963 to take effect Jan. 1, 1964, should re-elect President Kennedy in November 1964. But this is no time to talk about 1964. My interest today is in discussing business in 1963 and my reasons for forecasting a "decline". To repeat: The real reason is the attitude of the President's brother Robert, who should interpret the Anti-Trust laws so they can be used co-operatively to develop foreign trade abroad. This is what 1963 lacks. Business leaders are scared.

Fed's Open Market Policies Explained

The Federal Reserve Bank of New York has published a new 43-page booklet entitled *Open Market Operations*, explaining in layman's language how the Federal Reserve System translates broad monetary objectives into day-to-day purchases or sales of Government securities.

The booklet was designed to satisfy frequent requests for information concerning the daily mechanics and techniques of operations in the securities market. "To those of us in the Federal Reserve System, few areas are more fascinating than this one in which we try to protect our monetary machinery from undue stresses and to influence the economy by affecting the cost and availability of credit," states William F. Treiber, First Vice-President of the Reserve Bank, in the booklet's foreword.

The booklet was written by Paul Meek while he was Manager of the Bank's Public Information Department; several weeks ago he was assigned to the Securities Department, where he is now busy with the open market operations he described.

Copies of *Open Market Operations* are available without charge upon request from the Public Information Department, Federal Reserve Bank of New York, New York 45, N. Y.

Continued from page 52

there just is not enough momentum in the current upswing to carry the economy past obstacles. There may well be enough to carry 1963, provided we don't encounter more serious balance-of-payments problems, a deterioration of the international situation, or some other dislocation. But we need something to give the economy enough momentum to carry it past rough spots without stalling.

Most important, we need a strong pickup in investment spending. This creates increased efficiency — the lifeblood of progress.

One of the most disappointing features of the past five years has been the stagnation of investment—a direct result of the squeeze on profits. We need higher profits to stimulate investments and push up our growth rate.

A broad tax cut, giving relief to individuals and to business, would help strengthen the profits picture. Better prospects for profits would stimulate the search for new markets, the creation of new products, and the launching of new business ventures. Historically, these elements have the most important factors in long-range economic growth.

We need a continued management effort to control costs, and a corollary acceptance by labor of the fact that all will benefit ultimately if a part of productivity gains are used to avoid price increases rather than to raise wages.

These measures would put our economic house in shape for the long haul and enhance our prospects for 1963.

In the expanding world economic environment we can play a more meaningful role and create for ourselves greater opportunities for prosperity. But to do so we will have to meet some challenges.

In the years ahead, our biggest opportunities and our toughest challenges will be found in the European Common Market. This market already is an economic giant, and it will continue to grow. Shortly, its men, money, materials and machines will be pulling in a common direction. If we can negotiate the proper agreements with the Common Market before its bargaining power reaches full flower, business in this country can anticipate the twin hopes of expanding sales abroad and increased economic growth in the United States and the Common Market.

In summary, the economic outlook for 1963 is optimistic and replete with opportunity. But prosperity will not thrust itself upon us automatically. There are doors to be opened to make it feel welcome.

MERVIN B. FRANCE

President, Society National Bank of Cleveland, Cleveland, Ohio

1963 will be a year of cross currents. It should be a year of high level production and large investment, but it will be a year in which profits continue sub-normal and unemployment persists above desirable levels. It will be a record year in most respects, but a year of pause. Gross National Product should increase gradually as 1963 progresses, averaging $568 billion next year, up almost 3% from last year's estimated $553 billion. Industrial production should remain virtually unchanged from 1962, averaging 119 for the year, up somewhat more than 1% from 1962 levels.

Mervin B. France

A tax cut will be required to project the economy off its plateau. Although considerable difficulty will probably be encountered, a tax bill should be enacted later in the year, retroactive to Jan. 1, which should set the stage for higher business activity in 1964.

Despite many unfavorable factors, such as the stock market decline last spring, continued profit margin squeezes and a soft industrial price structure, the economy has remained remarkably resilient. Capital expenditure programs have weathered many disappointments. Apparently, the tremendous pressure to introduce new techniques, ideas and methodologies to keep costs under control have kept investment programs intact. Business plans no letdown in plant and equipment outlays for 1963.

The one major concern for 1963 is our continuing balance of payments deficits. Despite the improvement earlier last year, recent figures have been disappointing. Should the deficits worsen, the Federal Reserve may be required to tighten the money market and firm short-term interest rates here in an endeavor to hold capital outflow from the U. S. to a minimum. International financial difficulties could also pose some problems to the passage of the proposed tax bill, in that a potentially large federal budget deficit could, in a context of balance of payments deficits, weaken the dollar and put pressure on our gold reserves.

However, business activity appears to have been able to overcome various impediments which have been put in its way, and should be able to do so again.

What is remarkable about 1963 is that, despite dire forewarnings of the "leading indicators", it should not be a year of declining business.

1963 Prospects vs. 1962

INDUSTRIAL PRODUCTION: Federal Reserve Board index (1957 = 100) should average 119 in 1963, a small increase over the 1962 figure of 117.

UNEMPLOYMENT RATE: (per cent of civilian labor force) will be unchanged from the 5.7% in 1962.

GROSS NATIONAL PRODUCT: To reach a record $568 billion in 1963 from $553 billion in 1962.

AVERAGE HOURLY EARNINGS in manufacturing: Up to $2.48 in 1963 from $2.40 in 1962.

COST OF LIVING: Another rise of 1% to average 106.7 for 1963.

PERSONAL INCOME: Up to $451 billion from $440 billion in 1962.

DISPOSABLE PERSONAL INCOME: An increase from $382 billion in 1962 to $391 billion in 1963.

RETAIL SALES: Will add several billions to 1962's $234 billion.

CONSUMERS' SAVINGS: Will match this year's $26.1 billion.

CONSTRUCTION: Should rise about 2% to new high $62.0 billion in 1963.

REAL ESTATE PRICES: Homebuilding costs should increase another 2% in 1963.

MONEY RATES: No significant changes in rates, unless balance of payments problem materially worsens.

FEDERAL TAXES: A tax cut enacted later next year retroactive to Jan. 1, 1963.

CORPORATE EARNINGS before taxes: Will come close to this year's $50 billion.

CORPORATE DIVIDENDS: Little change from 1962 levels.

AUTOMOBILE PRODUCTION: A mild decline to 6.5 million from the 6.8 million in 1962.

PAUL FRIEDHOFF

President, Girard Industries Corporation

More jobs, coupled with higher personal incomes, are creating an increasingly brisk demand for both durable and non-durable consumer goods in Puerto Rico. And the rate of growth, far from reaching a plateau, is accelerating.

The island's booming market is reflecting the rise in annual per capita income for the Commonwealth's estimated 2.4 million people. The figure soared to $700 for the 1962 fiscal year, up from only $375 ten years ago. Additionally, the number of families enjoying an annual income of $3,000 or better has more than doubled in these ten years—to 120,000 from 53,800. Per capita income is projected at more than $1,000 and 350,000 families are expected to be in the $3,000-up class by 1970.

Paul Friedhoff

Government figures show that Puerto Rico was the only area in the Western Hemisphere whose growth was greater than that of the European Common Market countries where the rate of increase averaged 9%. In the Commonwealth, per capita income rose 11%; investment increased by 19%; manufacturing income, 14%; industrial exports, 21%.

Key to the rising prosperity is the continuing industrialization program of the Economic Development Administration, which is now creating new factory jobs at the rate of over 1,000 a month. The EDA has been responsible for helping 800 new manufacturing plants get started; 139 of these, representing an investment of $80 million, began operations in the past year alone.

As industrial expansion continues, there are more opportunities for better paying jobs on the supervisory and middle-management levels—as well as rising pay scales generally—resulting in the emergence of middle income families. One immediate effect of this emergence has been the increase in residential construction. Dwelling units accounted for one-third of the past year's total construction volume of $305 million. Not only is there no slackening in demand, but further sharp increases are expected as present slum clearance and low-cost housing programs gain momentum.

This brisk building activity is creating an unprecedented demand for furniture and appliances. Retail furniture sales in Puerto Rico are estimated at more than $40 million in 1962, compared with $10.9 million eight years ago. The bulk of the increase has been in locally produced furniture, which rose to $33 million from $6.8 million; imports too have grown in the same period to $7 million from $4 million. Our own company, Girard, has shown steady increases each year since we began in 1956, and presently volume is running about 50% ahead of a year ago. Appliances also have shown a very healthy growth, though at a less spectacular rate than furniture.

Another consumer durable that is increasingly evident is the automobile. As recently as 1950, there were only 28,000 privately owned cars in Puerto Rico. Now, there are estimated to be 150,000 and by 1970 a further rise to 290,000 is predicted. One indication of the growing importance of the automobile is the fact that the island's second drive-in theatre, accommodating 1,200 cars, was recently opened by Commonwealth Theatres of Puerto Rico. As yet, there is no local automotive production and all vehicles are imported.

Consumer expenditures for non-durables also are rising although, with greater purchasing power, a smaller percentage (about 38% of income) is going for food than was formerly required (the figure was 60% ten years ago). Expenditures for food and tobacco rose to an estimated $560 million in 1962; from $382 million in 1950. An increasing share of the total business in this area is being done by attractive, well-stocked supermarkets which compare favorably with any in the Continental United States. Largest of the local chains is Pueblo Supermarkets, whose business has risen to more than $25 million annually from about $6 million five years ago. Incidentally, a large percentage of the Commonwealth's food supply has to be imported although great progress is being made in local production, particularly of poultry, pork and beef.

Puerto Rico's Planning Board is projecting that by 1970 the number of people in non-agricultural employment on the island will double from the present estimated 450,000 to about 900,000. Per capita income also is expected to be twice today's rate of $700 annually. The building of a minimum of 120,000 new dwelling units is anticipated in the next decade.

I believe the Commonwealth's potential market for durable consumer goods and discretionary items such as clothing, entertainment and services has barely begun to be realized. These are the areas which should progress most rapidly as personal incomes continue to rise and jobs become more plentiful.

ARTHUR J. FUSHMAN

President, Manufacturers National Bank of Detroit, Detroit, Michigan

An advance appraisal of 1963 should, it seems to me take into account three kinds of influences: First, where we are in the typical short—about 41 months—business cycle. Next, where we are in the longer cycle which has constituted the effects and aftermath of World War II and, finally, the structural problems of the economy which have evolved as this longer postwar cycle has unfolded.

Arthur J. Fushman

As regards the first of these, the influences governing the short business cycle should be operating during part of 1963 to hold the economy down, or at best, level. The economy has neither expanded inventories excessively, overdone capital investing, nor committed excesses in the quantity nor the quality of bank credit. Consumers are spending a normal proportion of their incomes and have, for the most part, healthy and realistic views concerning the nation and its potentialities. Hence any readjustment resulting from these short-term influences should be mild.

Concerning the longer-term postwar "catchup" cycle, it appears that many of the needs and motivations which led to it have been largely fulfilled and are losing their ability to maintain growth and enterprise. Any maladjustments in the economy are largely in these longer-term structural elements. Two of these seem to constitute especially tough problems, and these are related. We have attempted to maintain growth in the economy mainly by boosting consumer incomes, at the expense of business earnings. This has resulted in impairing the incentive to make needed capital investments and improvements. And we have permitted the fact and the expectation of higher costs and prices—inflation, that is —to supply much of the incentive to the economic actions of borrowing, building and buying, an incentive that inadequate business earning-power has been failing more and more to supply. Now that the economy is increasingly on a replacement basis, this lack of incentives is holding growth to unsatisfactory levels. The incentive of inflation has been disappearing, while the more healthy incentive of true operating earnings has been declining and is rather obviously at inadequate levels. True, earnings would be higher at higher levels of business, but this argues in a circle and thus begs the question.

The nation is already starting to grapple with these problems of economic incentives. There are many prescriptions for public policy. During 1963 public and private policies will be hammered out and some adopted. These will take time and there will be the further unknown of the time-lag before even good policies will become demonstrably effective.

With this reasoning in mind, I am inclined to expect some mild easing in business from present levels early in 1963, to be followed by a moderate but probably a persistent upturn. Since the **current** levels of most broad measures of business activity are above their **average**

Continued on page 56

West Europe's Economic Growth Seen at Lower Rate

Chase Manhattan study forecasts continued Western European growth but at a slower rate in 1963 than recent fast pace. Attributes change in pace to possible developing profits squeeze and weak exports. Notes capital spending boom produced excess capacity in some areas and, thus, can be expected to weaken private investment.

The Chase Manhattan Bank said this week that Western Europe's growth is likely to be slower this year than in the recent boom period, but fast enough to keep incomes rising and firms and workers amply employed.

"Rising wages have provided the fuel for a rising tide of personal consumption," Chase Manhattan said in its bi-monthly newsletter, Report on Western Europe. "The average hourly wage of European workers went up 10% in 1962. Allowing for price increases, the purchasing power of total wages and salaries has risen by almost 20% since 1958—and it is still rising."

"Trade inside Europe is rising rapidly," the report said, "but exports to the rest of the world look like a weak spot in 1963. Trade among member countries of the Common Market has risen by more than 90% since 1958—about 12% last year—while trade with outsiders has only gone up by one-third as much."

Weak Spot in Private Investment

"A more important weak spot is in private investment," said the bank. "The capital spending boom of the last three years has left Europe with excess capacity in some lines and has brought capacity close to the level needed to meet demand in many others."

"A profit squeeze is contributing to a slowdown in private investment," Chase Manhattan said. "Rising costs, especially wage hikes in excess of productivity gains, are eating into profit margins, as competition has prevented prices from rising proportionately."

On the other hand, government is expanding its role in the European economies, the report noted. "Most governments have a full arsenal of weapons to stimulate the economy if recession should appear," the bank said. "Up to now, monetary and fiscal policy have been bent on restraining, rather than reinforcing, the investment boom; and a backlog of demand for housing, roads, and other public works could take up much of the slack caused by declining private investment."

Little Danger of a Slump

All in all, "as 1963 begins, however, the possibility of a slump appears remote," said Chase Manhattan.

The outlook for individual Western European countries does not necessarily conform to the outlook for the area as a whole.

Germany sticks closest to the forecast for the entire area, the bank said. It is feeling the profit squeeze and the rate of new capital investment is declining. This probably does not mean recession in '63 for Germany, because "personal incomes are still rising strongly, and consumer spending is rising with them." At the same time, "the slowdown is only faintly visible in the labor market." Unemployment is up a trifle, but it is still below 1%.

Italy has a different situation, according to the bank report. "After three years of unprecedented expansion, the Italian economy continues to boil along at the fastest rate of growth in the Common Market. Last year Italian output increased by 6%. This year's growth rate is expected to be about 5½%."

Chase Manhattan explained the Italian spurt as partly the result of heavy investment which has "kept productivity rising rapidly, especially in export industries." In addition, export prices have been held down, and there is a large reserve of labor.

In Britain, "forecasts center on a growth rate of 3% to 3½% in total output," the report said. Last year in Britain, "output moved ahead by not much over 1%, but the year closed with the government moving to stimulate the economy." The report said that if Britain enters the Common Market, the economy would receive a further lift.

Continuing growth is forecast for the French economy. France's Fourth Equipment and Modernization Plan calls for total output to grow by 6% this year, "but some weakness in the outlook for exports and private investment make a 5% growth rate more likely," said Chase Manhattan.

Forms Kent Securities

BROOKLYN, N.Y.—Lillian Hendelman is engaging in a securities business from offices at 3601 Kings Highway under the firm name of Kent Securities Company.

Diversified Inv.

PROVIDENCE, R. I.—Diversified Investments, Inc. is conducting a securities business from offices in the Industrial Bank Building. Officers are Joseph A. Guido, president and treasurer; John D. Guido, vice president; and Mary G. Guido, secretary.

With R. E. Kohn

SOUTH ORANGE, N. J.—Nat Ridolfo has become associated as a customers representative with Richard E. Kohn & Co., members of the New York Stock Exchange, in their South Orange office, Lackawanna Plaza.

Continued from page 54

levels for the full year 1962, it follows that 1963 will probably be very slightly better than 1962 by most such measures.

LOUIS J. GALEN

President, Trans-World Financial Co., Beverly Hills, Calif.

In keeping with the normal growth pattern, this past year again saw new records being set in every aspect of the savings and loan business. Preliminary figures indicate that, in California, savings deposits increased 23%, mortgage loans outstanding 23%, and new loans made 23%. Assets rose 23% to over $16.3 billion as of the year-end.

Louis J. Galen

As was the case last year at this same time, many observers have developed fears regarding the future of the savings and loan industry. And, as was the case last year, I believe that most of these worries are groundless.

The problem of taxation, is of course, one of the crucial questionmarks in their minds. During this past year Congress passed a new tax law which directly affected the savings and loan industry. In essence, the amount of pretax earnings which could be allocated to bad debt reserves was reduced by 40%. This change resulted in an effective tax rate of approximately 20.8% on earnings.

While the new tax formula will certainly reduce earnings by the amount of the taxes to be paid, I do not think that our growth will be adversely affected. The amount of earnings we must pay the government in taxes is not really relevant to the amount of savings we take in, the number of mortgage loans we make, or the interest rate received on new loans.

The other question which has many people concerned is whether there will be a "squeeze" on profit margins. The question is a valid one, however, I believe that the issue has been widely misunderstood.

The argument we in the industry usually hear is as follows: During recent months, the inflow of savings to savings and loan associations has been expanding at record rates. Moreover, other institutions, such as commercial banks and insurance companies, have been receiving increasingly large amounts of savings also. With a relatively large increase in the money available for mortgage loans, and only a slight increase in private housing starts projected for 1963, the supply of funds will soon exceed the demand for funds. This will produce a subsequent decline in interest rates received on new loans.

To begin with, commercial banks are not in the real estate lending business, and thus, their recent spurt in saving growth has not resulted in much of an increase in the supply of mortgage money. For example, during the first six months of 1962, commercial banks in California had an increase in time deposits of $1.9 billion. The increase in their residential mortgage loans was estimated at only about $312 million. Thus, only 16% of their net new savings ended up in mortgage loans.

Savings and loan associations in California, during the same period, had an increase in savings of $1.2 billion, while their residential mortgage loan portfolio increased by $1.2 billion.

The important point to remember is that a savings and loan association was designed for and geared to obtaining *savings* and making *residential mortgage loans.* Commercial banks, insurance companies, etc. consider savings and residential mortgage loans a sideline—to be stressed when needed, and forgotten when their main business is doing well.

As far as projections for 1963 are concerned, I do not think that dividend rates in California will vary much one way or another. In other parts of the nation, it is possible that dividend rates might fall slightly.

Mortgage rates will continue to remain higher in California than the rest of the country since there appears to be nothing on the horizon which will change California's historical role as a capital deficit area. Since mortgage rates always follow the national money market, if the economy picks up and interest rates in general begin to reverse their downward trend, then mortgage rates will also begin to turn up.

In conclusion, I believe my overall forecast for the savings and loan industry last year is just as true today as it was then. "I firmly believe that there is nothing in the foreseeable future which will serve to hinder our growth and our excellent record in providing homes for our growing population."

CLARENCE H. GIFFORD, JR.

Executive Vice-President
Rhode Island Hospital Trust Co., Providence, R. I.

The widely publicized recession of 1963 seems to have evaporated as a result of the Cuban crisis, yet the only significant change in the economy has been in the area of sentiment as reflected in a bullish stock market. Our balance of payments problem has not shown any vast improvement, the gap between this country's ability to produce and the demand for goods and services has not narrowed appreciably, and the percentage of the labor force that remains unemployed is still in excess of that magic number of 4% which is thought to be the best we can do under the most desirable of economic conditions. There is also very little indication that the immediate upsurge in commodity prices that took place in late October and early November was anything more than a temporary adjustment. Nor is there any reason to believe that buying for inventory purposes has increased. Thus, the negative forces that were at work in our economy prior to the Cuban crisis are continuing to act as a depressant to economic growth.

C. H. Gifford, Jr.

On the positive side of the ledger, personal income and consumption expenditures continue to expand and provide a source of optimism against any severe letdown in the total demand picture. The exceptionally strong demand for automobiles, however, cannot be expected to increase from current high levels, and on an historical basis, should tend to be lower rather than higher in 1963. Maintenance of the demand factor, however, is fairly well assured by a $8-$10 billion increase in government spending this year. Another positive force acting to stimulate demand is the proposed tax cut, although the impact on the economy will depend on the extent and timing of tax legislation.

While we do not foresee any recession this year, there is little to suggest rapid growth from current peak levels during 1963. Many of the necessary ingredients for a boom are lacking, particularly in the important sectors of plant and equipment expenditures, commercial construction and housing starts. These are the big-volume items that strengthen the general economy at all levels. In the face of excess capacity, however, capital expenditures are expected to remain around $38 billion, only slightly higher than 1957 and 1962. It would also be unreasonable to expect any significant increase in commercial construction outlays in view of the large number of buildings already completed in New York and other major cities in recent years. Housing starts are suffering from a rather low level of household formations and this should not show any appreciable change until the current teenage population reaches the 25-30 age group.

On balance, we look for the positive and negative forces to about offset each other in 1963 with perhaps a slight improvement in Gross National Product and Industrial Production by year-end. Within this framework, bank earnings on a national scale should be moderately higher than 1962 as banks have already offset the higher interest costs on time and savings deposits with tax exempt bonds and real estate loans. However, with corporations and individuals both in a highly liquid position we do not look for any appreciable increase in demand for loans. In other words, bank earnings should increase modestly due to the absence of the adverse interest cost factor that depressed earnings in the first half of 1962.

ROBERT W. GALVIN

President, Motorola, Inc.

We expect the national economy to continue on a high plateau approximately the same in the first three to six months of 1963 as obtained in the latter half of 1962. Beyond that, the momentum should be moderately upward due to the combination of influences that may come from a high level of capital investment by industry, increased military and space expenditures, the prospect of lowered tax rates, and the optimistic mood of the wage earning consumer.

Robert W. Galvin

The electronics industry as a whole, being vitally engaged in all major segments of the economy, should fare well in 1963 in terms of sales volume and accelerated tempo.

Defense and space programs comprise an area in which electronics is a major participant and these will be at a peacetime peak.

The new semiconductor technology can be expected to move ahead into more and more fields of commercial application.

Consumer electronics anticipates another year in which more than 6,000,000 black and white television receivers will be sold. Added volume and profit will derive from increasing sales of color television, particularly in the second half of the year.

Profitability in some product areas of the industry will remain a major problem partially because of fierce competition among domestic manufacturers, and partially because of increasing competition from abroad.

Motorola's sales volume for 1962 is as predicted, in the area of $340,000,000, an increase over 1961 approaching 15%. Profits for 1962 will exceed 1961 by about 30%. The total sales and profits in 1963 will exceed 1962. The company's objective will be to improve the rate of return per dollar of investment.

The company's sales increase is expected to come from all of the corporation's major operating divisions.

In the Consumer Products area the division increased its share of the television market more than any previous year. Its increase in unit sales was more than 40% compared with the industry's average increase of less than 10%. Plans are made to enter the color television market in mid-year 1963 with a Motorola designed and engineered line of receivers. The division expects to continue its leading sales position in stereo phonographs.

The Semiconductor Products Division is acknowledged to be the fastest growing competitor in this crowded and dynamic field of competition. During 1962 the division increased its sales volume more than 40% and improved its earnings ratio despite a price attrition characteristic in this segment of the industry. The exceptional showing was due to a superiority of products recognizable by customers. This division expects to continue its growth in 1963.

The Automotive Products Division, for many years the major independent producer of car radio, is now broadening its variety of products. The division has gone into production of electronic alternator systems, and expects to get into production of electronic ignition systems in 1963.

The Communications Division has long enjoyed first position in sales as well as in the design and engineering of two-way mobile and portable radio for state and local government, public service, and industrial customers. In 1962, the division added to its lines a "total communications system" for hospitals which will become a significant increment in 1963. In total, the division is expected to show a 10% sales increase.

The Military Electronics Division in 1962 attained the highest peace-time volume in its history, but encountered losses in some contracts. The backlog of military orders is such now that 1963 promises to be another year of record volume. The net earnings result of the division should be substantially improved in 1963.

NEWTON GLEKEL

President, Divco-Wayne Corporation

Contrary to the less than optimistic views that were being expressed six months ago, business during the last half of 1962 followed an upward trend and is now in a much healthier condition than anticipated. I believe this favorable trend will continue through the first half of 1963. The second half is not nearly as secure.

Newton Glekel

The firm stand taken by the Administration on Cuba and subsequent Russian withdrawal, buttressed a more positive psychology among business men and the general public. Administration efforts for a substantial cut in personal and corporate income taxes are both sobering and encouraging. Sobering because they reflect continued concern over the future pace of our economy; encouraging because such tax cuts should accelerate business momentum.

The key "clue" to 1963 in my opinion is, however, the fact that such major events have not really affected fundamental business conditions as much as they have public sentiment and opinion. The Cuban situation was credited for a time with contributing to an upsurge in our economy but it did not produce any outstanding or lasting effect. Our missile and space programs are now reaching saturation or maintenance levels which may create an economic vacuum during the latter part of 1963.

I am therefore of the opinion that our business climate in the immediate future is solidly encouraging. I believe most business executives are already re-evaluating future plans and programs for their companies and doing so in a more optimistic climate.

In the case of Divco-Wayne, our plans for 1963 and even beyond are geared to expanded markets, increased plant investment and development, and our entry into further new but related fields.

The labor outlook appears promising despite strikes in some business areas and considerable intra-mural rivalry among labor leaders and labor groups. Divco-Wayne has already signed non-inflationary three-year agreements with labor unions representing more than two-thirds of our employees and is now operating in a very favorable labor climate.

Consistent with other major industries, Divco-Wayne inventories are comparatively small. A continuing plant improvement program has been under way and will be continued, and we have not hesitated to redesign various product lines and re-tool the plants involved.

Home delivery and other special route services will keep pace with the current increase in our population, a trend which will continue in the next decade. Coupled with new product developments by Divco, it will assure satisfactory growth by our multi-stop truck Division.

The steadily increasing school population, the trend toward greater centralization of school facilities along with increasing population dispersal, and the fact that available school transportation equipment has reached its maximum safe capacity will necessarily result in a major expansion of the school bus market. Our Wayne Division anticipates an increasing share of this growing market and is also using its special knowledge and experience in mass-producing "customized" vehicles to build additional profitable volume.

This population growth and the constant improvement in medical care as well as new hospital construction, are also expanding market potentials for Miller-Meteor ambulances and funeral cars and this Division will also enjoy a continuing increase in sales.

Divco-Wayne mobile home operations have been profitable since we first entered this field early last year and we expect to continue our growth in this industry. Important reasons include development and construction of new "mobile" home communities that will attract favorable community and public interest as well as the application of mobile home construction methods and techniques to a multitude of other end uses. "Add-a-class" classrooms, dormitories and other special mobile buildings will all add to the growth of this Division.

Not the least important factor in Divco-Wayne's future, is our finance subsidiary organized to provide our dealers with adequate financing for proper marketing of our products. Operations of this part of our company will probably double in 1963, and contribute in many other ways to our overall growth and progress.

In short, I believe that our economy is in an excellent, healthy condition and that 1963 should see further growth and progress at an accelerating rate, with Divco-Wayne enjoying very satisfactory results for itself.

GEORGE GUND

Chairman, The Cleveland Trust Company
Cleveland, Ohio

I have recently heard the quip: "There are no bad decisions, just insufficient facts." The coming of a New Year traditionally impels us to ask what lies ahead, and I must confess to sharing this habit which I recognize as thoroughly ingrained. Curiosity about the future is natural, not to say essential, in business. However, it is not always possible to make a confident forecast at an arbitrarily arrived upon time of year. In looking ahead into 1963, we do not now have all of the necessary ingredients to a clear view of the entire twelve months. Some impending events lying just over the January horizon will surely affect the economic climate. Believing that their influence will be affirmative, but not knowing to what extent, I would summarize my impression of the expectations for the New Year as: "Slow Start—Better Finish."

George Gund

As we close the books on 1962, we find ourselves reasonably content with business results, although the expansion foreseen by some commentators a year ago certainly did not materialize. The Gross National Product average fell between the extreme pessimistic and optimistic predictions. Significant progress was made in production, personal income and employment. Vitality was lacking in steel production, new housing starts and corporate profits. Some responsibility for these disappointments may be attributed to the tensions existing between the Administration and the business community. Hopefully, these have passed and consideration can be given to more tangible indices.

Portents of a year of increased growth ahead began to appear toward the end of 1962 when the prospect of a tax reduction became very real indeed. Added to the 7% investment credit and the revised depreciation rules, an active interest in our growth rate by the Congress seems obvious.

Little reason exists to expect anything but a continuation at least of our present business level into the first half of 1963. This view is supported by the historical theory based on the four post World War II industrial production cycles. If the current upswing lasts 27 months, which has been the average, no dip should occur before the second quarter.

It must be said that in all of these cycles, some unusual influence—the Korean conflict, steel strike, etc.—asserted itself one way or another. Barring some unpredictable depressing event, it is hoped that a cut in personal Federal income taxes will result in greater consumer spending and thus provide impetus in one of the three major elements of an expanding Gross National Product. Should there be a tax cut, and if it results as many experts believe in more purchasing, a big step will have been taken in sustaining the upward movement of the economy. However, these results may not be effective until after mid-year by delayed action of the Congress.

The other two areas of inquiry are government spending and business investment. The former will continue its upward trend. As for business investment, present plans call for slightly reduced expenditures for plant and equipment at the start of the year, but these may increase as the year moves ahead.

Indications for the GNP range from $560 billion to $575 billion, depending on the tax cut. Personal income should surpass $460 billion, an increase of $18 billion over 1962; retail sales may be $10 billion more this year, meaning $245 billion; while spending for consumer services will continue its 24-year rise by 5% over the figure of $147 billion in 1962. Both the consumer and wholesale price indexes are expected to rise slightly; the former having gone up about 1% this year while the latter remained unchanged.

Hindsight is more accurate than foresight, so we tend to use past performance as an indicator of the future. In making a forecast, one examines all of the measurements of recent experience such as the economic cycle theory and the accepted business indicators including manufacturing workweek, new orders for durable goods, corporate profits, inventory change, auto production, steel ingot production and many more. Realists recognize that in every case some of the individual barometers have been wrong, but it must be admitted that from the average, consideration of a variety of indicators does provide some gauge for future trends.

Based on careful study of these pieces of evidence, the prediction seems to me to be for at least a continuation of the current mild rate of growth well into the first half of the New Year, and the likelihood of its extension throughout 1963. Further, there is a possibility that new strength will appear in the spring and that the prevailing climate for 1963 will be one of continued economic growth.

Continued on page 58

Continued from page 57

PHILIP J. GOLDBERG

President, Reinsurance Investment Corp.

There is no doubt in my mind that the life insurance industry in this country will enjoy one of its most productive years in 1963. The growing population of the United States, with the attendant increase of individual wealth coupled with a steadily developing desire for security, is the basis for this prognostication.

Philip J. Goldberg

The Life insurance industry, aware of this condition, has steadily girded itself to meet this expanded market. The number and type of policies available to the individual or to businesses have become myriad and versatile in their approaches. Almost any problem that is likely to arise in today's accelerated, specialized kind of living can be at least partially solved through life insurance.

The industry has also raised the standards of its practitioners. Because the career potential of the life insurance agent has improved substantially due to this population explosion, greater numbers of highly qualified men and women trained not only in breadth but in depth, are the norm.

I believe the life insurance salesman is becoming reimbued with a sense of faith and pride in himself and his product, to the point where he can more easily educate the buying public toward an understanding of life insurance and its benefits.

In the management area, too, the life insurance industry shows healthy signs of revamping its attitudes. There are more and more forward-looking companies that have reconstructed the tried and true concepts of selling, to meet the demands of the modern world. They use only talented salesmen who are able to communicate their own enthusiasm and knowledge not only to prospects, but, equally importantly, to trainees as well. Thus, an army of knowledgeable, creative life insurance salesmen stands ready to produce to new high levels in the life insurance industry.

Reinsurance Investment Corporation, of which I am privileged to be an officer, is a case in point, RIC, as it is frequently known, is an operating, management and holding company for four life insurance companies in which it enjoys operating control. We, at RIC, feel that the function of a life insurance company is to build what might otherwise be small, inconsequential and struggling companies into a life insurance group that boasts top-level management skill with the outlook I mentioned above, that writes quality business on its books and that offers product diversification.

We have concentrated on produce and service development. We have designed new pension plans. We set up expanded group departments. We implemented new marketing and merchandising ideas.

RIC is engaged in doing its part in educating the public to change its outworn attitudes to meet today's fast-paced living and to satisfy in some measure, at least, the quest for security that characterizes it.

So, I say, the life insurance market is virtually untapped . . . and 1963 is the year of great potential.

J. PETER GRACE

President, W. R. Grace & Co.

All factors considered, we look forward to about 4% growth in Gross National Product from the first quarter to the fourth quarter in 1963. Business appears to have avoided expansion excesses, so that if any downturn should occur during 1963, it is likely to be mild and short. Manufacturers, in particular, seem to have done an excellent job of controlling inventories, as the inventory-sales ratio in 1962 was held below the level of any prior year since 1955. Also encouraging for the outlook in 1963 is the recent brisk recovery of new orders for durable goods. Following a drop of 6% in the first half, monthly incoming business of durable goods producers increased by about 7% in the second half of 1962.

J. Peter Grace

With respect to the chemical industry, the more pessimistic forecasts have been proven wrong. U. S. chemical output expanded by about 10% in 1962. The current rate of capacity utilization, however, is no higher than at the beginning of 1962, as plant expansion has kept pace with growth in sales volume. Despite continued keen competition, return on investment in the chemical industry is estimated to have improved in 1962, reversing declines in 1960 and 1961, as a result of lower unit cost made possible by improvements in technology.

In 1963, we expect chemical sales to outpace the economy, although physical volume may not rise as rapidly as in 1962. The chemical industry continues to look to the future by expanding capacity in line with longer-term expectations, particularly in the plastics field. Accordingly, if growth in the economy is moderate this year, we do not expect much improvement in the rate of plant utilization. At a higher growth rate, however, it is likely that demand for chemicals will exceed our more conservative estimates. In this case, the chemical industry, because of its high fixed investment, should show a substantial further increase in profitability.

Looking at components of the chemical industry, prospects vary considerably. In chemical specialties and packaging materials, the rate of growth is likely to be at a healthy 10% in 1963. Total output of agricultural fertilizers is not expected to grow by more than about 3% to 4%; however, the U. S. demand for nitrogen fertilizer continues strong and we expect further gains of 6% to 7% this year.

With respect to Latin America, it is to be hoped that the United States will further recognize the special relationship which we hold with this area of the world and intensify the efforts represented by the Alliance for Progress. If, under the Alliance for Progress program, the United States Government extends assistance in the magnitude required to overcome the fundamental economic problems of this area, and if further emphasis is placed on encouraging both U. S. and Latin American private enterprise, we can look forward to an improvement in the political stability and the business climate of Latin America.

The business community, in general, will welcome the President's tax cut proposal and this, of course, will set in motion a considerable debate with regard to the reduction of Government spending. On this point it is important to remember that it would indeed be false economy to draw back from the commitments of the Alliance for Progress, or to fail, if necessary to strengthen them, for another case in Latin America comparable to that of Cuba would cost us far more.

HARRY E. GOULD

Chairman, Universal American Corp.

Business for the first half of 1963 will be as good as last year or better. From then on it may level off. A big factor in any optimistic prediction, such as this, will be the decision Congress will make on the tax cut proposed by the President. Compliance with the President's request by Congress will spur economic growth, as even the most conservative economists will agree. However, even if Congress does not go along with the President, I see a slow-down but by no means a halt of the present moderate expansion rate.

Harry E. Gould

Other developments that stimulate business activity will be a continuation of government spending, the opening-up of the European Common Market, the increasing population, and rising incomes which will result in higher spending.

The steel industry in my opinion will continue the strong advance it made in the final quarter of 1962. Auto producers are turning out a near-record number of cars and demand for this output continues at a healthy rate, which will eventually benefit the steel industry.

One factor that can cause some trouble is the continuing high rate of unemployment, which rose from 5.3 to 5.8% of the total work force in November. This is expected to be aggravated by rising use of automation in industry. The experience of the coal mining industry, where automation has cut the number employed but raised the wages of those remaining, could well be extended to many other industries. Increased automation or not, wages generally should be higher this year, following last year's wage negotiations.

Another negative factor — the continued decline in residential building—should be more than offset by increased construction in non-residential building and construction projects from Federal, state and local governments.

My beliefs are supported by:

(1) Increased optimism by business generally in the outlook for the future. This is partly because of high consumer disposable income and partly because of an easing of international tension.

(2) The depreciation tax measure signed by the President last year. This provides credits that could total as much as $1,000,000,000 for companies buying new and modern equipment.

(3) The moderately lower interest rate on longer term corporate bonds.

Meanwhile, the passage of the Trade Expansion Act, which gives the President wide powers to bargain down tariffs will aid the country's foreign trade. Such trade has been growing at a rapid pace. Europe's largest markets now appear to be for consumer goods, resulting from larger paychecks in that area. Thus more Americans are and will be selling their products abroad, either directly, through arrangements with foreign concerns, or through plants erected in foreign countries.

SIDNEY GONDELMAN

President and Chairman, The Central Foundry Co.

One of the significant factors in the outlook for the cast iron pipe industry in 1963 is the indicated high level of construction of high-rise apartment buildings.

Even though there are signs of a decline in this type of construction in the metropolitan New York area, construction of high-rise apartment buildings is gaining new momentum in many other cities throughout the nation. This will be an important element in the total construction picture for 1963.

Sidney Gondelman

This outlook is substantiated by recent orders for our F & W Fittings, which has proved to be an accurate barometer of high-rise apartment construction in the past.

There are a number of reasons for the growing interest in high-rise apartment buildings in cities such as Baltimore, Newark, Philadelphia, Boston, St. Louis and Chicago.

Cities and suburbs are becoming more crowded, and land costs are spiraling upward. The high-rise apartment makes possible economies in the use of land and in the development of tenant services and facilities.

High-risers have advantages for both young and old couples, with or without children, and for persons living alone, because expenses are fixed and tenants are relieved of responsibility for maintenance.

I also foresee the demand for high-rise apartments growing in Europe, where living conditions are crowded and wages are being stabilized.

There are several trends which should feed the high-rise construction boom nationally.

First, high-rise apartments are the answer for many cities in need of slum clearance programs.

Secondly, high-rise apartments are becoming more luxurious than ever before, featuring multiple baths, central air-conditioning, swimming pools and community facilities which are proving very popular.

Just a few years ago, only the most expensive apartments had more than one bath. Today, two or more bathrooms are being incorporated in virtually every new apartment built, even for those units in the most modest price ranges. Significantly, a number of FHA-insured high-rise apartment structures feature a bath for every bedroom.

This sort of consideration for tenants has eliminated the "close living" which most families formerly associated with apartments, and has given momentum to the back-to-the-city trend across the country, just as it had done in New York City.

H. FREDERICK HAGEMANN, JR.

President, State Street Bank & Trust Company
Boston, Mass.

As we entered 1962, the business recovery was almost a year old, the majority of economic indicators were at record highs and optimism was prevalent. On the whole, 1962 was a record year businesswise, but fell considerably short of certain forecasts, due to the uneasiness created in business and financial areas of the economy.

Suggested reasons, among others, why the economy has not had the steam in it that was expected are:

H. F. Hagemann, Jr.

(1) The economy is being overmanaged instead of depending more on free men and free markets.

(2) Our nation's financial and labor problems are not being faced realistically.

Throughout the year, we continued to live with many nagging problems such as unemployment, budget deficits, high tax rates, the squeeze on corporate profit margins and our continuing adverse balance of payments situation. In the spring, we also experienced the sharpest stock market decline since 1929, although by year-end, prices in general had recovered over one-half of their previous losses.

Based on the usual seasonal enthusiasm and the release of certain recent business statistics (particularly new car sales), sentiment is running high in some quarters as to the business prospects for 1963. If these hopes are to be fulfilled, we as a nation must stop continually, year after year, living beyond our means and face up to the reality that true economic growth which will provide more and better jobs for our citizens must come from new capital formation derived from increased savings and increased profits. It cannot come from larger federal deficits financed by the banks which, in effect, means that you and I are trying to get something for nothing by way of what amounts to printing money. As an individual and as a nation, deficits solve nothing.

We have taken steps to improve our balance of payments problem, but time is running out on us to get to the root of the problem. Consider the fact that during 1962 we lost almost one billion dollars in gold, and increased our short-term debts to foreigners as represented by foreign holdings of United States government securities by slightly over one billion dollars.

This happened despite France's prepayment of almost $500 million in debt payments not due until 1969 and later, coupled with the ingenuous currency swap arrangements that the Treasury through the Federal Reserve entered into with several foreign central banks. In effect, this latter type arrangement creates a special kind of dollar which, in addition to having the usual convertibility feature available to foreign central banks, has the added commitment to replace the foreign currency at a future date at the fixed exchange rate existing at the time the swap originated.

The point is that these moves may gain time but they can't solve the basic problem. It's as if you pay off all your creditors by borrowing from another source. The rude awakening comes from the fact that when the new note comes due, it can only be paid off from earnings. This seems to me to be the crux of the problem and 1963 must be a year of constructive action and not one of innovations and promises to restore confidence in the dollar.

There are encouraging signs that we will face and solve these challenges which confront us. There is the growing recognition that the corporate income tax rate should be lowered in order to initiate faster capital formation and the creation of new jobs. And too, there is more support for coupling a reduction in government spending to this much needed cut back in the tax burden of individuals and corporations. And if another deficit is unavoidable as we go through this transition period, more thought is being given to financing it out of the true savings of the people and not through the banks by the equivalent of printing press money.

At best, I look for moderate gains in our economy for 1963. Overall activity may be somewhat better if we follow the expedient course of the past four or five years—but only for the short run. Injections of inflation to the economy are like shots of alcohol to the individual, temporary in their effect, first stimulating, then dulling and then depressing. Furthermore, in both the nation and the individual, it ultimately takes increased dosages to have an effect.

On the other hand, I am firmly convinced that our competitive position can be considerably improved if we adopt the previously mentioned sound orthodox measures. This will take constructive action here at home from all walks of life—management, labor, capital, public officials, and the general public. It cannot come from fiscal and monetary discipline alone. If all groups would cooperate in a sound approach, 1963 may not record the statistical gains that many hope for, but it will be recorded in history as a year of transition in establishing a firm basis for long-term, sound, economic growth.

ARMAND HAMMER

President, Occidental Petroleum Corporation

It is my belief that the California Petroleum Industry, having stood off the pressures of domestic and foreign over-production of crude oil and blocked the efforts to flood the California market with out-of-state gas, can look forward to favorable and stable markets in the coming year and for many years to come. Crude oil prices have stabilized at levels approaching the heights of past years and marketing conditions, particularly with respect to the heavy crudes, remain firm.

Armand Hammer

Occidental Petroleum Corp., for the past several years, has concentrated its efforts on the development of natural gas reserves in the prolific Sacramento Valley of Northern California. With one or two minor exceptions, pipeline connections have been made into all of our fields and all this gas is sold on firm contracts at favorable prices. Our Lathrop field, the second largest natural gas field in California, where we have 17 wells presently completed or in the process of completion, commenced delivering gas early in January, 1963. Under our contract with Pacific Gas & Electric Co., the purchaser is obligated to take a minimum of 50,000,000 cubic feet of gas per day until Jan. 1, 1965, at prices varying from 26.5c per Mcf for gas of 880 Btu heating value, to 30c per Mcf for 1,000 Btu gas. At Jan. 1, 1965, the minimum take-or-pay obligation under the contract will increase to an annual amount equal to 1/18th of the total reserves then established and the price is also subject to redetermination, based on the reasonable market value of the gas. On the basis of reserves already established, it is estimated that the minimum guarantee will more than double at Jan. 1, 1965, and since the price of out-of-state is considerably higher than domestically-produced gas, we believe it is reasonable to expect that price redeterminations will result in substantial price escalations over the life of the contracts on Jan. 1, 1965, and at three-year intervals thereafter.

We believe that many more important discoveries are yet to be made in the Lathrop area and that there are excellent possibilities for deeper production in the Cretaceous below the present producing horizons. Occidental has recently added to its land holdings in the area through the acquisition of approximately 2,400 acres under a farmout from other operators and has completed an excellent well on this new block. We are drilling extension wells to the east and to the west of the Lathrop main field to evaluate our approximately 6,600 acres of untested acreage and it is hardly conceivable that the tremendous concentrations of gas in the presently developed Lathrop field area will not extend into secondary areas. This is the history of the Rio Vista Field, located 20 miles northwest of Lathrop. Rio Vista field is the largest natural gas field yet discovered in the state. Since its discovery in 1936 it has produced approximately 2 trillion cubic feet of gas to date, with new fields and pools being continually discovered in this area.

A recent article appearing in The Wall Street Journal and having wide publicity, paints a dismal picture of the natural gas industry in the United States, depicting conditions of oversupply, lack of market demand and a softening price structure. Unfortunately, this article created the impression that the situation in the Midwestern and Rocky Mountain states was a very recent development, whereas actually it has been prevalent in varying degrees in these areas for a number of years. Neither did the article comment on the favorable climate under which California natural gas producers operate. To supply present demand, approximately 75% of the natural gas consumed within the state is imported from outside sources. California natural gas, sold to consumers within the state, enjoys the position of being in close proximity to the nation's largest and ever-growing centers of population and industry. It is not subject to regulation by the Federal Power Commission; thus, its rate structure is not encumbered by the restrictions imposed by that Commission on natural gas

Continued on page 60

Continued from page 59

moved from one state to another. California has now become the number one state in the nation in terms of population and rate of economic growth, and, therefore, of gas demand. It will, in my opinion, be able to accommodate the natural gas reserves which may be expected to result from the exploration programs of Occidental and others.

In Northern California, in order to supply the growing demand for natural gas, Pacific Gas & Electric Co. constructed its Canadian pipeline to bring in approximately 415,000 Mcf of gas per day from the Alberta fields. This line was committed to construction prior to the discoveries of the Lathrop field and the other recently discovered fields in the Sacramento Valley. However, in addition to its Canadian supply, Pacific Gas & Electric Co. has maintained its stated position of providing a market for all gas of economic quantity from the Valley area.

In Southern California, the Department of Water and Power of the City of Los Angeles is still seeking an uninterruptable supply of gas in quantities upward to 367,000 Mcf per day. Efforts to bring supplies of gas from out of the state through the construction of the Rock Springs and Pemex pipelines, have not been successful, and I think we can look forward to the day when Sacramento Valley gas will be supplying a portion of the Southern California market.

California's crude oil producers enjoy conditions which are among the most favorable in the industry. In contrast to most other oil producing areas, California has no proration, due to the fact that market demand exceeds the supply. Problems inherent in water transport, such as dock strikes, have little or no effect on us, except to make our own market more secure and our state economy can absorb considerably more oil than we are presently producing. In this respect, I believe that secondary recovery will play an ever-increasing role in meeting that demand.

Secondary recovery has proven successful in a number of areas in California, but has not played such a significant part in the state's total production as in other parts of the country. We expect a much greater use of secondary recovery methods in the future. New fireflood techniques will come into increased importance in the heavy crude producing areas of the state. This relates directly to Occidental's production in the North Midway area of Kern County where studies have indicated that possibilities for a successful fireflood are very good. Under typical conditions in this area, primary production methods may be expected to extract from 7% to 10% of the original tank oil in place. However, under a successful fireflood, recoveries may reach a magnitude of from 40% to 60% of the original tank oil in place. Considering the tremendous reserves underlying this area, the possibilities of such an operation are enormous.

As evidence of our confidence in the future of the California petroleum industry, Occidental plans to engage in a $6 million exploration program during 1963, the largest in the company's history, and the major portion of our efforts will be in California.

P. E. HAGGERTY

President, Texas Instruments Incorporated

Growth of the electronics industry in 1963 will continue at a faster rate than that of the national economy with gains occurring in the government and industrial markets and present high levels continuing in the consumer and replacement markets for an overall percentage increase from 1962 of nearly 5%.

P. E. Haggerty

Total industry sales, which approximated $13 billion in 1962, are expected to reach around $13.6 billion in 1963 under the impact of (1) increased defense and space exploration spending and a higher electronic content in the procurement dollar, (2) continued broadening of the use of electronics in all industry, including data processing, and (3) an almost doubling of the market for color television sets over 1962, increased demand for portable radios and demand for automobile radios approaching the high 1962 level.

Government expenditures for electronics are expected to rise to $8 billion in calendar 1963 from $7.5 billion in 1962; the industrial market will grow to approximately $2.4 billion from 1962's $2.3 billion; and consumer electronics and replacement sales are expected to continue in 1963 at their present high levels of $2.2 billion and $1 billion, respectively.

The Federal government continues to be the electronic industry's largest customer, accounting for over half its sales. It also represents the market least vulnerable to any temporary fluctuations in the general economy. It appears at this time, however, that overall business activity throughout 1963 will be at a level at least as high as in 1962 with a possibility of some gains in specific areas. Thus the industry's other major markets should each realize their projected sales expectations.

For Texas Instruments, sales volumes in each of the various markets served are running at high levels and we are making significant gains in each product area. Competition continues to be an important factor in all areas of our business. For example, we sold approximately 40% more components for slightly fewer dollars in 1962 than in 1961 but price reductions now seem to be on a more orderly basis in line with volume increases and production economies.

The accelerating acceptance of integrated circuits for use in major new defense equipment programs was a most noteworthy development as 1962 drew to a close and one which will have an increasing impact on the entire electronics industry in 1963 and subsequent years.

Texas Instruments introduced to the market its first linear-type semi-conductor networks to supplement the line of digital-type networks we first announced in March 1959 and made commercially available in 1960. On the basis of this latest development, it is my prediction that semiconductor networks will see wide usage in all types of electronics—military, industrial and consumer—within this decade.

Our manufacturing backlog in the military equipment area now is at a record high and we currently have under way one of the most extensive facilities building programs in our company's history.

HARRY F. HARRINGTON

Chairman and President, The Boatmen's National Bank of St. Louis, St. Louis, Mo.

The banking industry has just completed a challenging year that required major adjustments. The increased interest rates paid on growing time and savings deposits had an immediate impact on earnings. However, the payment of higher interest increased the stability of these deposits and reduced their liquidity requirements. Banks were able, therefore, to increase operating income by enlarging their acquisitions of residential real estate loans, adding to their holdings of municipal bonds, and lengthening the maturities of their government bond accounts. This more productive composition of bank assets served to restore earnings in general to satisfactory levels in 1962, and the effect should be even more noticeable in 1963.

H. F. Harrington

The reduction of reserve requirements on time deposits from 5% to 4% last autumn also helped the Federal Reserve member banks to increase their earnings on these funds. The further reduction or elimination of the reserves required against time deposits has been recommended by both the Committee on Money and Credit and the Advisory Committee to the Comptroller of the Currency.

A measure of considerable importance to banking as well as to the building industry and home buyers is currently before Congress. Known as the Mortgage Market Facilities Bill, it has the objective of creating a national secondary mortgage market on which all mortgages can be freely traded. Under this bill, a corporation would be established to buy and sell mortgages, with its operations financed through the sale of debentures, and a second corporation would be created to provide mortgage insurance. The proposed facilities would serve to make adequate funds available at reasonable cost for housing construction throughout the nation. With the improved liquidity of the conventional mortgages insured under this act, both small and large commercial banks would benefit by being able to participate more broadly in the mortgage market.

As 1962 ended, the sustained high level of economic activity had largely canceled earlier predictions that 1963 would usher in a recession. Business sentiment, bolstered by the revised depreciation rules and the investment tax credit on newly purchased equipment, was further lifted by the Administration's proposed tax cuts.

Tight money, which frequently heralds a downward turn, has been notably absent. No important change in monetary policy is foreseen, and ample money and credit should be available at reasonable rates to meet all proper business and housing needs during 1963.

Since we still have to cope with the problem of the adverse international balance of payments and the resultant loss of gold reserves, the Treasury has indicated that every effort will be made to keep short-term interest rates in this country from declining to a level that would encourage investors to shift funds to higher yielding foreign markets.

With the economy expected to continue to advance at a moderate rate, 1963 should be another good business year. Unless international developments interfere, the deposits and earning assets of commercial banks should maintain their good growth rates of recent years.

ERNEST HENDERSON

President, Sheraton Corporation of America

The American economy, perhaps to a degree rare at the beginning of a new year, stands at a veritable crossroads.

Last May and June, during the great stock market liquidations, some hundred billions of the nation's liquid wealth was lost. Such shrinkage inevitably influences the trend of business indices. If these are rising, a slower rate of rise, or perhaps a sidewise movement, may be anticipated. If business indices are already moving sidewise, a significant stock market break will usually trigger a self-reinforcing recession.

Ernest Henderson

The trend of business indices last May and June, as was revealed later when statistics were published, had been rising at a faster rate than was generally suspected. The market break actually coincided with a fairly healthy uptrend developing in some business indices.

The stock market break changed all of this. A rising trend of business turned into a generally sidewise movement, due to the deflationary impact of falling security prices. These had reduced materially our principal reservoir of liquid wealth.

In the absence of further significant liquidation of stocks during the past six months, and in fact with considerable recovery of stocks during this period, business indices could now again respond to a continuance of the recent favorable trend of stock prices, thus starting a new rise in our economy. Rising stock prices can trigger an uptrend in business indices. Each can reinforce the other in an upward spiral.

Unfortunately, with business indices moving sideways as they have for several months, any sharp market upset could easily start a downturn in business indices, thus causing a real recession.

Many now believe tax reductions for corporations and high-bracket individuals could improve the economy, and that even the promise of such relief could stimulate the stock market, since stocks often anticipate coming events. This in turn could affect business because of the market's influence on the amount of the nation's liquid wealth.

The economy must presently be considered vulnerable to any sustained stock market change — either up or down—because of the several months of sideways movement of business indices which we have been experiencing. Fortunately tax relief prospects for corporations and high-bracket individuals, the principal potential instigators of industrial expansion, seems to tilt the scales somewhat towards prospects for a good year ahead.

Should by some chance sufficient optimism somehow develop among investors to raise materially the level of the stock market averages, business indices might rise even faster than anticipated by most economists. There could actually be a business expansion of fairly sizable proportions, should the stock market regain its former exuberance. We are doubtless at a crossroads, with investors trying to guess in which direction the economy will turn. Most likely they will guess correctly, since when business indices have been moving sideways as they have for several months, they are likely to respond to whatever substantial trend the stock market happens to develop.

J. V. HERD

Chairman of The Continental Insurance Company

During 1963, property and casualty insurance may be expected to continue a pattern of at least average growth. Expenditures by the public for insurance tend to increase each year not only because population and other basic elements of our economy are growing, but because higher living standards, higher property values and higher human values typical of our time induce ever greater needs for insurance coverage.

J. V. Herd

In such a favorable growth environment it is perhaps surprising that many insurance companies are unable to report saitsfactory underwriting profits. The insurance business, like many other businesses, has been suffering from a profit margin squeeze. For many companies acquisition costs are too high. Such costs must be reduced to the lowest level presently existing in the business. Also, intense competition has tended to prevent the premiums we receive on our policies from rising commensurately with claims payable under those policies. Such competition has often taken the form of new combinations of coverages offered at rates of doubtful adequacy. This type of competition may be changing, however. Certainly competition will continue keen, but as 1963 begins, more sophisticated approaches seem likely to emerge.

For example, it seems almost certain that the trend will be away from package policies having arbitrary and preconceived coverages toward forms carefully tailored and priced to the buyer's particular requirements. The cost to the insured of such coverage will reflect expert appraisal of the respective risks involved as well as efficiency in operations of the insurance carrier. In order to provide protection in such a manner, however, insurance people will find it necessary to appraise risks in a more precise manner than has been customary in recent years. In many cases this will require the application of a high degree of technical competence involving specialists in various fields and such technical competence will be required not only in connection with original appraisals of risks but in their subsequent inspection. Such approaches to the task of furnishing insurance protection, though exacting, are within the present capabilities of our domestic insurance market.

The changing character of the insurance scene may be expected not only to provide more satisfactory service to the public but to spread the cost of insurance more equitably over various segments of the market. For those companies capable of adapting themselves to the new situation the prospects of profitable underwriting operations are growing brighter.

ARTHUR B. HOMER

Chairman and Chief Executive Officer, Bethlehem Steel Corporation

Although the general business situation has somewhat improved in recent months, I see no change in fundamental conditions which would lead to a substantial upturn of orders for steel in the immediate future.

Arthur B. Homer

However, in the steel industry we take the long view. Our management has a great deal of confidence in Bethlehem's long-range future. For exemple, our recent announcement that we will build a steel plant in northern Indiana, near Chicago, which initially calls for the construction of mills to make flat-rolled steel products, reflects our confidence in Bethlehem's ability to successfully compete in the important Mid-West area.

Since the labor contract can be reopened this year, there may be some "hedge buying" of steel as time goes on. This is not the best kind of business to get, since it would be at the expense of production during a later period.

At some point in the future, new fundamental factors are going to increase steel consumption, such as an increasing pressure to replace obsolete industrial equipment, and increased formation of families, which would lead to greater demand for durable consumer goods. But we haven't reached this point yet.

Continued emphasis during the coming year will be placed on the development of new products, on new and more efficient processes in steel making and on broadening the markets we serve.

GEORGE P. HITCHINGS

Vice-President, Economic Research & Financial Relations, American Airlines, Inc.

Air traffic in 1963 will not show as large a gain over the previous year as in 1962. Both air traffic and the total economy had above-average increases in 1962, because volume in 1960-61 had been held down by the dip in general business activity.

Geo. P. Hitchings

If the total economy in 1963 is 3% higher in dollar volume (or 2% higher in physical volume, after eliminating price increases), air passenger traffic will probably show no more than a 5% rise. Part of this gain results from the fact that the 1962 total of 31.9 billion passenger miles was held down about 1½% by the extended strike at Eastern Air Lines. Air cargo will continue to increase faster than passenger traffic, but the gain will be less than in 1962. Airfreight may show a growth of 8-10% in 1963.

The profit outlook for 1963 continues to be most unsatisfactory for the industry as a whole. Total revenues, despite sharply higher traffic volume and another general fare increase, are currently only about equal to total expenses. This provides no return to stockholders and a most inadequate margin of protection on coverage of fixed charges. In a high-risk industry such as this, it will be impossible for the industry as a whole to obtain future financing or even to meet present financial requirements without substantial improvement in earnings.

This fact was recognized by the CAB when it established a 10½% average return on investment as reasonable. The current industry annual revenue-expense relationship is more than $275 million short of this standard on a before-tax basis.

Only moderate progress, at best, is likely to be made in 1963 toward reducing this gap. With the present traffic outlook, revenues are not likely to be more than 5% above the 1962 total of $2¼ billion. Expenses will probably be 3-5% higher. In October, which was a relatively normal month, expenses were already running at a rate about 2½% above the average for 1962.

No dramatic cure is suddenly going to appear for the industry, short of a substantial overhaul in its economic structure or a further boost in fares. Otherwise, the road back to financial health is at best a slow one in which traffic rises gradually while capacity is held relatively constant. It is questionable, however, that the loss carriers can survive such gradual process, particularly if they must depend upon outside sources for new financing or refinancing.

The major problem of the industry is to obtain adequate profit margins. We are reluctant to go much further down the road of fare increases, so that primary emphasis must be placed on holding down expenses while revenues rise. This is extremely difficult in the present economic environment of the industry. The substantial overlapping and duplication of route structures makes for excess capacity and high costs, particularly in an era of large-capacity jet airplanes. Competition leads to maintenance of greater frequency of flight and more customer service. If an individual company cuts down expenses in these areas, it runs the risk of losing business to competitors.

American Airlines is particularly subject to this industry problem, because we have a higher-than-average proportion of our passenger mileage in competitive segments. About 80% of our mileage is in segments where there is effective competition.

In 1963, expenses will continue to be a problem both for the company and for industry unless changes are made in the structure of the industry. Revenue improvement is likely to be moderate, so that profit margins will remain most inadequate.

With this general outlook American Airlines is likely to show a gain in 1963 of 2-3% in passenger traffic.

Continued on page 62

Continued from page 61

This is about in line with the expected industry improvement exclusive of the 1962 strike effect. American's airfreight will probably match the anticipated 8-10% gain of the industry. Other types of cargo will grow less rapidly than freight, so that the overall cargo total will probably be up about 5%.

These traffic increases would result in a moderate rise in revenues over the 1962 total of about $463 million. This 1962 total was 10% above the previous year.

Earnings failed to gain in 1962 from the $7.3 million obtained in 1961, despite the 10% increase in revenues. Expenses moved up even more rapidly. This growth in expenses reflected substantial increases in capacity and traffic, coupled with higher pay rates for employees and increased prices of purchased items.

For 1963, expenses will rise moderately, but the expected increase in revenues is also small. A greater-than-expected rise in traffic would be necessary to show significant improvement in earnings.

H. L. HOFFMAN

President, Hoffman Electronics Corporation

Almost everything involved in the electronics industry, except the dollars, will tend to grow smaller during 1963. For many years the trend has been to make smaller tubes, smaller transistors, smaller capacitors and every other component, and then assemble these with the aid of precision welding and microscopes. Now solid state circuits built into a single small chip of material are beginning to be used more and more in military and industrial equipment.


H. L. Hoffman

These solid-circuit designs, sometimes called molecular electronic circuits, will have a particularly strong impact on the military market during 1963 because there is a great premium on small size and weight, reduced power needs and high reliability.

Aircraft, missiles and space vehicles need dozens of electronic systems in order to extract maximum benefit from each mission. Navigation gear, fire control equipment, IFF and communications systems, reconnaissance and other electronic systems devices compete with each other for space and power. With the advent of a technique for shrinking many standard pieces of electronic gear to as little as a tenth of their present weight and volume, and with corresponding reductions in power needed to operate these systems, any given vehicle can carry more electronic equipment.

Increased reliability and performance inherent in these new techniques will encourage procurement agencies to give greater consideration to modernization and replacement of current equipments and bring into production entirely new systems. Thus, it is conservative to forecast that the military-space electronic market will expand to $9 billion in 1963 versus the 1962 sales of $7.6 billion.

The consumer market for home entertainment devices has already had a preview of miniaturization with the popular pocket transistor radios and the more recent tiny television sets. Both these products, however, are approaching the end of "miniaturization" via conventional electronics. 1963 very probably will be the year when truly miniature consumer items made possible by solid state design will begin to invade the market. Major selling points for these will be modest power requirements and improved reliability.

Industrial electronics, a $2.4 billion market in 1962, should expand to $2.7 billion in 1963. Many firms now produce equipment and components that are suitable for solution of many industrial problems in control and mensuration, but these devices have been slow to move from the laboratory to the production floor. With the notable exception of heavy industry, producers have hesitated to make full use of the systems available to them. This year shows promise of more vigorous marketing and sales efforts to broaden the industrial electronics base.

New product output from research and development laboratories has been constantly accelerating since World War II. As 1963 begins, product developers have fiber optics, lasers, digital techniques, magnetohydrodynamic generators and even several new mathematical analysis methods to put to use in creating finished goods. Electronics, once thought of as a maze of wires and glass envelopes, is evolving into an industry based on the potentialities of individual electrons—we are less interested in imitating classical circuits in various engineering problems than we are in getting a desired output from a given input. The industry is moving into a new era of functional creativity which may give such impetus to electronics that the forecast of $15 billion for the industry sales total will prove to have erred on the conservative side.

JACK K. HORTON

President, Southern California Edison Company

Significant strides in power pooling, nuclear energy, and automation form the principal elements in an optimistic 1963 picture of the electric utility industry.

With the rapid progress being made in these fields, and many others, I am confident that our industry will remain in the forefront of the leaders in technological progress and will continue to find new and better ways to generate and transmit electrical energy at the lowest possible cost.


Jack K. Horton

The interconnection and pooling program of the nation's investor-owned utilities is proceeding at an accelerating pace, with some utilities already enjoying the benefits of reduced plant expenditures resulting from the lower reserve capacity required in a pooling arrangement.

Four major California investor-owned utilities, including our company, recently completed plans for a state-wide pooling of their generating resources to provide for mutual aid during emergencies and eventually to permit various economies in operation. The proposal is now up for approval by the California Public Utilities Commission.

Under its provisions member utilities can select the power source from the entire pool which is the cheapest at any given moment and arrange to use that energy instead of a source that may be temporarily more costly.

The electric utility industry also is making faster progress than had been generally anticipated in reducing nuclear power costs to a level competitive with other fuels. As a result, a number of utilities, including our own, are pushing ahead at full speed on plans for construction of large commercial nuclear plants.

Our plans call for construction of a 395,000-kilowatt atomic unit of the pressurized water type. It will be built in conjunction with San Diego Gas and Electric Company, which will have a 20% interest in the project.

Preliminary estimates for 1963 indicate that investor-owned utilities will continue to lead all other industries in investment for plant and equipment. During 1962, they spent $3.2 billion for expansion of their facilities—representing approximately 9% of all new construction by American business.

Our own construction budget, which has been averaging about $136 million annually in recent years, this year calls for completion of two additional steam units with a combined capacity of 640,000 kilowatts, representing the largest amount of capacity we have ever added in a single year.

Automation is continuing to make spectacular advances in the electric utility field, with consequent improvements in efficiency and reliability of equipment. During 1962, we at Edison put into operation our first completely automated plant, at Huntington Beach, California.

Nationally, electrical demand has been approximately doubling every ten years, and there is no sign of a deceleration in this growth. In California, the growth rate has been still faster. During the past decade, in which California was surging to its newly-won position as the most populous state, Edison invested more than a billion dollars in new plant.

We expect that our electrical system will have to be expanded to three times its present size within the next 15 to 20 years. Looking across the nation, we find many other electric utilities pushing hard, as we are, to stay ahead of the mushrooming demand.

I believe it may be safely asserted that investor-owned electric utilities represent a healthy, growing industry, playing a highly important role in our national growth.

PETER F. HURST

President, Aeroquip Corporation

Last year at this time, I expressed the belief, which proved accurate, that the American economy was advancing on a wide front. Twelve months later however, the picture has changed significantly. If my appraisal of the outlook for 1963 had to be categorized you would put a checkmark under the "Yes-But" column. "Yes," it should be a relatively good year for the economy, "But" the rate and direction of business activity leave much to be desired.


Peter F. Hurst

The possibility of a recession, which caused some apprehension a few months ago, has diminished. In its place we have a revived confidence. This trend mirrors a sustained high level of automobile sales, gains in total corporate earnings, increases in dividends sufficient to offset decreases on the part of some industries, improved prospects for larger plant and equipment outlays, gains in personal income, to mention only a few factors.

The "but" comes about when the extent of these advances is measured. Rather than moving ahead at a rising pace, those improvements which are taking place are of quite modest dimensions. Whatever upward movement there is seems to be leveling off into a plateau. This does not inspire a forecast that we are entering a period of an expanding economy.

An even more serious "but" is apparent to me every day at Aeroquip where we sell hose lines, fittings, couplings, joints and straps to nearly all capital goods industries. Field reports reaching my desk are most revealing. Although the nation's business activity in its entirety is holding up, many individual companies are not doing as well as the total picture would indicate. The pie may be bigger, but there are more companies than ever before eager for a portion.

There is no shortage of competition. It has never been tougher. Capacity is in long supply. Under such circumstances, it is inevitable that profit margins are being squeezed.

Management executives whose firms are being "hurt" by this state of affairs are not impressed by economists who come up with favorable conclusions about the nation's business as a whole, and rightly so. It is somewhat incomplete and, to a degree, misleading to give only an overall opinion and neglect to acknowledge that the parts are not doing as uniformly well as the whole. This is a risky situation because of the possibility of further deterioration.

(In all fairness, I must admit that if one has to worry—and every businessman does—it is better that the problem be how to win a bigger share of an existing market than to have no market available at all to be competing for.)

How can the situation be improved? Certainly the government has to originate some constructive action. Above all though, every management must practice self-improvement.

When the economy is in need of a stimulant, as is the case right now, there are certain areas where assistance can only come from the government. One such urgent remedy would be a reasonable adjustment in the tax structure. There is no doubt in my mind that the present corporate tax rate is acting as a brake at a time when we need to accelerate business momentum.

Finally, we should remember that the prescription for successful free enterprise in America remains unchanged. Lasting progress has never been the result of riding an inevitable tide. It has been achieved under the spur of multiple influences, not the least of which has been competition. The formula for improvement is the same today as in the past—think harder and work harder.

ROBERT S. INGERSOLL

Chairman, Borg-Warner Corporation

Continuing strength in the durable goods segment of the economy, particularly in automobiles and appliances, should enable Borg-Warner to register another record sales year in 1963.

Borg-Warner's 1962 sales should be sligthly above the all-time high of $650 million in 1959 and earnings are expected to be more than $3.40 a share.


Robert S. Ingersoll

Although the corporation is beginning to yield increasing benefits from heavy investments in new and improved facilities (amounting to more than $60 million in the last two years), price pressures and other cost and tax factors will continue to put an undue squeeze on earnings and make it difficult to project 1963 earnings.

A year ago, in a similar forecast on durable goods and Borg-Warner business, the prediction was made that durable goods spending should increase and qualify as the major reason for 1962 being a better business year than 1961.

This result is evident in the Federal Reserve Board index on durable goods production (seasonally adjusted to the new 1957-1959 base), which rose from 113.2 in January to 118.7 in November of 1962. Its performance over the past five months shows that it has held around a record high of 119, and incoming orders were up again in November.

These are the facts that reflects the unexpected strength shown by durable goods leader industries like automobiles and appliances during the past two months. The current order and buying patterns also are encouraging the auto and appliance companies and most others in durable goods to predict that 1963 will be at least as good a year as 1962.

Borg-Warner, broadly diversified in durables, has its two largest stakes in the automotive and home equipment markets. Each amounts to about one-third of annual sales. The remaining one-third of sales volume is in industrial, farm and defense equipment and the oil, steel and chemical fields.

Borg-Warner's automotive activity covers not just automobiles but heavy duty equipment like over-the-highway trucks, road building and construction equipment and industrial trucks. Several of the divisions serving this broadly defined automotive market are reporting record sales years for 1962 and indicate continued strength in 1963. Expanded applications of existing products and development and sales of new ones have reinforced Borg-Warner's position.

As to the automobile segment of that field, the manufacturers are agreed that 1963 will be another strong year and that there is a possibility that 1962 and 1963 would be the first two consecutive years that U. S. auto sales (domestic shipments plus imports) could exceed seven million units.

The appliance industry also is looking to 1962 and 1963 as its first two strong years in a row since 1955 and 1956. Borg-Warner's Norge division, specializing in kitchen and laundry appliances and the dominant company in the newer coin-operated dry cleaner field, is predicting a seven percent increase in unit sales. York division, manufacturer of central air conditioning systems, room units and refrigeration equipment, is looking to a 10% sales improvement.

Going through the other major durable goods industries that Borg-Warner divisions serve, the farm and industrial equipment manufacturers are predicting that 1963 volume will be as good or better than 1962. Defense spending is certain to be higher in the coming year and Borg-Warner is becoming a bigger factor in that field with products ranging from electronic instruments to amphibious military vehicles.

The petroleum industry, which has been relatively static for several years, is forecasting slightly higher production in 1963, although the greatest improvement will be in overseas operations. Borg-Warner's three steel divisions look for tonnage increases in line with their industry's forecast of slightly better operating levels in 1963. The plastics industry, fastest growing in the chemical field, is predicting higher production and broader application of the ABS (acrylonitrile-butadiene-styrene) plastics manufactured by Borg-Warner.

Borg-Warner expects to spend from $22 to $26 million world-wide in capital equipment in 1963, with the majority of this investment going into equipment that will streamline production, improve product quality and reduce costs. The corporation's overseas business should show another significant increase in the new year. New product research and development, which has been accelerated in recent years, will continue to be given major emphasis.

DOWNING B. JENKS

President, Missouri Pacific Railroad

The Missouri Pacific Railroad carried forward an intensive program of improvement to equipment and plant at a cost of more than $38,000,000 in 1962 and will continue its modernization of facilities with the expenditure of more than $36,000,000 scheduled for 1963.

Downing B. Jenks

Missouri Pacific has not only been able to increase its capital expenditures in 1962, but will be able to spend more than would otherwise have been possible in the current year as a result of the 7% tax credit for capital expenditures and the Treasury Department's new depreciation guidelines.

Taking advantage of the newest developments in railroading is essential to enable the Missouri Pacific to provide passengers and shippers of freight with the best possible transportation service, to meet the intensive competition with which we are faced and to be prepared to satisfy the requirements of the expanding economy in the territory served by the railroad.

Included in Missouri Pacific's 1962 improvements were the purchase of 1,477 new freight cars and the repairing of 2,700 others, which lowered the number of cars awaiting repairs to about 3% of ownership. Also placed in service were 100 locomotive units of 1,800 horsepower, replacing 150 obsolete units.

The new freight cars received were largely designed to meet the special needs of shippers and are equipped with such features as cushion underframes, load dividers, air-slide facilities and multi-level racks for transporting automobiles.

Other major improvements were made in the railroad's track, in its shops and yards, and in signaling and communications equipment.

Continuing a program begun in 1961 to refurbish its passenger fleet, the Missouri Pacific has now completed work on 97 cars.

While operating results for 1962 are not available at this writing, carloadings and revenues are expected to

Continued on page 64

Continued from page 63

exceed those of 1961 by about 3%. Carloadings were 1,538,000 and gross revenues were $288,980,000 in 1961. And the outlook for 1963 is a further rise in freight carloadings and revenues based on present business forecasts.

Missouri Pacific's capital improvement program of more than $36,000,000 for 1963 includes: The purchase of new equipment, mostly 1,200 new freight cars and the equipping of others for special-type loadings, at a cost of $16,579,000; improvement of track and structures, at a cost of $11,695,000, and the purchase of 56 new diesel locomotives, at a cost of about $8,000,000.

As in 1962, most of the new cars will be equipped with special devices to meet shippers' needs for more efficient loading and improved handling of commodities of all kinds.

To improve the riding quality of track, about 100 miles of new continuous welded rail will be laid and 232 miles will receive new ballast.

Ten new base radio stations were installed in 1962 providing instantaneous communication between locomotives and cabooses, between different trains and between trains and wayside stations. Additional radio stations, centralized traffic control, and other signal and communications facilities will be placed in service in 1963.

Work was started in 1962, and will be completed early in 1963, on a completely automated freight handling system at the railroad's Miller Street Freight Station, in St. Louis. It will be the first installation of its kind on any railroad in the United States.

Automated, electronic mail handling systems have been installed by the Missouri Pacific and other railroads serving terminals at Texarkana and Fort Worth, Texas, and St. Louis and Kansas City, Mo. Installation of similar equipment is planned for Dallas in 1963.

Other major construction projects include a new centralized wheel shop and a centralized air brake shop, both at North Little Rock, Ark.

It is anticipated that the Interstate Commerce Commission will render a favorable decision in 1963 on the application of Missouri Pacific to acquire control of the Chicago & Eastern Illinois Railroad. Not only would this improve the depressed financial condition of the C&EI and bring about greater efficiency and economy of operation, but it would also make it possible for the Missouri Pacific to furnish the equivalent of through, single-line service on a direct route between Chicago and intermediate points and the Southwest and West.

The outlook for Missouri Pacific and the railroad industry is brighter as a result of President Kennedy's transportation program, for which legislation was introduced in the last session of Congress, and the progress made toward modernizing railroad working rules.

It is hoped that legislation to implement the President's transportation message of last April, and which would enable the railroad to compete more equitably with other forms of transport, will be re-introduced and enacted in the new session of Congress.

The railroad industry appears to be moving toward the elimination of unproductive or unneeded labor, the expenditure of millions of dollars for which could be used in the public interest by permitting the carriers to further improve their services and facilities.

LOGAN T. JOHNSTON

President, Armco Steel Corporation

Actual steel consumption during 1962 was about 7% higher than 1961, but because of inventory adjustments at the consumer and producer levels, the nation's production of steel was only about 1% above the previous year. For 1963, we believe the chances are good for a slight gain in steel production.

Logan T. Johnston

Steel production throughout the world has also held at the 1961 level of 392 million tons. The United States' share of this total was about 24%.

The general business pattern for 1963 could be described as a continuation of "high-level hesitation" in the early months of the year followed by possible new highs as the year progresses. While not spectacular, these gains will reflect the confidence now forming in the minds of both businessmen and consumers that some of our national and international problems can be solved. Having successfully withstood several shocks in 1962, the mood of the country now seems to be to get on with the job of strengthening our defenses, modernizing our industrial plants and re-asserting our leadership of the free world.

In this atmosphere, steel production seems likely to move a little above the 100-million-ton mark for the first time in six years. While the home building and automotive industries may not quite duplicate their 1962 performances, high levels of output are expected. And there are other steel-consuming areas in which we believe demand will continue to rise through 1963—machinery, commercial construction, highways and pipe lines.

First-half 1963 steel shipments may be inflated by some inventory building resulting from possible reopening of the current labor contract. However, steel consumers are entering 1963 with stocks at or very near minimum working levels. If the economy makes the modest upward climb we anticipate, some buildup in steel inventories will be required to support these higher working levels.

Although our present views of the business outlook are not predicated on an early or large cut in federal income taxes, we are convinced that tax cuts for both individuals and corporations are necessary to revitalize the economy.

Steel imports will again outspace exports by nearly two to one. Approximately four million tons of foreign steel products will come into the United States and we will ship something over two million tons abroad. This unfavorable balance is a constant reminder of our American cost problems and of the need to modernize and improve facilities, as well as to use every other means possible to reduce costs. Only in this way can we strengthen our competitive position.

In pursuing this goal in 1962, the steel industry again spent more than one billion dollars on plants and equipment. Early indications show that this year the industry will also go over the billion dollar mark, with a possible increase of 12% or more in capital outlays.

Continuing emphasis on research will account for the introduction of a number of new steel products in 1963. This emphasis, combined with stronger and more aggressive marketing policies and cost economies, should allow the industry to penetrate several new and important markets.

Armco Steel's research and marketing programs will be emphasized in 1963 by the increased promotion of steel in the huge residential housing market. The company recently exhibited both a private home and a suburban apartment project employing maximum intelligent use of steel in pioneering design concepts, and effecting some significant savings in construction costs.

Armco also will complete several major new facilities in 1963, including a 160-inch plate mill in Houston, Tex., for the fast-growing Gulf Coast market, and a new blast furnace and oxygen steel plant in Ashland, Kentucky. Both of these projects are part of the company's five-year $365-million capital improvement program.

GEORGE C. JOHNSON

President and Board Chairman,
The Dime Savings Bank of Brooklyn, Brooklyn, N. Y.

Unless something entirely unforeseen develops, suburban counties in the New York metropolitan area can expect continuing economic stability, with a rising curve in employment and virtually all lines of business during 1963. There is nothing on the economic horizon today to indicate any violent fluctuations, either up or down.

George C. Johnson

Continued expansion of commerce and industry in this region during the past year, particularly on Long Island, created new opportunities for employment for thousands of people, and during the year ahead this expansion can be expected to continue.

The home building industry, which watches its market closely and gears its output to demand, is preparing for a substantial increase in volume during the year.

As an example of the home builders' attitude, The Dime Savings Bank of Brooklyn today has commitments to make 8,300 home mortgages totaling $148,000,000. This is a 22% increase in number of loans and a 33% increase in dollar volume from a year ago.

The area of greatest activity and growth will be in Suffolk County, Long Island, followed closely by Nassau County and to a lesser degree by Rockland and Westchester. As construction progresses on the Verrazano bridge to Staten Island during the year, increased activity can be expected in Richmond County, both in residential construction and preparations for construction of commercial and industrial buildings to be ready when the bridge is opened.

In Nassau and Suffolk, construction of plant facilities presently is under way for a number of widely diversified industries, and plans are on the drawing boards for more to be started or completed before the end of 1963.

This continuing expansion of commerce and industry in the two eastern Long Island counties will provide an impetus to the housing industry, since it means more opportunities for employment near suburban homes.

According to present indications, builders in Nassau and Suffolk probably will produce 5% more homes and apartments than in 1962. If this volume of production is attained, it will mean at least 20,000 new dwelling units in Nassau and Suffolk, or homes for more than 70,000 people.

Since the 1960 census, the combined population of the two counties is estimated to have increased by more than 125,000. With another 70,000 expected to be added to this total in 1963, the combined population will approach 2,250,000.

This can only augur well for business of all kinds in Nassau and Suffolk.

The population gain is reflected particularly in the banking business, and forcefully points up the need for more savings bank facilities in both counties.

Since The Dime Savings Bank of Brooklyn was permitted to establish a branch office in Nassau County on Sept. 6, 1960, the deposits in that one branch have reached a total of $83,749,000 in 53,955 accounts.

This fact alone should prove without question the soundness and need for legislation that will permit further expansion of savings bank facilities, particularly in Suffolk County where the greatest population growth of any New York suburban county will take place in the years ahead.

Business at the Nassau County branch of The Dime of Brooklyn, located in the Green Acres Shopping Center near Valley Stream, is so great that a complete mortgage department with a staff of 45 persons is maintained there merely to handle home mortgages in Nassau and Suffolk Counties.

The bank's thousands of home mortgages in the two counties are serviced at the Green Acres branch, applications for mortgage loans are received and processed, and title closings are conducted there for the convenience of builders and home buyers in the two eastern Long Island counties.

Depositors at the Green Acres branch shared in the record-breaking distribution of dividends paid by the bank during 1962, which totaled nearly $49,000,000, compared with the next highest record of $38,000,000 in 1961.

Contributing to this enormous total, that has gone into the economic bloodstream of the community is the fact that the bank paid a dividend at the rate of 4¼% a year. This dividend included a regular dividend at the rate of 3¾% a year, plus an extra dividend at the rate of ½ of 1% on money on deposit in regular savings accounts for a year or more.

As 1963 began, deposits in the main office and four branches of The Dime of Brooklyn totaled $1,322,145,427 in 541,222 accounts. This was a gain of $204,964,236 during the year.

During the same 12 months, the bank's assets increased by $214,985,304 to a total of $1,490,100,369, and it became the second largest savings bank in the United States.

At year-end, The Dime had invested in real estate mortgage loans a total of $963,777,502, an increase of $80,149,358 during 1962. Of its total mortgage portfolio, $502,359,367 was invested in conventional loans, an increase of $127,573,853 during the year just closed.

The preponderance of conventional loans has been made possible by state legislation of a few years ago that permits savings banks to make home mortgage loans up to 90% of appraised value for a term as long as 30 years without government insurance or guarantee.

So far as the supply of mortgage money is concerned during 1963, there will be adequate funds in the hands of most lending institutions to support any foreseeable demand.

DWIGHT P. JOYCE

Chairman and President, The Glidden Company

The rewards for corporate success in the future will be greater than they have ever been and, by the same token, the penalties of failure will be infinitely more severe.

This is because we live in a world in which the tempo of change and innovation is moving at a breathtaking pace. This, in turn, is the reason we at the Glidden Co. are placing an extremely high priority on an orderly, planned growth program. We feel that only in this way can we take maximum advantage of the opportunities for success and minimize the chances of failure.

Dwight P. Joyce

There are no shortcuts to the realization of our growth objectives. The effort takes time, money and work. For example, two of the important roads we have chosen to travel toward our long-range growth goals are research and development, and acquisition. American industry today is spending at the rate of $15 billion a year for research and development—five times the rate of 12 years ago. Our own company has doubled its expenditures for these purposes in the last four years. In fiscal 1962, Glidden's expenditures for research, development and technical services amounted to $5,100,000, an increase of $1,300,000 over the previous fiscal year. We believe this is an excellent investment in the future profitability of the company.

In terms of time, it is estimated that it takes five to seven years for a research and development activity to progress from an idea to a finished item or technique. This means that we as a nation are just now reaping the benefits of research efforts which were begun in the mid 1950's.

We intend to continue to invest considerable sums of money in our research and development efforts and we feel that the results of this program will have a major effect on the future of our company.

Our acquisition program—another important method of reaching our long-term objectives, is moving along well. In the last two years we have acquired facilities which have strengthened our operations in the powdered metals, inorganic coatings and grocery products fields. We are confident these operations will provide a very satisfactory return on our investment.

Among our long-range objectives is a grocery products business which will attain an annual sales volume of $50 million in the next five years. As one step in this direction we acquired last summer the assets and business of Olney & Carpenter, Inc., a specialty grocery products manufacturer. O & C is making an excellent contribution to the overall results of our Grocery Products Division and we are looking for other acquisition possibilities in this field.

The obtaining of new business through acquisition might appear to be a short cut to expansion. To a company devoted to the philosophy of planned and orderly growth, however, this is not necessarily so. For example, Pemco Corp. last year was merged into the Glidden Co., giving us an important position in the growing field of inorganic coatings. Our first contacts with Pemco were made in 1958. It took nearly four years from that time for the merger to be consummated.

So far, I have discussed our outlook in terms of our company's plans for the future. More currently, we recently announced that our sales and earnings for the first fiscal quarter of 1963, which ended Nov. 30, 1962, were slightly higher than those for the same period of fiscal 1962, which was our peak sales year.

We anticipate that results for the balance of fiscal 1963 will compare favorably with those for the first three months. Our major emphasis, however, will continue to be placed upon our long-range growth plans.

WAYNE A. JOHNSTON

President, Illinois Central Railroad

Present indications are that Illinois Central net income for 1962 will be about $13,200,000, or $4.21 per share. This compares with net income for 1961 of $12,715,000, or $4.06 a share.

Wayne A. Johnston

Operating revenues for 1962 are estimated at $265 million, compared with $252 million in 1961. Operating expenses for the year will be $207 million, as compared with $199 million in 1961.

It is estimated that the revenues in 1963 will be $261 million, and expenses for the year $207 million. On this basis the company is expected to have a net income in 1963 of about $11½ million.

A decrease in carloadings of little less than 1% is predicted for 1963. Carloadings in 1962 will total about 1,677,000 cars. Carloadings in 1963 are estimated at 1,665,000 cars.

Working capital at the close of 1962 is now estimated to be $46¾ million, a working capital ratio of 2.17%.

Capital expenditures for 1962 will amount to about $25 million. For 1963 such planned expenditures will amount to approximately $32 million, of which about $7 million will be for roadway improvements and nearly $25 million for equipment. Capital improvements since World War II, including expenditures made in 1962 and planned for 1963 add up to about $450 million.

The equipment program includes 14 general purpose diesel locomotives; 250 (70-ton) shock control underframe, 100 (70-ton) insulated and 350 (70-ton) regular underframe boxcars; 100 (100-ton) covered hoppers and 50 (70-ton) air slide covered hoppers; 1,000 (70-ton) hopper cars; 200 (50-ton) and 25 (70-ton) cast steel underframe flatcars, and 25 caboose cars.

Modernization of the hump classification yard at East St. Louis begun during 1962 is approximately 20% complete. Total cost of modernization is estimated at $2,300,000 of which $781,000 is included in the 1963 budget.

The Illinois Central paid a dividend of 50 cents for each of the first three quarters of 1962, and will pay 50 cents a share for the fourth quarter, making a total of $2.00 a share for the year.

During 1962 trailer-on-flatcar, or piggyback, service was expanded to meet increasing demand for such service. Seventy-seven trailers were added to the piggyback fleet during the year increasing the railroad's trailer supply to 521 units, including 130 diesel-powered refrigerator units. New piggyback loading ramps were built at several locations.

In 1962 large modern facilities for handling multilevel loads of automobiles were completed and piggyback operations consolidated at Memphis, Tenn., and East St. Louis, Ill. In addition, equipment was installed at Baton Rouge and New Orleans, La., for loading and unloading of automobiles.

The largest and most efficient soybean meal and cottonseed meal handling facility on the Gulf Coast was put into service at Stuyvesant Docks in New Orleans in 1962. The facility provides for unloading from any type of railroad car, automatic weighing and loading directly into the holds of ships at the wharfside, in one continuous operation, with a capacity of 1,600 tons per eight-hour day.

The Illinois Central approximately two years ago established volume rates on processed soybean meal shipped from the Midwest for export through Gulf ports. An Interstate Commerce Commission examiner has stated the rates are competitive and compensatory and has recommended to the Commission these rates be made permanent. It is anticipated the volume of this type traffic will increase substantially, resulting in greater revenues to the railroad.

There were 95 new or expanded industries located on the Illinois Central during 1962. These industries are estimated to produce $3,600,000 annually in additional revenues for the railroad. Value of construction of these plants is about $35 million.

Early in 1957 the Illinois Central was joined by a number of other Chicago lines in an application for authority to serve the Lake Calumet Harbor area through an extension of Illinois Central tracks into the harbor area. Permission to serve the area was granted by the Interstate Commerce Commission in October, 1959. Objecting railroads have appealed to a three-judge Federal Court in an attempt to reverse the Commission's decision. No final disposition has been made of the case.

The Illinois Central intervened in the case of the proposed merger of the Seaboard Air Line and Atlantic Coast Line railroads. The Illinois Central has requested the Interstate Commerce Commission to condition the merger upon the Atlantic Coast Line divesting itself of stock control of the Louisville & Nashville Railroad. It has also been urged that such stock be sold to the Illinois Central. No final decision has yet been made.

The Illinois Central late in 1961 requested permission from the Interstate Commerce Commission to intervene in applications of the Louisville & Nashville and Missouri Pacific railroads to control the Chicago and Eastern Illinois Railroad. The Illinois Central asked it be permitted to share equally in such control. The Illinois Central request was opposed by the L&N and MP and the Illinois Central subsequently amended its request and is now seeking sole control of the C&EI. The L&N withdrew its petition for control, asking the Commission to condition control of the C&EI by either the Illinois Central or MP on the granting of exclusive trackage rights or sale to the L&N of the C&EI line between Evansville, Ind., and Chicago. On account of improper purchase of stock by the L&N and MP, the Bureau of

Continued on page 66

NYSE Reports Stock Changes

A total of 204 common stocks listed on the New York Stock Exchange throughout 1962 showed a net price gain during the year, the Exchange has reported, while 906 declined and 10 showed no net change.

Gains of less than 10% were posted by 101 issues; 55 rose by 10 to 20%; 23 stocks added 20 to 30%, and 18 moved up by 30 to 40%. One issue added 40 to 50%, while 6 advanced 50% or more.

On the minus side, 203 issues declined less than 10% and 231 between 10 and 20%. 212 issues lost between 20 and 30%, 151 between 30 and 40% and 71 between 40 and 50%. 38 issues were in the category that fell 50% or more.

Chicago Analysts To Hear

CHICAGO, Ill.—Lyle M. Spencer, President of Science Research Associates, Inc., will be guest speaker at the luncheon meeting of the Investment Analysts Society of Chicago to be held in the Illinois Room of the La Salle Hotel.

Continued from page 65

Inquiry and Compliance of the Interstate Commerce Commission has recommended the Commission should take appropriate steps to terminate their unlawful control of the C&EI. Hearings have been held and a decision is being awaited.

During the year merger studies were undertaken with the Gulf, Mobile and Ohio Railroad. The GM&O operates 2,766 miles of railroad. Earlier merger discussions with the Missouri Pacific have been dropped.

Studying the desirability of diversification to provide a broader earnings base and develop additional sources of income has led the Illinois Central to form a holding company known as Illinois Central Industries, Inc. A registration statement was filed November 19 with the Securities and Exchange Commission which proposes to offer 3,135,415 shares of Illinois Central Industries, Inc., stock in exchange for all of the 3,135,415 shares (share for share) of the railroad. At this time it has not been determined the type or kind of business enterprises in which Illinois Central Industries might engage.

DONALD S. KENNEDY

President, Oklahoma Gas and Electric Company

Oklahoma Gas & Electric Co. provides electric service to an area of approximately 30,000 square miles in Oklahoma and Western Arkansas with about 1,100,000 population. The area is experiencing a healthy growth industrially with the attendant growth in population and related business. Company sales of electricity have been increasing at a rate of nearly 10% per year for several years. The company disposed of its gas utility properties many years ago.

Donald S. Kennedy

The economy of the area has been basically oil and gas, livestock production, wheat and small manufacturing. Oklahoma is still a major producer of oil and gas, ranking fourth and third, respectively, in the nation. New discoveries of oil and gas have continued to offset depletions for many years.

Agriculture continues as a major factor in the economy of the area. Many small industrial plants have also been important elements of growth. However, within recent years well-known national firms have established plants in the area. Some of the larger and most recent plants are as follows:

General Electric Co. has completed the purchase of a 1,000-acre site near Oklahoma City for a multimillion dollar plant to make components for missile, satellite and space vehicle electronic guidance systems. The project will employ several thousand scientists and engineers. Construction work will begin during 1963.

Ling-Temco-Vought, Inc. has announced a plant to be built on a 70-acre tract near the General Electric plant site at Oklahoma City. This new electronics plant is scheduled for completion in 1963.

Melpar, Inc., a subsidiary of Westinghouse Air Brake Co., has announced a new plant at Oklahoma City to specialize in research, development and assembly of defense and space equipment. Completion date of the initial plant is scheduled for early 1963.

Borg-Warner Corp., Norge Division, completed a 1,100,000 square-foot plant in Fort Smith, Arkansas, in 1961 for the manufacture of household appliances. Present employment is approximately 2,000 and peak employment is expected to reach 2,500.

Western Electric Co. completed a plant in Oklahoma City in May, 1960, containing 1,300,000 square feet. This plant manufactures crossbar switching apparatus for long distance telephone dialing. Present employment is approximately 4,000. The plant has recently received a contract for the manufacture of the new pay telephone for the Bell System and operations are being expanded.

Dixie Cup Division of American Can Co. has added space and equipment to its Fort Smith, Arkansas, plant which contains 766,000 square feet. Employment is about 1,100.

Kerr-McGee Oil Industries, Inc., is constructing a research center on a 160-acre tract near Oklahoma City. This center will centralize the company's research activities in metallurgical, microbiological, analytical, oil and gas research.

FAA Aeronautical Center recently dedicated its Civil Aeromedical Research Institute $6 million-building in Oklahoma City which is part of the $35 million center there. Total employment at the Aeronautical Center is now approximately 4,000.

Gerber Products Co. has announced a new multimillion dollar 600,000 square-foot baby food manufacturing plant and warehouse on a 50-acre tract in Fort Smith, Arkansas. Completion date on the initial construction is July, 1963.

Black, Sivalls and Bryson, Poxyglas Division, has established a plant in Ardmore, Oklahoma, for the manufacture of fiberglass tanks for the oil and chemical industries and some classified items for the United States Government. Employment is expected to reach about 400.

Ohio Rubber Co. has a new plant in Fort Smith, Arkansas, for the manufacture of molded rubber products. Employment is approximately 700.

Many smaller firms have also announced new plants or additions in the company's service area. This industrial expansion is a great stimulus to over-all business growth in the area, and these gains are expected to accelerate as the new plants reach full operation.

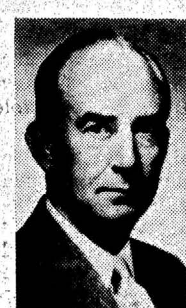
Figures compiled by the Bureau of Business Research, at the University of Oklahoma, show that general business in Oklahoma continues to run well ahead of the nation when compared with their relative positions in 1957-59. The Bureau reports that the volume of construction in Oklahoma during October, 1962, was the largest of record and for the first ten months was 20% above the same period last year. New housing starts in October, 1962, increased 26% over October, 1961, and was the best month since June, 1958. Commercial and public utility construction also continues to show a steady increase.

This industrial expansion is reflected in our own company forecasts for 1963. We anticipate an increase of 11,000 new customers for 1963, which is a gain of 3%. This rate of growth is above the national average. Kwh sales for 1963 are forecast at 10% above the previous year, which will continue our long-term growth trend. Construction expenditures for 1963 are budgeted at $35 million, which includes the completion of a 235,000 kw addition to our generating system. The new generating unit is scheduled for operation in May, 1963. Other major expansions will include new transmission lines and substations to meet the load requirement of our service area.

JOHN E. KENNEY

President, Foster Wheeler Corporation

American engineering firms will play the major role in the design and construction of petroleum, chemical and petrochemical plants during the dynamic industrial development of the European Economic Community in the next few years.



John E. Kenney

It will take American know-how to help get the Common Market countries moving at the rate we anticipate. And U. S. companies are geared to move in and help on very short notice.

During 1962, for example, Foster Wheeler Corp. has not only been strengthening its traditional position, but it has also been coordinating the activities of its far-flung subsidiaries in anticipation of increased activity abroad. The corporation has also been entering new fields within the realm of its wide range of abilities.

In 1962 we received a contract in excess of $20,000,000 for construction of certain portions of an integrated steel plant at Eregli, Turkey. This facility, Foster Wheeler's first venture into steel plant construction, is just one illustration of the fact that we have been maintaining the flexibility necessary to adapt to the constantly changing conditions in the engineering and construction field.

In addition to coordinating the activities of its English, French and Italian subsidiaries in anticipation of the Common Market development, the parent company and its subsidiaries located all over the world are also working to develop new business in such areas as South America, Australia and the newly emerging nations of Africa.

The bright industrial future in other nations notwithstanding, Foster Wheeler also has been striving during the year to strengthen its position as a elading U. S. designer and builder of oil refineries, petrochemical and chemical plants, process plants, and steam power generating and other special equipment for industry. While competition has been mounting in nearly every domestic area, we have held and even increased our position in the manufacture of such equipment as steam generators, cooling towers, feedwater heaters and large pumps.

During the year the corporation designed and built a 10,000-gallon-per-day flash evaporation unit for the recovery of saline water. This pilot unit, which we will use to stimulate actual conditions to assist in the design of huge operating plants, is an illustration of the activity in which Foster Wheeler is participating to serve the future needs of the nation and world.

To reflect properly the changing face—the growth, progress and increasing diversification — of Foster Wheeler, we this year opened new general offices in a specially designed 162,000-square-foot building in suburban Livingston, New Jersey. We feel that these offices represent a milestone in the progress of our corporation.

Some of the current projects that illustrate Foster Wheeler's activity around the world include a 35,000-barrel-per-day lubricating oil plant in Trieste, Northern Italy; steam generating and condensing equipment that will provide 1,875,000 more kilowatts of capacity for Florida Power & Light Co.; a butyl rubber plant at Fawley, England; the world's largest condenser for Consolidated Edison Co. of New York; a lubricating plant near Perth, Australia, and a hydrodesulfurization unit at Port Arthur, Texas.

The domestic electrical utilities industry is due for considerable expansion in the near future to keep pace with growing population, and our engineering firms are ready to produce the equipment and plants.

During 1963, competition will continue to be stiff in all areas of our business. We anticipate, however, that there will be an increase in capital expenditures by both American and foreign industry. And we are better geared now than at any time in the past to design, engineer and build equipment for a wide range of industries.

We look forward with confidence to a vigorous economy that will bode well for all business, Foster Wheeler included.

KENNETH H. KLIPSTEIN

President, American Cyanamid Company

With respect to the outlook for the chemical industry for 1963, it can be stated as being inseparable from that of the economy itself. The use of chemicals is now so wide-spread that any change in the business climate is felt by the industry. Currently it would appear that general business in 1963 may plateau at about the current level. As the chemical industry is growing at a faster rate than the economy as a whole, due to new products from research, 1963 should see a new peak in physical volume of output. Continued pressure on prices, however, due largely to continuing overcapacity and intense competition indicates that the dollar sales increase over 1962 may be about 4%. Individual chemical company performance will vary, of course.

Kenneth H. Klipstein

The chemical industry plans—for substantial capital expenditures for plant modernization, facilities for new products and expansion—are an indication of confidence in the future of the industry.

ALLEN S. KING

President, Northern States Power Company

The year 1962 was another good year for Northern States Power Company. Sales of electricity and gas showed good increases, reflecting the soundness of the economy of the area served by NSP. For 1963 the outlook is for continued growth, and NSP expects its sales to move upward generally in line with long-term trends.

Allen S. King

In the year 1962 NSP total annual revenues crossed the $200 million mark to reach nearly $207,000,000. This is the 29th consecutive year in which revenues have increased over the preceding year.

Electric sales in all categories registered healthy increases, with total kilowatt-hour sales being up 7½% over 1961. Commercial and industrial customers had the best gains, showing better than a 10% increase over the prior year. All types and classes of business showed gains, and the outlook for 1963 is that the present rates of growth should continue. The construction of new industrial plants, office buildings, motels, and shopping centers and the modernization and expansion of many existing structures provide a continuing stimulus to increased kilowatt-hours sales.

The volume of gas sales increased by 14% in 1962, reflecting the colder than normal winter of 1961-62 and the results of intensive gas sales efforts in the communities where natural gas was first introduced late in 1960. The 100,000th gas space heating customer was connected to the NSP lines in September, 1962. This means that out of the more than 170,000 gas customers served by NSP, two out of three use gas for space heating.

The company is looking ahead to a steady growth in demand for electricity and gas. An adequate supply of gas to meet customer needs is available under contracts from pipeline suppliers. Plans to meet electric capacity requirements involve not only construction of additional generating facilities but also interconnections and pooling arrangements with other electric utilities. These plans will provide additional sources of energy and improved operations through the greater efficiencies obtained from large generating units and the advantages of the exchange of power under pooling arrangements. The company has under construction a 216,000 kilowatt unit at Riverside steam plant in Minneapolis. When this unit goes into service in 1964, it will be the largest generating unit on the NSP system. The 230,000 volt transmission line between Minneapolis and Duluth, interconnecting NSP and Minnesota Power & Light, will

Continued on page 67

Commodity Exchange Re-Elects Reid

William Reid, partner of Bache & Co., was re-elected President of Commodity Exchange, Inc., it was announced by the Board of Governors.


William Reid

Mr. Reid, a Governor and former Vice-President of the Exchange, has headed Bache's Commodity Department for over a quarter of a century.

A recognized authority on commodities, Mr. Reid is on the Board of Managers of the New York Cotton Exchange, a member of the Chicago Board of Trade, past Governor of the New York Produce Exchange, past Governor of the New York Coffee and Sugar Exchange and past President of the Wool Associates. He was the first elected President of the Commodity Club of New York. Prior to his affiliation with Bache, Mr. Reid served as Vice-President of the Guaranty Trust Company.

Elected to serve as Vice-Presidents of the Exchange were: J. Raymond Stuart, partner, E. F. Hutton & Co. (Commission House); Matthew S. Fox, Vice-President, Balfour, Maclaine, Inc. (Rubber); Walter S. Stern, President, H. Elkan & Co. (Hides); Timothy F. Carberry, partner, Edwards & Hanly (Metals); and Henry Mintz, General Group.

Joseph Fischer, of Joseph Fischer & Co., was re-elected Treasurer.

Newly elected to the Board of Governors were: H. Robert Marcus, H. R. Marcus & Co., and B. Franklin Foster, Harmon, Lichtenstein & Co., General Group.

Re-elected to the Board of Governors were: Harold A. Rousselot, Francis I. duPont & Co., and Irving Weis, Irving Weis & Co., Commission House Group; Simon D. Strauss, American Smelting & Refining Company, and Jean Vuillequez, American Metal Climax Inc., Metal Group; Robert Badenhop, Robert Badenhop Corporation, and Matthew S. Fox, Balfour, Maclaine, Inc., Rubber Group; Walter S. Stern, H. Elkan & Co., and Sidney Westheimer, Transamerican Hides Inc., Hide Group; and Horace M. Wetzell, General Group.

Form College Fund Corporation

SAN MARINO, Calif. — College Fund Corporation has been formed with offices at 2162 Melville Drive to engage in a securities business. Officers are Philip E. Sperry, president, and J. C. Sperry, secretary.

Edison Inv. Service

BROOKLYN, N. Y.—Elden Barnett is engaging in a securities business from offices at 73 Joralemon Street under the firm name of the Edison Investing Service. Mr. Barnett was formerly with Oppenheimer & Co.

Continued from page 66

be completed in 1963. To house its general office and Minneapolis division staff, the company will break ground this spring for a new $10 million, eight story office building in downtown Minneapolis. The building is expected to be completed in 1965.

The construction plans of NSP indicate that it is looking forward to a steady growth in business, not only in 1963 but in the years to come, and it is building the facilities to be ready at all times to meet all the needs of its customers.

RAYMOND KOONTZ

President, Diebold, Inc.

1962 concluded 104 years of continuous operation for Diebold, Inc. It was a year that was filled with many challenges from the standpoint of aggressive competition, and with labor problems in our Wooster and Hamilton plants. In many ways it was a difficult, yet a successful, year. Sales volume was at a new high, but increased operating costs and the labor difficulties encountered tended to reduce our margin of profit. In 1962 a well-planned advertising and sales promotion program plus a conscientiously applied program of research and new product development, and an aggressive sales approach were some of the factors responsible for increased sales. We will continue the aggressive approach which has been established, as a base for improvement in 1963.


Raymond Koontz

Diebold, for over a century, has been a leading manufacturer of a complete line of bank equipment and a complete line of office equipment for the purpose of handling and for the protection of records and cash. Restyling of our line of mechanized files and of our line of data processing accessory equipment, plus additional units to these lines, also had an influence on increased sales. The same is true for the restyling and development program of some of our lines of bank equipment including the bank counter equipment line, walk-up and drive-up windows, after hour depositories, bank vault doors, and our television banking units. It is our projected plan to put even stronger emphasis on new product development and improvement in 1963.

All of us at Diebold are very sales minded and, being no exception, I spend approximately one-third of my time in the field working with and assisting our many sales engineers located in all major metropolitan areas. I recently returned from a business trip that took me to some of the largest markets in the United States, and I am pleased to report that I found much enthusiasm and an optimistic view over the forthcoming year.

The climate of business in the over-all sense seems to be better at this time than it appeared four to six months ago. In discussions concerning the outlook for the future with leaders of industry and with leaders in the financial community, the air of optimism is definitely present.

Diebold has just begun construction of a new 50,000 square foot addition to its Canton, Ohio, plant. This building will permit the elimination of the use of outside warehouse space and its excess handling, insurance and storage costs. Completion is expected in early April of 1963. This capital expenditure which we are now undertaking is indicative of our confidence in the year ahead.

We will enter the year of 1963 with hope, optimism and, most important, a substantial backlog of orders on the books. Setting a new company record in 1963 from the sales and profit picture may not be easy, but it can be done. It will take the combined efforts of everyone concerned to make 1963 a good year.

MURRAY KYGER

President, First National Bank of Fort Worth, Fort Worth, Texas

1962 went in the economic record books as one of the most productive in our history. Gross National Product moved up to a yearly total of $555 billion, an increase of approximately 7% over 1961. The Index of Industrial Production rose to an average of approximately 118, also an increase of 7% over 1961. Corporate profits, Gross Private Domestic Investment, Expenditures for new Plant and Equipment, Total Labor Force, and other indices all rose to new all time highs.


Murray Kyger

In banking, money supply and total loans are at an all time high. The most significant factor in banking during 1962 was the accelerated rate of increase of time and savings deposits in commercial banks. This increase was due largely to the increase in the rate of interest that many commercial banks paid on these deposits. The

Continued on page 68

Continued from page 67

increased costs caused banks to add substantially to their holdings of municipal bonds.

Interest rates were remarkably stable during 1962. Interest on short-term business loans were virtually unchanged. Long term Government bonds fluctuated from a low of 3.88% to a high of 4.09%, Treasury Bills ranged from a low of 2.69 to a high of 2.94, and 3 to 5 year Government issues went from a low of 3.46 to a high of 3.84. One of the significant features of the bond market was that the yield curve has flattened during the year.

Banking in the Eleventh Federal Reserve District has progressed once again in 1962 with a growth in deposits and loans of about 4% and 10% respectively. This reflects a tightening of loan to deposit ratios and indicates the underlying strength of the business community.

The Fort Worth area enters the new year with extreme optimism. Loans and deposits are at an all time high. A new multi-billion dollar defense contract for the aircraft industry in Fort Worth will provide broad economic benefits to the area. Already we have a large helicopter factory with a large payroll and an impressive backlog of contracts. Another major industry will move into Fort Worth during the year and this will provide added impetus to the growing economy of the area.

One of the most important features for the economy as a whole in 1963 will be the discussion by Congress of a proposed tax cut by the Administration. There is no doubt of the necessity for revising our tax structure to provide more incentive for both individuals and business. It is hoped that a tax cut can be accompanied by a greater fiscal responsibility with a budget that can be balanced over the complete business cycle.

The recent air of uneasiness in the economy has given way to a more optimistic outlook for 1963 and general confidence. Bank loans to business should increase moderately. Interest rates should remain relatively stable. The total output of goods and services as measured by Gross National Product should attain new highs during the year and all in all, 1963 should be a good, stable year in the economy of the United States.

JOSEPH B. LANTERMAN

President, Amsted Industries, Inc.

Uncertainties over national economic trends and the international situation make 1963 crystal ball gazing, at best, a precarious task.

However, based on present business indicators, we feel 1963 earnings and sales will improve from 1962 levels both for Amsted Industries and the capital goods field in general.

J. B. Lanterman

Major question marks which will influence the degree of this improvement for Amsted include the fate of tax relief legislation and the economic health of the company's railroad customers.

Amsted's 1962 fiscal year, the company's 60th anniversary year, was one of continuing progress. A new corporate name was adopted, earnings and sales improved sharply, and the company's program of acquisitions and diversification was advanced.

The new corporate name, Amsted Industries Inc., was adopted in January, 1962. The company's diversification program had made the former American Steel Foundries name inappropriate. During the past 12 years, acquisitions and new product development have taken the company into the production of roller chains and sprockets, small precision machine tools, cast iron pressure pipe for water transmission, clay pipe for waste transmission, and the application of protective coatings to steel pipe for the oil and gas industries.

The substantial commercial value of the American Steel Foundries name was preserved by the formation of a new subsidiary, American Steel Foundries Inc., which includes the company's Transportation Equipment and Hammond divisions.

In fiscal 1962, Amsted's net income increased 21% from a year ago on a per share basis, while sales climbed 18%.

For the year ended Sept. 30, 1962, the company had net income of $7,019,951, equal to $2.50 a share, up from $5,909,342, or $2.07 a share a year earlier. Sales increased to $125,716,536 from $106,712,952.

These increases were accomplished despite the continuing low level of new equipment purchases by the railroads.

Amsted's diversification program was pursued vigorously during fiscal 1962. In the year, three companies were acquired—What Cheer Clay Products Co., an Iowa producer of clay pipe for waste transmission, R. D. Wood Co., New Jersey maker of cast iron pressure pipe for water transmission, and Johnson Machine & Press, Indiana producer of mechanical presses. These companies were purchased for cash.

In May, 1962, Amsted acquired for cash a 60% interest in Siemag Kette GmbH, Betzdorf, West Germany. This company has been renamed Amsted-Siemag Kette GmbH and is producing roller chains, sprockets and related products for the European Common Market area.

One new plant was completed during the year, a pipe coating and wrapping operation at Fontana, California. This is the company's ninth plant engaged in this activity.

In 1963, Amsted will continue its program of purposeful growth. On the basis of present plans, expenditures for plant additions and acquisitions in fiscal 1963 are expected to be in excess of $15 million, a company record. This total is about two and one half times the company's $6,059,000 capital expenditure in its 1962 fiscal year, and would top the previous record of $11,325,000 spent in 1958.

Amsted has already completed arrangements to acquire Oconee Clay Products Co. in fiscal 1963. The acquisition of Oconee, a Milledgeville, Georgia, producer of vitrified clay pipe for waste transmission, will add about $6.5 million to Amsted's annual sales. The acquisition will be for cash.

In addition, a new plant to produce steel freight car wheels is under construction at Bessemer, Alabama. This facility is expected to be in operation early in 1964.

MICHAEL H. LEVY

President, Standard Security Life Insurance Co. of N. Y.

I haven't been able to successfully find "Soothsayer" in the Yellow Pages. But—with some degree of trepidation, with crossed fingers and some prayerful hopes that I am not too far off in these prognostications, here is some thinking for what should or may develop in 1963 in the world of personal insurance.

Michael H. Levy

The packaging of life insurance with mutual funds will continue to be something which will create excitation on the part of those resisting the "marriage" trend and encouragement to those fostering it. More mutual funds will become affiliated with life insurance companies and vice versa will hold true also. The so-called "dual" sale will become more and more the accepted rather than the exceptional. In New York State acknowledgment will be given to the law so that "dual" sales will not be made. But the same man will be selling to the same buyer an insurance program and (if not "combined") a mutual fund purchase. The end result will be the same as the combined purchases which are permissible elsewhere.

Of course, this trend will result in even more denunciations by the old line company executives who feel that this trend is something to be held in abhorrence. We can express no personal opinion on this other than to state that it is a trend which we feel cannot be resisted. The ultimate results will have to be foreseen—and only the crystal ball will be able to tell us that until we can look into past history rather than into the future.

More states will exercise restrictions upon the sale of coupon policies. Those policies, which almost inevitably are improperly sold as "profit-sharing" or "special contracts" have had quite a mode in a good many states. Several states have illegalized them—other states have circumscribed the selling techniques with restrictions and it seems as though the "illegalization" and the "restrictions" will continue. This is one form of insurance which has very questionable value.

For the past twenty years the financed or so-called minimum deposit policy has truly had its "day in the sun." But slowly, and almost inevitably, the popularity of this form of insurance selling (or is it buying?) will lose a good deal of its appeal. It has almost inevitably been based upon a sales gimmick and all too much of it has been based upon iniquitous misrepresentation resulting in "twisting," the beneficiary of which was neither the insured nor his family but almost inevitably the agent who was making a fat commission on what, in actuality, was nothing more than a term insurance policy. A very minimal percentage of those who have been sold minimum deposit insurance warranted this type of insurance.

Because of the activity of a goodly number of alert insurance departments, the growing consciousness by many home office executives of the serious public relations problem involved and the developing awareness on the part of the insurance buying public, minimum deposit insurance must soon recede, becoming just "another policy" among many in any portfolio. It will be utilized for special situations where its use is warranted.

Term insurance will continue to grow in popularity and public acceptance. This form of inexpensive "death protection" is pretty well damned by all too many in the field of insurance. Yet it provides the only means whereby adequate protection, the true purpose of life insurance, can be purchased for minimum dollar outlay. So, it is our prognostication that term insurance will continue to grow in relative importance as compared to the so-called permanent forms of insurance.

The investment forms of life insurance, retirement annuities, etc., will grow in popularity as compared to their recent downward trend vis-a-vis equity investments. The serious re-awakening of the investing public as a result of the 1962 bear market has brought many to the cold realization that all securities do not continue to rise in value forever. As a result, the guaranteed dollars of the life insurance business have assumed an aura of attractiveness which had been minimized in recent years while the glamour of "growth" stocks obscured some of the realities of financial reckoning.

In the field of health insurance the trend away from "clip the public" policies to qualitative protection will continue. The trend away from the so-called commercial (cancelable at the option of the company) policy to the guaranteed renewable or non-cancelable forms of coverage will continue until ultimately no insurance will be sold except on either a guaranteed renewable or non-cancelable basis.

The cost of medical expense insurance (hospitalization or major-medical) will continue to rise due to the continuing increase in the costs of medical attention. The lack of cooperation by all too many in the medical profession is going to result in, sooner or later, a serious schism between the insurance industry and the medical profession. The surgeon who normally charges $250 for an appendectomy and, only because his patient carries insurance suddenly charges $850, is rendering neither his patient nor his profession a service. The doctor who sends the patient to a hospital, completely unnecessarily, only because there is insurance to pick up the tab—this doctor renders a disservice to the entire community. Because—the entire community will inevitably have to pay the increase in premium costs attendant upon this type of improper practice.

A growing awareness on the part of the public that income replacement is as vital, if not more important, than insurance to protect against medical expenses is certain to create some major changes in selling techniques and insurance buying practices in 1963. More and more insurance salesmen are learning that their obligation to their clients is income protection. This means the replacement of income by life insurance, when the breadwinner dies and the replacement of the breadwinner's interrupted income, when the breadwinner is disabled. So disability income insurance will loom large in the insurance scheme of things in 1963 and thereafter. Larger than ever before.

In 1963 more and more companies will be announcing new policy lines, new rating procedures, new underwriting techniques based upon their switch to the 1958 Commissioners Standard Ordinary Mortality Table. At the same time, many of them will be swinging away from the archaic "age nearest birthday" technique of rating insurance to the more modern "age last birthday" basis.

Policies will continue to become simpler to read and understand and more attractive in appearance. Companies have devoted and are continuing to devote a great deal of time and effort to simplification and legibility. The day of the "small print" policy is gone beyond recall in the insurance world of 1963.

The mushroom spouting of new companies will continue. Unfortunately, all too many of these will be, as so many have been in recent years, nothing more than thinly disguised stock promotion schemes. Some few will survive to become major factors in the insurance world of tomorrow. Most will vanish with the passage of time. The "tooth in the jugular vein" struggle between many of the leading companies in the industry for "in force" will continue. As a result of this struggle the public will, sometimes, be benefited.

Unfortunately, all too frequently, the public will be penalized since the companies will countenance, if not actively encourage, practices by agents which will benefit the agents but rarely the buyers of insurance. We refer most specifically to the improper utilization of financed policies, the sale of coupon policies to people who require family protection rather than investment-type insurance, the sale of high priced insurance instead of low cost protection, the continued emphasis upon "who you know" as compared to the far more desirable "what you know" philosophy in insurance selling.

One major trend within the industry will accelerate. This is good for the industry and certainly good for the insurance buying public. We refer to the professionalization trends best exemplified by the Chartered Life Underwriter and the Chartered Property & Casualty Underwriter movements. The man bearing the CLU or the CPCU degree is a man warranting respect within the insurance profession and in the world of business. The public gains by these developments and the industry is to be congratulated upon its solid backing for them. 1963 will see a surge forward in the strengthening and the acceptance of both the CLU and CPCU movements.

How about Medicare? Well, 1963 will again witness the insurance industry, or at least 99% of its representatives, solidly lined up against the entry of the government, via the social security route, into medical care insurance. There will be a few mavericks who will feel that the government is justified in endeavoring to provide the needy aged with some type of minimal medical protection. Every industry will follow its previous practice of fighting this as they did in 1962.

Health insurance plans operated cooperatively by insurance companies are a new development in providing coverage to senior citizens. New York 65 began operation in later 1962, joining similar projects in Connecticut and Massachusetts.

We predict that 1963 will show a continued growth in the life insurance industry, paralleling the economic growth of the United States. General business conditions will affect the sale of life insurance to a larger degree than is generally the case. A sizable tax cut would certainly call for a different set of predictions.

LAWRENCE LITCHFIELD, JR.

President, Aluminum Company of America

A period of solid demand for aluminum, which could equal or even surpass the all-time high levels for both production and shipments which prevailed in 1962, is in prospect for the new year. Given reasonably favorable economic conditions, from the standpoint of volume, the year 1963 should be a relatively good one for the U. S. aluminum industry, but the general pricing situation must improve if the industry as a whole is to achieve reasonably satisfactory financial results.

L. Litchfield, Jr.

The industry's general confidence in future prospects was evident in the numerous announcements of new facilities program both here and abroad during the last 12 months, despite the present excess of capacity in this and other countries.

U. S. production of primary aluminum rose to an estimated 2.12 million tons during 1962, or better than 5% above the previous high set in 1960. U. S. industry net shipments to both domestic and foreign markets totaled about 2.78 million tons, an 11 per cent gain over the previous record set in 1959.

With general inventories in the U. S. apparently at normal working levels during most of the year, the 1962 shipping volume is believed to reflect solid demand, and presumably, a record per capita consumption.

On the basis of total domestic aluminum shipments, per capita consumption was estimated at 25 pounds in 1961. A like estimate for 1962 is 28 pounds per person.

Generally favorable economic conditions, increased use of aluminum per unit of goods produced, such as in automobiles and new homes, and the successful promotion of new, volume markets for the light metal were key factors in making 1962 a banner production and shipment year.

Construction and transportation continued to be the two largest markets for U. S. aluminum producers, and together accounted for about half of 1962 domestic shipments. Sharp growth was experienced in the residential building products market, with approximately 230 pounds of aluminum now going into the average new home.

Of all major marketing areas—which include consumer durable goods, electrical, machinery and equipment, and packaging—packaging continued to gain ground most rapidly with rigid container applications leading the way. All indications point to an enthusiastc acceptance of aluminum ends for beer cans, both plain and with easy-opening features, and Alcoa is hopeful of a volume market in this field.

The year 1962 was one in which Alcoa and the aluminum industry made substantial progress, despite the effects of rising costs, particularly labor costs, and severe price competition. An important factor in the continued weakness and confusion in the domestic price structure was a sharp rise in imports of both ingot and fabricated products. In this connection, the high protective tariff on aluminum presently proposed by the European Common Market, as compared to the existing low tariff in the United States, does not provide equal access to these respective markets.

During the past year the industry, including Alcoa, persisted in its efforts to continue a strong position in overseas markets. While the long-term potential for continued growth of world aluminum consumption remains good, we are concerned over a number of domestic and international factors which tend to obscure the near-term trend of demand. Important among these uncertainties are aspects of the U. S. economy which cloud the business outlook, the possibility of government disposal of "surplus" aluminum from the defense stockpiles during periods of oversupply, and the rate at which potential new domestic and foreign markets can be developed.

JAMES J. LING

Chairman, Executive Committee, Ling-Temco-Vought, Inc.

From a broad approach to evaluating the aerospace-electronics industry, a constant variable that affects the industry is government spending. It would appear that this industry should enjoy an exceptional year in 1963, based on the Department of Defense operating with a record peacetime budget and the spending curve for space exploration slanting continuously upward. However, from an analytical point of view this prosperity is somewhat illusionary as I will develop in a later paragraph.

James J. Ling

The armament "mix" changes from time to time as our total defense posture is constantly re-evaluated, influenced to a great extent by international politics. Recent years have seen an intensive effort in the intercontinental ballistic missile area. Certainly these weapons will continue to receive heavy emphasis, but events of the past year—such as the Cuban crisis—have illustrated the need to be equipped for brush-fire conflicts at any point on the globe. Therefore the more conventional weapons—aircraft, short-range tactical missiles and many other forms of weaponry and support systems—will receive new impetus.

A program dedicated to placing a man on the moon in this decade by the National Aeronautics and Space Administration (NASA) offers vast challenges to industry management and technology. Some $50 billion in business is expected to flow in the next 10 years to literally thousands of companies participating in the space program, with a limited few gaining the major portion.

Through the stepped-up programs of both the Defense Department and NASA, it is clear that government requirements will pave the way to continued expansion of the aerospace-electronics industry. This leads up to the "illusion" mentioned earlier.

The growth and profitability factors of 20 major defense contractors as set forth on a 5-year compounded average rate, indicate that a substantial decline in profitability has set in. Eleven companies reported either declining earnings, or deficits. Five companies reported modest increases ranging from 3 to 7%, whereas only three companies reported substantial earnings increases ranging from 13 to 17%. As a result of the so-called armament mixes wherein billion-dollar contracts are usually awarded to one or two companies, with no large additional programs in sight, the focal point of the problem is amplified as an individual company's vulnerability is related to its ability to write new business.

In summarizing, the year 1963 holds great promise for the aerospace-electronics industry. There are tremendous technical challenges, and increased spending by the government. The individual companies must prove their capability more than ever before—in technology, production and management—because of intense competition. And then hope that contract cancellations do not crop up to nullify the hard-earned award of a promising program.

DONALD C. LUCE

President, Public Service Electric & Gas Company

For Public Service Electric & Gas Co., 1962 has been another year in which new records were established for sales, demand and output of both electricity and gas. Electric sales reached 14.1 billion kilowatthours as compared with 13.2 billion kilowatthours in 1961, an increase of 7%, notwithstanding the fact that the unusually cool summer of 1962—the coolest since 1956—materially reduced the use of electricity for cooling purposes. New records were established on June 19, 1962, with a peak load of 3,180,000 kilowatts and a single day's output of 56,172,000 kilowatt-hours, both 2% over the 1961 records. In September, the 1,500,-000th electric meter was installed and connected to the company's lines.

Donald C. Luce

During 1962, 27,000 additional gas building heating installations were connected to our mains, making a total of 360,000 customers at the year-end who were enjoying the benefits of gas heating. Gas sales rose to a billion therms from the 923 million therms sold in 1961, an increase of 11%. Frigid temperatures, accompanied by winds of gale force, created demands for gas that resulted in an all-time record day's send-out on Dec. 31, 1962, of 8.3 million therms, 1.7 million therms, or 27%, above the previous year's record.

To provide the facilities to meet the customers' constantly increasing demands has required continuous long-range planning and huge expenditures of funds which for the past seven years have exceeded $100 million annually. Plans for 1963 contemplate the expenditure of an additional $125 million for additions and improvements to plant and equipment.

Projects requiring the greatest amounts of funds are those for generation and transmission of electricity. In October, the company placed in service at Sewaren Generating Station (near Perth Amboy) a 350,000-kilowatt turbine-generator unit. This unit—the largest in the company's system—raises Sewaren's capacity to 830,000 kilowatts and adds another block of high-efficiency generating capacity to our system. Construc-

Continued on page 70

Continued from page 69

tion is continuing on the new Hudson Generating Station, in Jersey City, which will have, initially, one 400,000-kilowatt generator scheduled for service in 1965. In addition, orders have been placed for two single-unit gas-turbine driven electric generators. One unit with a capacity of 28,000 kilowatts is scheduled for operation in 1963, and the other with a capacity of 100,000 kilowatts—one of the nation's largest of this type—is planned for service in 1966. These gas-turbine "peaking" units can be operated by remote control and require less than 15 minutes to go from cold standby to full load. Upon completion of these new installations, the total installed capacity of the Public Service system will exceed 4.7 million kilowatts, 26% more than the capacity at the beginning of 1962 and more than 3 times the capacity as at Jan. 1, 1950.

The company is also participating with Jersey Central Power & Light Co. in the planning for a 330,000-kilowatt, pumped-storage peaking station which will be constructed on Yards Creek, Warren County, in the northwestern part of this state.

Public Service and seventeen other investor-owned utilities in eight Eastern states and the District of Columbia have joined in a $350 million coordinated, high-voltage transmission line and power plant construction program—one of the largest ever undertaken by the electric industry. Plans include building more than 600 miles of new 500,000-volt transmission lines from West Virginia to terminals in Philadelphia, northern New Jersey and New York, and two large mine-mouth power plants with an aggregate capacity in excess of 2.1 million kilowatts to be located in the bituminous coal producing areas—one near Johnstown, Pennsylvania and the other near Morgantown, West Virginia.

Public Service will contract for 370,000 kilowatts of electric energy from the mine-mouth plants and will construct the 75 miles of 500,000-volt transmission line extending rom the Delaware River in the vicinity of Lambertville eastward and northward across New Jersey to the New York state line. Completion of this line by Public Service will connect the super grid of the Pennsylvania-New Jersey-Maryland Interconnection with the Consolidated Edison portion of the present New York grid which links upper New York State with New England.

Indications for 1963 and the years ahead are for continued growth and development in the area of New Jersey served by the company. Public Service is planning far ahead so that the company's continuing program of expansion and improvement of its electric and gas systems will be adequate to meet the constantly growing demands for electric and gas services.

L. WALTER LUNDELL

President, C.I.T. Financial Corporation

American families are entering the new year in a strong credit position which will support the markets for consumers' durable goods and services at high levels. We also look for solid strength in other sectors of the economy.

L. Walter Lundell

Millions of Americans have repaid their instalment obligations during the past 12 months, even as others have assumed new obligations, and our experience in extending credit to consumers continues to be excellent.

With the Federal Reserve Board reporting personal income at a record annual rate of over $443 billion and personal savings at a new high, a sound foundation exists to strengthen the current upturn in consumer instalment buying. C.I.T. expects a continued expansion of its operations in this vital area.

Also indicated for 1963 is a further broadening of C.I.T.'s diversified services to U. S. and Canadian business and industry. These include the financing of broad categories of production and distribution equipment, the leasing of similar products as well as automobiles and trucks, factoring, commercial accounts receivable financing and the manufacture and distribution of radiological equipment for industrial, professional and scientific use.

Many business leaders and economists have been forecasting a year of relative stability while the economy consolidates its gains before surging ahead in the mid-1960's. Nevertheless, to maintain our present high plateau of prosperity and to move beyond it will demand a high degree of cooperation between government, the business community and labor, to the end that our productivity as a nation will continue to rise and our fiscal position will remain strong.

ERNEST S. MARSH

President
The Atchison, Topeka and Santa Fe Railway System

The Santa Fe Railway System has programmed gross capital expenditures of $90 million in 1963, a sizeable increase over the $50 million of expenditures in 1962 for such purposes. Modernization expenditures of this magnitude involving additional equipment and replacement of many old units are needed to effect an economical operation capable of helping to keep pace with growth of the economy and the ever-increasing costs of providing the type of transportation service the public demands and deserves.

Ernest S. Marsh

Additions to the Santa Fe fleet will include 58 new diesel locomotives, approximately 3,000 freight cars of various types, 24 Hi-Level passenger cars, 25 semi-lightweight baggage cars and 6 lightweight R.P.O. cars. Other major improvements planned for 1963 consist of replacing 245 miles of track with new continuously welded rail of heavier weight; installation of microwave from Amarillo, Tex., to Winslow, Ariz., thus linking Kansas City with the West Coast; and car repair facilities modification or expansion to provide more efficient operations.

Freight revenues and freight ton miles of the Santa Fe System during 1963 are expected to show a modest increase in the range of one or two per cent—assuming there is no marked change in the international situation.

The System's net income for 1962 will be up appreciably over 1961, but this is due to income tax effect, approximating $19.7 million, resulting from the Administration's new guidelines and rules relating to depreciation and the 7% investment credit provision in the 1962 tax law.

These were constructive steps toward remedying a situation which has plagued the railroads and many other businesses for years. Previously inadequate depreciation rules not only failed to recognize obsolescence and inflationary forces but resulted in funds needed for replacements being classed as profits and largely taxed away. These new tax measures strengthen the financial situation and tend to accelerate modernization schedules. This is reflected in the larger program for 1963, much of which is currently on order books.

The recommendations made by President Kennedy in his Transportation Message of 1962, including the important one providing for removal of minimum rate controls on agricultural and bulk commodities, are urgently needed to keep the railroads competitive with other forms of transportation and Congress should act favorably upon them early in 1963.

FREDERICK MACHLIN

President, The Armstrong Rubber Company

The Armstrong Rubber Company enters its 51st year in business in 1963. We anticipate it will be a good year for us and the tire industry.

As 1962 draws to a close, most economists are cautiously optimistic about the outlook, with key indicators on balance pointing upward. Personal income, industrial production and spending for new construction are at record levels. The automotive industry is operating at high gear, countering the sluggishness of steel. And most encouraging of all, Gross National Product continues its steady rise.

Frederick Machlin

For all of 1962, Gross National Product is expected to reach $555 billion, up from $519 billion in 1961. And although some forecasters feel there may be a lull during some part of 1963, they are virtually unanimous that GNP for all of the coming year will show a 2.2% increase over 1962.

The much-talked-about tax cuts, if enacted, could also give the economy a lift in 1963 by stimulating both industrial and consumer buying.

Any general improvement in the economy naturally will benefit the tire industry. But some special factors also are working in its favor. As a result of the constantly growing number of motor vehicles in use—registrations now total about 78.6 million—the market for replacement tires is still growing rapidly. Armstrong operates almost exclusively in this area. During 1963, deliveries of replacement tires for passenger cars and trucks are expected to hit the 90 million mark. This would be a new high and a 2% increase over the approximately 88 million units shipped in 1962, which established a record for the eighth consecutive year.

Improved profit margins for the whole tire industry are hoped for in 1963, as a result of increases in tire prices effected during the final quarter of 1962. The increases averaged about 3%.

Within Armstrong, several developments during 1962 laid a foundation for further growth in the years ahead. Most important was the start of production at our new $25,000,000 tire-making plant in Hanford, California. This facility, having an initial capacity of 7,500 tires per day, is one of the most modern and efficient tire plants in the world and it will enable Armstrong to better serve the rapidly growing needs of our Pacific Coast and Rocky Mountain customers.

To achieve greater efficiency and economy in operations—a policy that is vigorously and continuously pursued by Armstrong—we effected a major change in our corporate structure on September 30, 1962. At that time two wholly-owned subsidiaries, Armstrong Tire and Rubber Company, Natchez, Miss. and Armstrong Rubber Manufacturing Company, Des Moines, Iowa, were merged into the company as operating divisions. We now have four tire manufacturing divisions—Southern, Midwest and Pacific Coast and our main plant at West Haven, Connecticut.

A third major development last year was the introduction in March of the Armstrong Premium Miracle Extra Mileage Tire, which, through a new concept in design, results in greater mileage and stability, easier steering, elimination of squeal and improved traction. We also expanded our industrial tire line and are now a major factor in that field.

Because of start up costs at Hanford, higher labor costs and intense competition, Armstrong's results in the year ended September 30,1962 did not reach the levels achieved in the preceding year. Sales volume dropped to $114,376,382 from $119,388,888 in fiscal 1961, while after tax earnings were $4,563,632 or $2.68 per share, down from $4,849,829, or $2.85 per share. Our equity in undistributed earnings of a 28.6% owned affiliate, Copolymer Rubber & Chemical Corporation, for the 1962 fiscal year was equal to 20 cents per Armstrong common share, against 31 cents a year earlier.

However, both unit volume and dollar sales were at new high levels in the final six months of fiscal 1962 and the improved trend continued into the early months of the current fiscal year. This factor, together with the fairly favorable economic forecasts, expected increases in replacement tire sales, higher tire prices and greater efficiencies arising from our expansion program of the past several years, enables us to enter 1963—our fifty first year in business—in a confident mood.

WALTER P. MARSHALL

President, The Western Union Telegraph Company

Substantial new revenues are beginning to appear for Western Union, as major projects in its record expansion program start to come on stream. In the second year of the program, 1962, the company broadened the range of its telecommunications services to include voice in the private wire field.

Walter P. Marshall

The expansion program involves gross additions to physical plant in the 1961-65 period of about $400 million, compared with the company's $437 million gross investment in plant December 31, 1960. One of the largest capital expansion programs, proportionate to size, ever undertaken by a major corporation in a similar time period, it will virtually double the company's plant and modernize it in the process.

Completion about mid-1963 of the new transcontinental microwave beam system will provide Western Union with its own broadband facilities for transmission of data at high speeds, facsimile, and voice—as well as conventional telegraph services.

Introduction of private wire voice and alternate record-voice services was an important step in broadening the company's ability to serve the expanding telecommunications market. Alternate record-voice service enables a private wire customer to talk over his private wire system and alternately transmit any form of record communication desired, such as data, facsimile or teleprinter. The company will start another new record and voice service in 1963 called broadband switching. This will provide instantaneous customer-to-customer voice-band connections for transmitting voice, high-speed data, facsimile, or other types of record communications. Subscribers will use a pushbutton telephone instrument with a hand-set to coordinate data or other transmission, and a switching device for convenient transfer from voice to data.

Most rapidly growing of all services in 1962 was Western Union Telex, the direct-dial, customer-to-customer automatic teleprinter exchange service, now providing nationwide service through exchanges established in 100 cities and metropolitan areas of the country. This enables subscribers to communicate directly with all Telex users in the United States, Canada, Mexico and 79 other countries around the world.

In January 1962, Western Union inaugurated a Personal Opinion Message (POM) service. At a flat rate of 75 cents for 15 words, the public can express opinions on current issues to the President, Vice-President and Senators and Congressmen at Washington. The public's favorable reception of this service is reflected in the White House announcement that President Kennedy received 48,000 telegrams following his announcement of the Cuban blockade.

Western Union completed, and the Air Force placed in operation in 1962 a nationwide nuclear bomb alarm system, blanketing key target areas with strategically located sensors which will react automatically only to the unique characteristics of nuclear explosions.

Most of the private wire systems Western Union leases to government and industry are engineered to handle data. AF DATACOM, the world's largest and most advanced digital data communications system, is now being completed by Western Union for the U. S. Air Force to link over 300 Air Force installations. It includes five automatic electronic switching centers, the first of which was placed in operation at Norton AFB in November, and the second at McClellan AFB in December. The system provides a communications capability compatible with weapons now in the Air Force inventory, or scheduled for development in the foreseeable future. DATACOM will also be used to handle data traffic of other Department of Defense agencies.

H. E. MARTIN

Chairman, M & T Chemicals, Inc.

Each July, our company publishes an 18-month economic forecast for internal uses. This forecast is the basis of our sales and profit budgets for the coming year.


H. E. Martin

In July, 1962, we viewed the economy with much apprehension and uncertainty. At that time, the steel industry was at only 50% capacity, the stock market had just experienced its sharp decline, and the possibility of personal and/or corporate tax cuts all contributed to this uncertainty. From these and other factors, we surmised that the last half of 1962 would see the establishment of a plateau of industrial activity extending into early 1963, a slight decline until mid 1963, and then a slowly rising level of activity throughout the last half of that year.

Despite the recent gains in auto production, I feel that we shall still stick with the forecast. The unusual activity in this one segment of our economy, albeit an important segment, does not appear to be broad based enough to raise the level of industrial activity to any great heights. The recent fluctuation in housing starts, the decline in the average work week, the unspectacular retail sales, and the rise in unemployment, all seem to indicate that it will take a good deal more than a high level of auto production to "get our country moving ahead".

As for those industries which most directly affect M&T Chemical's sales, I see 1963 as not an exceptionally good nor an unusually bad year. There will be little, if any, increase in sales.

The automobile industry should have a good year but not up to the 1962 level of production of about 6.9 million autos. I see in 1963 about a 10% decline in this industry to about 6.3 million autos.

The housing construction industry (as measured by housing starts) should remain relatively unchanged in the coming year. With the undoubling of families that has been taking place in the last few years and the slow population growth of the age group which buy homes, there seems little impetus to push this industry forward.

The steel industry should experience a mildly better year, perhaps on the order of a 2 or 3% increase. This increase will be mainly the result of inventory build-up.

The appliance industry is a question mark for the coming year. The unchanged level of housing construction would seem to indicate an unchanged level of appliance sales since many new appliances are placed in new homes. However, the replacement market for appliances has been growing steadily over the past few years; and next year, or perhaps 1964, could prove to be a very good year for replacement appliances and thus a good year for all appliances. I see perhaps a 3 to 5% increase in retail sales of appliances.

The brightest spot in M&T Chemicals Inc. for 1963 is the outlook for the chemical industry. M&T manufactures many specialized intermediate chemicals for use by the chemical industry. There appears to be no letup in the growth of markets for new and old chemicals. I see a continued growth here for 1963 of about 5 to 7%.

The picture I have painted of the coming year is not very encouraging. If one thing is obvious from the picture, it is this: 1963 will be a year in which the economy will expand slowly; any individual company can increase its sales, but it can do so only through aggressive marketing.

THOMAS B. McCABE

Chairman, Scott Paper Company

The year 1962 has been a good one for the paper industry and we look forward to 1963 with confidence.

Overcapacity, of course, still plagues the industry, but in 1962 paper and paperboard operations have been at a rate of about 92% of capacity, up from 90% in 1961. It is expected that production in 1963 will rise a bit, though the rate as a percentage of capacity may decline because of the 1,100,000 tons of new capacity planned to be added during the year.


Thomas B. McCabe

It will require the best of all of us to develop the new markets and new sales techniques needed to put all of our equipment to use.

Another soft spot, which results in some degree from overcapacity, is prices. Paper prices generally have been declining since last spring, and are now 2% below the April, 1962, level. However, they still are up 3% from the most recent low, established in May, 1961.

Industry sales for 1962 will probably show an 8% gain over 1961 and, with better efficiency resulting from stepped-up production, profits should be up more than sales.

That 1962 profits have increased more than sales in terms of per cent of gain can be attributed in part to the fact that many companies have decided to correct the trend of recent years in which profits declined even when they had increased sales. The change indicates that many in the industry have made adjustments in their operations which improved their profitability. This is a healthy sign for the industry and for the nation's economy as well.

If we are to remain healthy, however, we must continue to generate reasonable profits in the period ahead, for they provide the funds needed for improved research and development, better equipment and more effective marketing programs. There can be no question that the key to the industry's future lies in these areas.

Present indications are that paper and board production in 1962 will total about 37,500,000 tons, a 5 to 5½% increase over 1961. For 1963, the increase is expected to be somewhat smaller. The industry has had an average gain in production of 3 to 4% annually since World War II, so the combined increase for 1962-'63 should be average.

It is estimated that in sanitary papers, 1962 production will show a gain over 1961 of about 4½%, to 2,170,000 tons. This avenance is only slightly below the average 5 to 6% recorded for sanitary papers over the past decade, and the year's gain should be equalled in 1963.

Scott Paper Company has had a reasonably good year. In the first nine months of 1962, our sales were $262,265,000, up 6.2% from the corresponding period of 1961. Earnings rose 7.4% to $22,895,000.

Scott's performance in 1962 is an extension of the company's recorded growth in recent years. Sales increases were reported in 1961 for the ninth straight year, and for the third year in a row our profits rose faster than sales. In 1961 sales volume totaled more than $333,148,000, up 6.3% from the previous year. Profits reached $31,141,000, a 9.8% gain over 1960.

Competitive forces have never appeared more challenging, but we think this is wholesome and good for the industry. As we delve deeper into the nature of paper, and study other materials that can be used in combination with paper, we become even more enthusiastic about the future.

Our goal today must be what it has always been: To offer our customers ever better products priced so as to give them better values. Scott Paper Company, and, I am sure, the whole paper industry, will continue to exert its best efforts toward this objective.

BIRNY MASON, JR.

President of Union Carbide Corporation

The years 1962 and 1963 will probably be looked back upon as a period of transition to a faster rate of growth in the economy. For a number of years, we have had slowly rising demand for products of industry, with no increase in total spending for plants and equipment. Cost reduction programs have been intensified, and better quality has been offered to customers at the same or lower prices. This has broadened the market for existing products. New and better products and services are flowing faster from huge research and development expenditures. As a result of this combination, the percentage of unused capacity has been declining.


Birny Mason, Jr.

Potential demand for products is almost unlimited, and I believe this demand will become more apparent as incomes continue to rise. There is still a general desire among a growing number of families at each income and spending level to improve their way of living.

Competition will continue to become keener all over the world. Thus, we will have to become even more efficient and effective in production, marketing, and distribution to benefit from the expanding markets in our own country and abroad.

Industry has many problems, but I believe that we are meeting them well and can look forward to new volume records in the economy and in the chemical industry in 1963. We are hopeful that profits will also show improvement.

Continued on page 72

Continued from page 71

L. F. McCOLLUM

President, Continental Oil Company

The year 1962 has been an exceptionally good year for the petroleum industry insofar as volume is concerned. The production of and demand for liquid hydrocarbons, natural gas and petrochemicals have shown sizable increases over 1961 and will set new all-time highs. This is true both in the United States and abroad.

L. F. McCollum

Despite such favorable developments, increased costs and lower prices have prevented these volumetric gains from being translated fully into earnings.

Domestic petroleum demand last year averaged about 10.2 million barrels daily, 4% above 1961. This was the largest annual increase since 1955. Virtually every refined product contributed to this improvement.

Crude oil production in the United States exceeded 7.3 million barrels daily for the first time and showed an increase of 2% over 1961. Consumption of natural gas has continued its rapid growth, with the gain over 1961 estimated at about 6%. In the Free World outside this country, substantially greater percentage increases in production and demand in 1963 seem assured, as petroleum continues to displace coal and has become the primary source of energy abroad.

Due to the current slackening rate of growth in general business activity in the United States, an increase in domestic petroleum demand in 1963 of only 1.5 to 2% is expected. However, no allowance has been given in this estimate to the unpredictable changes arising out of military requirements or from vagaries in the weather.

On price and profit prospects, an improvement this year is possible. But this will depend largely on the extent to which individual companies apply sound economics and good common sense to the conduct of their day-to-day operations and capital investment policies. Not only is there a growing awareness throughout the industry of the necessity for doing this, but real progress is being made in solving our problems. Although much remains to be done, some of the more tangible indications of the progress made so far are as follows:

Production

A pronounced move is under way to eliminate the drilling of unnecessary development wells. Last year, for instance, development completions for oil (including service wells) showed a slight decline from 1961. And this improvement should become even more apparent in the years to come as Texas, Louisiana, Oklahoma and other state conservation bodies continue to press forward in adopting wider well spacing policies.

Total U. S. well completions in 1963 likely will number about 46,000, down slightly from last year. This should consist of fewer development wells drilled for oil and a step-up in exploratory activity to maintain adequate reserves to meet the nation's future energy requirements.

Refining

Over the last several years, there has been a slowing down in net additions to refining capacity. For 1962 it is estimated that the increase was only about 100,000 barrels daily, or 1%. Even so, no more than some 83% of the industry's rated capacity can be utilized without building up surplus inventories of refined products.

It is heartening to observe that a number of refiners are coordinating their operations more closely with the requirements of the particular markets they serve. But on an industry-wide basis, the results are still far from satisfactory. Further progress is imperative.

Marketing

In marketing, the determination of company top executives to devote more attention to this segment of their operations is bearing fruit.

Increasingly, an abandonment of inefficient and uneconomic marketing practices is taking place. There also are indications of a slowdown in construction of new service stations and an acceleration in the number of marginal retail outlets being closed. Here again, much remains to be done. Besides giving more attention to improved distribution methods, an encouraging start has been made to persuade people to buy more petroleum products.

This is being accomplished through measures designed to expand travel by passenger cars, research directed towards developing an improved oil burner and working to find completely new uses for petroleum. Future growth in demand will become increasingly dependent upon the success of these efforts.

The petroleum industry started 1962 with problems, and it still has problems. For approximately five years, we have been faced with a "glut of excesses"—excesses of everything, except the demand for our products and the discovery of new reserves. There still are sizable excesses at the present time. However, real progress has been made in reducing these excesses to more manageable levels.

RALPH T. McELVENNY

President, American Natural Gas Company

American Natural Gas Co. system looks forward to continued vigorous growth, with plans for sales of about 430 billion cubic feet in 1963—an increase of 30 billion cubic feet, or 7%, over 1962, and of 20% over 1961.

Ralph T. McElvenny

Led by record automobile industry sales, the Midwest industrial area served by the American Natural system anticipates exceptional economic opportunities. Indicative of this optimism, Cadillac Division of General Motors Corp. recently announced a $55,000,000 expansion program in Detroit to boost passenger car production.

In serving this expanding economy, American Natural expects its industrial sales of natural gas in 1963 to reach new record heights—following an increase of about 14% in the past year. Reflecting the growing industrial demand, many large firms such as Great Lakes Steel Corp. are using natural gas for new technological processes, thereby achieving greatly increased efficiency and economy.

Gas heating sales also continue to rise substantially. During the past year, American Natural's distributing subsidiaries added approximately 27,000 heating customers, bringing the total at year end to 860,000.

To provide adequate gas supplies for its growing service area, American Natural maintains a large and continuing expansion program. During 1962, the System completed construction of facilities for two new sources of supply. These include 75 million cubic feet daily from Northern Natural Gas Co. at Janesville, Wisconsin, and large initial deliveries from the new Woodward Area of northwestern Oklahoma, where the System has contracted over 500 billion cubic feet of reserves.

In the expanding Laverne Field of Oklahoma, American Natural since 1958 has increased its average purchases from 40 million cubic feet daily to 180 million cubic feet. The field has reserves presently estimated in excess of 1.5 trillion cubic feet contracted to Michigan Wisconsin Pipe Line Co., an American Natural subsidiary. Additional extensions at the field are still being made.

Late in 1962, Michigan Consolidated Gas Co., largest of American Natural's distributing subsidiaries, began operating the new Belle River Mills gas field near Detroit—the second largest gas field ever discovered in Michigan. Michigan Consolidated has invested $5,000,000 for the construction of a processing plant to extract liquid hydrocarbons from the stream and a large diameter pipeline to deliver the new gas supply to the growing Detroit market. The plant is designed to process an average output of 50 million cubic feet of gas daily, with a peak capacity of 90 million cubic feet a day. When the supply is depleted, Belle River Mills can readily be converted to an excellent storage reservoir.

In addition to the new sources of supply, the American Natural system continues to receive from its other pipeline subsidiary, American Louisiana Pipe Line Co., large quantities of natural gas from the Louisiana Gulf Coast area, and from western Canada, the latter through a tie-in by Michigan Wisconsin Pipe Line Co. with Midwestern Gas Transmission Co. The System's customers thus are linked with the three largest gas-producing areas of North America.

During 1963, the American Natural system will receive firm deliveries totaling 46 billion cubic feet of gas each year from Panhandle Eastern Pipe Line Co., under a new 20-year contract. The deliveries will be made during the off-peak months of April through October. Provision is also made for possible additional deliveries of interruptible gas to Michigan Consolidated.

At the start of the current heating season, American Natural operated storage reservoirs in west central Michigan with a working capacity of about 120 billion cubic feet. Recently, facilities have been added to increase deliveries to customers by an additional 85 million cubic feet a day from storage.

The system is now prepared to exceed substantially its peak day record of 2.650 billion cubic feet set in January, 1962.

To open the new year, Michigan Consolidated and its pipeline affiliates moved into a new 32-story central office building in Detroit's beautiful Civic Center. Office operations formerly scattered in seven different buildings are now consolidated under one roof for greater convenience and efficiency.

With the new office building as a symbol of faith in a bright economic future, the American Natural system prepares to serve an era of great promise.

HENRY I. McGEE

President, Dallas Airmotive, Inc.

More corporate-owned airplanes and rapid engineering strides in air transportation forecast a bright year for the entire aviation industry.

Within this framework, the business of supplying power through the overhaul and lease of aircraft engines is accelerating. This trend increases the base of power supply required for aircraft that have been in service up to 20 years.

Henry I. McGee

The overhaul crop from an estimated 78,000 civil aircraft that fly in the U. S. today is 30,000 engines annually. An estimated 2,000 commercial aircraft and an unrevealed number of military aircraft add substantially to additional overhaul and service contracts to be let with commercial concerns.

Federal Aviation Agency regulations require that all engines used on commercial and corporate aircraft be overhauled completely and rebuilt to as good or better than new conditions after a specified number of hours of operation.

As local carriers and corporations replace the older, smaller aircraft with the newer, larger piston, prop-jet and pure-jet models, they increase the business for the overhaul industry.

For example, when an airline replaces a DC-3 with a Martin or Convair, engine overhaul expense increases from $8,000 per aircraft every 10 months to $23,000 per aircraft. In addition, the older DC-3 is seldom retired from service.

At Dallas Airmotive, we recently have signed contracts with the U. S. Air Force, Ford Motor Co. Continental Oil Co., Celanese Corporation and Johnson & Johnson to overhaul a new jet engine. Sales from the military and commercial overhaul of the new engine are expected to exceed $1,000,000 in the first year of the program.

These new contracts add to our volume from our more than 400 accounts and our regular piston and prop-jet overhaul service with the Air Force—some of it extending back to 1951.

We anticipate a growing need from our customers for additional services. Dallas Airmotive is one of two firms in the country that has the facilities to overhaul all types of aircraft engines—piston, prop-jet and pure-jet. We feel certain that the impetus of the new engines will be felt throughout this segment of the aviation industry.

PHILIP M. McKENNA

President, Kennametal Inc.

The outlook is better for profitable utilization of tungcarbide hard alloy in greater scope and amounts in 1963 and during the next decade. A Senatorial Committee hearing on Nov. 27 and 28, 1962 again revealed that, far from being scarce, tungsten mineral concentrates to the extent of 204 million pounds of contained tungsten is on hand in U. S. Government stockpiles alone. Current consumption in the United States for all purposes is about ten million pounds a year. Thus, a twenty years' supply is on hand. It was accumulated over past twenty years by various agencies, at taxpayers' expense, to the amount of over 700 million dollars for raw material from fourteen or more countries in all continents. Very little of it came from China, often misrepresented as the chief supplier to the world markets.

Philip M. McKenna

Three times as hard and strong as alloy tool steel, tungsten carbide hard alloy in metal cutting tools have tripled the output of man and machine wherever they have replaced the traditional tool steel of 18% tungsten alloy. It is a truism that the tool material of one generation becomes, in the next generation, the material of construction for components of machines where high concentrations of force and heat must be resisted to minimize deformation and wear in critical components. The criterion of the engineer is the Young's modulus of elasticity which is 15,000,000 p. s. i. for brass, 30,000,000 for steel, and 90,000,000 for tungsten carbide hard alloy.

In rock drilling and other mining tools, tungsten carbides hard alloys last ten to a hundred times as long as steel tools. Over the past decades, the use of tungsten carbides in the mining industry has grown to rival its uses in metal working tools and dies.

But, as alert engineers and their managements see the possibilities for profitable production by the use of stronger, harder, and longer lasting tools and parts of machines made of tungsten carbide hard alloys, there will be many other uses which may dwarf, by comparison, the present uses. For example: in crushing and grinding machinery, especially for comminution of abrasive materials; in seal rings; in pressure vessels permitting the polymerization of organic substances by pressures heretofore unobtainable by steel cylinders; the most striking of these transformations by ultra high-pressure above 1,500,000 pounds per sq. inch is the production of pressures and temperatures at which diamond is the stable form of carbon, now already actively in practice in several countries with tungsten carbide.

The chief cloud on the horizon is the inhibiting of such progress by continuation of socialistic intervention by political authority such as experienced in the past twenty years with tungsten. Congress should not hand over to bureaucrats the power to spend taxpayers' money in inept adventures based upon ignorant, if not worse motives, in the misdirection of our resources. The myth of scarcity of tungsten should now be dispelled by the facts disclosed at the Senate hearings. With the new large desposits of rich tungsten ores discovered recently in the McKenzie Mountains on the borders of the Yukon and N. W. Territories in Canada and known deposits in nearby Mexico, as well as the continuing supply of by-product tungsten from molybdenum mining in Colorado and in California, the alleged military necessity to maintain a twenty year stockpile is recognized for what it always has been—a cruel and costly hoax on the American taxpayer.

As the tungsten carbide industry expands the uses in industry, secondary supplies, in scrap, will augment supplies especially in time of any sudden military need. The safety of supply for military uses is in the growth of general use in a thriving tungsten carbide industry. Surprisingly, the earnings from profitable use of tungsten carbide in thousands of channels of trade will provide the United States Treasury with taxes on the earnings. Even at lower tax rates these will offset many times the losses which may have to be taken in liquidation of the excessive supply accumulated by the U. S. Government. This liquidation should be done as fast as the redundant supply can be absorbed and put to work. Export of articles made of it will help redress the balance of payments, now against us.

The anachronistic tariff enacted in 1922, of $8 a short ton unit on this raw material, constitutes a **100% tariff** at the present world market price of $8 a unit. There are fewer than 500 persons gainfully employed in mining tungsten minerals in the U. S. A. today, compared to 120,000 in the mineral industry alone who would benefit from new uses for tungsten. Canada and other countries not having tariff on this useful raw material do not burden the users by such a tax. The per capita use of tungsten carbide mining tools is ten times as great in Canada as in the U. S. A. Of course, there is more mining done in Canada per capita, but other larger undeveloped uses for tungsten carbide exist in the U. S. A. It may take years to develop them working out the redesign of tools and equipment. That does not happen without hope and incentive for profit to those who take the risk of attempting it in each of the multitudinous channels of industry under economic freedom. That freedom has been greatly curtailed in favor of socialistic activies by bureaucrats to whom Congress has given authority to use taxpayers' money for what ever they are motivated to do with it. "Exececssive" stockpiling of tungsten mineral is is a classical example of the deadening hand of "excessive" Government. Americans should thank those few Congressmen who like Representative Michael J. Kirwan and Senator John J. Williams of Delaware took up the defense of the people. Senator Williams has written an article in the November, 1962, issue of the "Reader's Digest," revealing the sorry record of governmental intervention into the tungsten business.

DOUGLAS W. MORGAN

President, Palisades Trust Company, Englewood, N. J.

In studying the economic trends for Bergen County, one must remember that many of the nation's largest industrial corporations have operations in various parts of Bergen County. Therefore, the national business trend would more directly affect Bergen than if this were not the case.


Douglas W. Morgan

Bergen County has seen a tremendous growth in the last 10 years, and the prospects of this continuing are good. Population-wise it ranks as the 18th largest county in the United States, and the 3rd fastest in growth.

Bergen County boasts of the 2nd busiest airport in the nation, and has within its boundaries one of the large universities of the country—Fairleigh Dickinson with two of its 3 campuses in Bergen County. The second largest generating capacity unit of the Public Service is located in Ridgefield, producing 550,000 kilowatts.

Garden State Plaza is rated as the largest shopping center in the world.

The Ford assembly plant in Mahwah is the largest in the nation.

The family income in Bergen is the highest of any county in the state, and retail sales for 1962 are expected to be $1,250,000,000, an increase of about 11% over the previous year.

There are many programs going on in Bergen County which should help to maintain the high rate of activity. Building, for instance, both home and industrialized, will be active, as well as roads and schools.

The Bergen Expressway, after 7 years, is nearing completion, which should relieve some of the pressures on the other highways next in line for improvement.

Many of the retail businesses depend on the December sales to swing their figures into the profit column. This year, however, the strike of the New York newspapers appears to have had some effect, although the larger shopping centers reported good business. As to the Main Street merchants in the various towns, their report was mixed, some having had a very discouraging experience while others reported business as surprisingly good.

The Savings Departments of the Banks and the Savings and Loan Associations both report an increase of some 10% over the previous year, and more people employed than ever before. The wage scale is good. There is a demand for expert technical help in all lines.

Constantly new industries are looking towards Bergen County, and advance research is done to find homes for their executives as well as their employees. There is a definite trend in the County toward better homes, and the tax situation is average.

Speaking of taxes, however, it is felt that the school cost should be more equitably apportioned as in this state only 17% of the cost is borne by the state, while 40% is the average in other states. It is felt that some of this burden should be taken off the local tax rolls. This matter is being studied by the legislators in Trenton who feel that a broad based tax must be imposed to distribute the burden.

There is much talk nationally about an income tax cut. This will probably be brought in for discussion soon after Congress returns in January, and the consensus of opinion is that some reduction will be made, mostly in personal income taxes, and in this event, business trends would show the benefit. In the event no tax cut is indicated, the outlook is favorable but not impressive.

The gross national output for 1962 did not quite come up to the prognostications of the government. This trend is expected to continue. While no great boom is expected, neither is a depression, and as far as Bergen County is concerned, the feeling is one of optimism for the future.

JOHN B. MITCHELL

President, First National Bank in St. Louis

At First National Bank, we anticipate that business activity in St. Louis and throughout the nation will show improvement throughout 1963—perhaps modestly, but quite steadily.


John B. Mitchell

This was our forecast for the year ahead prior to the Cuban crisis when many economists had concluded that the recovery of 1961-62 was nearing an end and that at least a mild downturn during the first half of 1963 could be expected.

We felt then that the strength of our economy was quite general. It had the encouraging combination of relatively easy money and abundant credit; inventories historically low in relation to sales, and production improving at a modest pace, without excesses, while industrial commodity prices remained stable. Normally, the primary factors which—in combination—indicate recession are tight money, over-expanded inventories, and rapidly increasing production at rising prices.

The impact of the Cuban crisis served to strengthen our forecast. It generated an upward pressure on those prices which had been in a declining trend. It developed a new interest on the part of consumers to acquire certain goods. It encouraged businessmen to re-examine existing inventory levels. And it immediately increased Federal spending necessary to defray the costs of expanding the movements of our military forces.

As we enter 1963, there is every reason to believe that our economy will continue to be stimulated by a broad base of credit at reasonable interest rates. In fact, short-term interest rates would be even lower than they are at present if it were not for governmental actions to shore them up in an effort to curb American investment in foreign securities yielding higher returns.

There is some evidence of a slackening of business activity in Western Europe. If this is true, foreign loan demand and interest rates are likely to decline, and this will end the need to prop up our short-term rates.

The record-breaking sales in the closing months of 1962 reflect the sound financial position of the majority of Americans. Their economic security is strong. Savings have grown at a rapid rate, and the volume of consumer debt is not high in relation to disposable personal income. These are important elements contributing to the strength of the economy.

Further, all estimates indicate that industry's capital expenditures for plant and equipment in 1963 will exceed those for 1962 by anywhere from 3 to 8%, despite the fact that we currently have unused productive capacity. The demand for improved efficiency or cost reduction is the stimulant behind these expenditures,

Continued on page 74

Continued from page 73

together with a record level of corporate cash flow, growing competition, and the continuing development of new processes and technologies.

Certainly, our present rate of unemployment is cause for human concern. However, its impact on the economy —like that of unused machinery—seems to have been losing some significance as time has gone on. Both disposable income and personal consumption continue to expand because employment has tended to reach progressively higher levels.

All things considered, 1963 looks like a good year.

ALBERT L. NICKERSON

Chairman of the Board, Socony Mobil Oil Company, Inc.

United States demand for oil products is expected to be nearly 2.5% higher in 1963 than in 1962. It is anticipated that demand for automotive gasoline in the United States also will be about 2.5% greater. Distillate consumption is expected to remain unchanged in 1963, while a 2% increase is anticipated in demand for residual fuel.

A. L. Nickerson

The continuing switch-over from piston to jet engines is expected to lead to an increase of approximately 6% in the consumption of jet fuel and a decrease of 4% in the consumption of aviation gasoline.

In the foreign Free World as a whole, economic activity continues to be more spirited than in the United States. The difference that has existed between the economic growth rates of these two areas during the past several years has begun to diminish, however.

Oil consumption in the foreign Free World is expected to rise by about 9% over 1962. Oil demand will continue to grow faster in Japan and Western Europe than in any other of the industrialized areas of the world.

We expect demand for petrochemicals to increase by about 8% in the United States and by about 15% in the industrial nations abroad.

Excess producibility of crude oil and products here and abroad is expected to continue to exert pressure on prices. Even so, we anticipate that crude oil prices will not drop below their 1962 levels, and that product prices in the United States will average slightly higher than the abnormally low levels of 1962. No significant changes are expected in product prices in the foreign Free World.

The growing Russian oil offensive will continue to take the form of substantial exports of both crude oil and products to the Free World, often at politically motivated prices. Many nations, however, are becoming aware of the motives behind these exports and of the danger inherent in dependence upon Soviet oil.

The European Common Market and other organizations abroad are giving serious consideration to limiting imports of Soviet oil. Oil companies have demonstrated their willingness to work with the U. S. and foreign governments to find ways to counter the Soviet oil offensive.

CHARLES G. MORTIMER

Chairman, General Foods Corporation

In 1962, America's biggest business—food—continued its steady progress, with total food consumption expenditures rising $2 billion from the year before to an estimated $80 billion. The industry also took a noteworthy public service step toward helping to develop a better consumer understanding of proper nutrition.

Charles G. Mortimer

There was a 25% increase in membership in the Nutrition Foundation as 13 new member companies —four of them supermarket chains and wholesalers — joined the 52 processors and suppliers who have supported the Foundation's scientific research and educational efforts during its 21-year existence. The addition of these members during the first full year of the Foundation's new public information program, which is designed to bring nutrition knowledge directly to the public in meaningful terms, reflects a slowly growing concept among thoughtful industry leaders. That vital concept is that increased consumer understanding of the relationship between good food and good health makes Foundation membership a matter of essential and enlightened self-interest.

The fine progress made in industry growth in 1962 should certainly continue during 1963. Although economists are divided in their assessment of short-range general business prospects, there is substantial agreement that the food business will maintain its long-term growth pattern during the coming year.

Conditions indicative of another good year for the food industry include the steadily rising level of personal incomes, the continuing population expansion, the constantly more discriminating tastes of the American consumer, and the ever-growing variety of products on grocers' shelves to satisfy those tastes.

Contributing markedly to the favorable outlook is the increasing popularity of quality convenience foods. As a pioneer of convenience items, General Foods continues to explore every means to develop improved and more efficient methods of providing better products to the American people at the lowest possible prices commensurate with our standard of highest quality. General Foods' confidence in the future vitality and growth potential of our industry is aptly illustrated by the company's current capital expansion program. In the fiscal year which ends March 31, 1963, General Foods will have spent in excess of $60 million for new and improved plants and equipment. This is the largest expenditure the company has ever made for that purpose in a single year.

The generally encouraging picture throughout the food field does not by any means guarantee success. Competition will continue to see to it that growers, processors, marketers, distributors and retailers will do even more than they have in the past just to retain their present standing. Yet competition is to be welcomed. It is the force that assures progress in the further development of nutritionally-valuable, more-appealing, better-quality, reasonably-priced food products for the American people.

E. M. NAUGHTON

President and General Manager
Utah Power & Light Company

The investor-owned electric utility industry, one of the really young industries in America, has achieved remarkable progress in the 80 years since Edison first discovered practical applications of electric energy.

E. M. Naughton

There are now 400 investor-owned power companies in the United States supplying about 80% of the people. Largely because of this, the United States with only 1/16th of the world's population has ⅓ of the world's power capacity. The total electric industry has a capability of 200 million kilowatts, 76% of which are on the lines of the investor-owned companies. It would indeed be difficult to find another industry with such a record of doubling its output about every 10 years and doing so at continued decreases in the average price per kilowatt-hour of electricity.

This industry has a $51 billion investment in electric plant and equipment, the largest total capital investment in the country. To accomplish this the American investor-owned power companies have been spending over $3 billion annually in recent years. This is equivalent to 9% of the new construction by all American business combined. It also means this industry goes to the new money markets every year for the largest amounts of financing. More of the savings of the American people are invested in this industry than in any other.

These power companies also pay more taxes than any other type of business and the 1962 tax bill will be over $2½ billion or about 24% of the total electric revenues received. This is about $230 million greater than its 1961 bill and the larger share of the taxes paid by the companies—or rather by their customers—goes to the Federal government.

The history of the industry has been one of substantial and sustained growth which has made an enormous contribution to the well-being of the people and the total economy of the country.

Why then is this industry singled out for vicious attacks on every front by the public power advocates and many of the bureaus of the executive branch of the present Federal administration? It seems to me there can be but one answer and that is these actions are part of a master plan to nationalize the entire industry. While the campaigns against the utilities started many years ago, in just the last two years they have received enormous impetus. Let me give you but a few examples.

(1) To hear them tell it, one would think the bureaucrats invented power line interconnections and power pooling. We have in this country one power pool whose operations cover the entire area from the Rocky Mountains to the Atlantic and from Canada to the Mexican Gulf coast. The capability of this one pool is 146 million kw or 1¾ times Russia's entire electric power capacity. West of the Rockies interconnections have been an accomplished fact for many years. In the case of my own company we have had an inter-company connection for 35 years. Our plans are going forward for connections to utilities in Arizona, New Mexico and Wyoming to supplement those already in existence with Idaho and Montana utilities. This will tie the Northwest pool and the Southwest pool together by 1964.

(2) Perhaps the most blatant program of interference is that of the Rural Electrification Administration and areas is virtually complete. Yet the REA makes 100% its supporters. Today the job of serving farm and rural loans at 2% interest and in secret for the construction of large and unnecessary steam generating plants and high voltage transmission lines. It joins hands with other agencies of the government in a program which if continued is likely to result in the destruction of the investor-owned industry.

(3) The Department of the Interior through its Bureau of Reclamation has made it apparent that it believes that only the Federal government should undertake any further hydro development, both those that are economic and uneconomic. High Mountain Sheep, Marble Canyon, Knowles and Burns Creek are but a few examples.

(4) Other government agencies including the Bureau of Land Management, Department of Agriculture, Federal Power Commission and Bonneville Power Administration have issued new directives, policies or proposed changes in rules, all of which seem patently designed to make it more difficult for the investor-owned utilities to operate.

No one who understands all the facts has any legitimate complaint against the technology, research, rates and quality of service of the investor-owned utilities. But one fact remains; we don't mind competition from other investor-owner businesses, we'll take our chances. But obviously we can't compete with tax-free, low interest rate government power projects backed by the huge propaganda machine of the executive branch of the government. This is a fight in which every American investor has a vital interest and one in which everyone should take part. If our industry be taken over, which other industry will be next? This battle is worthy of the support of all believers in the American free enterprise system.

M. NIELSEN

President, The Babcock & Wilcox Company

We believe that 1963 will be another good year for general business as well as for our company. Many factors will influence the year's fortunes, however. These include the Government's policy toward tax reduction and Federal spending, the effect of labor negotiations in basic industries, and the effect on the United States from a wide-range of international activities.

M. Nielsen

Our belief that 1963 can be another good year reflects our over-all appraisal of prospects in the broad market areas we serve, including the electric utility, petroleum, chemical, pulp and paper, primary metals, transportation and machinery industries.

Most of these industries are large users of heat energy, and of B&W products such as steam generators and their appurtenances; alloy, stainless, and carbon steel tubular products; extrusions; welding fittings and flanges; refractories; automatic process control systems; power plant information systems and performance monitors; nuclear power systems and components; pressure vessels and heat exchangers; and chemical recovery systems.

B&W is entering 1963 with a backlog of unfilled orders higher than it had at the beginning of 1962. In our business, however, backlog is not the full measure of future operating results because the product mix varies considerably from year to year.

B&W is definitely looking forward to future growth. As a company built on applied science, we consider research and development indispensable to that growth as well as to profitable operation. The past decade saw the uncovering of a staggering amount of basic scientific data. This decade will see the application of these data to produce new and better products and production methods. We intend to seek out and use this knowledge in our product areas and in all other logical areas as well. To accomplish this, we are intensifying and accelerating our research and engineering development programs.

These efforts are paying off.

The B&W Universal Pressure boiler is well established as an excellent method for generating high pressure, high temperature steam. Twenty-three UP units totaling 9,400,000 kilowatts have been installed or ordered by domestic and foreign utilities through 1962. This includes several units to be installed in Japan and one for Italy, which will be the largest boiler in Europe.

The Refractories division is enlarging its facilities at Augusta, Ga., to produce the alumina-silica fiber known as Kaowool. Available in blanket, strip and bulk form, Kaowool can be used at temperatures up to 2300 degrees

Continued on page 76

As We See It

Continued from page 1

when he goes into the market for consumer goods or for investments. No mention is made of the fact that the taxes the man in the street has been paying — and more since expenditures are to be much greater—must now be replaced by funds borrowed either from these taxpayers or from the banks, and that the individual when he goes into the market whether it be for consumers goods, capital goods, or labor will of necessity find the government greedier than ever as a competitor. The Keynesian does not bother with such things.

The fact that such a giant effort of the neo-Keynesians is and must be far more complex and uncertain than thus indicated is not the only reason why most business executives are, in our opinion, likely to feel it necessary to arrive at conclusions about the outlook, first of all, without much reference to all the pump-priming and the like that is being planned in Washington. The fact is that obviously there is nothing even resembling certainty about the adoption of the President's recommendations —certainly not in anything like their original form—nor about the time of their adoption. Whatever the dyed-in-the-wool frontiersmen may believe about how such things work out in practice, there are many in Congress, both in and out of the President's party, who cannot quite bring themselves to look calmly and favorably upon record expenditures and simultaneous tax reduction at a time when business is going ahead at full steam. It is rather more than obvious that the grandiose plans of the Administration are destined for rough sledding in the legislative halls.

Just what is to come out of it all is just now anybody's guess. The programs the President has now made to Congress are not explicit at many points. When the planners at the White House are through, what is done or requested may be any one of several things in several respects. It is impossible to discover just what is being proposed with regard to the excessive progressiveness of the present tax schedules—and will continue to be until such time as we are told what changes are to be made in taxes applied to this, that, and the other type of income that is now in question and more precisely what is and what is not deductible in important particulars. All this and other vital if technical aspects of the matter are yet to be worked out or at least yet to be made available to the general public. Any effect of what is done in Washington this year upon the course of industry and trade both in its immediate consequence and in its imprint upon fundamentals which may only bear fruit at a later date, must, accordingly, be appraised quite tentatively and with reservations.

Other Factors

Meanwhile, there are a number of factors in the current situation which are subject to the usual sort of analysis and judgment. Some industries are enjoying a demand for their products which has rarely if ever been surpassed or even matched. Most of the others are doing well at least. It seems to be the general concensus that the tides of business will, at least for the foreseeable future, continue to run in favor of a good volume of production and sales and, on the whole, of profits. The fact that unemployment still runs higher than one might wish is evidently not the result of sluggish business, but of special factors which might or might not readily yield to higher rates of general activity. Let it not be forgotten that there are areas of definite labor shortage as well as areas of so-called surplus labor.

There are, of course, flies in the ointment — or at least certain flies buzzing around awaiting an opportunity to get into the ointment. One of the threats is the possibility that the Administration will be able to persuade Congress to enact considerable Keynesian type of legislation which will then have the effect such measures have regularly had in the past rather than the consequences that the Administration plans. How real this threat is it would be very difficult to say at this time, but it cannot well be wholly ignored. Another potential danger point in the current situation is found in the obvious fact that the labor unions, or many of them, are not impressed with the views of the President, but are on the contrary determined to get what they can, if they can, while the getting seems good. There are several spectacular strikes now in progress which the powers that be in Washington obviously are powerless to control. There are doubtless others that we hear little about — and, of course, the rising labor costs which have been and are being paid as a price of peace in the industrial relations field.

And Future Years

The foreign situation, at least in its more dangerous political aspects, appears to have simmered down for the time being. What is to happen next in this crazy-quilt world is beyond the range of the human eye. Certain it is that developments are taking place, as for example in the so-called Common Market in Europe, which must be a matter of some concern to at least some types of business here. We have not become really competitive, at least not as competitive as we should be, in neutral markets, and there are problems in our balance of trade situation which are not likely to be solved by sudden and large shifts of short-term capital — or naturally by factors here at home that tend to keep our costs on the rise. This may well be a record year as respects volume of business and even of profits but such prospects rest on facts other than current administration proposals which conceivably could help —or could hurt — next year and the next.

Goldman to Admit

Goldman & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Feb. 1, will admit Alan B. Weisman to general partnership and Robert R. Stone to limited partnership in the firm.

Continued from page 74

Fahrenheit—and even higher on certain applications—with very little physical change.

B&W's active research and engineering development programs enabled the company to establish itself quickly in atomic energy. We are a prime supplier of naval reactors and steam generators, and have executed major marine and stationary contracts such as the N. S. Savannah and Consolidated Edison Company's Indian Point Plant. With the knowledge and experience gained from these contracts, we have designed and are marketing more advanced marine and stationary nuclear power systems. These are the Consolidated Nuclear Steam Generator (CNSG) for marine propulsion and the Spectral Shift Control Reactor (SSCR) for stationary power plants.

In the past 10 years we have spent $125 million on capital improvements, of which about $27 million was disbursed in 1962 as part of the largest capital expenditure program in B&W's history. Projects already approved call for expenditure of $18 million in 1963. Funds on hand, plus those we expect to generate within the business, will be sufficient to finance all capital projects, now envisioned, for the foreseeable future.

CECIL J. NORTH

President, Metropolitan Life Insurance Company

While a few industries and geographic areas may feel the effects of some slackening in the latter half of 1963, the performance of the economy in general and life insurance in particular should be favorable.

Cecil J. North

Gross National Product, the money measure of our nation's output, will probably show a quarter-to-quarter rise throughout most of 1963, and may average $570 billion for the year, or 3% above 1962. Although the rate of gain expected this year is not outstanding, it is not bad either—especially in light of the fact that the economy is in the more advanced stages of a cyclical expansion when growth generally progresses at a slower rate and the chances of some adjustment become more likely.

Life insurance, with its strong industry growth trend, should barely be affected.

Consumer purchases should provide support to the economy throughout 1963, as they have done so often in the past. The rise anticipated for 1963 in the number of people employed and in the people's income should strengthen consumer purchasing and saving power and stimulate life insurance sales. However, the peak in private domestic investment may have already occurred last autumn because of less inventory building. On the international scene, lower net exports but some improvement in the over-all balance of payments deficit may be the pattern for 1963.

Governments at all levels may be spending more. A large federal deficit is already certain, and any tax cut would enlarge that deficit even further—making it imperative to "hold the line" on expenditures and finance debt increases soundly.

As one of the guardians of the value of the dollar, the life insurance business has a very real stake in the inflationary dangers of deficit financing. True, inflationary pressures have dampened in recent years, but the cumulative effect of even a 1 or 2% rise in consumer prices year after year is, to say the least, cause for concern.

In line with the general economic outlook, we anticipate further growth in life insurance assets, life coverage on the American family, and private health plans. Life insurance in force on U. S. residents closed 1962 at $680 billion and will probably cross the $700 billion milestone some time this year. Incidentally, the inforce of Metropolitan crossed the $100 billion mark last July.

Health coverage, measured by premiums received by life companies, expanded 11% last year and should continue upward in the coming months. Endorsement of senior citizen health plans offered by the newly formed associations of private life and casualty companies has been impressive in Connecticut, New York, and Massachusetts. As a result, a number of other states may institute such plans.

Last year, life companies paid out $12.25 billions in benefits on life, health, and annuity contracts, with about two-thirds of this amount going to living policyholders. The flow of life company benefits into the economic stream should be even greater in the current year.

In short, 1963 looks good for the life insurance business.

ROBERT S. OELMAN

Chairman and President, The National Cash Register Company

During the past year business, industry, and government invested an alltime high of $5 billion in various types of business machines and other office equipment. It appears likely that another new record will be established in 1963.

Robert S. Oelman

Among factors contributing to this favorable outlook are generally good economic conditions, the continuing growth of the record-keeping and data-processing job, and management's increasing need for more precise and timely operating information.

In part, the growth of paperwork in recent years has been due to our mushrooming population. During this decade, for example, the population of the United States will increase by 34 million people.

Yet even more important is the fact that with each passing year the average person is creating more records in his everyday activities. He and his family are consuming more goods of all kinds; they are taking out more insurance policies; they are patronizing the service industries to a greater extent; they have made leisure-time activities a huge national industry; they are traveling thousands of miles annually, not only in this country but abroad, and they are becoming increasingly involved with a host of governmental regulations at all levels—local, state, and national.

The Bureau of Labor Statistics recently published a study which indicates that the banking industry alone will require by 1975 approximately 400,000 more employees than it has today. And this is despite everything which can be done during the intervening years to more fully automate banking operations. Quite literally the business equipment industry, despite the investment of hundreds of millions of dollars to develop new automation products in recent years, will be pressed to keep up with the future need for advanced equipment and services.

The sheer volume of record-keeping and data-processing is only one phase of the dilemma faced by most businessmen today. An even greater challenge has been, and will be, the severe squeeze on earnings in most lines of business. At the same time competition in most lines of business is becoming more intense. And although the Sixties are bringing the greatest business opportunities in history there is less and less room in this vigorous, highly competitive era for intuitive management or slipshod financial control.

These conditions have presented business machine manufacturers with an excellent opportunity. Certainly one of the fastest growing segments of the industry will be in the area of electronic data processing, particularly in the case of medium and small-scale systems. However, a continuing strong demand for traditional business machines can be anticipated as well. To an increasing extent this basic equipment will be linked into EDP systems by means of various "common languages."

With demand for its products at a record level, and with better services to offer, the industry can expect another year of expanding volume in 1963.

M. G. O'NEIL

President, The General Tire & Rubber Company

There are reasonable indications today that the unusual phenomena of back-to-back good automotive years will materialize, giving the overall economy of the United States—and the Rubber Industry in particular—a much more encouraging outlook for 1963 than was originally projected.

M. G. O'Neil

Most of the nation's basic industries, despite the cost-price squeeze with its harmful effects on profits, showed volume gains during 1962, and now, with revised estimates, are primed for a higher level of business in 1963 than was realized in 1962.

These prospects of a good production pace are definite economic stimulators, but more vital in the ultimate success in 1963—as well as for years to come—is the growing evidence of cost control and price stability in the nation's major business areas.

Rising volumes with slimming profit margins is a symptom of trouble . . . not of progress. This plagued the Rubber Industry, among others, during 1962 and, to assure the Industry's needed future growth, a more realistic pricing policy is a corrective measure which must be taken in 1963.

The Rubber Industry's 1962 production of 140,200,000 tire units was a new all-time high. This was 9 million more units than was predicted at the outset of the year and it was the result of record travel by automobiles and trucks plus the fine year recorded by the Automotive Industry.

To provide the products for their customers, the manufacturers of rubber goods consumed a record 1,685,000 long tons of new rubber. Significant is the fact that 73.1% of this rubber was synthetic made in U. S. plants.

But profits, generally, did not reflect this record performance.

All 1963 projections for the Rubber Industry, and especially for The General Tire & Rubber Co., have been adjusted upwards although they, too, appear to be as conservative as last year's early predictions.

America's highways and streets today serve more than 78 million vehicles, which last year rolled more than 760 billion miles to the far corners of the nation in providing the transportation services for our growing, roving population.

The prospects of even greater travel, by both automobiles and trucks, coupled with the favorable automotive production outlook points to a greater demand for tires in 1963 than in 1962 even though, officially, market research analysts peg the year's output at 2.8% below last year's record production.

Demand for replacement tires in the passenger car sizes will definitely hit a new high. Current projections indicate this demand will top 80,000,000, a 3.2% increase over 1962's requirements.

The original equipment demand could equal 1962's good year. The industry shipped 37,395,000 tires for use on new automobiles and 4,465,000 tires for new trucks and trailers.

Outlook in truck replacement tires is also encouraging. There is a good indication that 1962's 10,200,000 units will be bettered. This is also true in the farm implement tire area. There were 1,200,000 replacement units sold in 1962.

The penetration of synthetic rubber to the total rubber consumption picture will again be greater in 1963. It is estimated that of all the new rubber required by the industry, 74.5% of it will be synthetic manufactured by United States companies.

Once again, the increasing number of non-tire products manufactured by the industry, such as those for the automotive, aircraft, home appliance, furniture and communications industries, widened the demand for synthetic rubber and have become an increasingly important factor in the industry's overall growth picture.

For the 12th consecutive year, The General Tire & Rubber Co.'s performance in 1962 resulted in a new record high sales peak. Earnings were below the 1961 level but still rank as the third best in the company's history.

Our 1963 outlook is very favorable. We forecast substantial gains in tire sales, both replacement and original equipment areas, and in our rocket propulsion, chemical-plastic and entertainment divisions.

Based on our confidence in the long-range economy of the United States, we plan to continue expanding all our divisions. Our capital investments are not predicated on our profits of this year or next, but on the premise that we are in business for 10, 25 or 100 years, and we can't stand still if we are going to grow with the nation's economy.

WILLIAM J. O'NEILL

President, Leaseway Transportation Corp.

The fast-moving leasing industry attained new records and recognition in 1962.

Wm. J. O'Neill

Revenues estimated from supplying vehicles and equipment to users without cash outlay on their part rose about 25% this past year from the year before. This compares with an annual growth rate of about 20% in recent years and would bring leasing volume for 1962 over the $625 million mark.

Several factors account for the industry's move into higher gear. Though the nation's economy over the past twelve months operated at a high level of activity, the pattern of major indicators was often sideways instead of upward. This meant that businesses have been under constant pressure to upgrade their capital equipment in order to stay competitive. Many companies entered into lease arrangements to meet this need yet at the same time to conserve working capital for still other uses to increase profits.

This year's near-record of about seven million new cars produced in part reflects the growing reliance of businesses on fleet leasing of passenger vehicles and trucks. Leased vehicles are usually the current or late models, a fact that provides an almost automatic market for the latest production.

More than 500,000 cars and 160,000 trucks are estimated to have been under lease to industry this year. Of all the autos used by businesses currently, about 25% are leased from leasing concerns, another 25% are owned

Continued on page 78

Favorable Banking Outlook For 1963 Seen by Dr. Nadler

Manufacturers Hanover Trust's economist sees: (1) commercial banking competitively breaking out into new areas; (2) no basic change in interest rate structure on savings/demand deposits; and (3) a long run future for banking as bright as the economy's.

The overall outlook for banking in 1963 is favorable, according to Dr. Marcus Nadler, consulting economist to Manufacturers Hanover Trust Co., New York City.

Marcus Nadler

In a report, "Banking in 1963," just released by Manufacturers Hanover, Dr. Nadler foresees generally improved business activity being reflected in more time and demand deposits, more business and consumer loans and higher bank operating earnings.

Bankers will expand both the types of loans and the services they render, Dr. Nadler predicts.

Entry Into New Fields

"Banks will increasingly engage in operations previously handled primarily by non-bank financial institutions, such as factoring and financing the purchase and sale of automotive and office equipment. Banks will also aggressively seek mortgage loans," Dr. Nadler says.

"They will widen their services and more carefully scrutinize their costs," he adds. "Modern electronic equipment will enable banks to perform customer services previously considered impractical or even impossible. Revenue derived from services should continue to grow, making bank earnings less dependent on swings of the business cycle and interest rates."

He points out that the activities of commercial banks in 1963 will be influenced by business conditions, the government's fiscal position and Federal Reserve credit policies.

"Since no basic change in Reserve credit policies is anticipated in the immediate future," Dr. Nadler says, "banks should have the reserves necessary to meet the credit requirements of their customers without being forced to reduce their short-term investments."

The growth in demand deposits will be moderate in Dr. Nadler's opinion. In contrast, he notes, "the growth in time and savings deposits, although not as pronounced as in 1962, should be substantial."

No Basic Interest Rate Change

Dr. Nadler does not foresee a basic change in the present rates of interest on savings and time deposits.

"Some institutions, especially those which find it difficult to invest these deposits in suitable earning assets, may lower the rate," he says, "but this should be more the exception than the rule."

Pointing out that the future of commercial banks depends on the development of the economy, he concludes:

"Later in the Sixties the rather sharp increase in family formation will provide a powerful stimulus to the economy. A thoroughgoing tax reform could have a similar effect. The resulting increase in production and rise in living standards will have their impact on banking activity. The future of banking is as bright as that of the nation's economy."

G. C. Haas Co. To Admit Partner

G. C. Haas & Co., 65 Broadway, New York City, members of the New York Stock Exchange, on February 1 will admit William F. Bohner to partnership.

J. Barth & Co. To Admit Fleming

On Jan. 31, William X. Fleming, member of the New York Stock Exchange, will become a partner in J. Barth & Co., members of the New York and Pacific Coast Stock Exchanges. He will make his headquarters at the firm's New York office, 1 Wall Street. Mr. Fleming is a partner in Gray & Co.

To Form Jaffee & Leverton

Jaffee & Leverton, members of the New York Stock Exchange, will be formed as of Feb. 1, to engage in the securities business from offices at 29 Broadway, New York City. Partners will be Wilton L. Jaffee, members of the Exchange, and Morris Leverton. Mr. Jaffee has been active as an individual floor broker. Mr. Leverton is a partner in Treves & Company.

W. C. Langley to Admit E. Wallace

W. C. Langley & Co., 115 Broadway, New York City, members of the New York Stock Exchange, on Feb. 1 will admit Edwin R. Wallace, member of the Exchange, to partnership. Mr. Wallace has been active as an individual floor broker.

Forms B. C. Securities

MALDEN, Mass.—Leon Shear is conducting a securities business from offices at 113 Harvard St., under the firm name of B. C. Securities Company.

Continued from page 76

by the companies and the remainder are furnished by salesmen and other employees, who are generally reimbursed on a mileage basis.

While the proportion of self-owned cars used on company business has been declining in recent years, the number is expected to contract perceptibly in coming years under impetus of the new 1962 Federal tax law.

Chief among the act's provisions that will have a bearing on leasing activities is one that furnishes a tax credit up to 7% on the acquisition of equipment. Another requires fuller reporting and substantiation of business expense deductions of individuals.

The investment tax credit provision specifies that leasing companies may "pass through" the credit to the lessee just as though the lessee had purchased the equipment outright. Thus the lessee will be able to reduce his Federal tax bill up to 7% of the value of the leased equipment without laying out capital.

Similarly, a company that enters into a maintenance or full-service lease for autos may well find itself helping its employees with Uncle Sam's tax collectors. That company obtains not only the equipment and collateral requirements, such as operating supplies, maintenance, licensing and insurance, but also a detailed monthly statement that should free employees from having to maintain records of their own to meet some Internal Revenue Service requirements for claiming business-expense deductions. This "built in" tax-reporting aspect of leasing is expected to be particularly helpful to medium-sized and smaller concerns that often do not have the extensive record-keeping systems of larger corporations.

A measure of the growing importance of leasing in the U. S. business scene can be seen in a recent study of financial statements of major corporations conducted by the American Institute of Certified Public Accountants. The 1962 survey shows that more corporations are engaging in long-term leases and providing details of such arrangements in the companies' financial data furnished stockholders and other interested parties.

More and more companies are turning to leasing not only because of the opportunity it affords for conserving capital, cash and credit lines but also because the great flexibility it provides in the prompt replacement of outmoded equipment with later models as they become available.

Leasing also gives a company's operating and executive personnel more time to devote to the firm's own business. The lessee, moreover, benefits from the leasing company's purchasing power in acquiring equipment at discounts as well as in disposing of used articles at best prices obtainable.

Leaseway Transportation Corp., nationwide lessor of vehicle fleets and industrial equipment, in the past year has expanded its activities in the U. S. and abroad. Subsidiaries were established, for example, in Mexico and Puerto Rico, adding to major international interests the company already holds in two Canadian leasing concerns.

While 1962 saw the leasing industry make great strides in terms of business volume and increased acceptance in many new industrial fields, the year was perhaps equally significant because of the growing manifestation of an intangible factor that cannot be readily gleaned from figures alone. Modern-day Americans are inexorably moving toward the concept of property enjoyment through use rather than ownership, a movement dramatized this year by the sharper rise in the construction of apartment units than single residences. With further expansion of the principle of stressing use rather than ownership in the nation's industrial, commercial and personal life, the leasing industry faces a vast potential for greater service.

HOWARD P. PARSHALL

President, Bank of the Commonwealth, Detroit, Mich.

For several years, in fact since 1955, the economy in the Detroit Metropolitan area has been lagging, that is we have been operating at a level somewhat below the level of the national economy. In my opinion, 1962 was the year in which we caught up.


Howard P. Parshall

Automobile production in 1962—6,800,000 units. From reliable information, we are of the opinion that automobile production in 1963 will equal 1962, or perhaps a slight increase.

In 1962, in the Detroit Metropolitan area, 1,275,000 people were employed. This should be equalled in 1963, although automation is still a factor. Unemployment in the Detroit area averaged 94,000 in 1962. This should not be appreciably increased in 1963.

Hourly earnings — manufacturing for eleven months in 1962 averaged $3.07; 1963 will probably show a slight increase, and this is one place that our area excels.

Retail sales should increase slightly in 1963. The Detroit Edison Co. looks for a slight increase in power production in 1963. Building should be up in our area in 1963. Steel production might be the "lone wolf" that will show a downward trend.

All in all, we look for 1963 to equal 1962 in this area, with perhaps a slight increase.

Let's talk a little bit about taxes. For a while during midsummer and early fall, it looked as though we could surely expect Congress to make a reduction in income taxes. We still lean to the view that there will be a slight reduction in income taxes in 1963, although of late the issue has been somewhat cloudy due, we believe, to an improvement in our economy.

I have stated before, and here repeat, that I am amazed at the progress that this country makes carrying such a heavy burden of taxation, due in a large measure to the help that we have extended free nations and, of course, to the defense spending caused by the so-called "cold war."

We can point out a few areas in which our taxes or our tax laws are totally wrong and unfair:

Rules on depreciation.

The power that the Internal Revenue Department has over salaries in some corporations.

The power to force corporations to pay dividends against their better judgment.

The control that the Internal Revenue Department has over expenses.

Allowance for depletion in certain industries, which makes for favoritism.

We believe that the above abuses, at least we term them abuses, should be eliminated, for just as surely as the sun rises every morning, the power to regulate soon becomes the power to dictate, if it has not already reached that area.

We are opposed to the progressive upward rate of income taxes, and we now propose a progressive decrease in income taxes. For example, let's stop our highest rate at 50% and then on the same basis that they were progressively increased, let's progressively decrease taxes over the 50% level until we are again back to the minimum tax. This, in our opinion, will be like giving the talented man, the worker, the producer, a pat on the back which he surely deserves. It will eliminate the necessity for what we believe to be excessive salaries, which excessive salaries go into the cost of manufactured products. It would provide an incentive for our capable people and would diminish the inflationary trend and place a stabilizing force in our economy. Initiative would not be stifled at a certain point in income; in fact there would be great incentive to continue making profits and producing. Perhaps the top rate should be 60% and then start downward.

In summary, we should not allow government to become dictators in American business, in American private enterprise, so that government dictates to our capable businessmen and outlines and forces upon business certain policies and procedures. We should find some reasonable way of rewarding extraordinary ability, men who achieve. **These men provide jobs, and jobs are important!**

W. A. PATTERSON

President, United Air Lines, Inc.

Moderate improvement is in prospect for the air transport industry in the coming year. Additions to capacity will be comparatively light and this fact, combined with an expected increase of about 4% in trunkline revenue passenger miles, will benefit load factors.


W. A. Patterson

In 1962, as in previous years, we witnessed further attempts to develop the "vast untapped market" which some observers have professed to see for air transportation. Low-cost promotional fares were offered as in previous years and again, as in previous years, the vast untapped market proved elusive.

This was no surprise to us because we have regarded the vast untapped market as an illusion. It has not been tapped for the simple reason that it has no existence in fact. Yet, uneconomic fares are still devised in the belief that somewhere, somehow, new travelers will come forth in rewarding volume.

We have considerable evidence to support the conclusion that promotional fares fail to generate enough new business to offset the consequent reduction in revenue. We define "new business" to mean first-time airline customers. We know all too well that promotional fares divert many established customers from standard fares to the lower price service.

As a result of attempts to tap a market that is illusionary, the airlines now offer a bewildering variety of fares and classes of service. We have been obliged to go along with these exercises in faremanship or else accept a competitive disadvantage.

Jet cabin subdivision to provide various classes of service has led to a disturbing situation. The generous allotment of space in first-class sections is increasingly under-used, while the coach section—with narrow aisles and seats six abreast—becomes more and more crowded. Apart from economics, the trend to high-density seating raises ethical questions.

In opposition to this trend, we plan to introduce single-fare, single-class service between Chicago and the West Coast, subject to approval by the Civil Aeronautics Board. This service will be offered on Boeing 720 jet aircraft which will have five-abreast seating throughout, with aisles the same width as in present first-class sections.

The fare on single-class flights will be substantially lower than first class and only slightly higher than the coach rate. Food of good quality will be served, but gourmet frills will be omitted. Passengers accustomed to first class amenities will lose little, while those accustomed to coach will gain appreciably.

We hope that the response to single fare, single class service is of such proportions as to guide the industry in returning to fares based on sound economics and ridding itself of the notion that a mass market is waiting to be tapped.

R. B. PAMPLIN

President, Georgia-Pacific Corporation


R. B. Pamplin

Our company is principally a timber company with the major products being kraft paper and board, plywood, lumber, and other building materials.

We feel that 1963 will be a lot like 1962; that is, we will still be fighting excess capacity with the pressure on prices. The companies that have good, sound, and alert management should do real well in 1963. However, the companies who do not have this type of management will fare increasingly well. In other words, we are in a very competitive era and one in which good management will pay off.

THOMAS F. PATTON

President, Republic Steel Corporation

Demand for steel in 1963 may show a slight improvement over that of 1962. Production in 1962 will run about 98 million tons. We anticipate that this will increase to about 100 million tons in 1963. Despite the slight improvement, production in the coming year will continue to run well below the record levels of 1955-57.


Thomas F. Patton

Basically, activity in steel will reflect activity in the overall economy. We must recognize, however, that the steel industry today is different in many respects from what it was just a few years ago, and so is the economy it is serving.

Two factors contributing to this condition are: (1) the change in design toward lighter weight items, and (2) the recent shifting in consumer buying patterns from hard goods to soft goods and services.

Advances in steel research have enabled the industry to produce lighter and stronger steels to do the job that heavier and bulkier items did years ago. Consequently, less steel by weight is required in many steel applications, a new office building or a bridge, for example.

Advances in the economy have not been spread equally over all segments. For example, spending for services has risen 58% since 1955 while spending for hard goods has risen only 19%. Furthermore, the current $37 billion rate of expenditures for capital goods simply does not mean as much equipment as it did back in 1957 when $36.9 billion was spent.

Nevertheless, the steel industry has weathered a trying period, and intensified efforts in research and marketing are strengthening its position both within the economy and in relation to competing materials. When this is combined with the introduction of new methods of steel making which enable the industry to produce a better product more quickly, the competitive position of the industry is strengthened and the way mapped for more efficient production in line with the trend of the period.

The production pattern of the coming year will not be even. Seasonal factors, plus the flattening out of the total economic picture may produce some softness in the first quarter. We expect that this will be followed by a rise in the second quarter, and a downturn in the third quarter. With improvement in the general business situation, a rising trend should develop in the fourth quarter and carry on into 1964.

The industry, I feel, is entering the new year on a note of optimism as it girds itself to meet the challenge of the new year with new methods, new products and new approaches to its markets.

ALFRED E. PERLMAN

President, New York Central System

New York Central's over-all business, like the national economy, enjoyed a slight increase during 1962. Hauling approximately 2,956 million carloads, the railroad earned about $475 million in freight revenue. This constitutes a 3% increase in carloads and a 4% increase in revenue dollars over 1961.

Alfred E. Perlman

Central business in 1962, however, presented a mixed picture. While certain key commodities such as steel failed to provide expected business, other industrial groups yielded considerable traffic. Burdened by foreign competition, widespread use of substitute materials and a lag in demand, the steel industry failed to show growth during 1962. Thus, although automobile production and residential construction increased significantly, steel output was stable and coal production increased but slightly. Central, on the other hand, hauled 20% more automobile traffic in 1962 than in 1961.

During 1962, we have continued to reduce the railroad's funded debt. By December 31 of this year, we expect the aggregate debt reduction to reach approximately $200 million, a reduction of over 20% in the past five years.

In addition, we will spend about $41 million for new plant and equipment by the end of the year.

Based upon our evaluation of key industries, we anticipate no radical change in either New York Central business or the national economy during 1963. We expect a continuation of the present industrial situation with individual groups simultaneously experiencing different cyclical phases. We do not believe any significant movement toward boom or recession to be likely.

Thus, we expect coal production to increase slightly, steel to remain about the same or decrease only slightly, automobile production to continue at a high level, residential construction to remain about the same or decrease only slightly, non-residential construction to increase, defense material production to increase, but unemployment to increase as well.

In light of these considerations, we project that, in 1963, New York Central traffic and revenues will be about the same as in 1962.

As part of our continuing program to improve the railroad's financial position, we have employed new, more sophisticated marketing techniques based upon the concept of tailoring our product to fit specific customer needs rather than the inadequate and outmoded convention of renewed sales effort alone.

Fewer than a dozen basic industries furnish over three-quarters of Central's potential sales. We intend to have a service manager for each basic industry functioning in the same general fashion as a product manager in the manufacturing industry. These men, drawn from industry, and, therefore familiar with specific industrial problems, will be responsible for bringing together all the resources of the railroad to the better solution of those problems.

After seeking out the basic concentrations of industries and key customers, the industry planners will seek solutions to the chief distribution problems of these customers (equipment, schedules, auxiliary services, etc.) in order to minimize distribution costs.

During 1962, considerable progress has been made in Central service to the automobile industry. This progress has resulted in the return of much profitable traffic to Central. Action has been initiated in four other areas: agriculture and foods, metals, chemicals, and coal. In 1963, our work in these areas will be expanded and other projects initiated as the need is demonstrated.

To implement this new marketing approach, we have introduced a program to analyze the costs and over-all shipping requirements of users of private carriage. In this regard, we plan to demonstrate our ability to provide a better and more economical service than private carriers are able to perform with their own equipment.

New marketing techniques have led to Central's recent inauguration of an experimental coal-shuttle service from mine to consumer, capable of transporting huge quantities of coal more efficiently and at a lower cost than any other form of transportation. We intend to establish reductions to such destinations as are justified by analysis of cost study data developed by these test movements. We furthermore plan to establish, in the near future, similar experimental shuttle-trains to move other bulk commodities.

Flexi-Van Central's coordinated rail-highway freight container service, and our multi-level auto carrier service have been growing in almost geometric progression. These two services should continue to harvest new business for us and to make a substantial contribution to net.

I feel that our improvement program can assure Central's growth and continued upward movement in 1963 and the years to come. Railroads must employ every possible means to preserve themselves as private industry and to strengthen their ability to compete effectively with other modes of transportation.

Toward this end, we have applied to the Interstate Commerce Commission for the right to merge with the Pennsylvania Railroad. While preliminary findings indicate that cost reduction of at least $81 million annually can be obtained through this affiliation, the most significant consideration is that a merged company will be capable of producing modern and efficient total transportation—service that the public deserves.

THOMAS P. PHELAN

President, Pacific Coast Stock Exchange

1963 will see changes which tend to strengthen the securities industry. I refer here to internal action by the securities industry and the SEC study during 1962 and their forthcoming recommendations to be made to Congress around the second quarter of the New Year.

Thomas P. Phelan

The New Year will see the effect of recent self-regulatory procedures that have developed out of our burgeoning business. The NASD has strengthened their examination for new people entering the securities selling field. The Stock Exchanges themselves have instituted so many new measures of self-regulation that there is room here to report but a few.

In our own Exchange, and this applies to many of the others in varying degrees, we have updated entrance examinations for registered representatives. We offer a detailed study course and lecture series for firm's wanting professional outside training for new people entering the selling end of business as well as in the cashiering departments.

Requirements for listing new issues on the Exchange have been strengthened. Closer scrutiny of maintaining listing eligibility have been set up. Spot audits and regular audit checks of our member firms have been conducted in a greater frequency than ever before. Floor trading practices are under continual change so that orders are handled efficiently and effectively.

I anticipate that unless the news media indiscriminately emphasizes only the negative side of the forthcoming SEC recommendations that our industry will come forth in 1963 with renewed confidence and direction. All of us close to the regulatory side of the brokerage business know the need of continuing an emphasis toward planned and practical supervision. We hope that we ourselves can continue to see these needs as they arise and correct them ourselves.

We have welcomed working with the SEC during the year and believe firmly in the philosophy as announced by Mr. Carey, Chairman of the Commission, in the self-regulation approach.

1963 will undoubtedly continue as in the last half of 1962, to have an investment emphasis on quality listed stocks as opposed to shareowner interest in unlisted and new issues. This appears to have been the direction of the professional investor and the likelihood the public interest to follow is quite evident to date.

These subjects, to a greater or lesser degree, are some of the factors that give me reason to believe that the securities industry will serve our growing economy to an even greater extent. As the family of shareowners increase each year in larger proportions, it is important that our industry make every effort to continue the free flow of an open securities market.

BERNARD E. PINCUS

President, Namm-Loeser's, Inc.

Namm-Loeser's, Inc., a publicly-held company, operates one of the nation's largest chains of quality apparel stores (14 in all)—Hughes Hatcher Suffrin, in Michigan, and Hughes & Hatcher, in Pennsylvania. All of these outlets have women's and boys' departments, but derive most of their volume from the sale of men's quality clothing and accessories.

Bernard E. Pincus

Although the men's suit field has been in somewhat of a recession in recent years, Namm-Loeser's registered sharp gains in both sales and pretax profits in 1962, achieving new highs in both categories. We are optimistic that the new year will be at least as successful.

A major factor in our recent progress and future prospects is the two-fold one of continuing competitive strength and improving economic conditions in our marketing areas.

Hughes Hatcher Suffrin for example, is the only large quality menswear chain in metropolitan Detroit. Hence, we are in an especially favorable position to benefit from what appears likely to be the second good year in a row for that city's automobile industry. This situation should be further enhanced by the planned addition of new stores in outlying Detroit.

The opening of a new Hughes & Hatcher outlet in Pittsburgh last year strengthened our already firm marketing position in that area. Further expansions are contemplated.

While discount operations have adversely affected some aspects of retailing, they have had no particular impact on the better menswear business. Either because they have been trading on price alone or have failed to develop the "fashion touch," discount stores, with one or two exceptions, have not been particularly strong in the quality soft goods field.

With something of a style revolution taking shape,

Continued on page 80

Continued from page 79

men's clothing sales should be considerably better over the next 12 months than has been the case in a number of years.

The industry's slowdown of recent years has been due principally to the persistent appeal of dark, drab suits of conservative cut and three-button design. For this coming Spring, we expect a decided shift to lighter, brighter colors, especially light greys and iridescent shadings. This style trend will be augmented by the accelerated popularity of two-button clothing. One-button suits, an even more extreme departure, will also account for some newness in the look of men's apparel. Accompanying these fashion changes will be an increasing popularity of plain-front trousers, heretofore confined mainly to natural-shoulder styling.

H. G. PYLE

President, The Central Bank Company, Lorain, Ohio

The year 1963, in my opinion, will reflect rather closely the year just passed. There will be some improvement on balance that will make it a good year but from all appearances it will lag behind the growth pattern necessary to correct the present unemployment problems of our economy.

H. G. Pyle

The three major contributors to the gradual improvement in Gross National Product appear to be influenced by a continuation of the same ones as prominently figured in the previous years.

(A) Federal Government spending.
(B) State and Local spending.
(C) Consumer buying.

Federal deficit spending, higher local taxation and increased consumer spending through increased population demands and improved personal income levels in general are heavy contributors to this showing. The latter stemming from esculator labor contracts, new labor contracts, fringe benefits including protective floors or insurance that personal incomes will not fall under certain levels.

The following and remaining components of Gross National Product appear to have a no-change to a decrease when compared with the year 1962:

(A) Business Capital Expenditures.
(B) Inventories.
(C) Housing.
(D) Foreign Trade.

Business capital expenditures may get some stimulation from liberalized depreciation schedules in Federal Income taxation. There is emphasis being given to the importance of a reduction in Federal Income taxes as a stimulus in the Consumer as well as business capital expenditures. This, however, is subject to close examination. It appears that this move is in the right direction in that of improving the profit motive as a stimulant for future business planning.

There are other areas that may be explored in the revision of tax laws to help stimulate the business community in which we all operate. High corporate taxes are a real burden to the smaller Companies, as well as a difficult one to cope with by the larger ones. This is particularly true when a Company's products are needed and acceptable to the buying public but the Company has not been able to retain earnings fast enough to support credit sufficient to finance it, without signing away a large portion of hard-worked for equity.

Business inventory appear to be under no great stimulus to change at this time. Productive capacities, are so near to the demand probabilities that there is no urgency to add to the carrying cost of inventory on the part of business as a whole. Impending strikes, war or inflation in reality or their fears could change this quite rapidly but without this there appears to be little on the plus side.

Housing appears to be somewhat comparable to 1962 with multiple dwellings becoming more important due to higher land costs and the increasing propensity of a large proportion of older people to live in rental dwellings near the center of City services. The rapidly upward movement in this area will no doubt require the heavy family formation increases starting with the mid 1960's.

Foreign trade and balance payments have been running against us and this appears to be a repetition for 1963. This condition will continue to exist as long as foreign products and cost of their manufacture is maintained below that of this Country. There have been some moves beneficial to increased standards of living in the European bloc mostly through rapidly rising wage scale as well as improved manufacturing methods. This should not only help some of our local Companies but will also improve the exports of some of our industries. This, however, will take time and, in the meantime, reviewing of our foreign expenditures by our Government should be a requirement.

In all, the area in Northern Ohio, and particularly Lorain County, Ohio, appears to fare well in the above environment for 1963. Autos, chemical, technical instruments and specialties appear favorable, with steel, heavy equipment and others, average to above.

Demand for loans in our field appear to be comparable to 1962 with the four classifications of Gross National Product lower or level being the major influences in keeping interest rates and money demand rather even. (Sharp tax cuts may alter this some if they become a reality.) In this, bond interest rates should be maintained stable to higher and heavily influenced by Government deficit and balance of payment problems.

FREDERIC A. POTTS

President, The Philadelphia National Bank, Philadelphia, Pa.

The outlook for the money market cannot be divorced from the outlook for general business activity. At this juncture, there are a number of uncertainties in the business picture, and it appears that the economy will not expand significantly, if at all, during the early months of 1963. Expenditures of new plant and equipment are expected to decline somewhat in the first quarter, and any net additions to inventories probably will be limited. Further growth of consumer demand, however, could inject renewed strength into the economy, and the advances in retail sales in the latter months of 1962 were encouraging.

Frederic A. Potts

The outlook for business would suggest that the credit demand of private enterprise will be relatively moderate during the early part of this year. Additional demand, of course, will emanate from the government sector. State and local indebtedness will continue to increase. The Federal Government will incur a deficit officially estimated at $7.8 billion in the 1963 fiscal year, and another sizable deficit is probable in fiscal 1964. The enactment of a tax reduction would increase the deficit in the Federal budget, at least temporarily.

On the supply side, personal savings are currently at a high rate, and corporate cash flow from retained earnings and depreciation, which improved during the 1961-62 business upswing, is benefiting further from the revised depreciation allowances and the investment tax credit. In the absence of a strong advance in business and the emergence of inflationary pressures, it is reasonable to expect that the Federal Reserve will continue to pursue a moderately easy monetary policy characterized by a net free reserve position in the banking system. However, monetary policy will also continue to take cognizance of international considerations. In view of the United States balance of payments deficit, the Federal Reserve, in cooperation with the Treasury, has been acting to maintain short-term interest rates at a level sufficiently high to discourage the flow of short-term capital to foreign money centers.

The sources of funds which will be available during the early part of 1963 should be sufficient to accommodate the credit demands of business, consumers, and government without stringency in the money market. Consequently, the general level of interest rates should be relatively stable, assuming that there is no deterioration in the United States balance of payments situation. Later in the year, however, new influences may appear. If a tax cut is enacted and the Federal deficit increases, and if the pace of business activity accelerates, the private and public demand for funds would rise. Accordingly, interest rates would tend to seek higher levels.

An increased Federal deficit, accompanied by a faster rate of economic growth, could arouse inflationary forces and weaken international confidence in the dollar. Therefore, in the face of more aggressive fiscal action, the Federal Reserve may find it desirable to adopt a more restrictive monetary policy. Very possibly higher interest rates and tighter control of the money supply would be the appropriate companions of a tax reduction.

LLOYD M. POWELL

President, Dictaphone Corporation

The year just completed was one of significant change for Dictaphone Corporation and at the same time, it was a year when important progress was made in all phases of our enterprise. Specifically, a new line of dictation instruments was introduced along with other products for use in our diversified line of recording machines and facsimile devices for the educational and government markets. Additionally, organizational changes have brought to the forefront, young men of proved performance who will help insure the continued leadership of Dictaphone Corporation in the recorded communications field.

Lloyd M. Powell

This is the era of change, and the accelerated pace of our technology added to the rapidly increasing ability of business to retain more knowledge and apply it with profit, proves the point. Business must improve its tools of communication just to keep pace, and therein lies the opportunity for our company. We believe that our future success depends upon our ability to fill the needs for improved recorded communication that the rapidly changing business community demands.

During the first part of 1962 we introduced a new, book-size, permanent-battery recording machine — the Travel-Master, designed and produced by our British subsidiary, and which, in the short time since its introduction, has won wide acceptance in the United States and throughout the world. This development is one example of our improving position in international sales which last year showed a sharp increase over the record of a year ago.

Later in the year we announced the first in a major new line of office dictation machines, the Time-Master/7. This unit designed by our engineering group with the assistance of the Raymond Loewy/William Snaith Organization, has advances never before offered in such equipment.

Added to these important product introductions were developments in educational and recording machines. During the year a new Language Laboratory was introduced for use in school and college classrooms. A new recorder with nine recording channels on a thin one-quarter inch tape was developed principally for use in monitoring air traffic. Our marketing of Datafax facsimile systems was stimulated with the introduction of the Bell Company's Dataphone which enables images to be transmitted by Datafax over regular telephone lines.

While orders taken were slightly higher than the preceding year, profits were down. Changeover costs accompanied by other problems of new model introduction, all expensed during the year, have had their effect on profit.

But these problems are now behind us. The market is receptive for devices which reduce office communication costs and we were never better prepared to take full advantage of this opportunity. Dictaphone looks at 1963 with considerable enthusiasm.

HERBERT V. PROCHNOW

President, The First National Bank of Chicago, Chicago, Ill.

The business outlook for 1963 would perhaps not be so uncertain at this point if one could know the nature of the fiscal policies to be pursued — particularly those relating to tax measures.

Herbert V. Prochnow

Without considering the effects of a possible reduction in taxes, the economy can be expected to move upward at a modest pace, stimulated largely by the expansion of government spending, both on the federal and on the state and local levels, and by increased consumer buying. These two major sectors account for about 85% of the gross national product, and since there is no evidence to lead to the expectation of a contraction in either of these sectors, some expansion of the over-all economy, as measured by gross national product, seems probable.

Business spending can be predicted with considerably less certainty, however, and the possibility does exist that some contraction may develop in this sector. However, there seems a somewhat greater presumption in favor of a slight increase. Capital spending is expected to decline moderately in the first quarter, but should recover for the remainder of the year to register an over-all slight gain compared with 1962. Inventory investment is again the least readily predictable, and much will depend on developments in the steel industry with respect to a possible reopening of wage negotiations. But it appears at this point that no significant inventory accumulation can be expected.

In at least the earlier months of 1963 interest rates will probably experience little change. A substantial tax cut early in the new year, with a larger federal deficit and more government borrowing would tend to put some upward pressure on interest rates.

A large reduction in corporate and personal income taxes would also lead to some increased consumer buying and possibly to some stimulation of capital investment. There is the ever present question of how such a tax measure would affect our international balance of payments through the psychological impact of an even larger deficit in the federal budget. There is also the question of the possible inflationary impact of a large federal deficit. There is general agreement on the need for tax reform. However, there are a number of important economic risks in a large tax reduction without an offsetting increase in revenues or a reduction in expenditures, especially with the federal budget already experiencing a substantial deficit and with a stubborn balance fo payments problem.

WILLIAM J. QUINN

President, Chicago, Milwaukee, St. Paul and Pacific Railroad Company

The railroads, which traditionally benefit from any improvement in the general economy, can be expected to share in the strengthening of business in general which is anticipated for 1963.

William J. Quinn

One of the principal factors underlying the outlook for business is the high level of production in the automotive industry, which is expected to continue. In addition to its stimulating effect on the economy as a whole, activity in the automotive industry has immediate traffic significance to the Milwaukee Road and other railroads engaged in the transporting of automobiles in multi-level rack cars.

In general, however, the railroad industry's attitude of confidence regarding the year ahead is based largely on the expectation that 1963 will witness some corrective action with regard to the industry's most troublesome and persistent problems.

The most important avenue to a solution of railroad difficulties is through legislation, and hopes are high in the industry that long-awaited results may come by this route during 1963.

These hopes were encouraged by the announcement that President Kennedy will re-submit to Congress in January his proposed overhaul of federal transportation laws. The recommendations, as made to the last Congress, include the reduction of federal control over rates, which would be of large benefit to the railroads; imposition of federal user charges on barge lines and airlines; and other important changes.

Leverage has been applied to the easing of another of the onerous burdens of the railroad industry—featherbedding, which represents a needless expenditure by the railroads of more than $600 million annually. It is hoped that this issue can be brought to an equitable conclusion.

These actions will give impetus to the advancements the railroads have been steadily adopting to better meet the requirements of shippers. The Milwaukee Road, in its continuing program to keep abreast of the needs of the public has set in motion a number of improvements for the coming year.

It has budgeted more than $19½ million for rolling stock and improvements to fixed properties during 1963. This includes an outlay of approximately $5 million for a stepped-up program of major repairs to 3,000 of its 40 and 50 foot box cars to put them in top condition.

New equipment to be purchased will include 16 turbo-charged diesel locomotives for road haul and heavy switching service, 50 insulated box cars, and 50 covered hopper cars. Expenditures for new locomotives and cars will total more than $4¼ million. In addition, 30 freight diesel locomotives will be re-powered and a large number of gondola, refrigerator, and other types of freight cars will be rebuilt, repaired, or equipped with loading devices.

Improvements to fixed properties scheduled for 1963 include the replacement and renewal of bridges, the laying of new and relay rail, additional communication and signaling installations, and a major enlargement of track facilities adjacent to the Milwaukee Road's Chicago area freight classification yard at Bensenville, Ill., for the handling of Flexi-Van and conventional piggy-back traffic.

During 1962 the Milwaukee Road accelerated its electronic data processing program. By the end of 1962, utilization of the IBM 7070 and 1401 computers installed late in 1961 had increased greatly, with the computers producing quantities of valuable information formerly impossible to obtain in a short period of time.

The Milwaukee Road climaxed its sales control program in 1962 through the appointment of nine regional traffic managers with headquarters in Chicago, Milwaukee, Minneapolis, Seattle, Kansas City, San Francisco, New York, St. Louis, and Detroit. These officers have direct supervision over 56 sales offices in the United States and Canada.

The Milwaukee Road shares with many other railroads a feeling of confidence that 1963 wil be marked by some improvement in carloadings and in the regulatory climate in which the industry operates.

HENRY H. REICHHOLD

President, Reichhold Chemicals, Inc.

Development of new products for new markets is the best solution to the price attrition in the chemical industry. We must increase the per capita use of chemical products in order to continue the rapid growth of the past decade.

H. H. Reichhold

It is up to the chemical industry to become more a part of the daily lives of not only Americans but people throughout the world. We can do this only by creating new and better products and by opening markets that we didn't even dream existed only a few short years ago.

At Reichhold Chemicals, for example, plastic materials now account for more than 40% of the total volume of sales, while they weren't even in the product line-up 25 years ago.

In order to assure that plastics and polymers, the fastest-growing part of our business, continue to expand at an accelerated rate, we are constructing a $1 million plastics and polymer research laboratory in Sterling Forest, New York. This move is the first step in the strengthened coordination of our research facilities, now located in various domestic plants, with the ultimate goal of strengthening of all our research and development facilities.

During 1962, Reichhold Chemicals has entered the market with a number of new materials, including a phenolic-silicone resin that can successfully withstand for short periods the 5,000-degree-plus temperatures experienced in the missile industry. Other significant new products are a melamine resin that produces an unparalleled hard surface on dinnerware, table and counter tops, furniture and other products, and a styrene-acrylic ester copolymer and a rosin-maleic adduct that will result in longer-wearing home and industrial floor polishes.

We also constructed a new plant at White City, Oregon, during the year to manufacture protein adhesives and phenolic and urea resins for the plywood, particle board and hardboard mills in Oregon and northern California. This is just another example of the flexibility we have developed to keep pace with the vibrant and growing chemical industry.

We fully expect that 1962 sales will exceed by 10% the record $102 million of last year. Reichhold is continually developing new products in order to remain competitive in the chemical field.

Competition will again be strong during 1963, but this is an indication of a healthy economy and a dynamic industry. The very competition that is causing the industry's price attrition is also forcing us to keep coming up with new and better products. This, of course, can only result in better lives for Americans and other people around the world who use these products. And from this the people of the world—the chemical industry included—cannot help but benefit.

DR. FRANK H. REICHEL

Chairman of the Board and Chief Executive Officer American Viscose Corporation

1962 has been one of the most successful years in the history of American Viscose Corp. from the standpoint of total poundage of product shipped. Selling prices are still depressed, however, so that actual earnings, though much better than during 1961, were not commensurate with volume of shipments.

Frank H. Reichel

Avisun Corp., owned jointly with Sun Oil Co., continued its extensive marketing efforts in the development of new and expanded uses of its polypropylene resins and transparent packaging film.

Ketchikan Pulp Co., owned jointly with Puget Sound Pulp & Timber Co., operated at capacity during 1962 and production and shipments were at record levels.

Sales of the entire rayon and acetate industry were at peak levels during 1962. Rayon staple sales were higher than ever before in their history, and more rayon staple was sold during the year than ever before. Rayon filament was also produced and sold at record highs as were acetate fibers. All of these upward sales trends are expected to continue into 1963.

1962 sales of American Viscose's rayon and acetate fibers were the second highest in company history. Avisco's new generation rayon fibers—particularly Avril and Avron rayon—developed during the past decade are proving themselves to be ideal fibers for all areas of use in both blends and 100% fabric constructions. This holds true for apparel, domestic and home furnishings, and industrial uses. These new fibers are meeting enthusiastic acceptance by mills, converters, manufacturers and consumers because of their performance features, their functional advantages and the wide variation of aesthetic fabric appeals they make possible.

Avisco cellophane sales during 1962 were maintained at near record levels. The volume of cellophane film sold, largely to the packaging industry, continued to lead all other transparent flexible packaging materials. And indications are that 1963 sales can be realistically projected above current levels, particularly if new films now undergoing extensive field evaluations develop as expected.

First introduced to American industry approximately two and a half years ago, American Viscose Corp.'s rayon cord strapping, Avistrap, achieved spectacular successes during 1962. Sales volume more than doubled that of 1961 and in the coming year is expected to double once more.

Avicel microcrystalline cellulose, American Viscose's newest product discovered through cellulosic research activities, continued to find widespread interest among food, pharmaceutical and cosmetic manufacturers. A

Continued on page 82

Continued from page 81

concentrated market exploration and development program was in effect during 1962 and the exciting new product was under constant study and test-marketing surveillance by potential and actual customers.

Late in 1962, Asahi Chemical Industry Co., Ltd., of Tokyo was appointed exclusive sales agent for the distribution of Avicel in Japan and other Far East areas. Avicel's non-caloric and functional advantages, as well as its uses in such areas as tableting, colloidal systems and cellulose derivatives, have created world-wide interest in the product.

American Viscose's long range program of research and development produced especially gratifying results during the year. This was due in part to a realignment of duties which resulted in more successful activity than ever before, and partly to new insights into the molecular structure of cellulose. It can be expected that due to this increased activity, new and improved films and fibers will be announced during 1963.

Intensive activity continued in three major areas: basic, exploratory and long range studies of new products in new fields; applied research in fiber development, and applied research in the development of packaging films. Through the work of these American Viscose teams, the development of the new generation fibers such as Avril and Avron, stronger Tyrex rayon tire cords and yarns, Avistrap cord strapping, new resin-coated films with improved moisture-proof properties and laminated films, and new products such as Avicel were made possible.

CARL J. REITH

President, Colonial Stores Incorporated

The current year should be another period of intense competition in the retail food business, but despite this, the outlook in general is good.

Economic conditions in some areas will be better than in others but over-all business should remain relatively stable.

Carl J. Reith

Rising costs will continue to be a major factor in the retail food field and meeting these will probably be management's greatest challenge. Companies which are able to meet this challenge successfully should experience a rise in profits over 1962.

Location of new stores will continue to be carefully scrutinized. Colonial expects to open 30 new units during the year. All will be in our present territory, and some of them will be replacement for older stores.

The discount house may be expected to become an increasing factor during the year, but there is nothing at this time to indicate that it will replace the conventional supermarket as the major supplier of food to American families. With no lessening of competition, trading stamps and other special promotional plans will continue to be pushed as a means of getting new business and holding present customers.

Food prices should remain relatively stable.

In our own company, barring the unforeseen, sales are expected to continue to increase and profits should show a further rise over 1962.

WILLIAM S. RENCHARD

President, Chemical Bank New York Trust Co., New York City

The fact that the general business picture successfully weathered a series of "confidence crises" during 1962 augurs well for a continuation of relative stability in the months immediately ahead. Added to various statistical measures of the underlying strength of the economy, which support such a conclusion, are two important psychological elements. First, the strong reassurances from Washington of the Administration's firm belief in the desirability of corporate profits, and, secondly, the rather belated discovery that tax reduction, rather than more Federal spending, should provide the more effective stimulus to maximum economic performance and the longer range solution of our unemployment problem and our lagging rate of economic growth. On the other hand, there appears to be no clear evidence to support the prospect of an early resurgence of business activity of such magnitude as to tax the productive facilities of the country or the ability of the commercial banking system to finance it.

William S. Renchard

Total loans of all commercial banks in the United States have risen steadily throughout the past year, and, as of Dec. 12, 1962, stood at approximately $136 billion compared with $125 billion on Dec. 27, 1961 an increase of $11 billion or approximately 9%. The present ratios of total loans to total deposits in the large New York City banks average approximately 60%. In spite of this figure, the banking system has maintained a comfortable degree of liquidity due to the monetary policies that have been followed consistently by the Federal Reserve, going all the way back to the spring of 1960. These have included important operations of the Open Market Committee, reductions in the discount rate and reductions in the reserve requirements of member banks, all of which have combined to add a tremendous amount of reserves to the banking system and enable it to absorb with relative ease the increased demand for loans already referred to.

There is no indication as yet of any material change in the fairly liberal credit policy followed by the Federal Reserve for domestic purposes, at the same time giving recognition to the continuing problem of our imbalance of international payments. Meanwhile, individual savings have continued to accumulate at a good rate. Also prices have remained fairly constant, so that it has not been necessary to finance any increase in the price level. Even the loss of gold, which ordinarily would put some strain on the credit situation, has been more than offset by the open market operations of the monetary authorities.

If I am correct in my assumption that any improvement in general business over the next 12 months will be of modest proportions, I believe I can predict with some assurance that bank funds will be readily available to finance such an improvement without putting an important strain on the monetary system. Among the dark clouds which continue to appear on the horizon are the possibility of a further loss of gold to foreigners because of the imbalance in our international payments and the psychological effects of both this and the expectation of further deficits in our domestic budget. It is essential that we deal with these matters in a firm way and, if so, I anticipate no great problems from a money and credit standpoint in the immediately foreseeable future.

R. S. REYNOLDS, JR.

President, Reynolds Metals Company

I agree with the recent admonition of a newspaper writer: "Sing no sad songs for the future of aluminum. . ."

The newsman was writing about the future of aluminum in the automobile — where aluminum use in 1963 models is reported to be an average of 70 pounds, up from 66.5 in 1962 cars—but his lyrical summation is appropriate to a review of the industry's performance in 1962 and to the outlook for the months ahead.

R. S. Reynolds, Jr.

It's no news that the industry has had its troubles in the past few years. They have stemmed from two basic problems: plant overcapacity and failure of the economy to expand at the expected rate.

In spite of these problems, use of aluminum in the United States will set a new record in 1962. Domestic consumption will total about 2,550,000 tons, compared with the 1961 figure of 2,187,000 tons and the previous 1959 record of 2,220,500 tons. This represents an increase of about 17% from the 1961 total.

Exports and imports increased over 1961 levels. During the first nine months of 1962, exports of primary aluminum were up 18% to 116,000 tons, and exports of fabricated metal were up 74% to 42,000 tons. In the same period, imports of primary metal were 232,000 tons, up 68% from the year before, and imports of fabricated aluminum products were up 33% to 52,000 tons.

The industry's excess plant capacity is a result of a building program in recent years based upon forecasts that the general economy would grow at a much faster rate than has been the case.

Despite the disappointing growth of the economy, especially in the heavy goods sector, aluminum's advances have been robust. Use of aluminum has increased at a much faster pace than that of other major metals. Freight cars and cans are notable examples of increasing acceptances and application of aluminum. The automobile industry is another bright spot.

The aluminum industry is basically sound. We have been working hard to improve products and processes, cut costs, and find more large volume markets.

Excess capacity has had its effect on aluminum prices. With the recent changes, prices now appear to have shaken down to their bottom level.

Another encouraging note is that growing demand is eating away at excess capacity. Business was quite good in 1962's first and second quarters, and after a comparatively slow third quarter, it picked up sharply in the fourth. During one period, the industry was shipping at a rate not much below its total capability.

Given a good economy, there is every reason to expect the industry's growth to continue at a very good rate in the months and years ahead.

D. A. RHOADES

President, Kaiser Aluminum & Chemical Corporation

The year 1962 brought its full share of change and progress to the growing aluminum industry of the United States. It will be remembered as a year of exceptional competitive activity among domestic producers and fabricators as well as one of severe competition from aluminum products imported into the United States and sold below market prices.

D. A. Rhoades

The aluminum industry's total shipments of all products during 1962 will show an all-time high level of approximately 5.5 billion pounds (2,750,000 tons). This represents an increase, including exports of about 15% over the preceding year. Shipments to the domestic market in 1962 also reached an all-time high level with an advance of about 14% over 1961.

Final figures for 1962 will also show a new record production level for the industry of well over two million tons of primary aluminum, representing an increase of approximately 10% over the previous year. The industry's production rate for the year is estimated at approximately 85% of the total installed capacity of 2,483,750 tons.

Supported by intensive promotional and market development effort, the industry made continued progress in 1962 in further expanding consumption by the principal aluminum markets—the building and construction, transportation, durable goods, packaging and electrical industries. Increased usage of aluminum was also noted in the nation's defense and space programs, and a number of specialized markets, including the cryogenics field, began to use aluminum in larger quantities for important new applications.

A number of industry-wide reductions were made in the published prices of aluminum and aluminum products as a result of the year's intensive competition. Early in December the price of aluminum ingot was reduced from 24 to 22½ cents per pound.

Kaiser Aluminum & Chemical Corporation, which during 1961 produced the industry's second largest tonnage of metal, has also maintained a relatively high production rate throughout 1962. Our production for the year will be approximately 560,000 tons of primary aluminum. Only one other U. S. company has ever produced more aluminum in one year. The year's record also marks the first time that Kaiser Aluminum has produced and sold more than one billion pounds of metal in one year.

We have been active in the expansion of our international manufacturing and marketing facilities. Through the International Division and various foreign affiliates, we now participate in aluminum producing and fabricating operations in Australia, Argentina, Venezuela, India, England, Sweden, South Africa and Spain. In Ghana, West Africa, where Kaiser Aluminum is principal owner of Volta Aluminum Company Ltd., arrangements have been completed to build and operate a 100,000-ton primary aluminum reduction plant using power to be available in 1967 from the Volta River hydroelectric project.

Early in December plans were announced for the building of a $10,000,000 aluminum fabricating plant at Koblenz in West Germany, to be operated by a 100% owned subsidiary company. This will be the first aluminum facility to be built by any U. S. aluminum producer within the European Common Market.

In November the first aluminum was poured from new reduction facilities at the Bell Bay plant in Tasmania, Australia, which is owned principally by Comalco Industries Pty. Ltd. This expansion will raise the Bell Bay plant's annual capacity from the original 12,000 to 35,000 long tons; further expansion is under way to increase capacity to 52,000 long tons by mid-1963. Kaiser Aluminum holds a 50% interest in Comalco Industries.

Our recently established Chemical Division is producing and marketing a number of basic commercial chemical products. These include three fluorochemicals —aluminum fluoride, anhydrous hydrogen fluoride and fluorocarbons. The Division also produces chlorine and caustic soda and special alumina products.

Shipments of the Kaiser Refractories Division for 1962 will roughly parallel those of the previous year. Refractories volume is largely dependent upon the operating level of the nation's steel industry, the principal market for refractories. The Division recently completed an advanced products facility to carry out development work in new types of basic refractory products.

Intensive programs to further improve operating efficiencies were continued during 1962 throughout the 32 domestic plants of Kaiser Aluminum, as well as at all office locations. These programs represent a sustained effort to offset as far as possible the squeeze in operating margins resulting from price competition and the rising costs of labor, materials and services. We

Consumer Can't Be Blamed for Sluggish Outlook

Continued from page 25

industrial), business capital expenditures (producers' durable equipment but not construction), and changes in business inventories.

Because of varied nature of these components the total for gross private domestic investment may cloud some of the ups and downs within the specific categories. The total of this investment category probably will show little change between 1962 and 1963, at about $77 billion. Total purchases by business for investment purposes in 1963 should show little change over 1962, rising from $50 to 52 billion. This item covers outlays for both business construction and for producer durable equipment, including such items as machine tools, facilities, and plants. To this the net change in business inventories must be added. During 1962, business received an impetus of some $4 billion because of inventory accumulations. Although business has reduced its inventory accumulations of late, it is likely that this situation will correct itself by mid-year, with inventory use-up being turned into accumulations, but with a net of only $2 billion for the year. This drop in inventory accumulation should be offset by a modest increase of $2 billion in new plant and equipment outlays.

When non-business construction is added to these figures we come up with a gross private domestic investment figure of some $77 billion for 1963, the same as for 1962. It is obvious that the failure of this total to rise along with the other significant aspects of G. N. P. is the reason why the total of all output has been so sluggish in recent years. For more optimistic levels of full employment to be achieved, it is necessary for this component to rise by an additional 10-15% at constant prices. Private non-farm housing should add about $22-23 billion to this component.

As a final component of G. N. P. there is the net balance of the export of goods and services over the net imports. The gain in 1962 was $3 billion, but it is expected that this factor will contribute about the same amount in 1963. Although the United States is exerting tremendous efforts to improve its export position, the receiving countries also are engaging in such activities and the influence of Common Market and free trade association activities will make it more difficult to sell abroad.

Industrial production will probably show little improvement in 1963, moving from about 118 at the end of 1962 to 119 a year later. In fact, during much of 1963, the level may be much lower. Likewise, there is little hope that there will be much improvement in the employment-unemployment situation. And, unless the American economy can find approximately two million new jobs a year, no bounding growth in the economy can be expected. These new jobs are necessary to absorb the normal increase in the labor force

Continued on page 85

expect our 1962 net earnings and earnings per share to be the highest achieved during the last six years.

Subject to the course of general business activity, we look forward to a continuing increase in aluminum usage during 1963 in both domestic and international markets. As for the long-range growth prospects of the industry, we see no reason to alter our longstanding opinion that such growth will continue for many years into the future.

W. THOMAS RICE

President, Atlantic Coast Line Railroad Company

I find myself in an optimistic mood. A number of economists seem to be coming around to the view that 1963 may be a better year than expected, and the previously predicted slowdown in the economy may not materialize. I share that view.

W. Thomas Rice

The greatest asset of any railroad is the territory it serves, and Atlantic Coast Line is particularly fortunate in that respect. The growth of the Southeast continues to be impressive, not only in terms of population, but also in terms of industrial development, and I confidently expect that growth to continue in 1963. In 1962, there were in excess of 450 new industries located along the lines of Atlantic Coast Line and I expect that record to be equalled, perhaps surpassed, during the coming year.

My optimism is based primarily upon the prospects for increased traffic volume, but there are other encouraging factors which may promote more efficient operation and permit Atlantic Coast Line to contribute to the growth of the economy through capital expenditures of its own. I refer to such factors as the prospect of relief from outmoded, burdensome and expensive work rules, a more favorable legislative climate as a result of the President's transportation message, with the probability of legislation which will permit the railroads to compete on more nearly equal terms with other forms of transportation, and a lessening income tax load.

HAROLD E. RIDER

President, The Fairfield County Trust Co., Stamford, Connecticut

1962 demonstrated again the resiliency of our great economy. Having weathered the psychological shocks of the steel price controversy, the stock market crash and the Cuban crisis, it moved ahead to wind up the year at record levels. We feel that 1963 will see a continuation of the trend toward expansion in most measures of the nation's economic activity.

Harold E. Rider

While many have been dissappointed in the lack of vigor in the economy's rate of growth, we are impressed with it when viewed against a backdrop of increased foreign competition, temporary satiation of demand for many durables and housing and excess capacity in most major industries.

Banks generally have adjusted very well to higher interest costs for savings deposits. This is particularly significant in view of the fact that interest rates on loans and investments remained relatively stable. The impressive increases in savings deposits appear to have justified the higher interest rates and have made the commercial banks more competitive with other thrift institutions for these funds. We expect the banking industry will register marked improvement in 1963 over 1962's satisfactory results.

The consumer and his spending habits continue to be both the stabilizing element of the economy and one of the main forces of growth. With disposable income expanding and credit readily available, consumption expenditures can be expected to provide a positive stimulus to the Gross National Product. Government spending, local, state and Federal combined, will increase and add further expansionary force to the economy. Spending by business on the other hand will probably fall short of 1962 levels. Whereas plant and equipment spending will be stimulated by new depreciation schedules and tax credits, the absence of some abnormal influence, such as the 1962 steel strike threat, will result in lower inventory appropriations.

As always many imponderables and problems approach. The question of a tax cut is being widely discussed, and the answers as to the degree and timing of such a measure are far from clear-cut. Obviously, any substantial reduction in our tax burden would provide an immediate stimulus to consumer spending and gross private investment. But we must remember that large deficits incurred during times of high rates of economic activity can sow the seeds of future inflationary problems. Although inflationary pressures appear dormant at the moment, they could reassert themselves later in the decade when rapidly increasing family formations and other expansionary forces quicken.

Our faith in the capitalist free-enterprise system is strengthened each year. As in the past, the problems facing the economy today may be the solutions of tomorrow and there seems little doubt that higher and better living standards await us. Banks can be counted on to play a particularly significant role in providing the credit needed to finance sound growth. We look forward to 1963 and the years ahead with confidence.

The outlook for Fairfield County's economy continues bright. Last year the County enjoyed advances in almost all economic sectors. 1963 promises to be equal or better than last year.

Incomes, retail sales and home building continue upward. Family incomes in Fairfield County should climb in 1963 by about 7%. Total dollar income could be $2.39-billion against $2.23-billion in 1962.

Retail sales to County consumers, projected at a 6.6% gain in 1963, will absorb about one-half of local income

Continued on page 84

Continued from page 83

before taxes. The $1.09-billion total in 1962 should climb to around $1.70-billion this year.

Homes are expected to rise at a faster pace in the year ahead than in the year past. The 5,100 dwelling units estimated for 1963 construction compare with 4,500 in 1962. By year-end, Fairfield County should have well over 227,000 home units.

Total population at year-end was 685,300. 1963 will introduce 16,700 new people to Fairfield County. The 2.4% increase will lift Fairfield County's capita count well above 700,000. Family units — average size: 3.4 people—will increase to 207,700, up 3,700 from year-end.

Total employment hit a new high in 1962 of 235,500 and should continue to climb in 1963 to 240,500. Unemployment last year ran between a 6.2% high and a 4.3% low. The 1963 bracket should be considerably more favorable: a high around 5.5% and a low aroud 4.0%.

Manufacturing plants are slated to grow in number and capacity, and by year-end 1963, total plants in the County should number around 1,680, up from 1,667 at year-end. Manufacturing payrolls are expected to total $727.2-million in 1963, up substantially from $692.6-million in 1962.

Production, as measured by the value added to Fairfield County output by the manufacturing process, at $1.118-billion in 1962, topped the billion-dollar-mark for the first time. Total value for 1963 is forecast at $1.158-billion.

Fairfield County's economic profile for 1963 appears healthy and vigorous.

KINSEY M. ROBINSON

Chairman of the Board
The Washington Water Power Company

I simply reaffirm two notable characteristics of most utility executives—optimism and faith. The wheel of time and changing events in the Pacific Northwest confront us with run-of-the-mill problems that call for an abundance of both virtues.


Kinsey M. Robinson

Electrical growth in the Pacific Northwest and in the nation, as a whole, has not leveled off, but continues upward. The rugged trend in electrical living which started immediately after the appearance of voltage regulators and alternating current near the turn of the century has been maintained through war and peace, good times and bad. We believe growth will continue.

Washington Water Power Co., for example, which has one of the highest domestic uses of electricity in the nation, nearly two and one-half times the national average, showed 367 kilowatt-hour increase per average customer during the twelve months ending Nov. 30, 1962. This brings the annual average kwh use to 9,425. Natural gas acceptance by customers was even more spectacular. The company's commercial electric user showed an average increase of 1,500 kwh over the previous twelve months, making a total per customer use of 31,156 kwh annually. Still we are not inclined to believe the point of saturation is reached, or will be for many years to come. If America stands head and shoulders above Russia in power development today, as is the case, there is little reason to believe America will fall behind.

There is no present shortage of power in the Pacific Northwest, due to active dam building and to some decline in industrial load growth. Excellent water conditions promise abundant energy through 1963. Some interest has been shown in the Hanford power unit which was approved by Congress in reversal of earlier action by the House. This places Hanford power in the hands of public power advocates. The inter-tie with Canadian power sources shows progress, and the proposed power line from the Pacific Northwest to California is slumbering, but not dead. With exploratory work under way by private utilities in the field of atomic power, we do not worry about the future, providing private utilities are permitted to construct power plants to meet growing needs.

This calls attention to our one disturbing element in the power business: Will the Federal Government encourage or discourage private development? For twenty years the power picture in the Pacific Northwest has been characterized by increasing participation by the Federal Government. Where the Federal provided some 15 per cent of power in 1940, the figure in 1962 stood at 52 per cent. Furthermore, political speeches and news reports issued by responsible administration representatives indicate that a well-oiled government power rocket is off the launching pad, aimed at complete socialization of the electric industry.

Tax-paying utilities in the Pacific Northwest have requested a license to develop the High Mountain Sheep power project on the Snake River, estimated at $257,-100,000 for the initial 1,000,000 kilowatt project and transmission facilities. The four private utilities involved have already expended approximately $5,000,000 for preliminary engineering, hearings, etc., on this needed project. Ultimate installed capacity will be 2,000,000 kilowatts. At peak of construction, 2,400 people will find employment. Local, state and Federal governments will collect $5,000,000 from the project annually in taxes. Already, four years have been spent on hearings, studies, and preliminary reports. Work could start within sixty days after the go-ahead signal. And though several agencies have indicated approval, what happens? The Secretary of Interior has announced that the Federal Government should build High Mountain Sheep at some indefinite future date.

Never before in the history of this country, when private business was prepared to invest in a project, has the Federal Government elbowed private investment aside and seized the identical project for development with tax dollars. I repeat, it is this sort of thing that gives utility men concern, and which should concern all other segments of the American private enterprise system. For the rumblings of a stepped-up REA program; taxation; the network of Federal transmission lines; Federal dam building, and added controls—all this calls for a united sober appraisal by those who believe in the profit system.

I have said many times, that if socialization of the electric industry were left to the voter in the Pacific Northwest, our position would stand secure. But the consumer has little to say about a determined drive by minority zealots and political proponents. And I must remind all businessmen that if the $32 billion electric industry ever succumbs to complete state domination, it will be only a matter of time until the health of our entire business system is irretrievably undermined.

WILLARD F. ROCKWELL

Chairman of the Board,
Rockwell Manufacturing Company

The outlook for 1963 is very much clouded by political developments because of the wide effect of the Administration's proposed measures for tax reform, foreign trade, foreign aid, labor relations, mergers, and pricing. The Administration's complaints that it is unjustly accused of an anti-business attitude do not soothe the businessmen who are upset by what has happened during 1962.


Col. W. F. Rockwell

In recent months, irrefutable evidence has been accumulated to show that when wages are increased beyond a certain point, unemployment increases either because management invests in more automation or the resulting increase in costs cuts down the demand. Industries where wages have been raised far above average are experiencing above average unemployment. Annual production of aluminum, steel, and plastics, for example, will be affected by changes in wage levels which occur in these three industries in 1963. In thousands of instances, use of anyone of these three materials may increase, with a corresponding loss to the others because of wage-cost changes.

What can a businessman do when he reads the staff report of the Select Committee on Small Business of the House of Representatives, dated November 8, 1962, and entitled, "Mergers and Superconcentration, Acquisition of 500 Largest Industrial and 50 Largest Merchandising Firms," which contains four incorrect statements about his corporation? The report cautions that "some of the information may be erroneous inasmuch at it is based in some cases simply on reports in trade publications." How can the businessman counteract these statements, open to the public and the world, which imply that he is a lawbreaker?

What can a businessman do when a bureaucrat threatens to institute legal action, and warns him that the government's financial resources in a suit against him "are as deep as the pocket of the taxpayers?"

The businessman reads reports by the President on what he intends to do, followed by statements of Congressmen belonging to the President's party that they will not support all these measures. They point out that they blocked many of the President's proposed measures during 1962, greatly modified others, and completely rejected some.

During 1962, there were many semi-official reports indicating that the Communists world was increasing its productivity far more than the free world, without explaining that even if the figures on increased productivity are correct, it will take many years for the communist world to catch up with the free world's productivity. Similar statements have been issued about the disparity between foreign wages and wages in our country, which create the impression that the rate of increase in wages and fringes is much greater in the low-wage competitive foreign countries than it is in ours. These encourage the hope of U. S. wage earners that foreign wage levels will soon be as high as our domestic wage level. Authorities point out that at the present relative rate changes, it will take 20 years for wages in Western Europe to reach the level now prevailing in the U. S., which obviously is not going to be static.

With every promise of lower domestic taxes, the businessman finds that new tax sources are being investigated and new burdens are being planned on the accounting and reporting procedures which both Republican and Democratic Administrations have increased in recent years. Ever increasing costs of tax-collecting, social security reserves, and so on, are a burden on big business and a crushing load on small business.

Fear of Communist domination of the Free World would rapidly disappear if our government would show its intention of encouraging domestic productivity, and announce its decision to avoid concessions to any country which has violated far more agreements than it has kept. If our government will not demand immediate release of our citizens detained in foreign countries, can businessmen expect government action to obtain compensation for seizure of our foreign investments?

These are just a few of the problems which cause so many businessmen and investors to regard 1963 with pessimism.

MARY ROEBLING

Chairman and President, Trenton Trust Co.
Trenton, N. J.

Forecasting has become big business. It also has become confusing. Too many forecasters act as specialists, which include economists and teachers in schools whose views are bulwarked by financial studies of the past depressions and booms when fortunes were made and lost. I claim to be no such wizard of business forecasting.


Mary Roebling

It was but a few short years ago that business could plan ahead five and ten years—plans largely based on future population needs and costs. Much of this has changed as depreciation, obsolescence and research have made the future a problem for individuals and companies alike. Planning is a must, but vulnerable on a national and international basis.

I make these observations: The latter months of 1962 have helped stimulate business somewhat in a year fraught with imponderables, a faltering nine months with a Cuban crisis that shook the Stock Exchanges to an alarming extent, with days of anxiety causing pessimism to rule much of our public opinion. War and rumors of wars headlined our reporting. Things were gloomy, indeed, as our plans for "quarantine-ing" Cuba, and threats of Soviet economic as well as political infiltration in the Western Hemisphere.

The last two months of 1962 cleared considerably the question of what was in store for business and the reports generally were encouraging. With an erratic year behind us, we enter the New Year with great courage.

Statistics are boring to most people, but the diversity of opinion of others sometimes are illuminating. What I say about economists is perhaps applicable to bankers. There seems to be no uniformity but they do represent in a large measure the grass roots opinion of the masses. Some signposts have been emerging on the road to 1963.

At a recent conference in Chicago a poll was taken entitled, "Survey of Business Expectations." Of 877 bankers who participated, 248 stated that they believed business would improve; 549 thought it would remain about the same and 35 thought it would be poorer. Of 876 there were 79 who felt that the general structure of interest rates during 1963 would be higher; 643 thought they would remain about the same; and 154 felt they would be lower.

Of 865 participants a total of 127 felt that homebuilding in their areas would increase; 498 believe that it will remain at the present level; and 240 stated there will be a decline. Of 883 there were 432 who feel instalment credit loans in their areas will increase; 405 that it will remain at the same level, and 53 that there will be a decrease. As to employment, of 872—230 believe it will increase; 589 that it will remain at the same level, and 53, decrease. Of 829—258 feel that farmers, spending in their areas will increase; 474 that it will remain at the same level, and 97 that it will decrease.

In my mind the year ahead will not be a boom year, but one in which there will be moderate improvement over 1962, barring crises similar to the Cuban affair. The economy rise of the late 1962 will continue and an increase will be found in the Gross National Product. Students of this important statistic of our economy place a figure that denotes a healthy condition of business. The 558 billion dollar estimate attained during the third quarter of 1962 indicates a returning faith in our business recovery.

Personal income growth, so important to us, though halted slightly before the Christmas season, will be resumed and will reassure us as to consumer buying power. Most industries will bring a continual search for master-minded selling programs to meet the severe competition that is imminent at home and abroad.

Continued on page 85

Consumer Can't Be Blamed for Sluggish Outlook

Continued from page 83

and the short run displacements due to automation.

Conclusion

In concluding this preview, it should be noted that the foregoing estimates are based on the assumption that there will be no unusual tax reduction programs enacted in 1963. The extent of such a tax-reduction program is quite uncertain, but a rough approximation might be something like the following. For each 1% overall reduction in the level of Federal taxation, we might expect an increase of approximately $2 billion in G. N. P. Thus, a 10% reduction might increase G. N. P. by a total of $20 billion.

In summary, we can characterize the prospects for 1963 as another sluggish year. G. N. P. should increase modestly, but not enough to harbor any ideas of a booming economy. It is in such a framework that the Federal Government may introduce a series of policies that might change the foregoing predictions. However, it is unlikely that much will be accomplished in this respect until mid-year, and so there is little that might emanate from this area to change the basic nature of the forecast.

With Dempsey-Tegeler

DENVER, Colo. — A. J. Franz Schepp has become associated with Dempsey-Tegeler & Co., Inc., Midland Savings Building. Mr. Schepp was formerly with Crutteden, Podesta & Miller.

Amos Sudler Adds

DENVER, Colo.—Arthur L. Ashworth has become associated with Amos C. Sudler & Co., American National Bank Building. Mr. Ashworth, who has recently been with Insurance Stocks, Inc., in the past was President of First International Corp. of Denver.

Continued from page 84

Research will continue as a permanent simulus to the nation's sales totals.

I do not join those who forecast a business decline in early 1963. This country is in need of great quantities of materials and services. The hypodermic needle of government spending injected into the body of our failing ecoonmy will act as a tonic for a sustained economy until normal spending and adjustments make themselves felt and become effective. Permanent stability will come to us out of the efforts of those whose activities are controlling in the matter of foreign relations, tax changes and the better understanding between employer and employee in relation to costs and employment. The average American can be assured no stone will be left unturned to bring to him a better understanding of our democratic way of life. In short, my forecast is **normal prosperity.**

MAURICE M. ROSEN
President, Progress Manufacturing Company, Inc.

The year 1962 has been one of transition for the Progress Manufacturing Co. During this year we have made many important decisions affecting policy as it relates to the future course of this company. Because we have recognized that the basic strength of the company is its dominant and eminent position in the residential lighting fixture industry, we have divested ourselves of three separate product lines during the past year and have put greater and stronger emphasis in the lighting field.

Maurice M. Rosen

In reviewing the forecast for the housing industry for 1963, it indicates a year as good as 1962 and probably a little better. There appears to be a plentiful supply of mortgage money, and favorable interest rates, together with broadened FHA loan insurance programs under the 1961 Housing Bill. Probably one of the most significant features of that bill to our company is the Aid to Remodeling, which provides for federally insured 20-year home improvement loans up to $10,000 at a maximum 6% interest rate. The American Home Lighting Institute considers the average American home to be woefully inadequate in its lighting and consequently there is definitely a far greater growth potential arising out of re-lighting than there is in the new construction market.

I do not mean to minimize the very favorable effects in the following other areas of activity. Our General Offset Printing Division continues to register satisfactory growth and with their entry into the four-color web offset field we are looking for significant sales gains in the coming year. The Kent Medicine Cabinet Division has likewise been a very favorable adjunct to our company and they are now completely integrated in their new and enlarged plant in Bellevue, Kentucky. Marco Architectural Lighting Division of Los Angeles has recently added a facility in Kansas City, Missouri, which shall be specializing in cast aluminum recessed lighting which opens up a complete new field of sales for this company. The fastest growing division of our company has been Frank Industries which is one of the few fully integrated manufacturers of audio and power connectors which are used predominantly by the military. Frank Industries has not only enlarged its main plant in Worcester, Mass., but during the past year has put into production a second plant in Watertown, Mass.

In summary, if our economy should remain in good balance and be assisted by favorable tax reductions, we should register significant gains in both sales and earnings for the year 1963.

HERBERT ROTH
President, Power Designs Inc.

The year ahead looks extremely promising for further enhancement of the industry that produces power supplies. We at Power Designs expect to continue to widen our markets, with increased profitability. The acquisition of the Carad Corp., of Palo Alto, Calif., has given us a needed western anchor for our nationwide operation and has permitted expansion of our product line from precision power supplies of a fraction of a volt to giant devices of hundreds of thousands of volts.

Herbert Roth

We have completed our first decade in this highly specialized and important field with a marked upward trend in sales and earnings and a reputation for quality products in a field in which quality is all important.

We intend to continue and expand the policies that have made the company so successful and has made our client list a roster of well-known concerns, leaders in their fields.

One thing we have done is to concentrate on new designs in solid-state circuitry that call for fewer component parts and higher reliability. Considerable savings in cost have been achieved by the reduction in the number of components, and this saving has made it possible to add more research and new and improved manufacturing equipment.

We count on 1963 to give the company a favorable atmosphere for growth. The need for power supply equipment will increase sharply as the nation's aerospace program advances. The acquisition of our West Coast subsidiary will increase our volume by 50%, double our plant capacity and broaden our product line. Products made in Palo Alto and in Westbury will be stockpiled at both plants and our delivery to customers in any area will be speeded considerably.

Our research has produced a number of patents, and we recently concluded a cross-licensing agreement with the Hewlett-Packard Co. for the joint utilization of patents and applications owned by both concerns. This gives Power Designs added potential for expansion, growth and improved earnings in the year ahead.

Technically, the trend in power supplies is in the direction of higher efficiency, smaller size and weight, higher speed of response to load variations, more precise control of output and improvement in anticipated reliability over extended periods of operation.

One direction that is growing in importance is in the field of impulse generating type power supplies. This stems from the need for higher powered devices, in the 250 KV region, with precisely controlled wave forms for use with high-powered radar systems and plasma generators that must not interfere with nearby delicate electronic and communication systems.

With the increasing complexity of electronic equipment, the power supply is coming to be considered more

Continued on page 86

Continued from page 85

and more as a highly specialized component part especially designed and tailor-made for the specific application.

The increasing requirement for custom fabricated power sources for space vehicles, solving the problems of space environment, will play an increasingly important part next year in the industry.

DAVID SARNOFF

Chairman of the Board, Radio Corporation of America

The Radio Corporation of America sold more goods and services, earned more dollars and probed more new scientific frontiers in 1962 than ever before. Measured by most of the accepted indices of corporate health and progress, this was the best twelve-month period in RCA's forty-three-year history.

David Sarnoff

Sales for the year, in final tabulation, will approach $1,700,000,000, exceeding by approximately 10% the 1961 record of $1,545,912,000. Operating profit after taxes will surpass $50,000,000, advancing at least 40% beyond 1961's level of $35,511,000. The previous RCA earnings record of $47,525,000 was set in 1955.

In relation to the movement of the national economy as a whole, RCA stands out as an industrial pace-setter. The estimated increase in the company's sales will be higher than the average sales gain of all American manufacturers in 1962; the increase in operating profits will be at least double the estimated average rise in net income for all manufacturing industries.

In addition to RCA's operating profit, a capital gain of $7,000,000 was realized in 1962 from the sale of 991,816 shares of common stock of the Whirlpool Corp. This non-recurring income will add 41 cents per share of common stock to the operating earnings in 1962.

Against this backdrop of profit improvement, the principal production, sales and administrative elements in RCA's 1962 success story can be enumerated:

(1) A strong upward thrust in consumer products and services, paced by sales of more than twice as many color television sets as in 1961, and by an estimated five-fold increase during 1962 in profits on color apparatus and related services;

(2) Growing strength in RCA's electronic data processing operations, reflected in the more than doubling during 1962 of revenue from domestic and international sale and rental of commercial systems, and the continued substantial reduction of related costs;

(3) Continued advances in space and defense electronics, dramatized by the unprecedented 100% effectiveness of the six RCA-developed TIROS weather satellites that have so far been launched and operated by the National Aeronautics and Space Administration;

(4) Record sales and profits of the National Broadcasting Co.;

(5) Successful implementation of an intensive company-wide program to increase operating efficiencies and reduce costs.

The development of a strong profit base in 1962 has placed RCA in a position to advance to even higher levels of sales and earnings in 1963, conditioned upon the strength of the national economy as a whole.

I believe the economy in the coming year will sustain a relatively high level of activity, buoyed by the prospect of early measures to stimulate more vigorous business investment and growth. Despite evidence of softness in a few sectors, the question is not whether, but how energetically, the economy as a whole will continue to advance.

For electronics in particular, we can anticipate continuation through 1963 of the upward trend in sales and earnings which has placed the industry ahead of all others in dynamic growth in recent years.

The scope of the nation's space program and the undiminished requirement for national security are expected to expand further the substantial market for advanced electronic systems for space and defense.

In the home instruments and home entertainment market, color television has clearly entered an era of major growth and profitability. It is estimated that the market can absorb from 750,000 to 1,000,000 color sets in 1963 if picture tubes can be produced in adequate numbers.

Electronic data processing has advanced beyond its introductory threshold to become a new growth industry of infinite potential. The anticipated trend in 1963 is for substantially increased demand in the commercial and industrial markets, especially for faster and more versatile systems to assist management in business planning and the control of operations.

In all of these sectors, and in the allied fields of research and engineering, basic components, and electric services, RCA made rewarding advances in 1962. The new year should provide further confirmation of the validity of our program for progress and profits.

JOHN A. SAUNDERS

President, The General Fireproofing Company

The prospects facing the metal office furniture industry for 1963 are closely allied to capital expenditures. There seems to be every indication that modest gains can be expected over 1962. However, at present, there is an over-abundance of production capacity, and our industry, always competitive, is becoming increasingly more so. The cost-price squeeze promises to continue and adequate profits will be a continuing source of concern. In an effort to meet this situation, the industry, as a whole, is spending considerable sums of money for new plants and equipment and the up-dating of older facilities.

John A. Saunders

Office employment has shown steady growth since World War II. Office workers have increased from 15,000,000 in 1950, to some 17,000,000 today. By 1965 it is forecast that the total will probably reach 18,000,000. There are now more people employed in offices than there are workers in any other single industry; or indeed in any other type of work with the exception of agriculture.

Capital spending for new office buildings in recent years has been tremendous. This has been bolstered by the sums spent for modernizing and refurbishing older buildings. The total spent for new office building construction in 1962 amounted to some $1,347,000,000. Sales of office furniture for these buildings, plus regular day-to-day business, indicates that 1963 can be a $350,000,000 year. Add to this the sales potential of wood office furniture, and the total figure may reach a $450,000,000 peak.

Despite this promising prospective volume on the horizon, we must look realistically at the marketing problems facing the industry. In 1954 there were 51 desk manufacturers, in the metal and wood industries, competing for their share of the market. By 1962, this group had grown to 98—an increase of 47 manufacturers—a 92% growth in eight years.

The office furniture industry is over saturated with manufacturers—and this is especially true when to the desk manufacturers are added those who produce chairs and filing equipment.

Complex problems in manufacturing, design and marketing face our industry in 1963, and the years to come. These problems will be met only by alertness to the changing needs of office furniture users.

STUART T. SAUNDERS

President, Norfolk and Western Railway Company

The railroad industry is exceptionally sensitive to the fluctuations of the national economy. Variations in the rate of Gross National Product are quickly reflected in rail carloadings, which in turn are translated immediately into gains or losses in railroad revenues.

Stuart T. Saunders

Thus, any attempt to assess the fortunes of the railroad industry during 1963 must take into account, first of all, the general business outlook for the year. At this time, there are no indications that the year ahead will assume the proportions of a boom, but neither have there appeared the ominous signs of major weaknesses. This, I believe, encourages a cautious optimism that 1963 will be a reasonably satisfactory, though unsensational, business year, especially if economic activity is spurred by a Federal tax cut.

If this materializes, I think that the nation's railroads should be able to sustain their slow climb of the past year from the rock-bottom financial returns of 1961, and may be able to gain momentum in their progress toward rejuvenation.

Industry-wide efforts to improve operating efficiency and to reduce costs have prepared the railroads to profit more readily from the traffic increases a generally good year would bring. As the United States builds international commerce under the Trade Expansion Act and import-export traffic is stimulated further by involvement in the European Common Market, railroads will benefit from the gains in movement of goods and raw materials—particularly those roads serving the most active seaports.

As an example, European economists are predicting an increase in the use of American coal, which can maintain a competitive edge both in price and quality in most world markets. Coal-carrying railroads such as the Norfolk and Western expect to boost their coal traffic as these exports rise. The N&W is in a very favorable position to exploit this opportunity, since it is putting a new $25 million coal pier into operation at Norfolk, designed especially to blend and load rapidly the high-grade metallurgical coals produced in the Southern Appalachian mines the N&W serves.

In the stiff competition for domestic freight traffic, the railroads during 1963 should increase their effectiveness in protecting or regaining traffic from other carriers, although private transportation will undoubtedly still deplete the percentage of intercity freight tonnage available for common carrier competition. Piggybacking, containerized shipments, automobile transportation on rack cars and other innovations which utilize the inherent low-cost advantages of railroads should continue to grow.

The year will bring increased application of volume rate-making in rail shipments as the railroads spur development of techniques for reducing their unit costs on high-volume traffic. Removal by Congress of federal regulation of minimum rail rates on agricultural and bulk commodities, as recommended in President Kennedy's Transportation Message last April, would give impetus to this important development.

Unit train movements—systematically scheduled train-load deliveries of coal straight through from mining areas to large consumers—will emerge from the experiments of 1962 into routine operations this year. Several railroads already are filing rate-cutting coal tariffs based on this principle. Unless disallowed by the Interstate Commerce Commission, these tariffs will establish unit trains as a regular technique of railroad operations. This should prevent possible erosion of much railroad coal traffic.

Although 1963 may bring only modest financial gains to the railroads, it could very well earn a place in history as the decisive year in the rail industry's long-sought victory over the handicaps of obsolete work rules. In 1962 recommendations of the Presidential Railroad Commission for reasonable and gradual elimination of jobs for work not needed or not performed were accepted by the railroads but rejected by their labor unions. Before the year's end, federal courts had ruled against labor's efforts to keep new work rules from going into effect. This year, the matter should reach the Supreme Court, and the rail industry is hopeful that the previous court decisions will be sustained.

Railroads also are hopeful that the way will be cleared this year for favorable decisions by the Interstate Commerce Commission on several pending mergers and consolidations. The operating economies and improved services resulting from these mergers would do much to inject new financial strength and to increase the margins of railroad profits.

HENRY F. SCHOON

President, Atlantic, Gulf & Pacific Co.

If all goes well, the near and future outlook for dredging, while hinging largely on certain developments, appears promising.

Title One of the "Public Works Appropriations Act, 1963", passed in October last, provides a substantial amount for dredging for fiscal 1963, widely distributed along the Atlantic, Gulf, and Pacific Coasts and on the Great Lakes. Even so, the 1963 volume will be way below our capacity.

Henry F. Schoon

For a look beyond 1963 we quote from a paper prepared by the Annual Tankers Conference not so long ago, saying in part:

"Our harbors and docks have been the envy of other nations . . . How long will we be in a position to boast if we continue to drag our heels in making our ports available to the large commercial vessels of today?"

Another paper during the year, by the American Petroleum Institute, said in part:

"Only one-third of the presently authorized deep-water projects in varying stages of completion show a proposed main channel depth capable of accommodating a fully loaded vessel larger than 38,000 dead-weight tons.

"There are a total of 364 tankers reported to be under construction or on order in the United States and foreign yards with an average size of 40,000 d.w.t. with 20% exceeding 60,000 d.w.t. including two of 130,000 d.w.t."

Harbors and channels are among the nation's greatest assets, vital to industry, commerce, and defense; indispensable both in peace and war. It is imperative that their development keep pace with the growing draft of vessels and barges.

The River and Harbor Act of 1962, authorized dredging estimated to cost approximately $363,000,000. That amount added to the already considerable backlog of authorized projects, along with others begun but not completed, gives reason to believe that the outlook for improved channels and harbors is encouraging as it is for our industry.

But it is disturbing that the imposition of tolls or "user charges" still threatens inland and intracoastal waterway shipping; that a settled policy on bridge clearances over waterways has not been reached. Both "user

Schreder Sees D-J Average of 1,000 by 1970

"The return of a vigorous economy and broad stock market advance as this decade develops," was forecast January 19 by Harold X. Schreder, Executive Vice-President and Director of Research, Distributors Group, Incorporated, of New York City.


Harold X. Schreder

"The long-term outlook for business and the stock market is excellent; and from recent prices, the general level of stock prices should approximately double over the rest of the decade," Mr. Schreder told members of the Harmonie Club Forum in N. Y. C.

Mr. Schreder said that we are still in the "in between" adjustment years which began in the mid-50's, and we probably have another year before we move out of this adjustment period into an "extremely favorable" economic period for rest of the decade.

For another year or so he expects the Dow-Jones Average to fluctuate in a 600 to 700 consolidating range after the sharp run-up from the major uptrend point established at the 525 level last June. He forecast that by 1970 as the result of anticipated economic growth the Dow-Jones Average will reach a level of 1000 or better, about double recent levels.

"I would expect that the next few weeks ahead will be characterized by a consolidating correction, but this should prove to be another major buy area and especially so for the long depressed basic industry stocks represented by the consumer-durable and capital goods industries.

"Due to their economically depressed state since the mid-50's, it is in these stock investment areas that the best stock values exist."

He said that this conclusion is based "not only because of their currently depressed prices relative to their earnings and dividends but because the return of a vigorous economy as this decade develops should produce higher increases in earnings and dividends in these areas.

"The stock-investment benefits of the anticipated gradual renewal of a very vigorous economy are tremendous," he said. "Not only is the long-term outlook excellent for over-all earnings, dividends, and stock price growth, but as the rest of this decade unfolds—instead of basic earnings growth being confined to a small group of industries (foods, utilities, etc.) as has been the case for the last five years or more of generally "high-level stagnant" earnings growth—virtually all the major and more basic industry group's earnings should dramatically grow again. This means that after some additional intermediate months of adjustment, well-balanced economic conditions should gradually develop, which will bring with them a broad, across-the-board stock market advance—the type we haven't seen in this country since 1956."

charges" and low clearances could seriously hamper inland waterway shipping, some future waterway development. In such event, our industry could not escape some ill effect.

It would seem certain that the harmful effects of tolls and low bridges will be officially recognized; that legislation will be provided to safeguard the well-being of a developing and vital link in the nation's transportation system, along with that of many important industries largely dependent upon it.

Government help for certain general welfare purposes has been in practice since medieval times; it began in America with the birth of the nation. Taxpayers have contributed, directly and indirectly, to wagon trails, canals, harbors and channel improvements, railways and highways.

The purpose of Government aid is to encourage, protect and strengthen certain activities essential to the national welfare, to guard against national disaster through the collapse of those vital activities.

No other Federal expenditure of like amount contributes more to the general welfare than that for waterway development. Navigable waterways and the industries largely dependent upon them should not be obstructed.

DUDLEY G. SEAY

President, Basic Products Corporation

The general economy should continue its present moderate growth rate through 1963. A recession is not anticipated before the end of the year. This is assuming there will not be a tax reduction as is presently being discussed. Should a tax reduction of sizable proportions be passed, it could touch off a major business boom similar to that of 1954 to 1957.


Dudley G. Seay

Basic Products Corporation is a highly diversified company, which makes it necessary to relate our activities to several industries within the general economy. Our divisions which participate in the malting industry are Bauer-Schweitzer Malting Company, Inc., Froedtert Malt Corporation and Red River Grain Company. Those which are active in the metallurgical and industrial heating industries are Hevi-Duty Heating Equipment Company, the Como-Cast Company and our most recent acquisition, Lindberg Engineering Company. Those active in the electrical and electronics industries are Anchor Manufacturing Company, Hevi-Duty Electric Company and Sola Electric Co.

Normal spring increases in sales of malt to brewers may be accentuated in 1963 as the brewing industry rebuilds its inventories. These inventories were allowed to decline below typical levels in anticipation of a reduction in the price of malt resulting from a highly favorable barley crop in 1962. However, profits in the malting industry probably will be depressed by competitive pressures created by the acquisition of malting facilities by major brewers. Although this trend may continue for some time, there remains a definite need for major independent maltsters. The long range prospects for the malting industry are favorable in view of an expected increase in beer consumption. The highest rate of beer consumption is in the 20 to 40 year age group. Persons born during the World War II population boom are just now reaching this age.

Sales in a capital goods industry such as the industrial heating equipment field are dependent upon the state of the general economy. With the general outlook favorable, this industry should continue on an upward trend in 1963. The new investment tax credit provision should bolster this trend and encourage users of industrial furnaces to invest in these products for plant expansion and modernization.

The electrical and electronics industries should have increased sales in 1963. However, competition will continue to be severe, with customers demanding and receiving better products at lower prices on shorter delivery schedules. Suppliers will continue to carry more of their customers' inventories. The pressure on profitability in many areas of these industries will become even greater. Within the electronics industry, this indicates a continuing reduction in the number of marginal firms through failure, merger and acquisition.

In conclusion, we expect a continuation of the trend toward larger and more diversified companies. Such companies provide protection against fluctuations in any one industry and afford a base for future growth and profitability. We also anticipate a greater orientation on the part of U.S. companies toward international operations. The success of the Common Market and the needs of the developing nations make it mandatory that American business adopt a global outlook to compete in these new and changing markets.

MONROE SELIGMAN

President, Tenney Engineering, Inc.

The concept of imitating on earth the environment that exists outside the earth's atmosphere continues to grow.

Simulating what an astronaut might encounter as he dares the unknown is costing millions of dollars, but it is an essential expenditure. We must determine as closely as possible in advance what will happen to equipment and materials when they are subjected to space vacuum, to changes of hundreds of degrees in temperature in a matter of minutes, to solar radiation and to the many other strange and terrifying new forces that impinge on a space vehicle and its occupant.


Monroe Seligman

This knowledge permits designing for safety and, beyond that, constant testing to insure repeatable operational reliability. It has saved and will continue to save astronaut's lives and insure the success of unmanned missions, such as that of the Venus probe. In dollars and cents the cost is high, but without it the cost would be indeterminable and absolutely prohibitive.

The requirements for simulating environments did not originate with space, although the space program is perhaps its most sophisticated application. An important and also expanding branch of the environmental industry is devoted to industrial and commercial needs for so-called earth-environment equipment and testing. The range of environmentally tested products is as wide as the industry itself.

The concept of simulating new or distant environ-

Continued on page 88

Continued from page 87

ments is relatively new. As recently as the Korean War it was still, by current standards, embryonic in concept and crude in execution. By contrast, the number of environmental facilities of all kinds in use today is in the tens of thousands, and they are housed in structures costing tens of millions of dollars. Their performance ranges from duplicating climatic conditions of earth to simulating the harsh, cold, black void of interplanetary space.

The year 1962 might well be described as the year of solar simulation — not just bright light, because that kind of equipment was available years ago, but duplicating the sun's heat, its wave lengths and even the angle at which its rays strike an object in space. Technically these characteristics are referred to as intensity, spectral match and collimation.

Solar radiation simulators of the type that came into use in 1962 ranged from giant arrays of mirrors, lenses and light sources to relatively small, mobile units. As the year drew to a close Tenney Engineering announced plans to market a unique, mobile solar simulator utilizing a combination of xenon and mercury-xenon lamps, with infrared fill-in.

The environmental industry has by no means reached the limit of its capability. Much will be accomplished in 1963 to push back technical frontiers, but another aspect will dominate environmental activity. This will be the consolidation of past achievements to make packaged designed systems available for immediate application to space and other reliability programs.

Tenney Engineering, founded in 1932, prides itself on the fact that its name is the first in environmental equipment.

World War II saw the company move quickly into resolving reliability problems for the armed forces and into producing equipment for the rudimentary environmental simulation of that era. What we did then is a far cry from what we and our industry are doing today. Tenney Engineering's participation in earth-environment and space-environment programs has resulted in a rising sales curve. The company's volume has doubled since 1956.

LAWRENCE F. SEYBOLD

Chairman of the Board, Wisconsin Electric Power Company

As 1962 came to a close, Wisconsin Electric Power Company was able to look back upon a year of good business results, marked by satisfactory increases in revenues and earnings.

Lawrence F. Seybold

Throughout our operating area, demands for our services continue to grow. During 1962, an impressive number of new loads resulted from additions to manufacturing facilities, new shopping centers, new business institutions, new schools and additions. In the home and on the farm, people continued to find more ways to use our services.

Although signs continue to point to opportunities for growth and progress enhanced by the wide diversity of agricultural, business and industrial activities in the areas we serve and the outlook for 1963 is generally favorable, it is not likely that the year will be entirely free of problems. We know, however, that if we are successful in our revenue-building efforts and go after improved productivity through better methods and careful expenditures, the year ahead will be satisfactory. We are planning realistic objectives and are ready to work toward their attainment.

During 1962, good progress was made on our continuing construction program which is designed to anticipate growing demands for our services by improving and expanding our property and plant which now exceeds $600 million.

Late in the year, the Company applied to the Public Service Commission of Wisconsin for authority to install and place in operation an additional generating unit of approximately 300,000 kilowatts capacity in the South Oak Creek power plant located south of Milwaukee. Presently, the six units of the Oak Creek plants have a combined capacity of 1,050,000 kilowatts, including 500,000 kilowatts in the North Oak Creek plant and 550,000 kilowatts in the South Oak Creek plant. When the new seventh unit goes into service in 1965, the total dependable generating capacity of the consolidated Wisconsin Electric Power Company system will be 2,225,200 kilowatts. Including associated transformation facilities, it is estimated that the new unit will cost $33 million.

We also continue to strengthen our transmission and distribution systems through interconnections with neighboring utilities. For example, plans are under way for the construction of a new extra-high voltage transmission line to provide another interconnection with the Commonwealth Edison Company system at the Wisconsin-Illinois state line. The line will be constructed for future operation at 345,000 volts but will be initially operated at 138,000 volts. Planned for completion late in 1963, the new interconnection will double the present 150,000 kilowatt interconnection capacity between the two companies. Also, engineering studies are now under way on the economic advisability of taking part in a project to construct a 345,000 volt transmission line across Wisconsin to connect the power systems of five companies.

Our interconnection program is a part of the nationwide plans of the investor-owned electric utility companies of America to expend billions of dollars for new interconnections to greatly increase the power interchange capacity of the nation's power systems by 1970. The exchange of electric energy between electric power companies, which takes place on interconnected systems, improves the continuity of service and also has the effect of pooling power generating facilities, thus resulting in greater productivity for each dollar invested in such equipment.

The challenges which our company faces together with others in the electric power industry are more urgent than ever before and more vital to our continued growth and profitability. How ably and skillfully we meet these challenges may well be the decisive factor in achieving outstanding results.

JAMES J. SHEA

President, Milton Bradley Company

Our company expects 1963 sales to be up perhaps as much as 10% over the record-breaking 1962 volume. Last year we achieved the largest increase in physical plant expansion in our 102-year history, lifting capacity 20%. All of this was financed out of earnings. Non recurring expenditures approximating $1,000,000 brought 1962 net under the 1961 record high earnings.

James J. Shea

The increasing number of children of game age, stepped up interest in games keyed to education on the part of both families and schools, and increased interest in game playing by adults are significant factors which should contribute to increased business for Milton Bradley in 1963. Our January sales already are ahead of last year and out of stock condition on our items in retail stores nationally makes further first quarter gains likely. The major lift in game sales will come, as usual, in the months before Christmas.

Expectation of higher levels of game business is in line with estimates by other consumer goods companies and general economic indicators.

We are introducing to both school and consumer markets a record number of new items in 1963, some designed to tap entirely new markets. Password, a top best seller in 1962, will be marketed this year in a new version for schools. The company plans to further expand research activities.

Although competition has been intensified by the entrance of new manufacturers, there is encouraging evidence that the public is becoming more brand conscious and alert to real values.

Increased revenue from sales of our items manufactured and distributed by licensees abroad also is expected. Our merchandise is now being marketed and manufactured extensively in France, Germany, Holland, Italy, Canada, United Kingdom, and Australia.

Expansion in 1962 included completion of the first increment of a new plant at East Longmeadow, Mass., a new plastics division, and substantial investments in new machinery and equipment. In addition, the company installed a new system of controls for planning and production. Despite added capacity, the company operated on a two shift basis through most of 1962.

BENJAMIN SHERMAN

Chairman, ABC Vending Corporation

In-plant industrial feeding through automatic vending machines has expanded rapidly in recent years. The obvious need is for more coordinated service by taking full advantage of the technological advances in food dispensing equipment.

Benjamin Sherman

ABC Vending Corporation enjoyed a record year in 1962 with sales rising to the highest peak in its history, or around $100 million, compared with $90.2 million in 1961. Prospects have been enhanced by our expansion in the industrial cafeteria field. As one of the few national catering organizations with offices in 52 cities of 23 States, our company now is well prepared to provide complete meal service through coin-operated machines in factories, office buildings, schools, hospitals, government institutions and military bases.

Similar systems of automatic cafeterias, supplemented with radar ranges for hot platters, will be extended to turnpike restaurants, sports arenas, race tracks and bus, railroad and airline terminals. In the latter connection, our Gladieux division in mid-January, 1963, opens its huge commissary at the new Dulles International Airport in Washington, D.C., to provide in-flight meal trays for passengers on jet airliners on trips throughout the Free World.

HERBERT R. SILVERMAN

President, James Talcott, Inc.

In planning growth and expansion during 1963, American industrial and commercial firms should not lack adequate credit facilities. Anticipated demands for interim funds upon Talcott and other leading commercial finance companies will be higher than ever before but we foresee no problem in meeting the needs of soundly managed companies.

H. R. Silverman

The recent slowdown in national economic development has certainly not been due to lack of available credit. The economy has failed to move forward for a number of complex, interrelated reasons but lack of funds at reasonable rates has not been significant among them.

The past year has been a period of growth and testing for the commercial finance industry and we are moving into 1963 in a strong position to be able to contribute to general economic expansion.

It is difficult to forecast just when that expansion will become visible. Our own analyses suggest that the economy will stabilize on a slightly higher plateau during the early part of the year and then move ahead at an accelerated pace during the last two quarters.

Effective use of available credit will be a key factor in developing and sustaining economic momentum in the year ahead. Newer, smaller companies are nearly as vulnerable during periods of expansion as during recessions. Unless their financing plans are carefully drawn and supervised, they run the very real risk that total operating costs will get out of line and that they will lose their ability to compete effectively.

Many of these companies will require more than money in the days ahead. Their primary need will be for skilled financial management and consultation. This is a field in which the commercial finance industry is particularly well equipped to make substantial contributions to the success of firms that possess a definite growth potential.

The mere availability of ample credit resources does not mean that every company seeking interim financing in 1963 will get it. As we sometimes are tempted to forget, over-use of credit can be as dangerous as under-use. Leaders in our industry appear to be increasingly aware of this problem and, we believe, can be counted on to exercise appropriate restraint in this regard in the months ahead.

We expect to see in 1963 more sophisticated and ingenious types of financing that bring into play, at various levels, the total credit resources now available to American businessmen. The trend in this direction is clearly established. During the past year, for example, Talcott has participated with a number of commercial banks in financing arrangements designed to put each lender's funds to work under the most advantageous terms for both lenders and borrowers. Practically speaking, this means that the various lenders distribute their liability in accordance with a carefully planned schedule, each company assuming **primary** responsibility at different "layers" of financing.

Another notable trend which should continue throughout 1963 is the increased use of maturity factoring for credit protection. Under maturity factoring, the factor does not actually advance funds to a client but merely guarantees full payments of a receivable on the due date. It is significant that many relatively large companies are beginning to use maturity factoring for the first time, thereby reducing substantially their credit checking and collection burdens.

Looking back on 1962, it can be said that the past 12 months clearly demonstrated the soundness of the commercial finance industry and its ability to grow in the face of a number of discouraging developments. Leading companies such as Talcott were forced to meet a number of challenging tests. The relative weakness of the economy influenced many businessmen to defer expansion plans which would have required interim financing. Some companies were hard pressed to maintain their position in static markets.

The commercial finance industry met all these tests successfully. While we are happy to report that Talcott had satisfactory volume and earnings during 1962, we believe another facet of our operations deserves particular mention. This was our ability—capitalizing on the flexibility and special service inherent in commercial financing—to provide advice and suggestions for correcting unprofitable practices in a number of busi-

Timing Railroad Mergers for Investment Gains

Continued from page 5

Commission approval early in 1964, it would be unreasonable to expect actual consummation before the second half of that year. I doubt that any material savings will show up before 1966. But some may want to buy either one of them for reasons other than merger benefits.

(4) The **Chicago & Eastern Illinois** bonds are probably one of the better buys. No matter who gets control, projections indicate improved earnings for Chicago & Eastern Illinois at the rate of about $2 million per year. Chicago & Eastern Illinois is currently covering its fixed charges and sinking funds. The contingent charges amount to a little more than $1 million—a $2 million improvement will assure resumption of interest payments on these bonds. If the **Louisville & Nashville** should acquire the Evansville line as applied for, enough cash will be generated to pay off the first mortgage 3¾ and contingent interest 5's of 1997 leaving the 5's of 2054 as the only non-equipment debt.

(5) **Atlantic Coast Line-Seaboard Air Line** final approval of this merger by the Commission is likely this summer, but I am reasonably sure that Labor will delay this case, too, until early 1964. The most attractive security in this connection is Norfolk Southern Railway Co. which will have in effect a 5-year option to be included in this merger. The phosphate deposits being developed on its line should eventually contribute very substantially to its earnings and enable it to sell itself to the merger company at a price very much higher than the current market.

The Western mergers are even further away from consummation and, except for the **Great Northern-Northern Pacific** systems, still rather nebulous.

In short, I don't see any reason to rush into any of these situations. On the other hand, if carefully timed to take advantage of the lag in interest that invariably develops in between decisions, the railroad merger situations should be quite profitable to investors.

*An address by Mr. Jacobson at the Railroad Forum of the Association of Customers' Brokers, New York City, Jan. 15, 1963.

$100 Million Triborough Bonds To Be Marketed

Dillon, Read & Co. Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, W. H. Morton & Co., Incorporated, and Allen & Company, joint managers of an underwriting group which is being formed, announced Jan. 22, that negotiations are under way with the Triborough Bridge and Tunnel Authority for the sale of a new issue of general revenue bonds, looking to a public offering on or about Feb. 19. It is expected that the amount of the issue will be $100,000,000 and that it will consist of term bonds and serial bonds in proportions which have not as yet been finally determined.

Continued from page 88

ness situations that might otherwise have gotten out of hand.

As we reported recently to a group of investment analysts in the Midwest, we believe there are six primary reasons for anticipating continuing growth for our company in 1963:

(1) We think the economy will resume its upward trend after many months of patternless activity.

(2) We foresee increased opportunity for assisting small business.

(3) We believe commercial financing is just on the threshold of a new era of cooperation with banks and other lending institutions.

(4) We anticipate that many businessmen who had to defer plans for equity financing last year will turn to commercial financing for interim assistance that will enable them to qualify for future underwriting.

(5) we expect increased benefits from several of our regional offices that have been in operation two years or less and have just begun to realize their potential.

(6) Finally, we believe that there will be an inevitable reaction to the overly-aggressive competition that has unnecessarily depressed rates in our field.

A company such as ours has a duty and an obligation to stay ahead of the general finance market, to be prepared at all times to channel funds where they can contribute to the growth of an individual firm, a promising industry and the economy as a whole. In performing our unique financing function, we must also be prepared to weather economic cycles that may inhibit growth. We have witnessed several such cycles in recent years.

Without question, 1963 will bring us specific problems that we cannot anticipate in detail at the present. This does not mean that we are not prepared to meet them, or that we are not confident they can be overcome. The growth record of our industry, and of Talcott in particular, during the past two decades suggests that we are in a strong position to meet any challenge.

M. E. SINGLETON, JR.

President, Capital Southwest Corporation

The Small Business Investment Company industry is at the crossroads in 1963. If it is to accomplish the purpose Congress intended, often called the "fourth banking system", it must have certain basic legislation enacted. This would include provisions for loss reserves, exemption from provisions of the Investment Act of 1940, and doubling of SBA funds available for borrowing.

M. E. Singleton, Jr.

Over a half-billion dollars has been invested by the public in more than 650 SBIC's. Only about half of this has been invested in their portofolio companies by these SBIC's, so ample venture capital is still available for additional small businesses.

Any new industry has its problems. The SBIC industry is no exception. Individual companies will prosper according to management's skill in taking calculated risks in fields in which they are experienced. Management, both in SBIC's and their portofolio companies, must have the financial acumen to lead their companies to the true test of success—the financial market place.

V. J. SKUTT

Chairman and President, Mutual of Omaha

During the year, we should see a substantial upturn in the economy, with most economic barometers showing increases over and above the growth due strictly to a larger population.

V. J. Skutt

In health insurance, there has never been a more propitious time than the coming yaer. Mutual of Omaha has just completed its strongest year in history with premium volume reaching over $276 million, an increase of more than $22 million and benefits to policyowners raeching an average of over $700,000 each working day. New business, assets, in fact every financial growth figure, have reached all time highs.

Individuals and families now realize more than ever before the need for health policies; businessmen and employees alike recognize the integral part group insurance plays in their firms.

Advances in medicine have brought us the most healthy populus in the history of man. The public today demands the best medical care, while forty years ago most people went to the hospital only as a last resort before death.

In twenty years, the health insurance field has grown from 12 million persons insured to over 136 million insured today. Our rate of growth in Mutual of Omaha has increased even more substantially than this figure. The coming year should see even greater strides in bringing health insurance to our fellow citizens.

While education of the public to the need of health insurance continues, public understanding of the many forms of coverage has made this field a highly competitive one—with over 1,000 organizations offering some type of health protection plans.

One of the problems which could effect the health insurance field is continuing federalization of the business. Steps have been underway to encroach on private business in all areas—transportation, agriculture, steel—and these movements all have a tendency to effect public attitudes and to incite fear in the less stable organizations.

We have sought to employ a program of constructive helpfulness rather than negative criticism, hoping we will have time to prove that private, voluntary institutions can do what the government proposes and do it better.

In the matter of health insurance for our Senior Citizens, the health insurance field has accepted the challenge of providing this coverage on a voluntary basis. Our own organization was the first firm to offer this protection on a national basis, and today Mutual of Omaha alone insures over 1,250,000 persons age 65 and over. This economical coverage has been offered regardless of past or present health and includes nursing home benefits in addition to its liberal hospitalization benefits.

As another example, Mutual of Omaha has cooperated with the Defense Department for some years. Acting as fiscal agent for the Office of Dependents' Medical Care, we have handled payment of claims to hospitals and doctors in a number of states. These are benefits for wives and children of our servicemen on active duty. We have handled this at cost, knowing that it is a service which allows the government to operate with-

Continued on page 90

Continued from page 89

out establishing another bureau and we believe it is our responsibility to help both the government and these fine members of our armed forces and their dependents.

Such cooperation relieves our already overburdened federal government of the need to become involved in these domestic affairs. It will be free to handle its primary responsibility of national and international security.

This, then, can be the solution to the economic problems between government and voluntary, private business . . . proving that we can and will do a better job if given the opportunity.

If this sacred relationship between our great voluntary business system and our free, democratic republic can be maintained, 1963 should be the greatest year in the history of the health insurance field.

CHARLES H. SOMMER

President, Monsanto Chemical Company

In 1962, our sales exceeded $1 billion for the first time and the company's capital expenditures approached $165 millions. Monsanto's sales in 1961 were $933 millions and in the same year it spent $154 millions on new facilities and equipment. The company expects to spend between $135 millions and $140 millions on capital investments in 1963. Capital expenditures for 1962 were an all-time high for a single year for Monsanto.

Charles H. Sommer

The largest single outlay in 1962 was for the Chocolate Bayou Plant near Alvin, Tex. The chemical plant converts light crude oil into hydrocarbons which serve, in turn, as raw materials for other plants. All manufacturing units at the new facility were on stream by the end of the year.

An important Monsanto acquisition was the purchase of the remaining 50% of Plax Corporation of Hartford, Conn., which makes plastic bottles, and oriented plastic sheet and film. Ownership previously had been shared by Monsanto and Emhart Manufacturing Company. Plax employs about 2,000 persons at six plants located at Anaheim, Calif.; Ligonier, Ind.; Sharonville, Ohio; Yardville, N. J.; Deep River, Conn., and Stonington, Conn.

Other highlights of the company's operations in 1962 included: the merger of The Chemstrand Corporation into Monsanto as Chemstrand Company, a division of the parent firm; the formation of a Building Products Department to administer the development and marketing of building products, and the introduction of its first product, a rigid vinyl panel; the renewal of Monsanto Research Corporation's contract to operate Mound Laboratory at Miamisburg, Ohio, for the U. S. Atomic Energy Commission.

The company pushed forward with many construction projects at Monsanto manufacturing locations around the United States.

In Texas, construction began early in 1962 at the company's Texas City location on a plant capable of producing 50 millions of pounds annually of linear polyethylene and polypropylene, both plastics materials. Monsanto completed a vinyl acetate monomer plant at Texas City and began building the world's first synthetic lactic acid plant at the same location.

Expansion projects were launched at Greenwood, S. C and Pensacola, Fla., to increase Monsanto's Chemstrand nylon yarn capacity 15 to 20%. Capacity for nylon intermediates also was being expanded at Pensacola during 1962. In addition, the company completed an electronic data processing center at Greenville, S. C. Plans for construction of warehouse and nylon-warping facilities at Blacksburg, S. C., were announced.

Construction neared completion at year's end on a new Monsanto plant at Augusta, Ga., to produce phosphoric acid and sodium tripolyphosphate, raw materials for the fertilizer and detergent industries. The plant was scheduled to be on stream Jan. 1, 1963.

In Muscatine, Iowa, Monsanto opened a new plant which will add 200 tons to the company's daily ammonia capacity. The ammonia is used primarily for plant foods or fertilizers.

A program to modify the saccharin-manufacturing facilities at Monsanto's John F. Queeny Plant in St. Louis was started. The company is the world's leading producer of saccharin, Monsanto's first product.

At the company's William G. Krummrich Plant in Monsanto, Ill., expansion projects were under way. An addition was being constructed to provide new manufacturing capacity for 100 tons a day of chlorine and for 110 tons a day of caustic soda. Work also was in progress on a facility which will produce chlorinated cyanuric acids, used by Monsanto customers for dry bleaches, swimming pool disinfectants, scouring powders and other products.

In 1962, Monsanto completed new facilities at Addyston, Ohio, which are capable of producing 40 millions of pounds annually of a new family of plastics—Lustran styrene-acrylonitrile copolymers and styrene-acrylonitrile butadiene terpolymers—used in the manufacture of molded and extruded plastics products.

Monsanto associate Mobay Chemical Company continued to expand at New Martinsville, W. Va. Production capacity for tolylene diisocyanate was being boosted from 50 millions to 70 millions of pounds annually. The product is used as a basic raw material in the manufacture of urethane foams, elastomers and coatings. Other expansions were under way at the location.

At Pittsburgh, Pa., Mobay opened a new research center which doubles Mobay's laboratory facilities for the investigation and development of new polyurethane and polycarbonate products.

Shawinigan Resins Corporation, another Monsanto associate, completed a third expansion of production capacity for Gelvitol polyvinyl alcohol resin and finished a new administrative office building in Springfield, Mass.

Overseas, Monsanto acquired a majority interest in its former 50%-owned French associate, now called Societe Monsanto. Monsanto also acquired an interest in a Mexican plastics fabricator and increased its ownership in a Spanish firm. Monsanto acquired Lansil Limited, a fiber company in the United Kingdom, and established another fiber firm jointly for the production of spandex fibers. Interest in a fiber company in Israel was also acquired by Monsanto. In addition, Monsanto obtained through Plax two associates in Germany and one each in Switzerland, Belgium and Luxembourg.

WM. WIKOFF SMITH

President, Kewanee Oil Company

The domestic demand for petroleum products is on the rise. Economists say the demand for oil and gas will continue and perhaps exceed the 1962 gain of 4%, compared with gains of 1.5% in 1961 and 2.2% in 1960. They point out this rising demand is now being triggered by the so-called population surge of the 60s as more and more of our young people take to the driver's seat. With renewed confidence in the economy, 1963 is expected to bring a 3% or more increase in the Gross National Product and any upturn in total production of goods and services naturally means an increased market for oil products.

Wm. Wikoff Smith

My optimism is predicated in part on the new import-control program which the Department of the Interior is now whipping into final shape and by expected Congressional action on a Federal tax cut and reform to stimulate business spending. Under the new import plan domestic producers will benefit. The program calls for exempting Canadian and Mexican imports under the over-all umbrella and basing the import level on actual domestic production instead of on estimated total demand. This means the level of controlled imports during the forthcoming allocation period will be some 700,000 barrels a day less than if the old program had been extended.

As for the outlook for the independent oil-producing companies during the next 12 months, I wish I could be equally optimistic. Perhaps cautious optimism should be the keynote. Make no mistake about it, the oil independents—of which Kewanee is the oldest—are caught in a bind: low crude allowables, low crude prices with no signs of a price increase, and higher operating costs including an almost inevitable 5% pay hike for thousands of people who already are in one of the highest wage categories.

The crude oil producer is in a captive position. The amount of oil he can produce and the price he can sell it for are controlled by the major purchasing companies and by regulatory bodies in certain states. Because of these controls imposed on the producer as well as the major oil companies—plus rising operating costs—any increase in the price of crude oil is long overdue.

Congress' decision on depletion allowances and other taxable aspects of our industry will, of course, make a big difference in the direction taken by the industry.

These problems are serious but not insurmountable.

At Kewanee we are trying to face them realistically. Barring any unforeseen developments we expect to continue our intensive acquisition and active exploration programs. During the past year we spent $8,000,000 acquiring oil-producing properties. To continue this expansion program in 1963 we have set aside approximately $10,000,000. This will enhance our production considerably—our current output is some 22,000 net barrels of oil a day—and we are continuing to find new reserves and effect operating efficiencies.

These efficiencies, together with the import-control program, a realistic tax policy and fair prices for crude oil should be the key to our continued growth.

W. CORDES SNYDER, JR.

Chairman and President, Blaw-Knox Company

There are increasing indications that the nation's economy will move into new high ground in 1963.

These economic indicators lend support to the expectation that industrial as well as consumer sales will register gains in the year ahead, perhaps at a more healthy rate than in 1962.

W. C. Snyder, Jr.

Unfortunately, these signs of rising sales do not at the same time hold promise for proportionately higher profit levels. It is in this important area that the outlook for 1963 is something less than encouraging.

Diminishing profit ratios to sales do not apply in the same degree among all companies of all industries. Nevertheless, the profit slide-off already has hit a large enough percentage of all industry to present the country with one of its most serious and troublesome problems.

Solutions to the squeeze on profits are not going to be easily found. There is no simple answer in all situations. However, the one that seems to offer the clearest promise in most cases is for the planned expenditure of capital which has the purpose of increasing efficiency in production.

Despite the total of such expenditures in recent years, the annual rate of increase has been modest and in all probability no way near what is required. Changes already authorized in regulations governing depreciation may yet prove a factor in boosting the rate of capital spending for production. But this alone will not provide the full impetus.

A remaining area for hope lies in early action on taxes. If the Administration pushes hard enough and convincingly enough on this issue, and if members of Congress tune in on the convictions of their constituents, significant tax cuts will be made.

More favorable taxing regulations by other countries have proved one of the most effective measures in bolstering their competitive positions in world markets. This nation can ill afford to disregard the favorable impact of these taxing advantages in the race for maintenance of our competitive strength.

There are no shortages in this country of industrial and technological know-how. The will of industrial management is also present in full abundance. But these plusses in themselves are not enough when profits continue to skid. It is in the industrial scene where spending can be a tangible productive force. If all decks are cleared to encourage this kind of capital employment, results in the form of more healthy profit margins as well as payrolls will surely follow.

ROBERT C. SPRAGUE

Chairman of the Board and Treasurer, Sprague Electric Company

In 1962, the electronics industry sold end products having a factory value of more than $13 billion, compared to $12 billion in 1961, and again surpassed the rate of growth of the economy as a whole. Furthermore, it appears at this time that 1963 will see a continuation of this growth, to a figure approaching $15 billion.

Robt. C. Sprague

All major markets for electronics contributed to the higher volume our industry witnessed last year. Especially notable was the strength in demand for consumer products, dollar sales of which increased to $2.4 billion after having remained for the previous three years at a $2.2 billion rate. In television, sales to retailers of black-and-white sets were about 6,250,000 compared to 5,775,000 in 1961. Set production, including sets made for the export market, exceeded 6,500,000. Color TV is beginning to be quite a significant contributor, with production estimated to have been about 400,000 sets compared to about 250,000 the previous year.

In radio, 1962 was the best year since 1947 with about 18.5 million sets sold against 16.8 million in 1961. Home radio sets enjoyed good demand throughout the year, with sales totalling 11.7 million, while auto radios increased 24% from 1961 to 6.9 million reflecting high automobile production in the 1962 model year. Phonographs and radio-phonograph combinations gained about 10% to 4,400,000.

For 1963, I look for another good year in home entertainment electronics with total sales reaching about $2.4 billion. In TV, I would expect that black-and-white set sales might closely approximate those for 1962. I look for color TV to increase about 50% to 600,000 sets, and to contribute nearly $200 million to consumer sales volume. Home radio and phonograph sales should closely approx-

Continued on page 91

New Directors for Television Shares

CHICAGO, Ill.—John Hawkinson and J. Milburn Smith were elected new directors of Television Shares Management Corporation at the annual meeting of stockholders held in the company offices at 120 South LaSalle Street. Mr. Hawkinson is President of Television Shares, a management and underwriting firm serving Television-Electronics Fund, Inc., and Mr. Smith is a director of a number of insurance companies and formerly was President of Continental Casualty Company.

John L. Porter, Jr., Vice-President and a director of Television Shares, was elected Executive Vice-President of the management firm at the organizational meeting of the directors following the stockholder meeting.

The two new directors succeed William H. Cooley and Robert D. Michels who resigned from the board. Directors reelected were Chester D. Tripp, Chairman; Mr. Porter; Russell H. Matthias, Secretary, and Courtenay C. Davis.

Mr. Hawkinson was elected President of Television Shares last October. He served previously as Vice-President, Treasurer, and a director of Central Life Assurance Company, Des Moines, Iowa. He is a director of several companies including Central Life Assurance Company, Chicago Great Western Railway, Mid-America Pipe Line Company, Association Stationers Supply Company and Pioneer Finance Company.

Mr. Smith resigned as president of Continental Casualty Company in 1959 following 34 years of service with that firm. He is a director of American Home Assurance Company, Combined Insurance Company of America, Home Owners Insurance Company, Home Owners Life Insurance Company, Commissary, Inc., Chicago Capital Corporation, Selective Investors, Inc., and Benjamin Allen & Co.

Mr. Porter was elected a vice-president of Television Shares in 1958. He is a member of the firm's management committee and is a director of Consolidated Financial Corporation.

At the annual meeting Mr. Hawkinson expressed management's opinion that the agreement of Kansas City Southern Industries, Inc., Kansas City, Mo., to purchase 40% of the 1,018,500 outstanding shares of Television Shares was a most constructive development.

Now Corporation

COLUMBUS, Ohio—Capital Securities Co., 44 East Broad Street, is now doing business as a corporation. Officers are Raymond A. Johnson, President and Treasurer; Herbert O. Johnson, First Vice-President and Secretary; Robert W. Wagner, Vice-President. Mr. Wagner formerly conducted his own investment business, Wagner & Co., in Columbus.

New Buck Office

HEMPSTEAD, N. Y.—Richard J. Buck & Co., members of the New York Stock Exchange, have opened a branch office at 114 North Franklin Street, under the management of Mortimer G. Hanly, resident partner. Mr. Hanly was formerly a partner in Edwards & Hanly.

Continued from page 90

imate 1962 also, while auto radio volume may be off somewhat in line with generally expected production of about 6,500,000 cars.

Military and space electronic deliveries increased in 1962 to $7.6 billion from $7.0 billion in 1961, and accounted for nearly 60% of our industry's volume. Department of Defense procurement of military equipment of all types increased 10% in the 1962 fiscal year, and certain heavily electronic categories gained even more. Expenditures for research, development, test and evaluation, and for operations and maintenance are also contributing to the rising percentage of electronics in total defense spending.

Aside from military defense expenditures, the nation's space programs administered by NASA are also being stepped up and will increasingly affect the electronics industry since at least 30% of the space budget goes for electronics. Thus, approximately $750 million worth of electronic gear will be procured by NASA in 1963, and that amount is certain to grow in later years as space expenditures increase.

For the present, our industry can certainly look for higher shipments of military and space electronics through calendar year 1963 and probably through calendar year 1964. However, we must be alert to a number of problems associated with an increasing dependence on military business particularly the need for close attention to costs and to the search for ways of applying new techniques learned in military electronics to the development of better commercial products. As expected at this time last year, the industrial electronics market in 1962 showed a smaller increase than the 19% gain recorded in 1961; nevertheless, all important segments contributed to a 10% gain, from $2.2 billion to $2.4 billion. Computers and related data-processing equipment again showed the sharpest increase to about $970 million, compared to $850 million in 1961. The outlook for the industrial market in 1963 is quite good, despite the fact that plant and equipment spending, which affects many items in this market, may show only a nominal gain over 1962. I look for total industrial electronics to exceed $2.6 billion for the year, and for the longer term would not be surprised to see it pass the $5 billion figure by 1970.

For the maker of components, 1962 was a good year with demand holding fairly steady in all of the major end equipment markets, and dollar sales of components reached about $3.7 billion compared to $3.45 billion in 1961. Interest in the possible applications of miniaturized packaged assemblies and integrated circuits of various types was widespread, and the tempo of development work in these areas was stepped up noticeably during the year. Complex components volume approached $200 million, compared to $145 million in 1961, and should increase even more sharply in 1963.

For all markets in 1963, I look for total electronics volume at the factory to reach the $14.5-15.0 billion range. The principal unknown is the rate at which larger total military appropriations will be translated into actual deliveries of electronic equipment and parts.

As to our other markets, prospects are favorable for increased sales in each of them, although the magnitude of the gain will naturally depend upon overall business trends.

I. MELVILLE STEIN

President, Leeds & Northrup Company

Incoming orders for our fiscal year ending May 31, 1963 should equal, and may very possibly exceed, orders received during the previous year. This expectation is based in part on our incoming order rate for the first five months of this fiscal year, which equalled the comparable period of last year, and on several factors which we believe can have a beneficial effect on our business during the remainder of the fiscal year.

I. Melville Stein

One important factor is that industrial leaders seem to be convinced, as never before, that only through the most modern, efficient production methods and machinery can they hope to compete in world markets during 1963 and show a satisfactory profit. Industrial instruments and controls of the type made by our company play a very important part in the modernization of industrial processes, and the resulting increase in operating efficiency. Accordingly, industrial modernization programs should have a very favorable effect on our business. The recent decision of Bethlehem Steel Company to build a new $250-million modern steel plant near Chicago in spite of over-capacity in the steel industry is a good example of the industry's determination to raise production efficiency. Other important steel companies are planning to make similar modernization moves during the year ahead.

Another significant factor is the electric power industry's program for increasing generating capacity, and extending system inter-connections. This should provide a good volume of business for our company's measuring and control systems, which constitute an important part of our business.

The government's missile and space programs are expected to move ahead during the coming year, perhaps at an accelerated pace. These programs require the use of highly precise laboratory instruments which have always been a significant segment of our company's business. Accordingly we expect this government-directed activity to have a favorable effect on Leeds & Northrup business during the coming months.

Numerous new products resulting from our company's research and development programs are now being marketed, and should help our incoming order situation. Some of these have been specifically aimed at the chemical and other process industries—industries which are giving a great amount of attention currently to improved instrumentation and control as a means of increasing operating efficiency.

Although economic expansion abroad may be proceeding at a somewhat slower rate than in the past, we expect that our foreign business, which has been growing steadily, to continue its growth throughout the next year. To take full advantage of this situation, we have recently acquired a fine new plant for our British company, and also have established a new Italian company to manufacture and market our products in that country.

E. L. STEINIGER

President, Sinclair Oil Corporation

Weighing the plus and minus prospects in oil's 1963 outlook leads to a reading on the optimistic side of the scale.

The prime plus is the indication that reason and order are coming back into the refined product price structure. In part these indications took tangible form in movements late in 1962 which headed prices back to levels essential to growth-nourishing profit. Also, there is the intangible "feeling" that most oil men now realize that low prices do not increase petroleum consumption. A more realistic attitude about the facts of market life seems to prevail.

Edward L. Steiniger

One evidence of this—and another plus factor—is the expected 6% cut in oil's expenditures in 1963. The planned reduction reflects recognition that the industry is already well equipped to meet demands in the immediate future. New ventures and new facilities will be undertaken only on a highly selective basis. There should be little refinery building, for example, with existing capacity already too great for demand.

With 1963 demand expected to rise only 2% (or less, by some estimates), the cautious approach is justified. And if this caution remains constant in the year, the

Continued on page 92

Continued from page 91

industry should be able to draw down some of the high product inventories which it carried into 1963.

Petrochemical demand should increase about 5%, but with ample supply and surplus plant capacity for most common petrochemicals, there will be few price increases.

Natural gas sales will continue to grow in 1963—on the order of 6%—but uncertainty about federal price regulation leaves in the air the possible benefits of higher sales.

The whole picture of the government's actions relating to the oil industry is discouraging. The 1963 import regulations announced in December continue to penalize companies which have made heavy investments abroad (with government encouragement) without seemingly pleasing the domestic producers. The only possible benefit accrues to those refiners who receive import quotas which they cannot use, but which they can exchange profitably. This year will see strong efforts made in Congress to change present percentage depletion provisions relating to the oil industry, efforts which will call for strong countermeasures by all concerned with the industry's well being.

Abroad, petroleum demand will continue to grow more rapidly than in this country, increasing by about 6% in 1963. Russia's efforts to enlarge her place in the world's oil markets must be met aggressively, and American companies must have government support to fight effectively.

The general feeling of optimism on industry affairs can be applied most specifically to Sinclair's prospects in 1963. Price stability in the industry, coupled with our rising sales volume, enabled us in the last part of 1962 to erase a sharp profit dip experienced in the early months of the year. This rising situation should continue throughout 1963, aided by our continuing success in developing new sources of revenue for the company and in reducing operating costs in all quarters.

HENDERSON SUPPLEE, JR.

President, Atlantic Refining Company

In 1963, the consumption of petroleum products in the United States should rise at a faster rate than the general economy. Moreover, the economic lessons which the industry appears to have learned during the past 12 months suggest that prices may be less volatile, and average somewhat higher overall than in 1962. If this proves to be the case, 1963 will witness a favorable trend in oil industry profits.

H. Supplee, Jr.

When the final reports are in, it is likely that domestic petroleum demand will show an annual growth of about 4% in 1962. This increase, considerably better than the average of the past half decade, was aided by a strong economic recovery in the early part of the year, by a favorable level of sales of new passenger cars and by colder-than-normal winter temperatures.

It seems unlikely that advances in the general economy during 1963 will equal those realized in 1962. Proposed reductions in Federal income tax rates could provide a much needed stimulus to economic expansion, but action on tax cuts will probably be delayed until late in the year. Unless consumers and businesses alike find an earlier incentive to increase their spending levels—and recent surveys suggest that this is unlikely—growth in real gross national product may be held to less than one per cent.

Petroleum demand, on the other hand, should rise some one-and-one-half per cent in 1963. The momentum of auto sales can be expected to help motor gasoline to show a gain of two per cent or more. Specialty products such as aviation turbine fuels, liquefied petroleum gases and asphalt will do better. Burning oils, however, may not exceed 1962 levels unless they are again helped by colder-than-normal weather as they were through most of 1962. Projected petroleum demand can be met by domestic crude oil production and refinery operations five-tenths of one per cent and eight-tenths of one per cent respectively above estimated 1962 levels. If balanced inventories are to be maintained, increases in operating rates will need to be delayed until after midyear.

The petroleum industry's 1963 profit performance will depend not on volumetric growth alone but more importantly on how well the industry has learned to live with its excess capacity and a long-term growth rate lower than that of the recovery years following World War II. The adversities of recent months have focused attention on the industry's basic problems in a way which promises to bring forth some constructive approaches to their solution.

An example of this is the measures being taken by both producers and regulatory bodies to reduce producing costs and to revamp prorationing laws to make them more compatible with economic producing practices. The coming year should see significant achievements in these directions. Cost reductions will be attained through more efficient finding, drilling and producing techniques and through regulatory changes which will provide for wider spacing of wells and for the pooling of producing efforts. Prorationing will be made more equitable and more effective as reporting is improved and controls are tightened with respect to such factors as marginal wells, directional drilling and gas-oil ratios.

In refining and marketing, the responsibility for finding ways to live with surplus capacity falls squarely on the shoulders of each individual company. Competition in oil marketing must, and certainly will, continue to provide the American consumer with oil products at the lowest possible price which will assure continuing supplies. There is reason to believe, however, that the experience in 1962 has brought an awareness of the far-reaching effects of market responses to irrational price cutting.

Solution of some of the industry's problems will require a more sympathetic understanding on the part of government officials. A case in point is the disappointing experiments which were made in natural gas price regulations in 1962. None of these has been shown to be an adequate substitute for the operation of a free market. The petroleum industry, its customers and friends must press for improved gas legislation in 1963 if future production is to be developed to meet projected consumer requirements.

Recent changes in the administration of oil import restrictions also leave much to be desired. Hopefully, some of their shortcomings will be corrected, over time, by administrative interpretation. Of great concern to East Coast refiners and their customers, however, is a rising cost of petroleum raw materials as their economic access to foreign crude oil is curtailed. Under existing import regulations, the right to import foreign crude oil is being increasingly redirected away from the Seaboard refiners, who historically have been dependent on imports, into the hands of inland companies, who seldom use foreign crudes but profit from its transfer back to the coastal refiners where it is needed and used.

Problems such as severe competition and Federal regulation are not strange to the oil business. Even so, oil, natural gas and natural gas liquids now provide almost three quarters of the nation's energy requirements. As our nation grows, oil and gas will be called upon increasingly to supply energy for our transportation, heating and cooling for our homes, power for our industrial processes and new materials for a rapidly expanding complex of petrochemical products.

Atlantic has great confidence in the future of the domestic petroleum industry and will continue to increase investment in it. In producing, we will emphasize our participation in those areas which we feel offer particular promise—offshore Louisiana, Alaska and Canada. In addition, we have under way programs of workovers, recompletions, and installations to increase production from our present fields. Abroad, we are pursuing exploration opportunities in Australia, Libya and Spanish Sahara.

Atlantic's refining, marketing and transportation operations are being streamlined to operate at a high degree of competitive efficiency.

At the same time, we realize that the lower rate of petroleum growth in the United States has increased the need to develop other investment opportunities. Atlantic is currently evaluating opportunities in chemicals and other growth industries.

WILLIS A. STRAUSS

President, Northern Natural Gas Company

Certain developments in the past year have provided grounds for optimism that long-standing problems facing the gas industry may be solved or clarified during 1963.

Foremost among these was a report by the National Fuels and Energy Study group appointed by the U. S. Senate's Department of Interior and Insular Affairs. The report's forthright stand against government control of the end use of fuels was enheartening.

W. A. Strauss

Certainly, the dispatch with which the Federal Power Commission has attacked the back-log of rate, certificate and producer cases is most encouraging. Progress has been demonstrated by settlement of 50 major rate cases in 15 months and 200 producer cases in recent months.

In addition, I am hopeful that the newly formed Natural Gas Advisory Council may make substantial contributions to the equitable solution of regulatory problems.

There still remains the perplexing problem of regulation of natural gas production. Area pricing is certain to get an even more intense airing during 1963. The growing awareness that future supplies of natural gas are greatly dependent upon an equitable pricing solution increases the prospects for an answer in 1963.

During 1962 an A.G.A. Committee on Gas Requirements and Gas Supply made long strides toward finding answers concerning the industry's future growth and development. The Committee is attempting to project our nation's future gas needs and determine where the supply will come from. It is hoped this self-analysis by the industry will set up some guideposts for the industry itself as well as regulators and legislators.

Research projects will receive emphasis in 1963 on a cooperative industry-wide basis. An industry-wide pooling of talents, efforts and money can play an important role in strengthening our position. In addition, many companies wil continue to carry on their own individual research projects.

By all indications, 1963 appears to be another year of progress for the gas industry.

R. S. STEVENSON

President, Allis-Chalmers Manufacturing Co.

Looking at our major markets for 1963, we anticipate the following trends:

Electric Utilities—The generation, transmission and distribution equipment market will probably remain at about \$2.2-\$2.3 billion. Important 1963 dollar volume sales increases to this industry would probably come only as a result of price level improvement for heavy electrical apparatus. New orders for electric generating units are expected to be about the same as last year—with the trend toward bigger machines continuing. Nationwide interconnection of our country's utilities will enlarge 1963 sales of transmission and distribution equipment while holding down new turbo-generator sales.

R. S. Stevenson

Construction — Allis-Chalmers looks for heavy construction contract awards to show an increase on the order of five to nine percent. Most of the increase will be in the public sector, with largest dollar increases going for highway construction.

Agriculture—As one of the top farm equipment producers in the nation, we have a vital interest in forecasting the 1963 agricultural market. In total we expect little change in the net 1963 farm income. While uncertainties, such as weather and the effects of government programs, are major elements of this forecast, we look for a continued high-level farm income.

With farm equipment tending to be a larger percentage of total farm investment, we look for this market to continue to be one of the highlights of our total business picture.

We project gross farm income to be up slightly—mainly because of higher government payments under 1962's farm legislation. While we foresee higher farm marketing volumes, lower price levels are anticipated. Therefore, cash receipts from marketing should be about the same as 1962. Slightly increased production expenses may offset the higher gross income, but on balance 1963 should be at least equal to 1962—a high income year.

Industrial—Although American industry as a whole is probably operating at something less than 85% total capacity, competitive pressures, requiring lower cost production with less upkeep, have focused business sights on modernization. New depreciation rules, the investment tax credit plan and promises of tax cuts should help create a favorable business profit climate necessary for continued growth in this broad area. Private surveys reveal industry plans to spend three to five percent more in 1963 on new plant and equipment.

NORMAN R. SUTHERLAND

President, Pacific Gas & Electric Company

Active construction and a healthy growth of the economy are expected to continue in 1963 in the northern and central California area in which Pacific Gas & Electric Co. provides utility service. The agriculture and industry of this area are broadly diversified and provide exceptional stability. The region is expected to record satisfactory business gains over 1962, a year of substantial growth.

N. R. Sutherland

Population increase is estimated at 273,000 persons, a gain of 3.4% over last year, in the 47 counties in which the company's service territory is located. We expect to connect 63,000 new electric customers and 56,000 new gas customers to our lines, bringing the total to more than 4 million customers in all categories of service by the end of this year.

Manufacturing employment is expected to rise about 4.2% in five northern and central California metropolitan areas and retail sales of items subject to sales and use tax to rise about 5.2% above 1962 in the 47-county region. Personal income will be up an estimated 5.5% in California as a whole. The state will continue to expand its share of the nation's economy and should account for an estimated 11.2% of the national personal income during 1963.

Residential construction will continue at a high level, approximating 88,000 dwelling units in the PG&E service area. Commercial buildings, schools, and public buildings and institutions will add to the volume of construction. Investment by the manufacturing industry in new and expanded plants in the region amounts to about $300 million annually.

Pacific Gas & Electric Co. will invest an estimated $238 million during the year for construction of new gas, electric and other facilities. This estimate exceeds all previous annual capital expenditures of the company.

Included in this program are eight major electric generating projects in various stages of construction, hundreds of miles of electric and gas transmission and distribution lines, scores of electric substations and gas control facilities, and many new or modernized business offices and customer service centers.

Of more than 2 million kilowatts of electric capacity represented by the eight projects in our active schedule, nearly half a million kilowatts will come into service in the first part of the year. Anticipated new starts will make up another half million kilowatts of the total.

The company's gas system is now capable of serving demands substantially greater than the record peak day sendout of 2½ billion cubic feet which occurred in January, 1962.

PG&E, in common with the American investor-owned utility industry generally, has demonstrated its capacity to provide the facilities required for public service ahead of demand and will continue to do so.

JOHN E. SWEARINGEN
President, Standard Oil Company (Indiana)

In attempting to evaluate the outlook for the coming year, we face some problematical factors which cannot be measured at this time. Among these is the possibility of a tax cut of undetermined nature and extent. On the other hand, there is still the chance of new confrontations with Russia which might rule out tax cuts, but provide a stimulus of a different kind to some segments of the economy. In addition, a minor recession is still a possibility.


J. E. Swearingen

Nevertheless, I believe both industrial production and Gross National Product will show first half gains over the 1962 period of about 5%. Even if a recession should begin in the first half, the year as a whole should register gains over 1962, though probably on the order of 2 to 3%.

With normal weather forecast for early 1963, compared with a colder period a year ago, it is probable that first half gains in domestic oil demand will run about 2% over 1962, with a somewhat higher rate of improvement registered for the full year. Natural gas consumption should increase about 5%.

Domestic crude production may not increase as much as demand for refined products because natural gas liquids and imports will take part of the gain, but crude production should nevertheless should increase from 1 to 2%.

In regard to capital expenditures in the U. S., anticipate an increase of about 2% over the 1962 level. Both world oil demand and expenditures for investment abroad should continue about as in the recent past. Demand in the free foreign world has been increasing about 10% a year, and the needs of the expanding economies in the Common Market countries, Japan in particular, should insure continuance of this trend.

Against this background, I expect oil production, refining, and sales to be at record levels in 1963, with earnings also showing improvement over those of 1962.

E. J. THOMAS
Chairman of the Board, The Goodyear Tire & Rubber Co.

The steady addition of new drivers to the nation's traffic stream and an expected banner year for new-car sales will send tire shipments to an all-time high in 1963. Shipments of tires for all motor vehicles, aircraft and industrial equipment in '63 are forecast conservatively at 138 million units.


E. J. Thomas

Predictions of new-car sales range from about 6 million to a record-breaking 7.5 million. Using a conservative 6.5-million figure as a base, we project that new-car and replacement auto tire shipments for our industry will reach 116 million, or about a half million units more than 1962. Of this total, 80 million replacement auto tires will be required in 1963, which will set a new record.

As healthy as are domestic sales, even faster growth is being achieved in foreign markets. Auto registration outside the U. S. and Communist bloc countries has increased from 15.6 million in 1950 to an estimated 59 million currently. This total tire market is now 112 million units, and by 1970 is expected to reach 190 million units.

The American rubber industry, by moving early and fast, has established strong positions in every foreign market and will continue to do so, even though current devaluation of some foreign assets is adversely affecting rubber company profits, but the long-range outlook is most encouraging.

ZACH TOMS
President, Liggett & Myers Tobacco Co.

Total U. S. cigarette production and total domestic consumption for 1962 constitute new highs for the eighth consecutive year. Exports continue to increase. These favorable industry trends have taken place notwithstanding the continuing publicity on the possible relationship between cigarette smoking and health, a question which has yet to be resolved in the research laboratory.


Zach Toms

With us, 1962 has been a year of solid preparation for future growth by continuing to strengthen our sales department, improve our advertising and refine our marketing plans.

Our L&M Filters brand has made significant progress during the year. The public has responded to the advertising, "When a cigarette means a lot, get Lots More from L&M," and has found the product to their liking. L&M King Size has become one of the industry's growth brands. This is important, because it has improved our position in the expanding filter market, one where there is a great potential for future growth.

The advertising for CHESTERFIELD and CHESTERFIELD KING has emphasized the fine tobaccos and the good taste in these brands. We say, "CHESTERFIELD KING tastes great . . . because the tobaccos are." An extensive and successful consumer promotion, the CHESTERFIELD KING SWEEPSTAKES, has just been concluded. The CHESTERFIELD KING carton has been redesigned to emphasize "KING" and to distinguish the carton from that of CHESTERFIELD Regular.

The Company's special marketing programs have made progress during the past year. A new supermarket merchandising program has been enthusiastically received by the retail trade and should help stimulate our business through this important channel of distribution. Steps have been taken to improve distribution through vending machines. A national college program, "L&M Grand Prix 50," was launched last Fall and is receiving popular acceptance. And, there are other special programs being undertaken to help improve the company's share of business.

Our export sales continued to make an important contribution to the company's total business in 1962 and we hope to gain an even larger share of the expanding export market.

During the recent year every deparment of the company made more than the usual effort to increase the efficiency of its operations resulting in a stronger and better coordinated total organization. Management has continued to put great emphasis upon quality of product, the right kind of advertising and a strong sales organization.

Continued on page 94

Jules Haft to Form Own Firm

Jules G. Haft, member of the New York Stock Exchange, will form Jules G. Haft & Co. with offices at 26 Broadway, New York City, effective Feb. 1. Mr. Haft is a partner in Sprayregen, Haft & Co.

BestFinancialPrograms

FLUSHING, N. Y.—Best Financial Programs, Inc., is conducting a securities business from offices at 75-35 Thirty-first Avenue (c/o Imetra Co., Inc.).

J. N. Russell Adds

CLEVELAND, Ohio—Schuyler S. Haskell has become associated with J. N. Russell & Co., Inc., Union Commerce Building, members of the New York and Midwest Stock Exchanges. Mr. Haskell was previously with Fulton, Reid & Co., Inc.

With Braun, Monroe

MILWAUKEE, Wis.—Edward C. Melzer is now with Braun, Monroe & Co., 735 North Water St. He was formerly with The Marshall Co. and Thill Securities Corp.

Continued from page 93

RUPERT C. THOMPSON, JR.
Chairman, Textron Inc.

Because of its multi-industry nature, Textron often is an accurate reflector of the general trends of the economy. The forecasts of the division managers of this cross section of industry indicate that 1963 should be a favorable year for our company and for industrial firms generally. Business should be as good as in 1962 and and quite possibly better. The widely-predicted recession now does not seem to be shaping up; the sales reception given to the new automobile models is supplying the spark which should carry us solidly along into 1964, barring some unforeseen developments. The first six months' volume should be about the same as that of 1962, with a reasonable chance of an increase in the second half of the year. The Gross National Product should rise to approximately $570 billion, with company earnings ratios a trifle better.


R. C. Thompson, Jr.

It is in this latter factor that I think business generally may find its most solid optimism for 1963 and the years beyond. It appears that the profit squeeze may have been materially slowed down, if not actually arrested. Most business are working hard to improve their margins, and it would seem that wages in most industries no longer are increasing faster than productivity. A favorable factor in this connection is the rising costs of foreign producers. In certain areas the differential between overseas and U. S. wage rates is showing steady improvement.

It may be expected that most U. S. corporations will be able to end 1963 in a stronger financial position than they now are. The new depreciation rates should provide an increased volume of internally-generated cash for debt reduction, new plants or more modern equipment. This trend is already at work.

A hopeful prospect for 1963 is the possibility that we may see the first steps taken towards a broad program of federal tax reform. If this is accompanied by a halt in the rising rate of government spending, it could send business into 1964 at an improved rate of activity.

NORMAN TISHMAN
Chairman of the Board
Tishman Realty & Construction Co., Inc.

For the real estate and construction industry, 1963 will usher in a tapering-off period of construction for both luxury residential apartments and commercial office buildings in New York City.

It will be a period in which the industry will complete its construction cycle which has witnessed boom years since its inception in 1947.

The temporary oversupply during 1963 of residential buildings can be attributed to the numerous "newcomers" in the apartment house field.

Furthermore, the reported oversupply of commercial office space has been created by the industry's desire to (1) beat the dead line on the new zoning law and (2) to meet the current demand for commercial space.


Norman Tishman

During 1964 there will be a period of "digestion" of office space and by 1965 the demand will have caught up with the supply.

The next 18 months will be a period in which the available residential and commercial space will gradually become absorbed. It will afford the construction industry an opportunity to get its second wind and prepare for the new cycle which should commence in early 1965.

Tishman Realty believes that during the intervening sterile months of little high-rise apartment and skyscraper construction, the resources of the labor pool and the availability of capital equipment will be rechannelled toward construction of middle-income housing under the urban renewal program.

With the continued and accelerated effort for slum clearance, there is every indication that the urban renewal programs will represent a long term engagement with no end in the immediate future.

Architects and designers will direct their talents to accommodate the needs of middle-income housing programs.

Working capital will be readily available from insurance companies which will have ample funds to invest in mortgage money for well conceived developments.

LYNN A. TOWNSEND
President, Chrysler Corporation

Record high sales of both passenger cars and trucks in the fourth quarter of 1962 are providing a strong promise of continued prosperity for the automobile business and for the economy as a whole in 1963.

Passenger car retail sales in October and November totaled 1,386,000. This is well above the previous record for this period of 1,120,000 cars sold in October and November of 1961. There is now little doubt that U. S. new-car retail sales for 1962 will pass the 7 million mark—including about 335,000 imports.


Lynn A. Townsend

With passenger car sales reaching these heights, there has been a tendency to overlook the fact that truck sales have also been setting new records. During the same two months, October and November, 195,000 trucks were sold at retail. This is also a new sales record for the period. Truck sales for the year 1962 are expected to total 1,060,000. Previous to 1962, yearly truck sales reached the million mark only once in the past decade—in 1955—when 1,012,000 trucks were sold.

At Chrysler Corporation we have experienced sales gains in keeping with the trend of sales in the industry as a whole. In October and November the retail sales of Chrysler-built passenger cars total 160,266 units, as compared with sales of 120,851 cars in the same period of 1961. This was a gain of 33%. Sales of Dodge trucks in October and November totaled 10,695 units. This was a gain of 48% over truck sales in the same months of 1961.

To meet this demand and build adequate dealer stocks, we built 178,364 cars in October and November in our U. S. plants, and we are building another 92,486 units in December. Fourth quarter passenger car production in our U. S. plants is scheduled to reach a total of 270,850 units, to make it second only to the fourth quarter of 1955, when we built 368,720 cars.

Our fourth quarter production of trucks will reach the highest level of any fourth quarter since 1956. We are scheduled to build 21,158 trucks during the fourth quarter. This is 50% higher than the 14,413 trucks we built in the fourth quarter of 1961.

The sales surge experienced by the automobile industry in the fourth quarter of 1962 is in part the result of an enthusiastic acceptance of the 1963 models. Car buyers like the appearance of the new cars, they like the wide variety of models and equipment options which the industry has provided them—and they are enthusiastic about the stretching out of the new-car warranty periods.

This enthusiasm of car buyers for the new products and services that have been created by our highly competitive business has had a powerful influence on the recent surge in car sales—though it is not enough in itself to explain that surge. And certainly the enthusiasm of car buyers has little if anything to do with the boom in truck sales. A businessman's purchase of a truck is a capital investment. And the fact that truck sales in October and November were 16% ahead of sales in the same months of 1961 is good evidence of a widespread anticipation of continued favorable business conditions.

Among automobile men it is hard to find anything but optimism concerning the year ahead. During the early months of this model year we have seen hundreds of thousands of confident people buying motor vehicles in the expectation of continued prosperity. This solid evidence of consumer confidence, the record high levels of employment and income, and the availability of ample credit at moderate rates for the purchase of cars, all combine to give us good reason to expect another banner year for the automobile business in 1963.

In addition to these favorable factors for the automobile business, there are a number of basic conditions making for continued strong demand for motor vehicles:

(1) The base of automobile usage and ownership has been growing steadily wider. There are now approximately 62 million passenger cars in use, as compared with only 40 million in 1952, ten years ago.

(2) To maintain the country's expanding fleet of cars, replacement alone has been requiring a level of sales rapidly approaching 5 million units, and in a few years this level will be exceeded.

(3) The continued expansion of the suburbs—together with the growing preference of the public for the convenience of private transportation—is increasing the need for automobiles. And one manifestation of this increasing need is the steady growth in the number of families owning two or more cars.

(4) Continued progress in building a greatly improved nation-wide system of highways is providing a further encouragement to the use of cars and trucks.

All of the favorable factors I have mentioned make 1963 a year of promise for the automobile industry. It is also a year of promise for business generally. The high levels of employment and income, the atmosphere of strong consumer confidence, and the availability of credit at reasonable rates—all of which have been factors in the surge of automobile sales—should also provide the right conditions for growth in many other business activities.

Beyond these factors, and in some ways even more important to the prosperity of business in 1963, are certain changes that seem to be taking place in public attitudes toward private enterprise and its importance in national and international affairs. The recent rapid expansion of the economies of such countries as Japan, Mexico, and Italy has given powerful new evidence concerning the vitality of free enterprise. And the people of these countries as well as the people of the other free-enterprise countries are looking confidently toward an expansion of competitive international trade and investment as a source of increased strength and prosperity.

Here in the United States a real improvement has been evident in public understanding of the role of profits and the profit-energized free-enterprise system in creating prosperity and economic growth. One of the clearest signs of this improvement is the increasing amount of talk about the need for tax reductions that would give relief to business as well as to individuals. This talk is apparently motivated by a sincere desire to increase the amount of funds available for investment in plants and equipment as well as the funds available for consumer spending on goods and services—and as a result of such expenditures to speed up the rate of economic growth.

The moves that are being made toward federal tax reform are promising. And businessmen should do what they can to see that the moves toward tax reform are in keeping with the exercise of fiscal responsibility and that they are designed to encourage vigorous, non-inflationary growth.

The year 1963 will present the usual range of problems and challenges. But with new opportunity arising out of scientific research, with new markets opening up in many parts of the world and with the growth of a new confidence in the vitality of free enterprise, 1963 could well be a year of great achievement and a year of great new beginnings.

E. D. TULL
President, Cummins Engine Company, Inc.

Economic predictions by corporation executives have become increasingly fashionable, but this frequency does not necessarily make these predictions more accurate.

If you had asked us at Cummins on October 31 for a 1963 projection, I know it would have been different from the comments I feel I can make at this time. This changing outlook reflects rapidly moving economic and political conditions in the world and the modern phenomenon of shorter and less severe fluctuations in the business cycle. This change in itself presents unprecedented opportunities for the alert business management team to make short-term decisions within an overall plan and thus take advantage of the prevailing economic mood.


E. D. Tull

The past nine months have proven the basic good health of the U.S. economy. We have demonstrated our ability to sustain record rates of employment and production despite the fall-off in common stock prices last spring. However, there are problem areas. These include the paradox of record employment, yet disturbing pockets of unemployment; lagging capital investment and the continuing sizable deficit in our international payments account.

As far as the general economy is concerned, there are some potential soft spots in the short-run outlook:

After a very strong market in 1962, new car sales may be off a bit this year (although styling changes have been good for all companies and the auto industry may well experience a weaker downturn than predicted).

Home-building activity has recently been drifting lower, and most housing specialists foresee at least a moderate drop in starts in 1963.

Business spending for new plant and equipment will probably be curtailed in the opening months of 1963.

There will be offsetting gains in government spending and in consumer demand for soft goods and services, but the economy as a whole will probably make little or no progress through the first half of the new year. I expect a renewed pick-up later in 1963, especially if Congress goes along with Administration plans for reduction in income tax rates.

As for our own business, our experience over the years tells us that the on-highway truck industry, a major outlet for our engines, is very responsive to changes in general business conditions. Reflecting on this, we now anticipate that business for the first quarter of this year will be quite strong, possibly continuing at the current high level. We anticipate that a mild setback in industrial activity will hold down demand for heavy-duty vehicles for the second and third quarters of the year, with a strong comeback in October, November, and December.

The construction market looks more promising, in view of the continued expansion of road-building activity. Along with this segment of our business, Cummins anticipates gains in other diesel applications, especially with continued favorable acceptance of the new lines of "V" engines announced by the Company in 1962.

Given a healthy upturn in the general economy toward the end of the year, our overall expectation is that 1963 will probably be as good as, but no better than, 1962.

WALTER J. TUOHY

President, Chesapeake and Ohio Railway

The year 1962 was an encouraging one generally for the railroad industry. For the first time in history, the President of the United States sent to the Congress his own recommendations for transportation reform and improvement.


Walter J. Tuohy

From the standpoint of the railroads, President Kennedy demonstrated an unusual understanding of the vital need for a sound transportation system. His message dealt comprehensively and courageously with the underlying problems of the nation's transportation, including rate-making freedom, user charges for subsidized transport and diversification for railroads.

Moreover, in mid-year, President Kennedy was as good as his word in the establishment of a 7% investment credit for industry in setting new, realistic depreciation rates for tax purposes. These will go far in permitting many railroads to modernize plant and equipment, providing additional jobs and resulting in better service to the public. It will also give business to the railroad supply industry and provide a spur to the national economy.

If the Congress can now add enactment of a Transportation Act of 1963, based on the President's message, and if prompt approval can be given to railroad mergers and affiliations in the public interest, the transportation industry will at last be well on its way to a position of strength adequate to this nation's needs.

These developments, as stated, are encouraging. The general business picture seems to indicate for C&O and most of the other railroads, a continuance of 1962 revenues and volume during 1963. While defense spending is again scheduled to increase, most of the money goes for products that do not put much traffic on the railroads. Nevertheless, the new depreciation guidelines and the investment credit can well encourage increases in capital spending by industry with consequent increases in railroad traffic.

Should a mid-year slow-down, as some forecast, take place, it is believed the economy will be looking up again by the end of the year. Recent high activity in automobile production and sales could well continue into 1963 and trigger a general improvement in industrial momentum.

On the C&O, substantial motive power and car fleet renewal programs boosted 1962 capital spending to $50 million, greater than other recent years, and current expectation is that 1963 will probably equal or exceed 1962's figure. The new guidelines and investment credit are stimulating re-examination of projects which previously offered only marginal rates of return.

C&O earnings in 1962 rose above 1961, reflecting the generally improved business climate throughout the year. Although our expectations are that 1963 volume and revenues will about equal 1962, we would estimate that both C&O and railroad industry net income would tend to rise. Reflection in net income of the tax benefits from the new depreciation guidelines, investment credit and efficiency programs will tend to improve the overall carry-through.

For the sixth consecutive year C&O paid its 90,000 shareowners its regular $4-a-year dividend. During the year a strong financial position was improved, with year-end working capital at a record level of $55 million and cash and short-term investment totaling $76 million, second highest in Company history.

During 1962, C&O's case to acquire control of the Baltimore & Ohio Railroad as a step toward merger was concluded before the Interstate Commerce Commission. ICC Examiner John Bradford recommended approval of the control plan, stating that C&O would make "an ideal partner" for B&O and the proposal is "consistent with the public interest." Oral argument on October 23 was the last step in the case, climaxing two years and five months of application, petition and hearings since the B&O and C&O originally announced their common intention.

The landmark decision of the Interstate Commerce Commission on Dec. 31 approving B&O and C&O affiliation materially advances the cause of sound transportation, especially in the East.

All aspects of the public interest in this control by C&O of B&O as a step to merger have been carefully studied. There were 486 witnesses who testified at hearings in seven cities, 5,686 pages of testimony were analyzed and 547 exhibits were recorded. This shows the thoroughness of the Commission's consideration.

We understand the ICC states that in the long run the affiliation undoubtedly will provide more job security. It also finds that no other railroad carrier would be seriously affected by traffic diversion. It is equally significant the transaction was found to be not only consistent with, but to promote, the public interest.

Chesapeake and Ohio's resources, including financial strength, can be of great help in modernizing and increasing the earnings capacity of the Baltimore and Ohio.

This decision by the ICC is in harmony with President Kennedy's wise recommendation on railroad mergers in his transportation message to the Congress.

JOHN J. TUOHY

President, Long Island Lighting Company

Long Island Lighting Company is optimistic in its outlook for 1963 and for the years to follow. This optimism is reflected in the Company's current plans and estimates for construction of new electric and gas facilities. In the next five years LILCO expects to invest $285,000,000 in new plant and equipment, 22% more than the amount expended in the previous five years.


John J. Tuohy

The population of our service area increased from 1,000,000 persons in 1950 to over 2,200,000 in 1962, with concurrent growth in business and industry. Nassau and Suffolk Counties and the Rockaway Peninsula, LILCO's service area, experienced phenomenal, almost explosive, development in the early post war years. The growth rate, still strong but less spectacular, has steadied in recent years. During the last five years LILCO connected an average of 22,400 new customers annually, including about 2,900 commercial and industrial firms. The amount of electricity required by customers in our service area increased from 3.5 to 5.4 billion kilowatt hours, and the amount of gas required rose from 11.8 billion cubic feet to 25.7 billion cubic feet in this period. Present estimates indicate that growth in the next five years will raise our requirements two billion kilowatt hours and 10 billion cubic feet by the end of 1967.

To meet its requirements, LILCO has placed six major generating units into service since 1950 raising our electric capability to over 3½ times the total available at the start of the period. A new 189,000 kilowatt electric generating unit is scheduled for completion in 1963 and another, even larger unit, is presently planned for operation in 1966. Units such as these take from four to six years to plan and construct. The determination of location, design and building of these plants becomes more complex each year because of population increases, the need for greater machine efficiency, and the growing sophistication of related control, transmission and distribution facilities. Therefore, our planning is necessarily long range.

Together with other utilities and industry connected businesses we are studying nuclear fuel as an alternative to conventional fuels. LILCO and six other leading New York State electric utilities, in an organization known as the Empire State Atomic Development Associates (ESADA), are studying several new concepts which are expected to produce power using nuclear fuels at costs competitive with or lower than conventional methods.

The rising costs of doing business continually urge us to explore all areas of economy. One measure of success in this endeavor is indicated by the fact that LILCO has about the same number of employees now as it did ten years ago although sales have more than tripled in the period. Another important consideration is that of adding our voice and activities to the job of holding down taxes. Taxes generally represent almost one quarter of each utility revenue dollar. We continually stress to our people, to our customers, and to our local, state and national legislatures that an unrealistic tax program tends to discourage industry and individual initiative.

Of interest is the fact that since 1940 the cost of living has more than doubled but the cost of a kilowatt hour of electricity to LILCO's residential customers has declined 39%.

Our share owners have benefited from earnings per share which have increased for ten successive years and from dividends which have increased eight times in the last eleven years. We fully expect that the growth anticipated for our service area will bring continued improvement in earnings and higher dividends.

L. P. TURCOTTE

President, Puget Sound Pulp & Timber Co.

1962 provided a new production record in the pulp and paper industry both in the domestic industry as well as world-wide.

With continued rise in the standards of living world-wide, 1963 is expected to show continued growth as to consumption of pulp-paper and other fiber products.


L. P. Turcotte

Capacity in many pulp and paper products is in excess of present consumption and this is true of a number of other products.

Domestically the industry cannot expect any spectacular rise in demand for fiber products due to our already high standards of living, but population increases, plus developments of new products should stimulate a continuing conservative increase in consumption.

Indications are that a leveling off is taking place in the United Kingdom and continental Europe markets.

These will be steadily growing markets but not on the boom levels of the past few years.

Conversely substantial increases in consumption in the under-developed countries should take place as their standards of living show increased betterment. Even a small per capita consumption in these countries develops substantial consumption figures.

Due to over-capacity in many segments of the pulp and paper industry, the profit return to the industry has not performed as it should, considering the high degree of investment required for increased capacity. Additional sales should produce additional profits but this has not been the case in too many instances. The industry is becoming more aware of this inconsistency and is concentrating on making these additional sales return a profit.

Pulp and paper is a continuously growing industry and with ingenuity should be among the leaders in the general economy of the country.

BASIL S. TURNER

President, CTS Corp.

CTS Corp. completed the best year in its 64-year history as an electronics components producer in 1962 and the bullish situation in the electronics industry makes 1963 look like another record year both for our company and the industry.


Basil S. Turner

Although CTS sells only to other manufacturers, the ultimate consumers — the man on the street, the government, industrial firms—make the electronics business stronger than ever at this time. As the demands of these consuming publics increase, the technological improvements of the industry and CTS have raced to keep research and developments one step ahead.

Interestingly, CTS' anticipated record years of 1962 and 1963 closely reflect the anticipated industry increases in these years, although we are benefiting disproportionately from the upsurge in the color TV and stereo FM markets. This is because our primary product, the variable resistor, is used in larger quantities in these products than in their more conventional forerunners.

In fact, the continuing trends toward more automation and miniaturization are the remaining explanations for the industry sales increase of about $1 billion in 1962 and the anticipated increase of roughly $2 billion in 1963.

Government contracts alone will account for about $1.4 billion of the expected increase this year, while consumer sales will likely increase $200 million, industrial sales $300 million and replacement parts sales $100 million.

CTS is riding the crest of this trend. Our business is tending to become more equally distributed between consumer, military, industrial and replacement segments of the electronics industries.

All areas of our business should show increased sales in 1963. We expect to raise our sales to the $30 to $32 million level from our anticipated record level of about $28 million in 1962. Earnings, too, are expected to increase, from about $1.45 per share in 1962 to about $1.60 per share in 1963.

To sum up, the theme of the electronics industry in 1963 will be much as it was in 1962—greater emphasis being given to the research and development of newer, more reliable and more sophisticated electronic components to meet an ever increasing complex of requirements, the bulk of this stimulated by defense and space probe projects.

Continued on page 96

Continued from page 95

GEORGE R. VILA

President, United States Rubber Company

Rubber industry sales reached the record level of $6.6 billion during 1962 and give promise of equalling or surpassing this volume in 1963. Higher sales this year, however, will be contingent upon the volume of original equipment tires produced for Detroit's booming automotive industry. Tire price improvement is needed to establish better profit margins.

George R. Vila

Approximately 138 million tires of all types were sold by the industry 1962 and sales in 1963 should be close to this figure.

Replacement passenger car tire tire sales are expected to set another new record of more than 80 million units compared with 77.5 million units in 1962. Original equipment sales should exceed 33.5 million units and could be higher. They totaled 37 million units in 1962.

Sales of truck and bus tires for replacement use should total 9.8 million units this year compared with 10.3 million units sold in 1962.

Sales of rubber-soled canvas leisure time footwear reached record highs in 1962 and another new high is expected this year. Principal factors behind the rising sales of sport footwear are the additional leisure time enjoyed by Americans, a trend toward more casual dress and the increased population.

Sales of waterproof footwear are rising due to the enormous popularity of the new high fashion boots for women. This reverses a traditional downward trend caused by the higher percentage of people living in southern climates and the fact that people do not walk as much as in the past.

Sales of industrial rubber products such as conveyor and power transmission belting and industrial hose should rise slightly following closely the rate of industrial activity and capital spending.

Total rubber consumption, both natural and synthetic, reached an all-time high of 1,690,000 long tons in 1962. This year should bring a slight decline to approximately 1,640,000 long tons. Of this total, approximately 74.5% will be synthetic and 25.5% natural rubber.

Consumption of the newer stereo regular rubbers, such as polybutadiene, polyisoprene, and the ethylene-propylene varieties, are expected to rise sharply from 64,000 long tons in 1962 to more than 125,000 long tons in 1963.

WILLARD WADE

President, California Interstate Telephone Company

We are startled to find that we are doubling in size each four years. Our telephone plant was $8 million in 1954, $16 million in 1958, and $32 million in 1962. We have reason to believe it will double again to $64 million in 1966 and are planning accordingly.

Willard Wade

This year is our 50th anniversary. The doubling process means that we will have to accomplish as much in four years as we have done in the past 50 years.

A great deal of effort is given to the new subscriber services such as TWX mechanization, subscriber ticketing of toll calls, data and facsimile transmission inward dial to PABX's, and hotel-motel room service dialing.

ROBERT F. WARNER

President, Robert F. Warner, Inc.

The outlook for 1963, from where we sit, looks very good —principally for those resort hotels that have kept their properties up and have convention facilities. Also, travel abroad, not only to Europe, but in the Pacific area to Hong Kong and Japan, in particular, we believe will show a decided upturn.

Robert F. Warner

The commercial hotels, that we are associated with in the larger cities of the United States, are concerned with the over-building of new hotel facilities and motor inns, and are continuing to be built in many cities throughout the country —in spite of the trend of lower occupancy in existing hotels. Therefore, the economic forecast for our hotels, located in the major cities, is on a selective basis and will depend on the management of the individual properties. In other words, we forecast a drop-off in business in commercial hotels, but on a selective basis there will be an increase—but it depends entirely on the individual hotels involved. In addition to over-building in the domestic hotel field, another big question mark will be the effect that the new regulations—having to do with travel and entertainment expense, will have on business travel and conventions.

THOMAS J. WATSON, JR.

Chairman of the Board
International Business Machines Corporation

The past year has seen some encouraging economic developments. New peaks of output have been attained. Consumer income is at a record level and so is consumer spending. Some progress has been made in coping with our balance of payments difficulties.

T. J. Watson, Jr.

On the other hand, the economy is still behaving sluggishly and our international payments are still out of balance. In addition, our unemployment problem remains acute despite a reduction in the number of those who have been unemployed for a long period of time.

On the whole, I believe there are good grounds for some confidence as we look ahead into 1963. We have not built up excesses of inventories and capital equipment of the sort that has led to economic difficulties in the past. We have emerged from the Cuban crisis with renewed confidence in our abilities and our future. I believe this new spirit will be reflected in our expanding economy as we move through the year ahead.

The prospects within the data processing industry and my own company have in the past years run somewhat higher than the average for the national economy, and I anticipate this trend will continue in the coming year. As customers seek new and better ways to cope with their information handling requirements, their investment in computers and other data processing systems should also increase. This should make for sound growth for the industry in 1963.

MAX E. WETTSTEIN

President and General Manager
Florida Telephone Corporation

The great majority of businessmen believe that a tax reduction and an overhauling of our present tax structure is essential to a real upsurge in business. At the same time, most of us are of the opinion that tax reduction without a reasonable reduction in government spending can lead to further inflation and economic troubles. For this reason there are very few who are in favor of tax reduction and a continuation of large yearly deficits through an ever increasing spiral of government spending. Balanced budgets and surpluses are essential if we are to avoid economic chaos in the future. Most of us, therefore, are greatly concerned about the Administration's proposals to reduce taxes and to be accompanied by greatly increased government spending.

Max E. Wettstein

Tax reduction accompanied with an ever increasing spiral of government spending will of course provide a temporary stimulus to the economy and cause an upsurge in purchasing power. It will, however, at the same time cause an inevitable increase in wages and prices and a further decline in the value of the dollar. The temporary gains, therefore, will in time be wiped out under the two-fold policy as proposed by the present Administration.

Proponents of the two-fold policy argue that the great upsurge in economic activity and purchasing power will greatly increase tax revenues to the extent of wiping out government deficits and creating surpluses—therefore it is sound. Most of us are in agreement with respect to the increased economic stimulation which tax reduction and the overhauling of our basic tax structure will bring about. We also believe that this stimulation will in time produce sufficient additional tax revenues necessary to avoid government deficits. We are not in agreement, however, with a policy of greatly increased government spending as we do not see how there could be sufficient increase in tax revenue from this stimulation to offset the greatly increased expenditures. Continuing deficits and a continuing increase in debt limitations would inevitably be the result.

The course of business in 1963 and the balance of the sixties will revolve around government policies in the areas I have mentioned. We who are in the regulated field of communications are as much concerned about these matters as those in non-regulated enterprises. It is therefore difficult for us to forecast what the 1963 outlook for our respective companies will be in face of the proposals now being drafted by the Administration.

MAYNARD C. WHEELER

President, Commercial Solvents Corporation

The price-profit squeeze and over-production in the chemical industry that made 1962 a stiffly competitive year can be expected to be an even tougher problem in 1963. The growing strength of chemical companies in the European Common Market and in other parts of the world adds to the competitive challenge.

Maynard C. Wheeler

At Commercial Solvents Corporation, we believe the best ways to meet this challenge are: (1) All-out emphasis on creative innovation in the search for new and improved products, processes and customer services; and (2) Management leadership in bringing the Company's full productivity to bear on achieving precise goals, including a fair profit.

A major objective of our Company has been to apply these principles in developing new areas of business which we can serve effectively. As an example, through innovation and heightened productivity, sales and earnings records were established in Northwest Nitro-Chemicals Ltd., a Canadian fertilizer manufacturer of which CSC assumed majority ownership in January 1962. With a good fertilizer year forecast in the Canadian provinces and adjacent areas in the United States, we visualize a continued growth of that company's operations.

In the year ahead, the people of the chemical industry must do everything possible to maintain and expand the U. S. system of business with proven products that truly fulfill human needs. Productivity and innovation, enthusiastically applied under sound and determined leadership, are the only ways to achieve new growth and a better return for stockholder-owners.

W. K. WHITEFORD

Chairman of the Board, Gulf Oil Corporation

The overall outlook for the U. S. petroleum industry for 1963 and on into the future is one of guarded optimism. Spectacular gains hardly can be expected in sales volumes, prices and profits, but there will be modest gains in sales for not only 1963 but continuing on into the future. At the same time, some improvement in prices is in prospect.

W. K. Whiteford

Our estimates call for an increase of approximately 2% in the total petroleum demand in 1963 over 1962. This would place the total demand at about 10,500,000 barrels per day as against the estimate of 10,300,000 barrels in 1962. It must be remembered that the 1962 increase over 1961 of approximately 3.7% was greater than most anticipated.

The largest increases in demand will occur in gasoline, and kerosene and commercial jet fuel. We estimate that gasoline demand will rise by 2.8% to average 4,460,000 barrels per day in 1963. This is short of the increase of 7% in kerosene and commercial jet fuel, where the volume is much smaller. Estimated consumption of the latter in 1963 is 460,000 barrels per day.

There will be little change in the consumption of distillate and residual fuel oils, and other products.

Continued growth is forecast for the petrochemical producing and consuming industries. As for supply to fill the 1963 requirements, we foresee little change from the 1962 productive rate of crude and natural gas liquids.

We also feel that transportation facilities, both pipeline and marine, will be adequate to move petroleum requirements for all foreseeable needs.

Indications are that the 1963 daily average for refinery runs in the United States will approximate 8,550,000 barrels.

While average crude oil prices have declined since the post World War II peak of $3.09 per barrel in 1957, I expect they will remain relatively stable in 1963.

The drilling rate in 1963 is likely to remain at approximately the 1962 level of around 46,000 wells. We need to drill more exploratory wells and fewer development wells. By this means, we can continue to add to our proved reserves while eliminating, to some extent, unnecessary drilling.

While the industry, generally, is expected to continue its drilling program at approximately the same rate as in 1962, Gulf plans an accelerated exploratory program in 1963 in the U. S. and the remaining free world. It has scheduled record capital expenditures of $125,000,000 on exploration, which exceeds the previous all-time high of $117,764,000 in 1957. Last year's capital expenditures on exploration approximated $115,000,000.

Total capital expenditures for 1963 are scheduled at $500,000,000, less than the $650,000,000 of 1962, but in excess of the average of recent years. Offshore lease sales were primarily responsible for lifting the 1962 spending rate to its high level, second only to the $664,217,000 of 1957.

Turning to the legislative scene, Federal regulation of natural gas at the wellhead and the continued threat against percentage depletion are two of the most pressing problems confronting the industry.

The area pricing plan was offered as a solution for the admittedly hopeless difficulties which had developed in the Federal Power Commission's efforts to set just and reasonable wellhead prices for natural gas. However, the attempts to make the area pricing plan work have encountered difficulties and inequities just as impossible of solution as those of the original cost-of-service method.

The only reasonable and permanent solution is to remove the wellhead price of gas from Federal controls and let the intense natural competition that exists, both at the wellhead and at the consumer level, regulate natural gas prices.

While we anticipate that the threat of a reduction in percentage depletion probably will be greater in 1963 than it has been for a long time, I am of the opinion that common sense again will prevail, as it has in the past, and the rate will not be changed.

S. D. WHITEMAN

Chairman of the Board
Kansas-Nebraska Natural Gas Co., Inc.

Personally I am optimistic about the business outlook for 1963, both generally and with respect to our particular industry. And even though I feel there will be sustained economy growth, I am also of the opinion that this growth could be accelerated and the economic climate greatly improved if the proper incentives are provided.

S. D. Whiteman

When I speak of such incentives I refer particularly to the area of taxes. Tax reform, in my opinion, is long overdue. This applies to taxes which affect the individual citizen as well as those which apply to our business corporations.

I believe the Herlong-Baker bills, bi-partisan in nature and already presented in Congress, should be supported. This particular legislation calls for a step-by-step cutback in all income tax rates, personal and corporate, over a five year period. This measure, if enacted, would I am sure free a great amount of money for added consumer purchases, and for plant expansion by industry as well as the development of new products through added research. Such moves would tend to put more people to work and in the final analysis result in the payment of MORE TAXES to the government.

Tax rate reform, then, through the Herlong-Baker bi-partisan bills would mean faster economic growth for our country and hence more and better jobs, higher living standards and greater national security.

I must however insert a note here concerning Federal expenditures, because I cannot recommend any tax cut unless it is accompanied by a reduction in spending by our Federal government and hence a lessening of our national debt. I cannot endorse extreme and prolonged deficit financing; we cannot conduct our own business that way and I do not like to think of the continued, spiraling debt which we will be passing on to our children and our grandchildren if we continue our present Federal fiscal policies.

In our particular industry we are on the theshold of new and exciting discoveries. The gas turbine is already a reality and giant business complexes throughout the country are now generating all their electricity by means of natural gas. The fuel cell is beyond the experimental stages, and this too will provide for the generation of electricity by means of natural gas.

In the Great Plains area of this country which we serve, natural gas is at home on the farm and in the city. In the rural areas it provides the fuel for the dehydration of alfalfa, for pumping irrigation water from underground, for heating the brooding houses, for the drying of grain and for all the domestic needs of the farm householder and the housewife. In the urban regions, it continues to provide fuel for more and more house heating, for year round air conditioning, for clothes drying, for dishwashing, for the heating of water and for the soft, romantic glow of the nostalgic gas light.

I see great things ahead for the natural gas industry and for our own company as a part of that industry. I see a great future for our country too, particularly if we give heed to needed tax reform and curtailed Federal expenditures to provide the incentive we need under our free enterprise system for increased individual initiative.

JOSEPH C. WILSON

President, Xerox Corporation

The office equipment industry should continue to enjoy the prosperity of the past years and 1963 will, I believe, go down as another profitable year of growth and achievement for our industry. The tremendous increase in numbers of office workers and their rapidly acquired dependence on the many new products which are being introduced in the office equipment field assure a continuation of this growth during the foreseeable future.

Joseph C. Wilson

Since so many of these new ideas coming to the marketplace are designed to cut costs and to make business operations more efficient and rapid, it is more evident than ever before that to a large extent our industry is one which is somewhat depression proof. The much publicized profit squeeze is also a factor which must be considered because of the resulting interest in new systems and methods for reducing waste and inefficiency. The office equipment industry has led the way in this effort and has become one in which cost savings and increased efficiency of operations are primary selling points.

The need for innovation is one which has been voiced in many circles during the past years. Many of the most impressive innovations of the past 10 to 20 years have come from companies in the office equipment industry and I think it is fair to assume that a great many more will result from the large research and development expenditures being made annually by corporations in our industry.

In both peacetime and wartime economies, data and information whether in printed form or on magnetic tape or on punch cards or in whatever form it may be is the nervous system of all operations. These are the elements with which companies in the office equipment industry are working and to this extent our outlook would not be materially affected by an intensification of the cold war barring, of course, an all out nuclear war in which case it is impossible for any of us to comprehend what the results may be.

The important role played by the government in all business affairs has been vividly demonstrated by the recent change in depreciation schedules and with the talk of tax reform for 1963. Both of these items are matters which are of great interest to all industry and we in the office equipment field hope to benefit as we think all American industry will benefit from these revised laws.

Foreign markets are ones which have become increasingly important to American office equipment firms and most of the leaders are deeply involved in overseas operations. The increasing vitality of the Common Market countries plus the opening up of the older continents of the world to modern business procedures will serve as an opportunity for growth for many years to come. This is an area of tremendous challenge and opportunity in which American know-how and ingenuity is leading the way, although many foreign firms are developing very rapidly and proving to be formidable competition.

All in all, we approach 1963 with a great deal of confidence, fully aware of the dynamic economy in which we are moving and the many pit-falls which await the unwary. However, the remarkable growth and strength we have exhibited since the end of World War II will continue and our industry will maintain its record for providing business firms with the necessary tools and techniques for successfully meeting the growing complexity of their day to day tasks.

E. PAUL WILLIAMS

President, Second National Bank, Ashland, Ky.

To look at 1963 and what it may bring requires consideration of what happened in Ashland and Eastern Kentucky during the year 1962.

The consumer in Ashland and vicinity had more to spend this year than last and has saved more. Although there has been spotty unemployment it has not caused undue difficulty in the economy. During the year the consumers shifted their tastes in purchases. They spent more for automobiles and large appliances in the earlier part of 1962 than they did for services. Recently emphasis has shifted again to clothing and family necessities.

E. Paul Williams

Retail sales have likewise shown a slight increase over the previous reporting period. A report recently released covering a 12 month period which ended June 30, 1962, shows gross sales of $58,415,000 as compared to $57,270,000 the year before. Inventories are reported to have been in balance during the year. Christmas sales among the merchants are reported to be running much higher than last year. Sales volume surpassed the total of 1961 on Dec. 1.

Principal industrial expansion in this area is at our largest employer and plant of Armco Steel Corporation, Ashland Division, which is proceeding at a rapid rate. Construction is under way of a multi-million L-D Processing Plant and there are other improvements that are expected to be completed in the fall of 1963. During 1962 unemployment and production has been down. It is anticipated that production will show improvement in 1963 over 1962 and employment in the industry will increase slightly. A new plant is now under way for production to begin in the fall of 1963. 1962 witnessed dedication of a new steam generating electric plant costing $39,000,000. New industries coming into our area can expect an ample supply of electricity at competitive rates. All other raw materials are available.

To the south of us in the coal fields there has been considerable unrest. 1962 was not a good year for the coal industry. However, 1963 will show a decided improvement in production by reason of increased demand which will have a marked effect on the economy. The present problem in this industry is labor unrest arising over contributions to the miners' welfare fund. Labor peace is hoped for shortly after the beginning of 1963.

The petroleum and chemical industries locally have had good recent quarterly earnings. 1963 should find the industry gaining in production and sales. Earnings for the first half of 1963 are expected to be higher than in the same period of 1962.

Interest rates for the first part of 1963 for the area will change little from the present levels. However, if the government gives a tax cut this may change the pattern.

In conclusion, Ashland and vicinity will have modest gains in 1963. Individual incomes will be a little higher and if nothing occurs nationally to cause a change in the consumer trend, it can be expected that their earnings will be greater with retail sales showing an advance over 1962. Industrially, we are expecting slight gains in production and sales. The Ashland area seems to be in a position to expect in most instances a continued period of improvement exceeding 1962 gains.

KENDRICK R. WILSON, JR.

Chairman, Avco Corporation

In view of continued government emphasis in the areas of space exploration and defense, and the outlook for the economy in general, Avco anticipates another favorable year in 1963, but one in which gains will have to be made in an ever more competitive climate.

K. R. Wilson, Jr.

The successful flights of Projects Mercury and Mariner II proved the nation's space capabilities, and provided the basis for moving forward to more ambitious goals, such as Project Apollo. The recent Cuban crisis emphasized the need to maintain a constant high state of readiness in two areas — the nation's nuclear deterrent capability, and its mobile striking forces on land, sea and air.

Avco's 1962 earnings were the highest in its history. Although government business increased to 70% of total sales, more than half of corporate profits continued to come from consumer-oriented goods and services. A company wide program of cost consciousness in both government and civilian operations has been an important factor in improved earnings. Achievement of an outstanding research and development capability has contributed importantly to the improved operating results of the past five years. In 1962, research and development work, principally under government contracts, accounted for approximately one-fifth of the company's sales volume.

Avco's basic commitment in 1956 to increased research and development and refinement of production methods and system concepts has continued to yield results of great present and future importance. The company now participates in 30 separate missile and space projects. Of major interest during 1962, was the receipt of a contract for the design and construction of the thermal protection system for Project Apollo. This heat shield will enable the three astronauts and their capsule to safely re-enter the earth's atmosphere.

Avco's principal commercial businesses had highly satisfactory results in 1962. Sales and earnings of specialized farm equipment were the highest in ten years, and the acquisition of a firm engaged in the growing area of farmstead automation consolidated the company's position as leaders in the field. Avco's radio and television business, Crosley Broadcasting Corporation, had the best operating results in its history. The Lycoming Division continued to produce reciprocating engines for more different types of aircraft than any other manufacturer, and to make more gas turbine engines for aircraft than anyone else in the United States.

Characteristic of the commercial and industrial im-

Continued on page 98

Continued from page 97

plications of research performed under government contract, is the magnetohydrodynamic generator. The MHD project supported in part by eleven private utility companies, is an outgrowth of Avco's solution of the problem of nose cone re-entry for the Air Force. During 1962 the Avco MHD experimental generator achieved an output of 1,480,000 watts, compared to 10,000 watts three years ago when the project was first announced.

Physical requirements for constructing larger working models of the generator have led the company into another promising area, superconducting magnets. During the year the company received a contract for the building of a 50,000 gauss magnet for Argonne National Laboratory.

Thus, while making substantial contributions to the nation's defense and space programs, the company is developing its future civilian and commercial business.

A substantial backlog of government business, an increase in our research and production capabilities and increased consumer and federal outlays during 1963, constitute, in total, the basis for Avco's prospective further progress this year.

ELMER L. WINTER

President, Manpower, Inc.

Among the various segments of the fast-growing service industry, **Business Services** enjoy the most rapid growth rate—10.7% compounded annually—a trend that will continue unabated throughout 1963.

Elmer L. Winter

Manpower, Inc., the world's largest temporary-help business service, ended the year 1962 with 289 offices in 13 countries. The most recently-opened office was that in Melbourne, Australia—fourth continent to have Manpower offices.

Using the temporary-help business as an example, we estimate that it will sell around $50,000,000 more in services during 1963 than it did in 1962, which means rising from $175,000,000 to $225,000,000. In the case of Manpower, Inc., this will call for an increase from $50,000,000 in 1962 to at least $55,000,000—possibly more—in 1963.

Expressing this in terms of man-hours, there will be a jump from 87,000,000 man-hours in 1962 to 112,000,000 in 1963. This will mean a great deal in alleviating unemployment not only by directly employing breadwinners, but also helping tide families over when the breadwinner is out of a job by giving his spouse temporary work.

Although Manpower will expand in depth within the United States and Canada during 1963, it will also expand in breadth—with some 50 new offices planned for Europe alone by 1967, in addition to 19 we already have there. This spring I will travel to South America, with a view to opening offices on that continent for the first time. Prospective franchises are now being sought for key cities.

The growth of temporary-help, like the growth of business services in general, is due to the growing realization by businessmen that many of their problems are best entrusted to those who specialize in certain skills. These specialists can do a better job at lower cost than one can do for himself, because they provide the advantages of a large volume of services calling for a concentrated skill.

In the case of temporary-help, this unique form of service helps businessmen maintain their work-force at a level lower than is needed for peak operation, since temporary workers can be called in to handle the peaks. The same principle also applies—in reverse—to valleys; that is, sudden dips in the work-force due to sickness, vacations, etc., need not cripple production if temporary employees are called in.

To combat shrinking profit margins—already slim—it is vital that businessmen utilize the newer methods for controlling and stabilizing the level of one of their major cost-factors—people—by tailoring the work-force to the work-load. In one year, a major Cleveland manufacturer saved $100,000 on the cost of taking inventory by sub-contracting the job to us instead of shutting down the plant for one week and using its own employees at premium rates.

In 1963 it will continue to be difficult for industry to find qualified workers, since skill requirements are rising as automation makes further inroads into our labor force. The future belongs to the trained person. We must re-train workers displaced by automation, improve and enlarge our educational facilities to train people up to the newer skills, and encourage youth to remain in school to get full training. Businessmen should take an active role in meeting these problems and not leave them entirely to the government.

CHARLES WOHLSTETTER

Chairman of the Board, IMC Magnetics Corp.

Some exciting things are happening in the electronics industry.

Magnetism and air pressure are being combined in an air bearing motor, known also as a gas bearing motor, that will perform in a manner that until very recently was only a theoretical possibility.

Charles Wohlstetter

We estimate the present market for gas bearing motors at up to $2,000,000. By 1967 this should go to $10,000,000 and by 1970 may well be about $20,000,000. What makes this possible is the great reliability and the virtually unlimited life characteristics of gas-bearing components, which operate on a thin cushion of air and therefore practically without destructive friction.

IMC has expended large sums in research and special tooling to produce the air bearing motor that we expect will account for a large part of our volume in the future.

One of the big advantages of the air bearing motor field is that this is an almost entirely commercial field, with sales to the government a tiny fraction. Further, these motors can be made and stockpiled, so that sales will be on an off-the-shelf basis.

The gas bearing motor involves a principle that all but eliminates the destructive force of friction by resting the shaft of the motor on bearings that are lubricated by gas rather than by a film of one type or another of petroleum derivative. The gas may be air, helium, steam, freon, carbon dioxide and so forth. The motor never needs oiling and it works just as well at extremely high or low temperatures—conditions that would normally cause an oil lubricant to burn away or to become viscous and perhaps freeze.

With no ball bearings subject to corrosion the motor has an extremely long life. It can run 24 hours a day for weeks at a time without heating. Such operation is standard in a submarine, where blowers equipped with these special motors are essential to keep electronic equipment operating. In a missile or a computer a small blower with air bearings can run at high speeds and deliver a volume of air an oil-lubricated motor of its size could not produce without reliability problems.

Another new type of product that is building a place for itself is the step-servo motor and associated systems.

The current market for step-servo systems is about $3,000,000. This type of system is being used more and more widely to replace conventional analog servo systems. One advantage of the step-servo system is that it eliminates the feedback circuits that the conventional method requires thereby providing the user with savings in space, weight and money. It also is not affected in operation by varying environmental conditions and therefore is able to supply greatly increased reliability.

Step-servo systems are employed in such sophisticated adventurers in the skies as Polaris and Gemini. They are able to supply the tremendously high-speed response that is required by the most advanced computers in use today, and as even bigger and faster computers are designed more step-servo systems will be required to make them practical realities.

The potential is great for the air bearing motor and the step-servo. The range of applications is limitless, from the space probe and the missiles and the hardware of the computers to the latest model of the household refrigerator still on the drawing boards.

The air bearing motor and the step-servo systems are by no means all that IMC makes. Our catalogue contains close to 700 other types of motors, some no bigger than a little finger and weighing less than an ounce. They are used in computers, missiles, aircraft, television cameras, tape recorders and similar specialized installations.

IMC also is the largest manufacturer in the country of aircraft-type solenoids. These are the electrical "triggers" that are used in hundreds of military and commercial applications. We sell them in large quantities to such customers as Radio Corporation of America, General Electric, International Business Machines, General Dynamics and Raytheon Manufacturing.

In addition to the air bearing motor, the step-servo and the solenoids, IMC produces many other special types of electronic components, including synchros and resolvers. The synchro translates a mechanical action, such as a change of angle in a wing flap, into electrical impulses than can be read by a pilot or engineer in degrees on a linked synchro in the cockpit.

The military requirements for synchros and servo devices alone, not including step-servos, is estimated at 670,000 units in 1963 and 830,000 units in 1966.

HARLESTON R. WOOD

President and Chairman of the Board
Alan Wood Steel Company

Increased labor costs together with price cuts tightened the profit-squeeze on the nation's steel companies in 1962 as the industry ended its fifth year at a low operating rate, with production of only 98 milllon tons of ingots. This compares with the industry high of 117 million tons produced in 1955.

Harleston R. Wood

During the five year period, the industry's profit position has deteriorated considerably. The last increase in prices for basic steel came in 1958 whereas employment costs have increased each year. For example, annual employment costs at Alan Wood have risen by approximately $3.5 million since that year.

Furthermore, within the past six months, the competitive situation has forced decreases in the prices of several Alan Wood products. These reductions amount to a total annual loss of income of some three-quarters of a million dollars. These figures are based on the current low operating rate. The higher the level of operations, the larger these figures will be.

The combined effect of the increase in employment costs and the decrease in prices since 1958 thus amounts to $4.25 million annually. We have been able to lower our costs substantially through curtailment of manpower, and we have achieved further savings through improved productivity, reduced costs of purchased materials and services, and reduction or elimination of various miscellaneous expenses. It is impossible, however, to completely offset $4.25 million by such reductions.

There has been a moderate improvement in the steel industry's operating rate during the past few months and we expect this to continue in the first few months of 1963. As was the case at this time last year, there are signs of a steel inventory build-up in anticipation of the re-opening of the industry's labor contract in the middle of 1963. However, the availability of foreign steel in the American market at prices below domestic steel and more than ample domestic capacity make it unlikely that any build-up in early '63 will be as extensive as it was in the first quarter of 1962.

The inventory build-up in early '62 and the consequent low level of activity later in the year, were factors that made the year a difficult one for Alan Wood. Other factors that contributed to the unprofitable results were the cost-price squeeze and the continuing problems involved in getting our new mill facilities into efficient operation.

There are a number of aspects of our current situation—both in production and sales—which lead us to believe that results in the next few months will show substantial improvement. The most encouraging sign is the fact that, to date, more than half of the sales of products from our new plate mill are in sizes and grades of steel which we were not able to make previously. Further, while all of the break-in problems of the new mill have not been solved, product quality continues to improve over the quality of plates we were able to produce on our previous mill, and operating costs in the new mill are improving.

In another area of Alan Wood activity, our subsidiary, Penco Products Inc., which manufactures steel cabinets, lockers and shelving, had the best year in its history in 1962. Presently, its facilities are being expanded to permit production of a line of steel work benches and related shop equipment. We look forward to continuation of the upward trend in sales and profits for Penco.

Admittedly, the nation's steel industry is faced with serious problems which have been building up, in some cases for many years. We were aware of these problems when we inaugurated our $36 million mondernization program in early 1960. When this major program was started, we were sure it would provide answers to many of our own problems. We are now even more certain that it will. This is one of the two reasons why we face the future with sure confidence.

The other reason is the fact that the American steel industry is now—and has been for many years in the past—the most efficient producer in the world. It pays the highest wages in the world and produces the world's highest quality steels in quantities that are more than ample to meet demand at present and in the immediate future.

Granted a reasonable atmosphere of Government and public understanding, we believe the industry will continue to prove its ability to operate on a basis that meets all the nation's steel needs and at the same time earn profits commensurate with the risks involved—profits which are the sole means of continued growth and technical development.

J. D. WRIGHT

Chairman of the Board and Chief Executive Officer, Thompson Ramo Wooldridge, Inc.

TRW expects another moderate rise in sales volume in 1963 with a continuing uptrend in earnings.

Preliminary estimates indicate that sales in 1962 exceeded $460 million, a new historical peak, and that net income reached the highest level since our record earnings year 1956. For the markets in which we operate as researchers, developers and producers of precision parts and systems—the missile, space, electronic, aircraft, ordnance and automotive fields—we anticipate another good year in 1963.

J. D. Wright

National defense is the largest single enterprise in the U. S. and must now be counted along with food, clothing and shelter as one of the four necessities of life. The year 1963 will see a continuation of the rising trend of expenditures that has been evident since 1955. Despite the cooling of the Cuban threat, a step-up in the arms race seems inevitable. Every service in the Pentagon is pushing hard for increases. Spending in the fiscal year ended last June 30 is estimated at $46.8 billion. We expect fiscal 1963 to run about $48.5 billion, and fiscal 1964 to top $50 billion.

Sales for defense and to other government agencies, including NASA, represented slightly more than half of TRW's total business in 1962. Sales in the missile and space category, which is the company's second largest sales classification, rose to a new record level, as did billings in virtually all areas of our electronic operations. For the third consecutive year, sales to jet engine aircraft builders held steady, reflecting the company's deeper penetration of this still substantial market which was drastically cut back in 1958. For the first time, ordnance will be a principal source of increased sales for TRW in 1963. Production for the M-14 rifle program and related ordnance products will accelerate as the year advances. In addition, higher sales of nuclear components are scheduled.

In 1962 the auto industry enjoyed its second best production year in history, with total output amounting to some 6.93 million passenger cars and 1.25 million trucks. For 1963, industry estimates range upward from 6 million cars and more than one million trucks. If these projections become accomplished facts, it will be the first time in postwar history that the industry will have experienced two good years back to back.

Sales of original equipment to the car and heavy duty builders, and of replacement parts to the after market, made up the largest single segment of TRW's business in 1962, and established a new record for the fourth consecutive year. Billings for original equipment increased more than 25% above 1961, and exceeded the company's previous record made in 1955 which still stands as the auto industry's all-time peak production year. Following the trend of recent years, sales to the replacement trade also reached a new record level. We anticipate that TRW's automotive sales in 1963 as a whole will compare favorably with 1962. Although sales to the car builders can be expected to decline moderately, it is likely that this will be substantially offset by further improvement in our shipments to the after market and to manufacturers of off-the-road equipment, as well as by continued growth in our automotive operations overseas.

In appraising the outlook for TRW's broadly diversified markets in 1963, we are mindful that sharply divergent opinions are being voiced about the outlook for the economy. Some seem to feel that a worsening of world tensions could set off another Korean-type boom; others apparently feel that a recession, such as was generally predicted pre-Cuba, could still develop. In TRW, we have been inclined to discount these extreme views and have proceeded in our planning on the assumption that defense expenditures are certain to increase, that the American people will continue to demonstrate their desire and ability to buy automobiles and the other good things that have become essential to our way of life, and that foreign markets for our automotive and electronic products will continue to expand. We look for neither a significant upsurge nor a decline in general business, but we expect that TRW, with the economy, will record another moderate advance into new high ground in 1963.

H. A. YOARS

President, General Development Corporation

In the community building field in which General Development Corporation is engaged, we move into 1963 with every hope and indication that the new year will be one of the best in our history.

H. A. Yoars

This prediction is based partly on fact and partly on conjecture, as each prediction must, for no person can say with any great degree of accuracy just what lies ahead. Too many factors, many of them far beyond the control of American business, enter into any forecast.

Yet in numerous apperances in many areas of the nation over the past year I have seen and heard many indications of a new awakening, a new enthusiasm and a new and vigorous attitude on the part of many of our business leaders.

This attitude, buttressed by peace and supported by an ever-increasing demand for our national product by an ever-increasing population, can lead only to a prosperous 1963.

We find this true in our work of building such communities as Port Charlotte, Port Malabar, Port St. Lucie and other cities on both Florida coasts. In 1961 we built and sold almost 1,500 homes. We fully hope to reach or to surpass that mark when the final total of home sales for 1962 is reported.

Sales of homesites continue strong. Today, more than 100,000 persons have purchased our Florida land and our sales charts show a slow but ever-increasing rise.

Our hopes for the finest year of our history are based to a great extent on the success of our operations outside the boundaries of the United States. While sales continue firm throughout General Development Corporation offices and agencies across our conutry, our newly-established foreign offices in Canada, Europe, Latin-America and the Pacific area now account for almost 20% of our total volume, and that volume is growing each month.

Taking all factors into consideration—the prospects for a lasting peace, the enthusiasm for the job ahead, the present healthy attitude of confidence on all sides —I cannot help but believe that the outlook for business in 1963 is, indeed, bright.

WILLIAM H. ZIMMER

President, The Cincinnati Gas & Electric Company

The future growth of The Cincinnati Gas & Electric Co. is dependent upon the future growth of the Greater Cincinnati area. And the growth of that area should continue to be excellent.

William H. Zimmer

At the November, 1962, election, the voters of Cincinnati authorized the issuance of $16.6 million of bonds by the city. $6.6 million of the proceeds from these bonds will be used to meet the city's portion of the cost of developing the Cincinnati riverfront and the other $10 million will be used to construct a new convention and exhibition hall. A total of around $100 million of bond issues for schools, streets, sewers, and other public improvements were authorized by electorates throughout the area.

The approval of the $16.6 million bond issue will trigger the development of the Cincinnati core and riverfront areas for which $125 million of private capital already has been committed and another $100 million is expected to be attracted. The City Manager has ordered full speed ahead on all projects. In addition, a $250 million program of expressways, slum clearance, and urban renewal, which was started five years ago, is nearing completion.

All of this indicates that Cincinnati and the surrounding territory truly will be a city on the move in 1963 and following years. Its favorable location, proximity to both natural resources and markets, and the prevailing dynamic spirit will result in the continued attraction of new industries and expansion of existing industries.

The Cincinnati Gas & Electric Co. and its subsidiaries are spending for new construction at the rate of $40 million a year to assure Greater Cincinnati of a continued plentiful supply of gas and electricity in the future. Electric generating capacity of the company was increased to more than 1,500,000 kilowatts with the completion of a new 240,000 kilowatt unit at the Walter C. Beckjord Station in December, 1962. Work has been started on mining a third liquid propane storage cavern to be used for meeting peak day gas requirements. Arrangements have been made for the installation of the world's first multiple jet-engine electric generator to be used for meeting peak electric requirements.

There is every reason to believe that the Greater Cincinnati area will continue its dynamic growth through 1963 and subsequent years. The company is, and will continue to be, prepared to provide the best possible gas and electric service and will continue to grow with its service area.

Brutal Competition Faces Area Developers in 1963

Continued from page 10

instead of enticing brand new direct investors from the U. S. NSW Commissioner, Dr. Arthur Denning, puts it this way: "We have in Sydney, Australia, alone hundreds of growing companies looking for new products to make and sell. Our big job is to find U. S. manufacturers to 'marry up' with these firms through effective licensing and joint venture agreements."

(5) *A Trend Toward "Big Name" Developers:* Time was when the economic development function belonged to two largely anonymous economists in a drafty hallway at the State Capitol or a minor sub-committee of the Chamber of Commerce. Today the current notion is to upgrade development by adding as much political and business glamour as possible, to get everybody important into the act.

The movement may have started when Puerto Rico's Governor Luis Munoz Marin and later North Carolina's Luther Hodges, today U. S. Secretary of Commerce, overseered their respective bring-in-industry programs. By the end of 1963, most of the U. S. Governors will be closely identified with local economic growth, while some states, like New Jersey, will continue to ring in top private industry executives as hard-working, but unpaid "Industrial Ambassadors."

Indication of the heightened status of economic development: directly after his Caribbean country's independence, Trinidad and Tobago's new Prime Minister, Dr. Eric Williams, embarked on a three month on-the-spot European journey, a major aim of which was to personally show dozens of European industrialists where they might fit into his newly-minted nation's economy.

As a matter of fact, in mid-1962, President Kennedy himself turned developer. With an eye to both balance-of-payments tribulations and so-called "depressed areas" in the U. S., he personally urged European and Japanese investors to look into direct investment as a way of profitably tapping the monster-sized $500 billion American Market.

In 1963 area development competition will be rougher than ever, but for some developer groups it will also pay off mightily. Puerto Rico's Economic Development Administration, which runs the well known "Operation Bootstrap" program, has calculated that for every $1 of government investment in economic development some $37 have been forthcoming in new island income.

For the right team, the game is still decidedly worth the candle.

Midwest S. E. Serv. Corp. Names

CHICAGO, Ill. — Key promotions have gone to three executives at the Midwest Stock Exchange Service Corp., it has been announced by R. John Cunningham, President.

The men are Albert B. Goldstein, Vice-President, now also assistant to the President; and Jack P. Nelson and Anton J. Pros, both named as Vice-Presidents. Mr. Nelson was Manager of the systems division and Mr. Pros was Administrative Head of operations.

The Service Corp. is a subsidiary of the Midwest Stock Exchange providing a centralized electronic bookkeeping system, first of its kind in the nation, for Midwest's member firms.

Mr. Goldstein joined the Service Corp. in 1961 after an association with Radio Corp. of America in its Wall Street electronic systems center and as supervisor of technical development with Merrill Lynch, Pierce, Fenner & Smith Inc.

Mr. Nelson joined MSESC after being associated with International Business Machines Corp.

Mr. Pros was formerly with Amphenol-Borg Electronics Corp.

Joins Stranahan, Harris

CINCINNATI, Ohio — Harry C. O'Brien Jr. has become associated with Stranahan, Harris & Company, Union Central Building. Mr. O'Brien was formerly with W. E. Hutton & Company.

Two With Westheimer

CINCINNATI, Ohio — Charles E. Jones and Herbert V. Klepinger have joined the staff of Westheimer and Company, 124 East Fourth Street, members of the New York and Cincinnati Stock Exchanges. Mr. Jones was formerly with Goodbody & Company.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Steel ingots and castings (net tons)	Jan. 19	1,915,000	1,912,000	1,874,000	2,341,000
Index of production based on average weekly production for 1957-1959	Jan. 19	102.8	102.6	100.6	125.7
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 11	7,289,110	7,280,410	7,340,710	7,383,000
Crude runs to stills—daily average (bbls.)	Jan. 11	8,574,000	8,543,000	8,423,000	8,638,000
Gasoline output (bbls.)	Jan. 11	30,776,000	30,687,000	30,456,000	29,574,000
Kerosene output (bbls.)	Jan. 11	3,752,000	3,524,000	3,368,000	3,362,000
Distillate fuel oil output (bbls.)	Jan. 11	16,047,000	15,621,000	14,071,000	14,924,000
Residual fuel oil output (bbls.)	Jan. 11	5,722,000	6,427,000	5,523,000	6,840,000
Stocks at refineries, bulk terminals, in transit, in pipe lines					
Finished gasoline (bbls.) at	Jan. 11	191,782,000	*189,545,000	182,277,000	164,936,000
Kerosene (bbls.) at	Jan. 11	29,449,000	31,379,000	33,841,000	27,651,000
Distillate fuel oil (bbls.) at	Jan. 11	136,271,000	*143,511,000	164,599,000	124,576,000
Residual fuel oil (bbls.) at	Jan. 11	49,375,000	49,520,000	51,516,000	31,274,000
Unfinished oils (bbls.) at	Jan. 11	82,454,000	83,388,000	84,803,000	63,422,000
ADVANCE PLANNING — ENGINEERING NEWS-RECORD — NEW SERIES:					
Total advance planning by ownership	Jan. 17	$716,400,000	$476,000,000	------	$423,900,000
Private	Jan. 17	357,300,000	186,300,000	------	231,800,000
Public	Jan. 17	359,100,000	289,700,000	------	192,100,000
State and Municipal	Jan. 17	345,900,000	273,400,000	------	173,900,000
Federal	Jan. 17	13,400,000	16,300,000	------	18,200,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 12	521,515	422,196	501,033	503,827
Revenue freight received from connections (no. of cars)	Jan. 12	462,048	404,212	478,032	465,185
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 12	8,605,000	7,100,000	7,755,000	7,750,000
Pennsylvania anthracite (tons)	Jan. 12	419,000	242,000	370,000	407,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1957-59 AVERAGE=100	Jan. 12	99	*91	246	91
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 19	18,110,000	17,467,000	17,560,000	16,857,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 17	286	315	249	396
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 14	6.196c	6.196c	6.196c	6.196c
Pig iron (per gross ton)	Jan. 14	$63.43	$63.43	$63.43	$66.44
Scrap steel (per gross ton)	Jan. 14	$27.17	$26.50	$25.83	$37.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 18	30.600c	30.600c	30.600c	30.600c
Export refinery at	Jan. 18	28.450c	28.525c	28.500c	27.800c
Lead (New York) at	Jan. 18	10.500c	10.000c	10.000c	10.000c
Lead (St. Louis) at	Jan. 18	10.300c	9.800c	9.800c	9.800c
‡Zinc (delivered at)	Jan. 18	12.000c	12.000c	12.000c	12.500c
Zinc (East St. Louis) at	Jan. 18	11.500c	11.500c	11.500c	12.000c
Aluminum (primary pig, 99.5%) at	Jan. 18	22.500c	22.500c	22.500c	24.000c
Straits tin (New York) at	Jan. 18	111.250c	111.500c	111.250c	120.625c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 22	90.12	90.64	90.31	86.19
Average corporate	Jan. 22	89.09	88.95	88.54	86.11
Aaa	Jan. 22	93.08	92.93	92.50	89.92
Aa	Jan. 22	90.77	90.63	90.77	88.13
A	Jan. 22	89.37	89.23	88.27	85.59
Baa	Jan. 22	83.40	83.28	83.28	81.29
Railroad Group	Jan. 22	85.85	85.72	85.46	83.28
Public Utilities Group	Jan. 22	90.48	90.48	90.20	87.32
Industrials Group	Jan. 22	90.63	90.48	90.20	87.86
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 22	3.72	3.66	3.69	4.11
Average corporate	Jan. 22	4.48	4.49	4.52	4.70
Aaa	Jan. 22	4.20	4.21	4.24	4.42
Aa	Jan. 22	4.36	4.37	4.36	4.55
A	Jan. 22	4.46	4.47	4.54	4.74
Baa	Jan. 22	4.91	4.92	4.92	5.08
Railroad Group	Jan. 22	4.71	4.73	4.75	4.92
Public Utilities Group	Jan. 22	4.38	4.38	4.40	4.61
Industrials Group	Jan. 22	4.37	4.38	4.40	4.57
MOODY'S COMMODITY INDEX	Jan. 22	372.5	371.8	370.7	374.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 12	355,234	168,338	313,136	332,753
Production (tons)	Jan. 12	355,178	120,651	344,373	341,777
Percentage of activity	Jan. 12	98	69	95	97
Unfilled orders (tons) at end of period	Jan. 12	457,966	458,616	426,310	483,653
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE=100	Jan. 18	123.49	122.71	123.19	117.95
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 28	1,864,060	2,397,840	3,809,070	2,422,820
Short sales	Dec. 28	261,670	375,600	800,400	260,990
Other sales	Dec. 28	1,389,040	1,791,710	2,939,600	2,006,420
Total sales	Dec. 28	1,650,710	2,167,310	3,740,000	2,267,410
Other transactions initiated off the floor—					
Total purchases	Dec. 28	350,420	392,270	766,190	370,730
Short sales	Dec. 28	13,600	29,700	83,200	11,300
Other sales	Dec. 28	220,210	282,230	589,410	303,600
Total sales	Dec. 28	233,810	311,930	672,610	314,900
Other transactions initiated on the floor—					
Total purchases	Dec. 28	854,888	996,567	1,448,250	822,808
Short sales	Dec. 28	81,700	113,020	185,880	48,610
Other sales	Dec. 28	563,360	831,874	1,340,873	826,981
Total sales	Dec. 28	645,060	944,894	1,526,753	875,591
Total round-lot transactions for account of members—					
Total purchases	Dec. 28	3,069,368	3,786,677	6,023,510	3,616,358
Short sales	Dec. 28	356,970	518,320	1,069,480	320,900
Other sales	Dec. 28	2,172,610	2,905,814	4,869,883	3,137,001
Total sales	Dec. 28	2,529,580	3,424,134	5,939,363	3,457,901
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Dec. 28	1,046,649	1,248,846	1,869,787	1,700,195
Dollar value	Dec. 28	$46,952,825	$58,782,515	$85,046,760	$86,704,901
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—customers' total sales	Dec. 28	1,657,284	1,990,740	2,242,189	1,790,362
Customers' short sales	Dec. 28	4,981	13,616	34,719	6,313
Customers' other sales	Dec. 28	1,652,303	1,977,124	2,207,470	1,784,049
Dollar value	Dec. 28	$61,790,907	$85,193,525	$100,124,217	$80,436,408
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 28	749,390	913,280	489,080	578,240
Short sales	Dec. 28	------	------	------	------
Other sales	Dec. 28	749,390	913,280	489,080	578,240
Round-lot purchases by dealers—Number of shares	Dec. 28	165,380	200,230	467,540	474,120
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Dec. 28	456,070	740,610	1,653,970	395,200
Other sales	Dec. 28	14,337,110	18,703,680	26,951,350	17,260,790
Total sales	Dec. 28	14,793,180	19,444,290	28,605,320	17,655,990
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1957-59=100):					
Commodity Group—					
All commodities	Jan. 15	100.5	100.4	100.5	Not avail.
Farm products	Jan. 15	98.7	*97.6	98.6	Not avail.
Processed foods	Jan. 15	100.5	*100.4	100.8	Not avail.
Meats	Jan. 15	96.7	*96.3	98.2	Not avail.
All commodities other than farm and foods	Jan. 15	100.7	100.7	100.7	Not avail.

*Revised figure. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound. a Not available.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—			
For month of November:			
Total gas sales (M therms)	8,460,400	6,828,100	7,918,800
Natural gas sales (M therms)	8,245,700	6,700,200	7,757,000
Manufact'd & mixed gas sales (M therms)	214,700	127,900	161,800
AMERICAN PETROLEUM INSTITUTE—Month of October:			
Total domestic production (barrels of 42 gallons each)	259,849,000	249,807,000	251,336,000
Domestic crude oil output (barrels)	228,380,000	219,593,000	220,942,000
Natural gasoline output (barrels)	31,457,000	30,204,000	30,379,000
Benzol output (barrels)	12,000	10,000	15,000
Crude oil imports (barrels)	35,828,000	34,407,000	33,585,000
Refined product imports (barrels)	26,884,000	27,168,000	23,319,000
Indicated consumption domestic and export (barrels)	307,500,000	284,524,000	290,295,000
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of December 31:			
Imports	$541,304,000	$524,592,000	$485,448,000
Exports	778,148,000	719,328,000	968,604,000
Domestic shipments	11,754,000	13,601,000	17,844,000
Domestic warehouse credits	158,985,000	131,024,000	275,404,000
Dollar exchange	186,120,000	173,140,000	116,809,000
Based on goods stored and shipped between foreign countries	973,686,000	914,053,000	819,134,000
Total	$2,649,997,000	$2,475,738,000	$2,683,243,000
BUSINESS FAILURES—DUN & BRADSTREET INC.—Month of December:			
Manufacturing number	181	200	232
Wholesale number	104	124	121
Retail number	497	590	606
Construction number	219	193	215
Commercial service number	100	109	104
Total number	1,101	1,216	1,278
Manufacturing liabilities	$20,671,000	$34,069,000	$19,723,000
Wholesale liabilities	10,331,000	8,386,000	7,209,000
Retail liabilities	22,744,000	24,107,000	18,361,000
Construction liabilities	18,744,000	16,095,000	16,743,000
Commercial service liabilities	8,785,000	16,184,000	3,453,000
Total liabilities	$81,275,000	$98,841,000	$65,489,000
CIVIL ENGINEERING ADVANCE PLANNING, NEW SERIES—ENGINEERING NEWS RECORD—Month of December:			
Total U. S. construction	$126,548,000	------	$126,635,000
Private construction	57,148,000	------	57,727,000
Public construction	69,400,000	------	68,908,000
State and municipal	------	54,544,000	54,510,000
Federal	------	14,856,000	14,398,000
COPPER INSTITUTE—For Month of December:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	108,491	*115,163	116,836
Refined (tons of 2,000 pounds)	135,381	137,975	142,210
Delivered to fabricators—			
In U. S. A. (tons of 2,000 pounds)	110,366	129,071	108,281
Refined copper stocks at end of period (tons of 2,000 pounds)	117,441	116,465	79,755
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — 1957-59 Average=100—Month of December:			
Seasonally adjusted	120	120	116
Unadjusted	118	120	114
METAL OUTPUT (BUREAU OF MINES)—			
Month of October:			
Mine production of recoverable metals in the United States—			
Gold (in fine ounces)	146,232	*152,267	140,299
Silver (in fine ounces)	2,743,553	*2,788,062	2,562,269
Copper (in short tons)	106,060	*89,860	104,102
Lead (in short tons)	14,509	*14,151	20,352
Zinc (in short tons)	46,943	*41,949	39,149
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of Oct. (000's omitted):			
Savings and loan associations	$1,403,110	$1,284,739	$1,304,059
Insurance companies	115,965	104,219	109,217
Banks and trust companies	553,755	475,863	467,568
Mutual savings banks	191,151	182,916	174,254
Individuals	305,046	273,207	332,322
Miscellaneous lending institutions	638,506	540,000	573,780
Total	$3,207,533	$2,860,944	$2,961,200
RUBBER MANUFACTURING ASSOCIATION, INC.—Month of November:			
Passenger & Motorcycle Tires (Number of)—			
Shipments	9,614,628	11,333,418	8,623,364
Production	9,463,937	11,298,512	9,050,937
Inventory	22,725,880	22,707,929	21,572,323
Tractor Implement Tires (Number of)—			
Shipments	234,888	308,959	192,339
Production	275,047	327,678	262,048
Inventory	1,062,020	1,012,975	1,000,757
Passenger, Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	3,250,739	3,534,267	2,902,800
Production	3,141,064	3,881,367	3,231,587
Inventory	9,280,435	9,289,787	9,458,224
Tread Rubber (Camelback)—			
Shipments (pounds)	45,640,000	52,703,000	45,758,000
Production (pounds)	47,999,000	50,667,000	48,441,000
Inventory (pounds)	15,688,000	13,692,000	16,480,000
Truck and Bus Tires (Number of)—			
Shipments (pounds)	1,426,733	1,709,652	1,115,163
Production	1,379,655	1,557,447	1,278,218
Inventory	3,313,185	3,342,564	3,343,424
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of December:			
Net sales	------	$25,350,000	------
Net purchases	$19,455,000	------	$27,826,200
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of December 31	$303,987,703	$305,892,963	$296,498,920
General funds balance	7,508,845	7,108,709	6,494,287
Net debt	$296,478,858	$298,784,254	$290,004,633
Computed annual average	3.298%	3.288%	3.135%
U. S. GOVT. STATUTORY DEBT LIMITATION As of December 31 (000's omitted):			
Total face amount that may be outstanding at any time	$308,000,000	$308,000,000	$298,000,000
Outstanding—			
Total gross public debt	303,470,080	305,390,198	296,168,761
Guaranteed obligations not owned by the Treasury	517,623	502,765	330,159
Total gross public debt & guaranteed obligations	$303,987,703	$305,892,963	$296,498,920
Deduct—Other outstanding public debt obligations not subject to debt limitation	371,635	371,956	438,403
Grand total outstanding	$303,616,068	$305,521,007	$296,060,517
Balance face amount of obligations issuable under above authority	4,383,931	2,478,992	1,939,482

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

NOTE — Registration statements filed with the SEC since the last issue of the "Chronicle" are now carried separately at the end of this section "Securities Now in Registration." Dates shown in parenthesis alongside the company's name, and in the index, reflect the expectations of the underwriter but are not, in general, firm offering dates.

Also shown under the caption "Effective Registrations" are those issues which became effective this week and were offered publicly.

● ABC Business Forms, Inc.
July 27, 1962 ("Reg. A") 51,500 common. **Price**—$3.50. **Business**—Manufacture, design and development of business forms. **Proceeds**—For debt repayment and working capital. **Office**—3500 N. W. 71st St., Miami. **Underwriter**—Givens, Marx & Co., Inc., Miami. **Note** — This letter was withdrawn.

Abbott Realty Fund, Inc.
June 29, 1962 filed 380,000 class A common. **Price**—$10. **Business**—Real estate ownership and management. **Proceeds**—For debt repayment and general corporate purposes. **Office**—292 Madison Ave., N. Y. **Underwriters**—Morris Cohon & Co. and Street & Co., Inc., N. Y.

● Accounting Corp. of America
Dec. 5, 1962 ("Reg. A") 300,000 common. **Price**—$1. **Business**—Operation of an electronic data processing service. **Proceeds**—For expansion, equipment and working capital. **Office** — 37 Brighton Ave., Boston. **Underwriter**—Walker, Wachtel & Co., Inc., Boston. **Offering**—Indefinite.

Aerosystems Technology Corp. (1/28-31)
Aug. 29, 1962 filed 165,000 common. **Price**—$3. **Business**—Company has been engaged in experimentation on aerodynamic concepts and holds ten U. S. Patents relating to advanced vertical lift vehicles and systems for achieving controlled vertical flight. **Proceeds**—For additional equipment, research and development, plant facilities and other corporate purposes. **Office**—Route 15, Sparta, N. J. **Underwriter**—Chase Securities Corp., N. Y.

Aiken Savings Trust
Aug. 22, 1962 filed 100,000 shares of beneficial interest. **Price**—$10. **Business**—Company plans to qualify as a real estate investment trust. **Proceeds**—For investment. **Address**—Florence, S. C. **Underwriter**—None.

● Alaska Power & Telephone Co.
Dec. 26, 1962 filed $600,000 of 6% debentures due 1978, 240,000 common, and 180,000 10-year warrants to purchase a like number of common shares, to be offered in 600 units, each consisting of one $1,000 debenture, 400 common, and 300 warrants. **Price**—$1,000 per unit. **Business**—A public utility supplying electricity and telephone service to 4 Alaskan communities. **Proceeds**—Expansion of service, loan repayment, and working capital. **Office**—Fifth Ave., Skagway, Alaska. **Underwriter** — Jay W. Kaufmann & Co., New York. **Offering** — Expected in March or April.

All-State Properties, Inc.
April 24, 1962 filed $5,000,000 of conv. subord. debentures due 1977. **Price**—At par. **Business**—Company and subsidiaries conduct a general real estate business with emphasis on land development and home construction in Fla., Md., N. Y., and Ky. **Proceeds**—For repayment of debt. **Office**—230 Park Ave., N. Y. **Underwriters**—To be named.

Amerel Mining Co. Ltd.
July 31, 1961 filed 400,000 common shares. **Price**—50¢. **Business**—The company is engaged in exploration, development and mining. **Proceeds**—For diamond drilling, construction, exploration and general corporate expenses. **Office** — 80 Richmond St., W., Toronto. **Underwriter**—E. A. Manning, Ltd., Toronto.

American Bolt & Screw Mfg. Corp.
Dec. 15, 1961 filed $900,000 of 6% convertible subordinated debentures and 90,000 common, to be offered in units consisting of one $100 debenture and 10 shares. **Price**—$100 per unit. **Business**—Manufacture of standard and special industrial aircraft and missile fasteners. **Proceeds**—For debt repayment, equipment and other corporate purposes. **Office**—Lawson Blvd., Oceanside, L. I. N. Y. **Underwriter**—S. D. Fuller & Co., N. Y. **Offering**—Indefinite.

● American Finance Co., Inc.
April 21, 1961 filed $500,000 of 6% convertible subordinated debentures due 1972, 75,000 common, and 25,000 warrants, to be offered in units of one $200 debenture, 30 shares, and 10 warrants. **Price**—$500 per unit. **Business**—Company and its subsidiaries are primarily engaged in the automobile sale finance business. One additional subsidiary is a Maryland savings and loan association and two are automobile insurance brokers. **Proceeds**—For the retirement of debentures, and additional capital funds. **Office**—1472 Broadway, N. Y. **Underwriter**—Myron A. Lomasney & Co., New York. **Note**—This registration was withdrawn.

● American Gas Co. (2/4-8)
March 26, 1962 filed $2,300,000 of 6½% sinking fund debentures (par $20) due Jan. 15, 1978 and 230,000 common (par $1) to be offered in units of one debenture and two common shares. **Price**—$25 per unit. **Business** — Transportation, distribution and sale of natural gas. **Proceeds** — For construction, debt repayment and other corporate purposes. **Office**—546 S. 24th Avenue, Omaha. **Underwriters**—A. C. Allyn & Co., Chicago and Walston & Co., New York.

American Mortgage Insurance Co.
Jan. 10, 1963 filed 31,070 common to be offered for subscription by stockholders on the basis of one share for each five shares held. **Price**—$18. **Business**—A mortgage insurance company. **Proceeds** — For investments. **Office**—300 S. Salisbury St., Raleigh, N. C. **Underwriter**—None.

● American Options Corp.
April 11, 1962 ("Reg. A") 60,000 common. **Price**—$5. **Business**—Company plans to sell "puts and calls" and may act as a broker-dealer. **Proceeds**—For general corporate purposes. **Office**—120 Broadway, N. Y. **Underwriter**—Provost Securities, Inc., New York. **Note**—This letter was withdrawn.

American Pacific Fund, Inc.
July 9, 1962 filed 94,500 common. **Price**—Net asset value. **Business**—An open-end management company specializing in life, health, casualty and accident insurance. **Proceeds**—For investment. **Office**—1523 Kalakaua Ave., Honolulu. **Underwriter**—American Pacific Management Corp. (same address).

American Plan Corp.
March 30, 1962 filed $3,100,000 convertible debentures due 1982, and 155,000 common (of which 120,000 will be sold by company and 35,000 by a stockholder). The securities will be offered in units of one $20 debenture and one share. **Price**—By amendment. **Business**—Production and servicing of physical damage insurance on automobiles, trucks and mobile homes. **Proceeds**—To finance the purchase of American Fidelity Fire Insurance Co. **Address**—American Plan Bldg., Westbury, L. I., New York. **Underwriter** — Bear, Stearns & Co., New York. **Note**—This registration will be withdrawn.

Americana East, Inc.
Nov. 13, 1962 filed 400,000 common. **Price**—$2.50. **Business**—Development, construction and management of real estate properties. **Proceeds**—For construction, debt repayment and working capital. **Office**—173 First St., Macon, Ga. **Underwriter**—Nusouth Growth Stock Sales Corp., 4101 Steam Mill Rd., Columbus, Ga.

Ampeg Co., Inc.
Oct. 29, 1962 ("Reg. A") $294,000 7% conv. subord. debentures due 1972 and 29,400 common to be offered in units of one $1,000 debenture and 100 shares. **Price**—$1,020 per unit. **Business**—Manufacture of amplifiers and accessory equipment for musical instruments. **Proceeds**—For inventory, equipment, debt repayment and new products. **Office**—1570 W. Blancke, Linden, N. J. **Underwriter**—John R. Boland & Co., Inc., New York. **Offering**—Indefinite.

Antenna Systems, Inc.
Sept. 28, 1962 filed 35,000 common. **Price**—By amendment (max. $30). **Business**—Design, manufacture and installation of large microwave antennas and antenna components. **Proceeds**—For reduction of bank loans, and working capital. **Office**—349 Lincoln St., Hingham, Mass. **Underwriter**—None.

Arden Farms Co.
May 23, 1962 filed 49,993 shares of $3 cumulative preferred stock and 205,105 common shares being offered for subscription by stockholders of the respective classes on the basis of one new share for each 10 held. Record date for both offerings is Nov. 21 and the rights expiration date Feb. 15. **Price**—For preferred $52; for common $13. **Business** — Manufacture, purchase and sale of ice cream and other dairy products. **Proceeds**—For debt repayment. **Office** — 1900 W. Slauson Ave., Los Angeles. **Underwriter**—None.

Arkansas Power & Light Co. (2/20)
Jan. 10, 1963 filed $15,000,000 of first mortgage bonds due 1993. **Proceeds**—To refund outstanding 5⅝% first mortgage bonds due Dec. 1, 1989. **Address** — Ninth and Louisiana Sts., Little Rock, Ark. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.-Dean Witter & Co. (jointly); Lehman Brothers-Stone & Webster Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith Inc.; Eastman Dillon, Union Securities & Co.-Equitable Securities Corp. (jointly). **Bids** — Expected Feb. 20.

● Associated Mortgage Co., Inc.
Dec. 21, 1962 filed 135,205 common, of which 100,000 are to be offered by company and 35,205 by stockholders. **Price**—By amendment (max. $10). **Business**—Originating, marketing and servicing of first mortgages and loans on real estate. **Proceeds**—For loan repayment, and working capital. **Office**—1120 Connecticut Ave., N. W., Washington, D. C. **Underwriter**—Shields & Co., Inc., New York. **Offering**—Expected in March.

● Atmosphere Control, Inc.
May 28, 1962 ("Reg. A") 200,000 common. **Price**—$1.50. **Business**—Manufacture and sale of Misti-Cone humidifiers. **Proceeds**—For equipment, inventories and working capital. **Office**—668 Jenks Ave., St. Paul, Minn. **Underwriter**—To be named. **Offering**—Expected sometime in February.

Automatic Controls, Inc.
Dec. 28, 1961 filed 50,000 common. **Price**—$4. **Business**—Design, manufacture and installation of electrical, pneumatic, hydraulic and mechanical systems, controls and devices to control and automatically operate industrial machinery and processes. **Proceeds** — For general corporate purposes. **Office**—3601 Merrick Rd., Seaford, N. Y. **Underwriter**—S. Schramm & Co., Inc., N. Y.

Automatic Merchandising, Inc.
May 24, 1962 filed 225,000 common, of which 125,000 are to be offered by company and 100,000 by stockholders. **Price**—By amendment (max. $6). **Business**—Company operates, owns, services and leases coin-operated automatic vending machines. **Proceeds**—For debt repayment, inventories, equipment and working capital. **Office**—217 N. Willow Ave., Tampa. **Underwriter**—A. C. Allyn & Co., Chicago.

Basic Properties, Inc.
June 29, 1962 filed 400,000 class A common. **Price**—By amendment (max. $12). **Business**—Real estate investment. **Proceeds**—For debt repayment, acquisition of a building and other corporate purposes. **Office**—521 Fifth Ave., N. Y. **Underwriter**—Hornblower & Weeks, N. Y. **Offering**—Indefinite.

Bell Telephone Co. of Pennsylvania (2/5)
Jan. 15, 1963 filed $50,000,000 of debentures due Feb. 1, 2003. **Proceeds** — To repay advances from A. T. & T., parent, for construction and other corporate purposes. **Office** — 1835 Arch St., Philadelphia. **Underwriters**—(Competitive). Probable bidders: First Boston Corp.; Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co.-Eastman Dillon, Union Securities & Co. (jointly). **Bids** — Feb. 5, 1963 (11 a.m. EST) in Room 2315, 195 Broadway, New York.

● Bene Cosmetics, Inc.
March 2, 1962 ("Reg. A") 100,000 common. **Price** — $3. **Business**—Importation, sale and distribution of Italian cosmetics. **Proceeds** — For advertising, inventory and working capital. **Office**—114 W. 13th St., N. Y. **Underwriter**—To be named.

Big Top Stores, Inc.
Nov. 26, 1962 filed 86,000 common. **Price**—$3.50. **Business**—Operation of five retail toy, stationery and variety stores, and the servicing of franchised dealers. **Proceeds**—For expansion, additional inventory, and working capital. **Office**—832 Scarsdale Ave., Scarsdale, N. Y. **Underwriter**—P. J. Gruber & Co., Inc., N. Y. **Offering**—Expected in April.

● C-Thru Products, Inc.
Dec. 13, 1962 ("Reg. A") 90,000 common. **Price**—$1.50. **Business**—Design and manufacture of flexible re-usable vinyl packages. **Proceeds**—For debt repayment; sale promotion; equipment; research and development, and working capital. **Office** — 2401 Pacific St., Brooklyn, N. Y. **Underwriter** — Broadwell Securities, Inc., New York. **Offering**—Indefinite.

Cable Carriers, Inc.
June 22, 1962 filed 1,015,564 capital shares to be offered for subscription by stockholders on the basis of four new shares for each share held on Feb. 14, 1962. **Price**—25 cents. **Business**—Manufacture and sale of overhead trolley conveyers, vertical tray lift systems, floor and overhead tow systems, etc. **Proceeds**—For working capital. **Office** — Kirk Blvd., Greenville, S. C. **Underwriter**—None.

Caldwell Publishing Corp.
June 13, 1962 filed 100,000 common. **Price**—$3.50. **Business**—Company plans to publish classics. **Proceeds**—For general corporate purposes. **Office**—339 W. 51st St., N. Y. **Underwriter**—S. B. Cantor Co., N. Y. **Offering**—Expected in February.

Continued on page 102

Continued from page 101

Cambridge Fund of California, Inc.
Sept. 28, 1961 filed 280,000 common. **Price**—By amendment. **Business**—General real estate. **Proceeds**—Debt repayment and working capital. **Office**—324 E. Bixby Rd., Long Beach, Calif. **Underwriter**—To be named.

● **Cameron Iron Works, Inc.**
Sept. 14, 1962 filed 280,000 common. **Price**—By amendment (max. $21.50). **Business**—Manufacture of equipment used in the petroleum and processing industries. Company also makes forged metal products used in the aviation, missile and atomic industries. **Proceeds**—For selling stockholders. **Address**—P. O. Box 1212, Houston, Texas. **Underwriters**—White, Weld & Co., Inc., and Lehman Brothers, New York. **Note** — This registration was withdrawn.

● **Canaveral Hills Enterprises, Inc.**
May 10, 1962 filed 100,000 common. **Price**—$5. **Business**—Company was formed to own and operate a country club and golf course, swimming pool and cabana club, near Cape Canaveral, Fla., and develop real estate, erect homes, apartment houses, motels, etc. **Proceeds**—For debt repayment and expansion. **Office**—309 Ainsley Bldg., Miami, Fla. **Underwriter**—Willis E. Burnside & Co., Inc., New York. **Offering**—Expected in early Feb.

Castle Hospitality Services, Inc.
Dec. 14, 1962 filed $500,000 of 8% debentures due 1969. **Price**—At par ($1,000). **Business**—Company plans to offer management and consultant services to motels and furnish them with equipment. **Proceeds**—For general corporate purposes. **Office**—1068 S. Ocean Blvd., Pompano Beach, Fla. **Underwriter**—None.

Cedar Lake Public Service Corp.
March 20, 1962 filed 9,964 common. **Price**—$100. **Business** — Company plans to qualify as a public utility and furnish water and sewage disposal services in and around Cedar Lake, Ind. **Proceeds** — To construct a sewage disposal system. **Address** — R.R. N. 3, Box 28, Cedar Lake, Ind. **Underwriter**—None.

Center Star Gold Mines, Inc.
April 10, 1962 ("Reg. A") 2,000,000 common. **Price**—15c. **Business**—For exploration, development and production of mineral deposits. **Proceeds** — For mining expenses. **Address**—Box 469, Wallace, Idaho. **Underwriters**—Pennaluna & Co. and Standard Securities, Inc., Spokane, Wash. **Offering**—Indefinite.

● **Central Mutual Fund, Inc.**
Aug. 20, 1962 filed 100,000 capital shares. **Price**—Net asset value (max. $14) plus a 2% sales commission. **Business**—A mutual fund specializing in life insurance stocks. **Proceeds**—For investment. **Office**—110 North East St., Jacksonville, Ill. **Underwriter**—CN Agency, Inc., same address. **Offering**—Indefinite.

Chemair Electronics Corp.
Dec. 28, 1962 filed $150,000 of 6% subordinated income debentures due 1973 and 30,000 common shares to be offered in units consisting of one $10 debenture and two common. **Price**—$12 per unit. **Business**—Production and sale of chemicals designed to control odors, bacterial growth and air pollutants; and development, production and sale of an electronic vaporizing unit for dispensing such chemicals. **Proceeds**—For debt repayment, equipment, sales promotion and working capital. **Office**—221 N. La Salle St., Chicago. **Underwriter**—Price Investing Co., New York.

Chemical Coating Corp.
June 29, 1962 filed 70,000 common. **Price**—$5. **Business**—Company plans to operate a painting contracting business and manufacture paints. **Proceeds**—For general corporate purposes. **Office**—Santurce, P. R. **Underwriter**—Arnold Malkan Investment Growth of Puerto Rico, Inc., Santurce, P. R.

Chestnut Hill Industries, Inc.
Nov. 29, 1961 filed 300,000 class A common, of which 225,000 are to be offered by the company and 75,000 by stockholders. **Price**—$5. **Business**—Design and manufacture of women's, misses' and junior sportswear, coordinates, and dresses. **Proceeds**—For debt repayment, equipment and working capital. **Office**—2025 McKinley St., Hollywood, Fla. **Underwriter** — Clayton Securities Corp., Boston, Mass. **Offering**—Indefinite.

Child Guidance Toys, Inc.
May 23, 1962 filed 100,000 common, of which 70,000 are to be offered by company and 30,000 by stockholders. **Price**—By amendment (max. $12.50). **Business**—Design, manufacture and sale of plastic educational toys. **Proceeds**—For working capital. **Office**—1125 Close Ave., Bronx, N. Y. **Underwriter**—J. R. Williston & Beane, New York. **Offering**—Indefinite.

● **Circle K Food Stores, Inc.**
Nov. 28, 1962 filed 96,000 common, of which 64,000 are to be offered by company and 32,000 by stockholders. **Price**—By amendment (max. $6.25). **Business**—Operation of retail drive-in grocery stores. **Proceeds**—For expansion and other corporate purposes. **Office**—904 Magoffin Ave., El Paso. **Underwriter**—Eppler, Guerin & Turner, Inc., Dallas. **Offering**—Imminent.

● **Colonial Board Co.**
March 28, 1962 filed 37,500 shares of $1.50 preferred ($25 par), 75,000 common and warrants to purchase 37,500 common shares to be offered in units of one preferred, two common and a warrant to purchase one common share. Of the common, 26,000 shares will be sold for the company and 49,000 for stockholders. **Price**—By amendment. **Business** — Manufacture of fiberboard, boxboard and shoeboard. **Proceeds**—For equipment, plant improvement, loan repayment and working capital. **Office**—615 Parker St., Manchester, Conn. **Underwriter**—Putnam & Co., Hartford. **Offering**—Expected in February.

Colorado Imperial Mining Co.
Sept. 20, 1962 filed 200,000 common. **Price**—$1. **Business**—General mining. **Proceeds**—For exploration and operating expenses. **Office**—Creede, Colo. **Underwriter**—None.

Commercial Life Insurance Co. of Missouri
Nov. 26, 1962 ("Reg. A") 46,000 common to be offered for subscription by stockholders on the basis of one share for each 3.36 common shares held. **Price**—At-the-market. **Business**—Sale of health, accident, life and hospital insurance. **Proceeds**—For working capital. **Office**—3570 Lindell Blvd., St. Louis. **Underwriter**—Edward D. Jones & Co., St. Louis. **Offering**—Indefinite.

● **Computer Concepts Inc.**
Dec. 29, 1961 filed 20,000 class A common. **Price** — $25. **Business**—Development and sale of advanced programming systems, for solution of business problems by the use of digital computers. **Proceeds** — For general corporate purposes. **Office**—1012 14th St., N. W., Washington, D. C. **Underwriter**—Doft & Co., New York. **Note**—This registration was withdrawn.

Computer Control Co., Inc.
Jan. 24, 1962 filed 157,500 common, of which 62,500 are to be offered by the company and 95,000 by stockholders. **Price**—By amendment. **Business**—Design and manufacture of digital equipment. **Proceeds**—For debt repayment. **Office**—983 Concord St., Framingham, Mass. **Underwriter**—Kidder, Peabody & Co., N. Y. **Offering**—Indefinitely postponed.

Conso Products, Inc.
Sept. 27, 1962 filed 125,000 common. **Price**—By amendment (max. $10). **Business**—Manufacture of home furnishing trimmings and accessories. **Proceeds**—For machinery and working capital. **Office**—27 W. 23d St., N. Y. **Underwriter**—H. Hentz & Co., N. Y. **Offering**—Feb.

● **Consolidated Leasing Corp. of America**
April 27, 1962 filed $1,000,000 of 6½% subord. debentures due 1977 (with warrants), and 99,000 common. **Price**—For debentures, at par; for stock, by amendment (max. $9). **Business**—Renting of cars, trucks and equipment. **Proceeds**—For debt repayment, an acquisition and other corporate purposes. **Office** — 1012 Baltimore Ave., Kansas City, Mo. **Underwriter**—Blair & Co., N. Y. **Offering**—Indefinite.

Consolidated Vending Corp.
April 2, 1962 filed 70,000 common. **Price**—$5.75. **Business**—Operation of vending machines. **Proceeds**—For debt repayment, working capital and other corporate purposes. **Office**—129 S. State St., Dover, Del. **Underwriter**—Dana Securities Co., Inc., N. Y. **Note**—This registration will be withdrawn.

Consultant's Mutual Investments, Inc.
Dec. 21, 1962 filed 500,000 common. **Price**—$10. (For an initial period the fund will also offer its shares in exchange for acceptable securities on the basis of one share for each $10 market value of securities). **Business**—A new mutual fund. **Proceeds**—For investment. **Office**—211 S. Broad St., Philadelphia. **Underwriter**—Gerstley, Sunstein & Co., Philadelphia.

Contact Lens Guild, Inc.
Sept. 19, 1962 ("Reg. A") 75,000 class "A" common. **Price**—$4. **Business**—Manufacture and sale of a patented contact lens. **Proceeds**—For moving expenses, research, inventory, advertising and working capital. **Office**—360 Main St. E., Rochester, N. Y. **Underwriter**—John J. DeGolger Co., Inc., Rochester, N. Y. **Offering**—Indefinite.

Continental Device Corp.
Dec. 26, 1962 filed 275,000 common. **Price**—By amendment (max. $6). **Business**—Company is engaged in research, development and manufacture of certain types of semiconductor products, and specialized test equipment. **Proceeds**—For loan repayment, equipment, and other corporate purposes. **Office**—12515 Chadron Ave., Hawthorne, Calif. **Underwriter**—Carl M. Loeb, Rhoades & Co., Inc. New York. **Offering**—Expected in February or March.

Cosnat Corp.
May 26, 1962 filed $1,250,000 of 6% convertible subordinated debentures due 1977. **Price**—At par. **Business**—The manufacture and distribution of phonograph records. **Proceeds** — For the repayment of debt, and working capital. **Office**—315 W. 47th St., N. Y. **Underwriter**—Van Alstyne, Noel & Co., N. Y. **Note**—This firm was known formerly as the Cosnat Record Distributing Corp. **Offering**—Indefinitely postponed.

Cotter & Co.
Nov. 21, 1962 filed $3,000,000 of 6% subordinated notes, series I. **Price**—At par. **Business**—A cooperative wholesaler of hardware and related items. **Proceeds**—For working capital. **Office**—2740 N. Clybourn Ave., Chicago. **Underwriter**—None.

Creative Ventures Corp.
May 28, 1962 filed 150,000 common and warrants to purchase 30,000 additional shares, to be offered in units of one share and one warrant. **Price**—$2.25 per unit. **Business**—A corporate guidance and interim financing concern. Company may also act as a broker-dealer and underwriter. **Proceeds**—For investment. **Office**—733 Third Ave., N. Y. **Underwriter**—Hampstead Investing Corp., New York.

Credit Department, Inc.
Jan. 26, 1962 filed $1,200,320 of 7% conv. subord. debentures due 1974 and 54,560 common shares to be offered in 2,728 units, each consisting of $440 of debentures and 20 common shares. **Price**—$550 per unit. **Business**—A consumer sales finance company. **Proceeds**—For debt repayment. **Office**—1775 Broadway, N. Y. **Underwriter** — Bernard M. Kahn & Co., Inc., N. Y. **Offering**—Expected in February.

D. C. Transit Systems, Inc.
April 30, 1962 filed $6,250,000 of 6½% conv. subord. debentures due 1977 and five-year warrants to purchase an aggregate of 187,500 class A shares, to be offered for subscription by holders of class A and class B stock in units consisting of $100 of debentures and three warrants. **Price**—$100 per unit. **Business**—Operation of a public transit system in Washington, D. C.; a new subsidiary to construct housing projects in Washington, D. C. **Proceeds**—For construction and general corporate purposes. **Office**—3600 M St., N. W., Washington, D. C. **Underwriter**—None.

Dallas Power & Light Co. (1/29)
Jan. 2, 1963 filed $25,000,000 of first mortgage bonds due 1993. **Proceeds**—To redeem $20,000,000 of 5¼% bonds due 1989, repay advances from Texas Utilities Co., parent, finance construction, etc. **Office**—1506 Commerce St., Dallas. **Underwriters**—(Competitive) Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Brothers & Hutzler-Equitable Securities Corp. (jointly); Eastman Dillon, Union Securities & Co.; Kidder, Peabody & Co., Inc.-Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); First Boston Corp.; Lehman Brothers. **Bids**—Jan. 29, 1963 (12 noon EST). **Information Meeting**—Jan. 25 (11 a.m. EST) at 2 Rector Street, New York.

● **Data Corp. of America (2/11-15)**
Oct. 29, 1962 filed 105,000 common. **Price**—$1.25. **Business**—Development of specialized data processing applications and the furnishing of data processing services. **Proceeds**—For training of personnel, advertising and sales promotion, and working capital. **Office**—44 Beaver St., New York. **Underwriter**—A. D. Gilhart & Co., Inc., New York.

Data Systems Devices of Boston, Inc.
April 26, 1962 filed 200,000 common. **Price**—$5. **Business**—Company plans to design, develop and produce electronic and electro-mechanical devices, including printers for electronic computers. **Proceeds**—For product development, new plant and equipment and working capital. **Office**—342 Western Ave., Boston. **Underwriter**—Schmidt, Sharp, McCabe & Co., Inc., Denver.

Delta Bowling Corp.
Sept. 28, 1962 filed 100,000 common, of which 50,000 shares are to be offered by company and 50,000 by stockholders. **Price**—$3. **Business**—Leasing and operating of bowling centers. **Proceeds**—For expansion, equipment and working capital. **Office**—230 Park Ave., N. Y. **Underwriter**—Provost Securities, Inc., N. Y.

De Troy Bergen, Inc.
Dec. 20, 1962 filed 140,000 common. **Price**—$4. **Business**—Commercial printing. **Proceeds**—For debt repayment, and other corporate purposes. **Office** — 750 Hyler St., Teterboro, N. J. **Underwriter**—Van Alstyne Noel Corp., New York. **Offering**—Expected in late February.

Deuterium Corp.
Sept. 28, 1962 filed 120,000 common with attached warrants to purchase an additional 120,000 shares to be offered for subscription by holders of its stock and debentures in units (of one share and one warrant) on the basis of 3 units for each 5% prior preferred share held, 2 units for each 5% preferred A stock held and 40 units for each $1,200 face amount of non-interest bearing subordinated debentures held. At the same time, the company will offer the securities to the public. **Price**—To subscribers, $20; to public, $22.25. **Business**—Company plans to erect a small size production and experimental plant for the limited manufacture of deuterium and deuterium oxide, and to establish and equip a general research laboratory. **Proceeds**—For working capital, construction, equipment and other corporate purposes. **Office**—360 Lexington Ave., N. Y. **Underwriter**—None.

Diamond Mills Corp.
Jan. 23, 1962 filed 200,000 common, of which 120,000 are to be offered by the company and 80,000 by stockholders. **Price**—By amendment. **Business**—Manufacture of women's nylon hosiery. **Proceeds**—For debt repayment and working capital. **Office**—417 Fifth Ave., N. Y. **Underwriter**—Drexel & Co., Philadelphia. **Offering**—Indefinitely postponed.

Diversified Collateral Corp.
June 13, 1962 filed 77,050 common. **Price**—By amendment (max. $11.75). **Business**—A real estate investment company. **Proceeds**—For investment. **Office**—8397 N. E. Second Ave., Miami, Fla. **Underwriter**—Karen Securities Corp., N. Y.

Diversified Real Estate Trust
March 8, 1962 filed 1,000,000 shares of beneficial interest. **Price**—$10. **Business**—A real estate investment trust. **Proceeds**—For investment. **Office**—500 Fifth Ave., N. Y. **Underwriter** — Consolidated Financial Program (same address). **Offering**—Indefinite.

Diversified Realty Investors
June 28, 1962 filed 1,900,000 certificates of interest. **Price**—$1 per interest. **Business**—A real estate investment trust. **Proceeds**—For investment. **Office**—19 E. First South, Salt Lake City. **Underwriter**—Realty Securities, Inc., Salt Lake City.

● **Dixie Lime & Stone Co. (1/28-31)**
Sept. 27, 1962 filed 100,000 common. **Price**—By amendment (max. $6.75). **Business**—Mining and processing of crushed granite, lime rock, and agricultural limestone. **Proceeds**—For loan repayment, and working capital. **Office**—11 N. Main St., Ocala, Fla. **Underwriter**—Courts & Co., Atlanta, Ga. **Offering**—Indefinite.

Doman Helicopters, Inc.
April 19, 1962 filed 418,680 common to be offered for subscription by stockholders on the basis of two new shares for each three held. **Price**—By amendment (max. $1.25). **Business**—Research, development and construction of experimental helicopters. **Proceeds**—To obtain

certification of models, train service personnel, repay debt, etc. **Address**—Municipal Airport, Danbury, Conn. **Underwriter**—None. **Note**—The SEC has questioned the accuracy and adequacy of this statement.

Donmoor-Isaacson, Inc.
Feb. 26, 1962 filed 150,000 common, of which 50,000 are to be offered by the company and 100,000 by stockholders. **Price**—By amendment (max. $12). **Business**—Design and manufacture of boys knit shirts, sweaters, and pajamas. **Proceeds**—For working capital. **Office**—1115 Broadway, N. Y. **Underwriter**—Goodbody & Co., New York. **Offering**—Expected in February.

● **Duro-Test Corp.**
Dec 6, 1962 filed 150,000 common. **Price**—By amendment (max. $9). **Business** — Manufacture of various types of lights for industrial and commercial use. **Proceeds**—For the selling stockholder. **Office** — 2321 Hudson Blvd., North Bergen, N. J. **Underwriter**—Auchincloss, Parker & Redpath, New York. **Offering**—Indefinite.

Dynamic L. P. Industries, Inc.
June 21, 1962 filed 75,000 common. **Price**—$4. **Business**—manufacturing, labeling and packaging of long playing stereophonic and monaural phonograph records for label record companies. **Proceeds**—For equipment and working capital. **Office** — 900 Passaic Ave., East Newark, N. J. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York.

Dynapower Systems Corp.
Sept. 28, 1962 filed 750,000 common. **Price**—$1. **Business**—Manufacture of electro-mechanical vehicles and electronic devices for medical and marine purposes. **Proceeds**—For working capital, equipment and debt repayment. **Office**—2222 S. Centinela Ave., Los Angeles. **Underwriter**—None.

Eastern Camera & Photo Corp.
March 28 1962 filed $500,000 of 6% conv. subord. debentures due 1972 and 50,000 common shares (of which 25,000 will be sold by the company and 25,000 by stockholders). The securities are to be offered in units of one $100 debenture and 10 shares. **Price**—By amendment. **Business**—Operation of retail camera stores and department store concessions. Company also processes black and white film and repairs photographic equipment. **Proceeds**—For debt repayment and working capital. **Office**—68 W. Columbia St., Hempstead, N. Y. **Underwriters**—Edwards & Hanley, Hempstead, L. I., and Street & Co., Inc., New York. **Note**—This registration is expected to be withdrawn.

● **Electro-Nucleonics, Inc.**
Sept. 24, 1962 ("Reg. A") 29,525 common. **Price**—$5. **Business**—Research and development toward improvement of gas centrifuge technology for separation of isotope and gaseous materials. **Proceeds**—For equipment, expansion, research and working capital. **Office**—368 Passaic Ave., Caldwell, N. J. **Underwriter**—M. L. Lee & Co., Inc., New York. **Offering**—Imminent.

Electro-Temp Systems, Inc.
Oct. 18, 1962 ("Reg. A") 160,000 common. **Price** — $1. **Business**—Sale of commercial and industrial refrigeration machinery and equipment. **Proceeds**—For debt repayment, equipment, inventory and working capital. **Office**—150-49 Hillside Ave., Jamaica, N. Y. **Underwriter**—S. C. Burns & Co., Inc., N. Y. **Offering**—Indefinite.

Emtec Inc.
Jan. 4, 1963 ("Reg. A") $300,000 of 6% convertible subordinated debentures due 1968. **Price**—At par ($500). **Business** — Design and manufacture of miniature and subminiature metal products for electronic, appliance and automotive industries. **Proceeds**—For equipment, debt repayment and working capital. **Office** — 140 S. Olive St., Elyria, Ohio. **Underwriter**—Fulton, Reid & Co., Inc., Cleveland.

Equity Funding Corp. of America
March 29, 1962 filed 240,000 common. **Price**—By amendment (max. $6.50). **Business**—A holding company for firms selling life insurance and mutual funds. **Proceeds**—For new sales offices, advances to subsidiaries and working capital. **Office**—5150 Wilshire Blvd., Los Angeles. **Underwriter**—Wisconsin-Continental, Inc., Milwaukee.

Fastpak, Inc.
Nov. 30, 1961 filed 125,000 common. **Price**—$5. **Business**—The distribution of nuts, bolts and other fastening devices manufactured by others. **Proceeds**—For debt repayment and general corporate purposes. **Office**—8 Benson Place, Freeport, N. Y. **Underwriter** — Arnold Malkan & Co., Inc., N. Y. **Note**—This registration will be withdrawn.

Fedco Corp.
Oct. 29, 1962 filed 20,000 common, of which 17,500 are to be offered by company and 2,500 by a shareholder. **Price**—By amendment (max. $15). **Business**—Design and manufacture of tools, dies, molds, beryllium castings and the distribution of plastic, metal and glass products for home use. **Proceeds**—For a recession offer to stockholders and reduction of accounts payable. **Office**—3600 W. Pratt Ave., Chicago. **Underwriter**—None.

Fidelity Mining Investments Ltd.
Nov. 30, 1961 filed 800,000 common. **Price**—By amendment. **Business**—Exploration and testing of mining properties. **Proceeds**—For general corporate purposes. **Office**—62 Richmond St., Toronto. **Underwriter**—G. V. Kirby & Associates, Ltd., Toronto.

First American Israel Mutual Fund
Aug. 15, 1962 filed 2,750,000 shares of beneficial interest. **Price**—By amendment (max. $10). **Business**—A mutual fund which plans to invest primarily in equity type securities of Israeli companies. **Proceeds**—For investment. **Office**—141 Milk St., Boston. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston. **Offering**—Expected in February.

First New York Capital Fund, Inc.
Oct. 27, 1961 filed 2,770,000 capital shares. **Price**—$1. **Business**—A small business investment company. **Proceeds**—For investment. **Office**—1295 Northern Blvd., Manhasset, N. Y. **Underwriter**—None.

Florida Bancgrowth, Inc. (2/4-8)
March 16, 1962 filed 250,000 common. **Price**—By amendment (max. $15). **Business**—An investment company specializing in bank stocks. **Proceeds**—For investment. **Office**—3356 Atlantic Blvd., Pompano Beach, Fla. **Underwriter**—Dempsey-Tegeler & Co., Inc., St. Louis.

Florida Jai Alai, Inc.
June 28, 1962 filed 400,000 common. **Price**—$5. **Business** — Operation of Jai Alai games and pari-mutuel betting. **Proceeds**—For rent, purchase of leased quarters, building improvements, working capital. **Office**—Fern Park, Fla. **Underwriter**—To be named.

Floseal Corp.
May 10, 1962 filed 169,420 common to be offered for subscription by stockholders. **Price**—By amendment (max. $2). **Business**—Company owns and licenses carton pouring spout patents and die patents. **Proceeds**—For debt repayment and other corporate purposes. **Office**—100 W. 10th St., Wilmington, Del. **Underwriter**—None.

Forst (Alex) & Sons, Inc.
March 23, 1962 filed 125,000 common. **Price**—By amendment (max. $15). **Business**—Wholesale distribution of toys and games. **Proceeds**—For selling stockholders. **Office**—2885 Jerome Ave., Bronx, N. Y. **Underwriter**—McDonnell & Co., New York. **Offering**—Indefinite.

Freeplex, Inc.
Jan. 2, 1963 ("Reg. A") $200,000 of 7% convertible subordinated debentures due March 1, 1975. **Price**—At par. **Business**—Operation of retail meat supermarkets. **Proceeds**—For debt repayment and working capital. **Address**—Route 18, Tices Lane, East Brunswick, N. J. **Underwriter**—Alessandrini & Co., Inc., N. Y.

Garden State Small Business Investment Co.
Oct. 27, 1961 filed 330,000 common. **Price**—$3. **Business**—A small business investment company. **Proceeds**—For investment. **Office**—1180 Raymond Blvd., Newark, N. J. **Underwriter**—Godfrey, Hamilton, Taylor & Co., N. Y. **Offering**—Temporarily postponed.

Geigher Pipe Supply Inc.
Sept. 28, 1962 filed 60,000 class A common, of which 50,000 are to be offered by company and 10,000 by stockholders. **Price**—$9.50. **Business**—Sale of steel pipes, valves and fittings. **Proceeds**—For inventory. **Office**—4124 N. Broadway, St. Louis. **Underwriter**—Midland Securities Co., Inc., Kansas City, Mo. **Offering**—February.

General Design Corp.
April 25, 1962 ("Reg. A") 65,000 common. **Price**—$3. **Business**—Design and development of new products for various industries. **Proceeds**—For debt repayment, equipment and working capital. **Office**—1252 W. Peachtree St., N. W., Atlanta, Ga. **Underwriter** — Robert M. Harris & Co., Inc., Philadelphia. **Note**—The SEC has issued an order temporarily suspending this issue.

Glasco Pacific, Inc.
July 12, 1962 filed 250,000 class A and 250,000 common shares to be offered in units of one class A and one common share. **Price**—$5.05 per unit. **Business**—Company plans to manufacture flat glass mirrors and sliding wardrobe mirror doors and related products. **Proceeds**—For equipment, inventory and working capital. **Office**—1299 N. First Street, San Jose, Calif. **Underwriter**—Birr, Wilson & Co., Inc., San Francisco. **Note**—This registration will be withdrawn.

Glensder Corp.
March 23, 1962 filed 150,000 common, of which 60,000 are to be offered by the company and 90,000 by the company's parent, Glen Modes, Inc. **Price**—By amendment (max. $7). **Business**—Design, production and sale of women's fashion accessories, and sportswear. **Proceeds**—For general corporate purposes. **Office** — 417 Fifth Ave., N. Y. **Underwriter**—Sprayregen, Haft & Co., N. Y. **Offering**—Indefinitely postponed.

Global Construction Devices, Inc.
June 29, 1962 filed 100,000 common. **Price**—$10. **Business**—Manufacture, sale and lease of steel supports and beams used in construction. **Proceeds**—For debt repayment, expansion, research, and inventory. **Office**—545 Cedar Lane, Teaneck, N. J. **Underwriters**—Winslow, Cohu & Stetson and Laird, Bissell & Meeds, N. Y.

Gold Leaf Pharmacal Co., Inc.
March 13, 1962 filed 80,000 common. **Price**—$4. **Business**—Manufacture, development and sale of pharmaceutical and veterinarian products. **Proceeds**—For advertising, research, debt repayment and working capital. **Office**—36 Lawton St., New Rochelle, N. Y. **Underwriter**—Droulia & Co., N. Y.

Gotham Educational Equipment Co. Inc.
Dec. 4, 1962 filed 75,000 common. **Price**—By amendment (max. $6). **Business**—Design, manufacture, and marketing of items used in educational institutions such as chalk boards, exhibit cases, etc. **Proceeds**—For general corporate purposes. **Office** — 91 Weyman Ave., New Rochelle, N. Y. **Underwriter**—Federman, Stonehill & Co., New York. **Offering**—Expected in mid-March.

● **Gourmet Food Products, Inc.**
May 25, 1962 filed 28,113 common. **Price**—$3.50. **Business** — Growing, purchasing, distributing and selling whole potatoes and processing and selling of prepared potato products. **Proceeds**—For the selling stockholders. **Office**—915 Southeast 10th Ave., Portland, Ore. **Underwriter**—To be named. **Note**—This registration was withdrawn.

Continued on page 104

NEW ISSUE CALENDAR

January 28 (Monday)

Aerosystems Technology Corp.______Common
(Chase Securities Corp.) $495,000

Dixie Lime & Stone Co.______Common
(Courts & Co.) 100,000 shares

Nippon Electric Co., Ltd.______American Shs.
(First Boston Corp. and Daiwa Securities Co., Ltd.) 400,000 A. D. S.

Olympia Record Industries, Inc.______Common
(Mid-Town Secuities Corp.) $265,000

January 29 (Tuesday)

Dallas Power & Light Co.______Bonds
(Bids 12 noon EST) $25,000,000

Jayark Films Corp.______Common
(Pacific Coast Securities Co.) 85,000 shares

Pioneer Telephone Co.______Common
(Dean Witter & Co. and M. H. Bishop & Co.) 75,000 shares

February 1 (Friday)

National Mortgage Corp., Inc.______Certificates
(National Mortgage Agency, Inc.) $8,000,000

National Mortgage Corp., Inc.______Common
(National Mortgage Agency, Inc.) $345,000

February 4 (Monday)

American Gas Co.______Units
(A. C. Allyn & Co., and Walston & Co.) $2,875,000

Florida Bancgrowth, Inc.______Common
(Dempsey-Tegeler & Co., Inc.) 250,000 shares

Great Eastern Insurance Co.______Common
(Emanuel, Deetjen & Co. and Zuckerman Smith & Co.) $1,908,000

Greatamerica Corp.______Common
(Goldman, Sachs & Co., and Lehman Brothers) 2,500,000 shares

Roddy Recreation Products Inc.______Units
(Dempsey-Tegler & Co., Inc.) $1,300,000

United Camera Exchange, Inc.______Common
(Ingram, Lambert & Stephen, Inc.) $300,000

Zero Mountain, Inc.______Common
(Don D. Anderson & Co., Inc.) $300,000

February 5 (Tuesday)

Bell Telephone Co. of Pennsylvania______Debentures
(Bids 11 a.m. EST) $50,000,000

Pacific Southwest Airlines______Common
(E. F. Hutton & Co., Inc.) 293,000 shares

February 6 (Wednesday)

Japan Development Bank______Bonds
(First Boston Corp.; Dillon, Read & Co. Inc.; and Smith, Barney & Co., Inc.) $17,500,000

Laclede Gas Co.______Debentures
(Bids 10:30 a.m. EST) $10,000,000

Laclede Gas Co.______Preferred
(Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith Inc.; and Reinholdt & Gardner) 200,000 shares

Southwestern Public Service Co.______Bonds
(Dillon, Read & Co., Inc.) $14,000,000

February 11 (Monday)

Data Corp. of America______Common
(A. D. Gilhart & Co., Inc.) $131,250

R. E. D. M. Corp.______Common
(Schweickart & Co.) 80,000 shares

February 15 (Thursday)

Natural Gas & Oil Producing Co.______Class A
(Peter Morgan & Co.) $900,000

February 18 (Monday)

Atlantic Coast Line RR.______Equip. Trust Ctfs.
(Bids 12 noon EST) $3,600,000

Texas Power & Light Co.______Bonds
(Bids 11:30 a.m. EST) $10,000,000

Western Power & Gas Co.______Debentures
(Paine, Webber, Jackson & Curtis; Dean Witter & Co.; and Stone & Webster Securities Corp.) $9,000,000

February 19 (Tuesday)

Emerson Electric Manufacturing Co.______Common
(Blyth & Co., Inc.) 162,045 shares

Potomac Electric Power Co.______Bonds
(Bids 10 a. m. EST) $50,000,000

February 20 (Wednesday)

Arkansas Power & Light Co.______Bonds
(Bids to be received) $15,000,000

February 25 (Monday)

Venride Inc.______Common
(Leonard B. Stern & Co.) $450,000

February 27 (Wednesday)

Brooklyn Union Gas Co.______Bonds
(Bids to be received) $12,000,000

March 5 (Tuesday)

Northwestern Bell Telephone Co.______Debentures
(Bids to be received) $40,000,000

March 6 (Wednesday)

Atlantic City Electric Co.______Bonds
(Bids 11 a.m. EST) $15,000,000

March 11 (Monday)

Central Illinois Light Co.______Bonds
(Bids 11 a.m. EST) $9,375,000

March 12 (Tuesday)

Oklahoma Gas & Electric Co.______Bonds
(Bids 11 a.m. EST) $15,000,000

March 25 (Monday)

Norfolk & Western Ry.______Equip. Trust Ctfs.
(Bids to be received) $5,475,000

May 14 (Tuesday)

Virginia Electric & Power Co.______Bonds
(Bids to be received) $30,000,000

Continued from page 103

Great Continental Real Estate Investment Trust
Aug. 3, 1961 filed 300,000 shares of beneficial interest. **Price**—$10. **Business**—Real estate. **Proceeds**—For investment. **Office**—530 St. Paul Place, Baltimore. **Underwriter**—To be named. **Note**—This firm formerly was known as Continental Real Estate Investment Trust.

Great Eastern Insurance Co. (2/4-8)
April 13, 1962 filed 381,600 common. **Price**—$5. **Business**—Company plans to write certain types of fire and casualty insurance. **Proceeds** — For general corporate purposes. **Office**—116 John St., New York. **Underwriters**—Emanuel, Deetjen & Co., and Zuckerman Smith & Co., New York.

● **Greatamerica Corp. (2/4-8)**
Dec. 31, 1962 filed 2,500,000 common, of which 1,650,000 are to be offered by the company and 850,000 by a stockholder. **Price**—By amendment (max. $19). **Business**—A holding company for four life insurance companies and a bank. **Proceeds**—For debt repayment. **Office**—311 So. Akard St., Dallas. **Underwriters**—Goldman, Sachs & Co., and Lehman Brothers, New York.

Greater McCoy's Markets, Inc.
June 28 1962 filed 219,150 class A common. **Price**—By amendment (max. $14). **Business**—Operation of 16 supermarkets in the Los Angeles area. **Proceeds**—For selling stockholders. **Office**—17602 Bellflower Blvd., Bellflower, Calif. **Underwriter**—Morris Cohon & Co., New York.

Greenman Bros., Inc.
April 25, 1962 filed 150,000 common, of which 50,000 are to be offered by company and 100,000 by stockholders. **Price**—By amendment (max. $7). **Business**—Wholesale and retail distribution of toys, hobby lines and sporting equipment. **Proceeds**—For debt repayment, inventory and working capital. **Office**—35 Engel St., Hicksville, N. Y. **Underwriter**—J. R. Williston & Beane, New York. **Offering**—Indefinite.

Hallandale Rock & Sand Co.
March 30, 1962 filed $250,000 of 8% subordinated debentures due 1977, 200,000 common and 6-year warrants to purchase 25,000 common at $1 per share to be offered in units consisting of a $10 debenture, 8 common shares and one warrant. **Price**—$18 per unit. **Business**—Extraction, processing and sale of rock and sand. **Proceeds**—For a new plant and other corporate purposes. **Address**—Hallandale, Fla. **Underwriter**—To be named.

Harwyn Publishing Corp.
Jan. 29, 1962 filed 300,000 class A common. **Price**—By amendment. **Business** — Publishes illustrated encyclopedic works for children and operates an advertising agency for sale of TV and radio spot time. **Proceeds**—For working capital. **Office**—170 Varick St., N. Y. **Underwriter**—Van Alstyne, Noel & Co., N. Y. **Offering**—Indefinite.

Heartland Development Corp.
March 28, 1962 filed 23,300 shares of 5% convertible preference stock to be offered for subscription by stockholders on basis of one preferred share for each 10 common held. **Price**—$12. **Business**—Real estate. **Proceeds**—For general corporate purposes and debt repayment. **Office**—40 Beaver St., Albany, N. Y. **Underwriter**—None.

● **Heck's Discount Centers, Inc.**
June 7, 1962 filed 125,000 common. **Price**—By amendment (max. $5). **Business**—Operation of discount stores. **Proceeds**—For inventory, expansion, debt repayment and working capital. **Office**—6400 MacCorkle Ave., S. W., St. Albans, W. Va. **Underwriter**—Willard Securities, Inc., New York. **Offering**—Indefinite.

Hek Manufacturing Co., Inc.
Aug. 7, 1962 ("Reg. A") 75,000 common, of which 69,000 shares are to be offered for the account of the company and 6,000 shares for the underwriter. **Price**—$2. **Business**—Manufacture of dental equipment. **Proceeds**—For debt repayment, advetrising, research and development and working capital. **Office**—2176 Palou, San Francisco. **Underwriter**—L. H. Wright Co., Inc., N. Y.

Hill Street Co.
Oct. 16, 1961 filed 2,265,138 common to be offered for subscription by stockholders of Union Bank of California on a share-for-share basis. **Price**—$3. **Business**—A management investment company. **Proceeds**—For investment. **Office**—760 S. Hill St., Los Angeles. **Underwriter**—None.

Hillsboro Associates, Inc.
Nov. 27, 1962 filed $1,000,000 of 4% cum. income debentures due 1982 and 15,000 capital shares to be offered in units consisting of 10 shares or one $500 debenture and five shares. **Price**—$1,000 per unit. **Business**—Company plans to purchase the Hillsboro Club, a social and recreational organization. **Proceeds**—For working capital, debt repayment, and property improvement. **Office**—1776 E. Sunrise Blvd., Fort Lauderdale, Fla. **Underwriter**—None.

Hollingsworth Solderless Terminal Co.
Feb. 27, 1962 ("Reg. A") 75,000 common. **Price** — $4. **Business**—Manufacture, sale and development of solderless terminals and other wire terminating products. **Proceeds**—For debt repayment, equipment, advertising and working capital. **Address**—P. O. Box 430, Phoenixville, Pa. **Underwriter**—Harrison & Co., Philadelphia. **Offering**—Temporarily postponed.

● **Honora, Ltd.**
Nov. 29, 1961 ("Reg. A") 76,500 common. **Price**—$3.75. **Business**—Purchase of cultured pearls in Japan and their distribution in the U. S. **Proceeds**—For general corporate purposes. **Office**—42 W. 48th St., N. Y. **Underwriter**—Sunshine Securities, Inc., Rego Park, New York. **Note**—This letter was withdrawn.

Hunsaker (S. V.) & Sons
March 30, 1962 filed $1,300,000 of convertible subordinated debentures due 1977 and 200,000 common shares. **Price** — By amendment (max. $6 per common share). **Business**—Construction of homes and apartments on land which company has acquired in Southern Calif. **Proceeds**—For debt repayment and other corporate purposes. **Office**—15855 Edna Pl., Irwindale, Calif. **Underwriter**—To be named. **Offering**—Indefinite.

ICOA Life Insurance Co.
Oct. 25, 1962 filed 1,130,000 common to be offered for subscription by stockholders on a share-for-share basis. **Price**—$4. **Business**—Sale of ordinary life, individual health and disability, and group credit life and disability insurance. **Proceeds**—For expansion, and investment. **Office**—250 Liberty St., S. E. Salem, Ore. **Underwriter**—Oregon Underwriters, Inc., Salem.

Ideal Toy Corp.
May 1, 1962 filed 490,000 common, of which 250,000 will be offered by company and 240,000 by stockholders. **Price**—By amendment (max. $20). **Business**—Manufacture of toys and related products. **Proceeds** — For debt repayment and general corporate purposes. **Office** — 184-10 Jamaica Ave., Hollis, Long Island, N. Y. **Underwriter**—White, Weld & Co., Inc., N. Y. **Offering** — Indefinitely postponed.

Industry Capital Corp.
Dec. 26, 1961 filed 500,000 common. **Price**—$15. **Business**—A small business investment company. **Proceeds**—For general corporate purposes. **Office**—208 S. La Salle St., Chicago. **Underwriter**—A. C. Allyn & Co., Chicago. **Note**—This registration will be withdrawn.

Infotronics Corp.
Oct. 23, 1962 filed 100,000 common. **Price**—$5. **Business**—Research, engineering, manufacturing and marketing in the field of electronic information handling and automation systems. **Proceeds**—For new products, inventory, new plant and working capital. **Office**—1401 S. Post Oak Rd., Houston. **Underwriter**—None.

Instr-O-Matics, Inc.
Sept. 28, 1962 filed 32,000 class A common. **Price**—By amendment (max. $10). **Business** — Company develops, manufactures and sells electronic equipment for use in the marine field, principally in pleasure boating. **Proceeds**—For debt repayment, advertising, inventories, new products and working capital. **Office**—3181 N. Elston Ave., Chicago. **Underwriter** — R. A. Holman & Co., Inc., N. Y.

Intelectron Corp.
Dec. 10, 1962 filed 100,000 common. **Price**—$3. **Business**—Company plans to engage in the research and development of devices for the hard of hearing and equipment applicable to certain specialized and affiliated areas of communication. **Proceeds**—For general corporate purposes. **Office**—171 E. 77th St., New York. **Underwriter**—None.

International Systems Research Corp.
March 30, 1962 filed 110,000 class A common and 9-month warrants to purchase 110,000 class A shares at $4 per share, to be offered in units, each consisting of one share and one warrant. **Price**—$4 per unit. **Business**—Design, development and manufacture of mechanical, electromechanical and electronic equipment for government agencies and the military. **Proceeds**—For equipment, debt repayment and working capital. **Office**—Engineer's Hill, Plainview, L. I., N. Y. **Underwriter**—Leib, Skloot & Co., Inc., Clifton, N. J. **Offering**—Indefinite.

● **International Terrazzo Co., Inc.**
Nov. 8, 1962 ("Reg. A") 75,000 common. **Price**—$2. **Business**—Manufacture and installation of terrazzo, and the installation of marble and tile. **Proceeds**—For debt repayment, equipment, working capital and other corporate purposes. **Office**—826 E. 62nd St., Brooklyn, N. Y. **Underwriter**—Jay Gould & Co., Inc., 111 W. 57th St., New York. **Offering**—Imminent.

Interstate Equity
March 30, 1962 filed 1,605,100 shares of beneficial interest **Price**—(max. $10). **Business**—A real estate investment company. **Proceeds**—For investment. **Office**—450 Seventh Ave., N. Y. **Underwriter**—Van Alstyne, Noel & Co., N. Y **Offering**—Indefinite.

Investors Realty Trust
May 31, 1962 filed 200,000 shares. **Price** — $10. **Business**—A real estate investment trust. **Proceeds** — For construction and investment. **Office** — 3315 Connecticut Ave., N. W., Washington, D. C. **Underwriter**—None.

Jaap Penraat Associates, Inc.
Jan. 30, 1962 filed 100,000 common. **Price**—$3. **Business**—Industrial designing, the design of teaching machines and the production of teaching programs. **Proceeds**—For expansion, new facilities and working capital. **Office**—315 Central Park W., N. Y. **Underwriter**—R. F. Dowd & Co., Inc., N. Y.

Jamoco Air Conditioning Corp.
Feb. 28, 1962 ("Reg. A") 40,000 common. **Price** — $3. **Business**—Design, installation and maintenance of heating, plumbing and air conditioning systems. **Proceeds**—For inventory, equipment and other corporate purposes. **Office** — 954 Jamaica Ave., Brooklyn, N. Y. **Underwriter**—Martin-Warren Co., Ltd., New York **Offering**—Indefinite.

Japan Development Bank (2/6)
Jan. 14, 1963 filed $17,500,000 of 6% guaranteed external loan bonds due Feb. 1, 1978. **Price**—By amendment. **Business**—The bank was incorporated in 1951 as a Japanese Government financial institution to supply long-term funds to Japanese industry for the promotion of economic reconstruction and industrial development. **Proceeds** — To make loans to leading private electric power companies in Japan. **Office**—Tokyo, Japan. **Underwriters**—First Boston Corp.; Dillon, Read & Co. Inc.; Smith, Barney & Co. Inc.

Jayark Films Corp. (1/29)
Aug. 24, 1961 filed 85,000 common. **Price**—By amendment. (Approx. $5). **Business**—Company is engaged in distribution of motion picture films for television. **Proceeds** — For financing of production costs of films, for sales and promotion, debt repayment, and general corporate purposes. **Office**—733 Third Ave., New York. **Underwriter**—Pacific Coast Securities Co., San Francisco.

Kavanau Corp.
March 29, 1962 filed 50,000 shares 6% cum. preferred and four-year common stock purchase warrants to be offered in units consisting of one preferred and one warrant. **Price**—By amendment (max. $101 per unit). **Business**—Real estate investment. **Proceeds**—For debt repayment and working capital. **Office**—30 E. 42nd St., N. Y. **Underwriter**—Hayden, Stone & Co., N. Y. **Note**—This registration will be withdrawn.

Kenner Products Co.
March 30, 1962 filed 542,000 common, of which 205,000 are to be offered by company and 317,000 by stockholders. **Price**—By amendment (max. $24). **Business**—Manufacture, design, and distribution of plastic toys. **Proceeds**—For general corporate purposes. **Office**—912 Sycamore St., Cincinnati. Ohio. **Underwriter**—Kuhn, Loeb & Co., New York. **Offering**—Indefinite.

Kingsberry Homes Corp.
April 9, 1962 filed 140,000 shares of capital stock of which 100,000 will be offered by company and 40,000 by stockholders. **Price**—By amendment (max. $17.50). **Business**—Manufacture of prefabricated homes. **Proceeds**—For a new plant. **Office**—1725 S. Gault Ave., Ft. Payne, Ala. **Underwriters**—The Robinson - Humphrey Co., Inc., Atlanta, and J. C. Bradford & Co., Nashville. **Offering**—Indefinitely postponed.

King-Stevenson Gas & Oil Co.
Nov. 26, 1962 filed $1,526,200 of 6½% conv. subord. debentures, due 1977, to be offered by subscription by common stockholders at the rate of $100 of debentures for each 30 shares held of record Nov. 15. **Price**—At par. **Business**—Company is engaged in operating gas and oil properties, supervising drilling on its leases and managing exploration programs for investors. **Proceeds**—For general corporate purposes. **Office**—2200 First National Bank Bldg, Denver, Colo. **Underwriter**—None.

Kraft (John) Sesame Corp.
May 24, 1962 filed $225,000 of 6% conv. subord. debentures, due 1972, and 150,000 common to be offered in units consisting of a $300 debenture and 200 shares. **Price**—$900 per unit. **Business**—Processing and distribution of sesame seed. **Proceeds**—For accounts receivable, inventories, plant expansion and working capital. **Office**—2301 N. Main St., Paris, Texas. **Underwriters**—John A. Dawson & Co., and Leason & Co., Inc., Chicago.

Kreedman Realty & Construction Corp.
April 19, 1962 filed $5,000,000 of conv. subord. debentures due 1982 and 200,000 common shares to be offered in units consisting of $25 of debentures and one common share. **Price**—By amendment (max. $27). **Business**—Construction and operation of office buildings. **Proceeds**—For debt repayment. **Office**—9350 Wilshire Blvd., Beverly Hills, Calif. **Underwriter**—Lee Higginson Corp., New York. **Offering**—Indefinitely postponed.

Kwik-Kold, Inc.
March 29, 1962 ("Reg. A") 100,000 common of which 65,000 will be sold for company and 35,000 for stockholders. **Price** — $3. **Business** — Manufacture of certain patented cooling packages. **Proceeds**—For debt repayment and working capital. **Office**—Jennings Bldg., P. O. Box 638, Moberly, Mo. **Underwriter**—John W. Flynn & Co., Santa Barbara, Calif. **Note**—This letter will be withdrawn.

Las Vegas Properties Trust
Oct. 29, 1962 filed 500,000 shares of beneficial interest. **Price**—$10. **Business**—A real estate investment trust. **Proceeds**—For investment. **Office**—4933 Paradise Rd., Las Vegas. **Underwriter**—Securities Co. of Nevada (same address).

Lewis (Tillie) Foods, Inc.
April 9, 1962 filed $2,250,000 of 5½% convertible subordinated debentures due 1982. **Price**—At par. **Business**—Processing, canning, bottling and selling of fruits and vegetables. **Proceeds**—For debt repayment and working capital. **Office**—Fresno Ave. & Charter Way, Stockton, Calif. **Underwriter** — Van Alstyne, Noel & Co., New York. **Offering**—Indefinite.

Lewiston Gorham Raceways, Inc.
Oct. 26, 1962 filed 450,000 common. **Price**—$1. **Business**—Company conducts commercial parimutuel harness racing meets. **Proceeds**—For debt repayment, purchase of land, and raceway improvements. **Office**—33 Court St., Auburn, Maine. **Underwriter**—None. **Note**—This company formerly was named Central Maine Raceways, Inc.

Livestock Financial Corp.
Feb. 23, 1962 filed 130,000 common. **Price**—$10. **Business**—An insurance holding company whose subsidiaries insure the lives of all types of animals. **Proceeds**—To form new subsidiaries. **Office**—26 Platt St., N. Y. **Underwriter**—Shearson, Hammill & Co., N. Y. **Offering**—Indefinite.

Logos Options, Ltd.
April 11, 1962 filed 250,000 capital shares. **Price** — By amendment (max. $10). **Business**—A diversified closed-end investment company. **Proceeds**—For investment. **Office**—26 Broadway, N. Y. **Underwriter**—Filor, Bullard & Smyth, N. Y. **Note**—This company formerly was named Logos Financial, Ltd. **Offering**—Indefinite.

Loyalty Financing Corp.
Dec. 19, 1962 ("Reg. A") 24,000 shares of 6½% cumulative convertible preferred and 60,000 common to be offered in units consisting of 20 preferred and 50 common shares. **Price**—$250 per unit. **Business**—A business

finance company. **Proceeds**—For working capital. **Office**—5 W. Main St., Freehold, N. J. **Underwriter**—Friedman & Co., Inc., New York.

Lunar Films, Inc.
Aug. 31, 1961 filed 125,000 common. **Price**—$5.75. **Business**—The production of television films. **Proceeds**—For filming and production and working capital. **Office**—543 Madison Ave., N. Y. **Underwriter**—To be named. **Note**—This firm formerly was named Lunar Enterprises, Inc. **Offering**—Postponed.

● Mac-Allan Co., Inc.
Feb. 23, 1962 filed 130,260 of class A common, of which 65,130 are to be offered by the company and 65,130 by stockholders. **Price**—$5. **Business**—Sale and distribution of costume jewelry, ladies' handbags, and accessories. **Proceeds** — For working capital. **Office** — 1650 Broadway, Kansas City, Mo. **Underwriter**—George K Baum & Co., Kansas City. **Note**—This registration was withdrawn.

Madison Life Insurance Co.
Dec. 27, 1963 filed 219,000 capital shares. **Price** — $6. **Business** — Company plans to sell life, accident and health, group insurance and annuities in New York State. **Proceeds**—For organizational expenses, and investment. **Office**—1 Liberty St., New York. **Underwriter**—None.

Mail Assembly Service, Inc.
April 27, 1962 filed 100,000 common. **Price**—$2.25. **Business**—Assembling of packages for shipment to post offices. **Proceeds**—For general corporate purposes. **Office**—145 Ave. of the Americas, N. Y. **Underwriter**—To be named. **Offering**—Indefinitely postponed.

Management Investment Corp.
Aug. 29, 1962 filed 2,000 common (with attached warrants). **Price**—$500. **Business**—Company plans to furnish equity capital to firms in the atomic, space and missile fields, and provide advisory and management counseling services on a fee basis. **Proceeds**—For repayment of loans, and general corporate purposes. **Office**—130 Fulton Federal Bldg., Atlanta. **Underwriter**—None.

Manchester Insurance Management & Investment Corp.
Nov. 28, 1962 filed 272,941 common. **Price**—$3.50. **Business**—Writing of casualty insurance, adjustment of claims, financing of insurance premiums, and the making of investments. **Proceeds**—For expansion, loan repayment and other corporate purposes. **Office**—9929 Manchester Rd., St. Louis. **Underwriter**—Troster, Singer & Co., N. Y.

Manhattan Drug Co., Inc.
March 29, 1962 filed 72,000 common, of which 58,000 are to be offered by company and 14,000 by stockholders. **Price**—$3.50. **Business**—Manufacture, packaging and sale of various proprietary drug products. **Proceeds**—For equipment, new products, debt repayment and working capital. **Office**—156 Tillary St., Brooklyn, N Y **Underwriter**—Dana Securities Co., Inc., N. Y. **Note**—This registration will be withdrawn.

Marshall Press, Inc.
May 29, 1962 filed 60,000 common. **Price**—$3.75. **Business**—Graphic design and printing. **Proceeds**—For publishing a sales catalogue, developing a national sales staff and working capital. **Office**—812 Greenwich St., N. Y. **Underwriter**—To be named. **Offering**—Indefinitely postponed.

McGrath (John W.) Corp.
June 28, 1962 filed 253,875 common. **Price**—By amendment (max. $15). **Business**—Contract stevedoring and related operations. **Proceeds**—For selling stockholders. **Office**—39 Broadway, N. Y. **Underwriter**—Bear, Stearns & Co., New York. **Offering**—Indefinite.

Medical Industries Fund, Inc.
Oct. 23, 1961 filed 25,000 common. **Price**—$10. **Business**—A closed-end investment company which plans to become open-end. **Proceeds** — For investment in the medical industry and capital growth situations. **Office**—677 Lafayette St., Denver. **Underwriter** — Medical Associates, Inc., Denver.

Medical Video Corp.
Nov. 13, 1961 filed 250,000 common. **Price** — $1. **Business** — Manufacture of medical electronic equipment. **Proceeds** — For general corporate purposes. **Office**—Studio City, Calif. **Underwriter** — Financial Equity Corp., Los Angeles.

Merco Enterprises, Inc.
Nov. 5, 1962 filed 104,000 common, of which 33,000 are to be offered by company and 71,000 by stockholders. **Price**—By amendment (max. $5.50). **Business**—Sale of phonograph records to, and the providing of merchandising services to retail record department. **Proceeds**—For general corporate purposes. **Office**—750 Stewart Ave., Garden City, L. I., N. Y. **Underwriter**—J. R. Williston & Beane, N. Y. **Offering**—Indefinite.

Met Food Corp.
March 30, 1962 filed $1,000,000 of convertible subordinated debentures due Nov. 1, 1977. **Price** — By amendment. **Business**—Distribution of food and related products to supermarkets and other retail stores in the New York Metropolitan area. **Proceeds**—For general corporate purposes. **Office**—345 Underhill Blvd., Syosset, N Y. **Underwriter**—Brand, Grumet & Siegel, Inc., N. Y **Offering**—Indefinite.

Midwestern Indemnity Co.
Dec. 26, 1962 filed 25,495 common to be offered for subscription by stockholders on the basis of one share for each three held of record Dec. 31, 1962. **Price**—$19.50. **Business**—A multiple line insurance carrier. **Proceeds**—For additional capital and surplus. **Office**—6901 Wooster Pike, Cincinnati. **Underwriters**—W. D. Gradison & Co., Cincinnati, and Greene & Ladd, Dayton.

Midwest Technical Development Corp.
Feb. 26, 1962 filed 561,500 common to be offered for subscription by stockholders on the basis of one share for each two shares held. **Price**—By amendment (max. $7). **Business** — A closed-end management investment company. **Proceeds** — For general corporate purposes. **Office** — 2615 First National Bank Bldg., Minneapolis. **Underwriter**—None.

Modern Laboratories, Inc.
Oct. 29, 1962 ("Reg. A") 97,000 common. **Price**—$3. **Business** — Manufacture of cosmetics. **Proceeds** — For equipment. **Office**—837 W. North Ave., Pittsburgh. **Underwriter**—A. J. Davis Co., Pittsburgh. **Offering**—Imminent.

Monarch Plastics Corp.
May 28, 1962 ("Reg. A") 140,000 common. **Price**—$2. **Business**—Manufacture and sale of plastic letters, embossed sign faces, quantity signs and boat windshields. **Proceeds**—For purchase of land and building, moving expenses, equipment and working capital. **Office**—5606 Stuebner Airline Rd., Houston. **Underwriter**—W. R. Sauve Co., N. Y.

Municipal Investment Trust Fund, Series B
April 28, 1961 filed $15,000,000 (15,000 units) of interests. **Price** — To be supplied by amendment. **Business** — The fund will invest in tax-exempt bonds of states, counties, municipalities and territories of the U. S. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., 111 Broadway, New York. **Offering**—Indefinite.

Music Royalty Corp.
July 27, 1962 filed 150,000 common. **Price**—$1. **Business**—Company acts as representative of artists, musicians, etc. and plans to engage in the music publishing business. **Proceeds**—For debt repayment, public relations, acquisition of musical properties, and working capital. **Office**—545 Fifth Ave., N. Y. **Underwriter**—Associated Securities Co., 545 Fifth Ave., N. Y.

National Central Life Insurance Co.
Dec. 7 filed 125,000 common. **Price** — By amendment (max. $15). **Business**—Writing of health and accident insurance. **Proceeds**—For general corporate purposes. **Address**—2632 McGee St., Kansas City, Mo. **Underwriter**—To be named.

National Equipment & Plastics Corp.
Sept. 28, 1961 filed 105,000 common. **Price**—$5. **Business**—Operation of a cleaning and pressing plant and affiliated stores. **Proceeds**—For debt repayment, store expansion and working capital. **Address** — Portage, Pa **Underwriter**—Cortlandt Investing Corp., N. Y. **Note**—This registration will be withdrawn.

National Fence Manufacturing Co., Inc.
Nov. 29, 1962 filed 100,000 common. **Price**—$8.75. **Business** — Manufacture of galvanized chain link fence, welded concrete reinforcing fabric, gates and related products. **Proceeds**—For construction of a plant in Ireland, and working capital. **Office**—4301 46th St., Bladensburg, Md. **Underwriter**—Netherlands Securities Co., Inc., N. Y. **Offering**—Expected in February.

National Memorial Estates
Oct. 11, 1962 filed 4,750,000 common. **Price**—$1. **Business**—Company plans to engage in cemetery development and to establish and operate a life and disability insurance concern. **Proceeds**—For general corporate purposes. **Office**—13 S. Broadway, Red Lodge, Mont. **Underwriter**—Security Brokerage Co., Billings, Mont.

● National Mortgage Corp., Inc. (2/1)
Dec. 28, 1962 refiled $8,000,000 face amount certificates (series 20) and 300,000 common shares. **Price**—For certificates, $762; for stock, $1.15. **Business**—A mortgage loan company. **Proceeds**—For general corporate purposes. **Office**—113 S. Hydraulic, Wichita, Kan. **Underwriter**—National Mortgage Agency, Inc., (same address) **Note**—This offering will be made only in the State of Kansas.

National Security Life Insurance Co.
March 23, 1962 filed 100,000 common, of which 80,000 are to be offered by company and 20,000 by stockholders. **Price**—$17.50. **Business**—A life, accident and health insurance company. **Proceeds**—For investment **Office** — 130 Alvarado, N. E. Albuquerque, N. M. **Underwriter**—To be named.

National Security Life Insurance Co., Inc.
Nov. 28, 1962 filed 590,075 common to be offered for subscription by common stockholders of record Oct. 15, on a share-for-share basis. **Price**—By amendment (max. $2). **Business**—Writing of participating and non-participating ordinary life insurance. **Proceeds** — To expand operations. **Office**—6225 University Ave., Madison, Wis. **Underwriter**—None.

National Telepix, Inc.
July 30, 1962 filed $150,000 of 6½% conv. subord. debentures due 1972. **Price**—At par. **Business**—Production of motion pictures. **Proceeds**—For production and distribution expenses and working capital. **Office**—1270 Ave. of the Americas, N. Y. **Underwriter**—None.

National Uni-Pac, Inc.
July 31, 1962 filed 85,000 common. **Price**—By amendment (max. $4). **Business**—Company plans to sell or lease coin operated vending machines. **Proceeds**—For debt repayment, equipment and working capital. **Office**—15 Peachtree St., Atlanta. **Underwriter**—None. **Note**—This registration will be withdrawn.

Natural Gas & Oil Producing Co. (2/15)
Sept. 7, 1962 filed 180,000 class A common. **Price**—$5. **Business**—Production of natural gas and oil. **Proceeds**—For drilling expenses, working capital and other corporate purposes. **Office**—Tekoil Bldg., Oklahoma City. **Underwriter**—Peter Morgan & Co., N. Y.

New Campbell Island Mines Ltd.
Oct. 13, 1961 filed 475,000 common, of which 400,000 are to be offered by the company and 75,000 by a stockholder. **Price**—50c. **Business**—Exploration, development and mining. **Proceeds**—General corporate purposes. **Office**—90 Industry St., Toronto, Canada. **Underwriter**—A. C. MacPherson & Co., Toronto.

Nippon Electric Co. Ltd. (1/28-31)
Dec. 7, 1962 filed 400,000 American Depositary Shares, representing 10,000,000 common. **Price**—By amendment (max. $22.50). **Business**—Manufacture of telecommunications and electronic equipment. **Proceeds**—For expansion. **Address**—Tokyo, Japan. **Underwriters**—First Boston Corp., and Daiwa Securities Co., Ltd., New York.

Norda Essential Oil & Chemical Co., Inc.
March 20, 1962 filed 200,000 class A shares. **Price**—By amendment (max. $15). **Business**—Manufacture, processing and distribution of natural and synthetic essential oils, flavor, essences, etc., to food and drug industries. **Proceeds** — For debt repayment, working capital and other corporate purposes. **Office**—601 W. 26th St., N Y. **Underwriter**—S. D. Fuller & Co., N. Y. **Offering**—Expected in March.

Nordon Corp., Ltd.
March 29, 1962 filed 375,000 capital shares, of which 100,000 are to be offered by company and 275,000 by stockholders. **Price**—By amendment (max. $6). **Business**—Acquisition and development of oil and natural gas properties. **Proceeds**—For drilling expenses and working capital. **Office** — 5455 Wilshire Blvd., Los Angeles. **Underwriter**—Gregory-Massari, Inc., Beverly Hills, Calif.

Nuclear Science & Engineering Corp.
March 29, 1962 filed 100,000 common. **Price**—By amendment (max. $15). **Business**—Research and development on contracts using radioactive tracers; precision radioactivity measurement; production of radioactive isotopes and the furnishing of consulting and radiation measurement services. **Proceeds**—For equipment, debt repayment, expansion and working capital. **Address**—P. O. Box 10901, Pittsburgh. **Underwriter**—Johnston, Lemon & Co., Washington, D. C. **Note**—This registration will be withdrawn.

Nuveen Tax-Exempt Bond Fund, Series 4
Oct. 17, 1961 filed $15,000,000 of units representing fractional interests in the Fund. **Price**—By amendment. **Business**—The Fund will invest in interest-bearing obligations of states, counties, and municipalities of the U. S., and political subdivisions thereof which are believed to be exempted from Federal Income taxes. **Proceeds**—For investment. **Office**—Chicago, Ill. **Sponsor**—John Nuveen & Co., 135 So. La Salle St., Chicago.

● Olympia Record Industries, Inc. (1/28-31)
May 29, 1962 filed 53,000 class A common. **Price** — $5. **Business**—Company is engaged in wholesale distribution of phonograph records and albums. **Proceeds**—For loan repayment, inventories, new products, and working capital. **Office**—614 West 51st St., New York. **Underwriter**—Mid-Town Securities Corp., New York.

Orr (J. Herbert) Enterprises, Inc.
May 1, 1962 filed 200,000 common. **Price**—$5.25. **Business**—The company and its subsidiaries manufacture and distribute cartridge type tape player recorders and programs therefor; sell at retail nationally known audio visual equipment; and manufacture men's and boy's dress trousers. **Proceeds** — For additional inventory, equipment, research, and working capital. **Address**—P. O. Box 27, Opelika, Ala. **Underwriter**—First Alabama Securities, Inc., Montgomery. **Offering**—Indefinite.

Outlet Mining Co., Inc.
Feb. 28, 1962 filed 900,000 common. **Price**—$1. **Business**—Mining. **Proceeds**—For equipment and working capital. **Address**—Creede, Colo. **Underwriter**—None.

● Pacific Southwest Airlines. (2/5)
Dec. 26, 1962 filed 293,000 common, of which 80,000 are to be offered by company, and 213,000 by stockholders. **Price**—By amendment (max. $20). **Business**—Company operates a scheduled airline in California, providing daily service between San Diego, Los Angeles, and San Francisco. **Proceeds**—For prepayment of loans. **Office**—3100 Goddard Way, San Diego, Calif. **Underwriter**—E. F. Hutton & Co., Inc., Los Angeles.

Pak-Well Paper Industries, Inc.
March 30, 1962 filed 150,000 class A common. **Price**—By amendment (max. $13). **Business**—Manufacture of envelopes, packaging materials of various kinds, wrapping paper, stationery, and school supplies. **Proceeds**—For selling stockholders. **Office**—198 W. Alameda, Denver. **Underwriter**—Francis I. du Pont & Co., N. Y. **Offering**—Indefinitely postponed.

Pan American Beryllium Corp.
Feb. 28, 1962 filed 100,000 common. **Price**—$5. **Business**—Company plans to mine for beryl ore in Argentina. **Proceeds** — For debt repayment, equipment, and other corporate purposes. **Office**—39 Broadway, N. Y. **Underwriter**—To be named.

PanAm Realty & Development Corp.
March 12, 1962 filed 400,000 class A stock. **Price**—$10. **Business**—A real estate holding and development company. **Proceeds**—For general corporate purposes. **Office**—70 N. Main St., Freeport, L. I., N. Y. **Underwriter**—To be named.

Parkway Laboratories, Inc.
Dec. 6, 1961 filed 160,000 common. **Price**—$5. **Business**—Manufacture of drugs and pharmaceuticals. **Proceeds**—For an acquisition, research and other corporate purposes. **Office** — 2301 Pennsylvania Ave., Philadelphia. **Underwriter**—Arnold Malkan & Co., Inc., N. Y. **Note**—This registration will be withdrawn.

Continued on page 106

Continued from page 105

Pellegrino Aggregate Technico, Inc.
Aug. 10, 1961 filed 130,000 class A common shares. **Price**—$5. **Business**—The manufacture of building materials. **Proceeds**—For payment of income taxes and loans and for working capital. **Office**—Woodbridge-Carteret Road, Port Reading, N. J. **Underwriter**—Mortimer B. Burnside & Co., Inc., N. Y. **Offering**—Temporarily postponed.

● Petrolane Gas Service, Inc.
Dec. 18, 1962 filed 100,000 common. **Price**—By amendment (max. $30.) **Business**—Sale and distribution of liquified petroleum gas. **Proceeds**—To reimburse treasury for the acquisition of other companies, debt repayment, and working capital. **Office**—1696 E. Hill St., Signal Hill, Calif. **Underwriter**—Dean Witter & Co., Los Angeles. **Offering**—Imminent.

● Pioneer Telephone Co. (1/29)
Dec. 28, 1962 filed 75,000 common, of which 44,416 are to be offered by company and 30,584 by stockholders. **Price**—By amendment (max. $20). **Proceeds**—For debt repayment, expansion and working capital. **Office**—40 S. Elm St., Waconia, Minn. **Underwriters**—Dean Witter & Co., San Francisco, and M. H. Bishop & Co., Minneapolis.

Playboy Clubs International, Inc.
May 28, 1962 filed 270,000 common. **Price**—By amendment. (max. $7). **Business**—Company is engaged in the ownership and franchising of Playboy Clubs. **Proceeds**—For debt repayment and general corporate purposes. **Office**—232 E. Ohio St., Chicago. **Underwriter**—Golkin, Divine & Fishman, Inc., Chicago. **Offering**—Indefinite.

Potomac Real Estate Investment Trust
July 6, 1962 filed 1,000,000 shares of beneficial interest. **Price**—By amendment (max. $5). **Business**—A real estate investment trust. **Proceeds**—For investment. **Office**—880 Bonifant St., Silver Spring, Md. **Underwriter**—None.

Powell Petroleum, Inc.
Sept. 28, 1962 filed 100,000 common. **Price**—$5. **Proceeds**—To drill for and operate oil wells. **Office**—418 Market St., Shreveport, La. **Underwriter**—None.

Prescott-Lancaster Corp.
March 30, 1962 filed 150,000 common. **Price**—$5. **Business**—Real estate. **Proceeds**—For purchase of mortgages, and working capital. **Office**—18 Lancaster Rd., Union, N. J **Underwriter**—To be named.

Prince Georges Country Club, Inc.
Oct. 15, 1962 filed 500 common to be offered for subscription by stockholders on the basis of one new share for each share held of record Feb. 18, 1962. **Price**—$1,000. **Proceeds**—For debt repayment, construction of a swimming pool, and other improvements. **Address**—Landover, Prince Georges County, Md. **Underwriter**—None.

Professional Men's Association, Inc.
Jan. 8, 1963 filed 40,000 common. **Price**—$5. **Business**—Company specializes in financial consulting, and servicing patients' accounts of member hospitals, physicians and dentists. **Proceeds**—For debt repayment and working capital. **Address**—100 W. Tenth St., Wilmington, Del. **Underwriter**—None.

Publishers Co., Inc.
Aug. 29, 1962 filed 25,000 outstanding common shares to be sold by stockholders. **Price**—By amendment (max. $10). **Business**—Book publishing. **Office**—1106 Connecticut Ave., Washington, D. C. **Underwriter**—Roth & Co., Inc., Philadelphia. **Note**—This registration will be withdrawn.

Putnam Management Co., Inc.
Aug. 22, 1962 filed 150,000 common (non-voting). **Price**—By amendment (max. $14). **Business**—An investment adviser and distributor of mutual funds. **Proceeds**—For selling stockholders. **Office**—60 Congress St., Boston. **Underwriter**—To be named.

Quick-N-Clean Corp. of Minnesota, Inc.
Oct. 1, 1962 ("Reg. A") 205,000 common. **Price**—$1.15 **Business**—Company plans to open a chain of coin operated dry cleaning stores. **Proceeds**—Advertising, expansion and working capital. **Office**—712 Fir St., Brainerd, Minn. **Underwriter**—Northwest Securities, Inc., Detroit Lakes, Minn.

● R. E. D. M. Corp. (2/11-15)
June 29, 1962 filed 80,000 common, of which 40,000 will be offered for the company and 40,000 for certain stockholders. **Price**—By amendment (max. $6). **Business**—Engaged in manufacturing, engineering and research under Defense Department contracts; also manufactures ball point pens, points, mechanical pencils and desk sets. **Proceeds**—For equipment and working capital. **Office**—Little Falls, Passaic County, N. J. **Underwriter**—Schweickart & Co., New York.

Radar Relay, Inc.
Oct. 1, 1962 filed 100,000 common, of which 75,000 will be sold by company and 25,000 by a stockholder. **Price**—By amendment (max. $10). **Business**—Design and manufacture of electronic monitoring and warning systems, and integrally lighted switches. **Proceeds** — For product improvement and development, working capital, and other corporate purposes. **Office**—1631 10th St., Santa Monica, Calif. **Underwriter**—White, Weld & Co. Inc., New York. **Offering**—Indefinite.

Recreation Industries, Inc.
Nov. 23, 1962 ("Reg. A") 75,000 common. **Price** — $2. **Business**—Sale of travel and entertainment. **Proceeds**—For capital investment, and working capital. **Office**—411 W. 7th St., Los Angeles. **Underwriter** — Costello. Russotto & Co., Beverly Hills, Calif. **Offering**—Indef.

Regulators, Inc.
Jan. 29, 1962 filed 75,000 common, of which 50,000 are to be offered by the company and 25,000 by Electronic Specialty Co., parent. **Price**—$5. **Business**—Design and manufacture of regulating and control devices used in the electric and electronic fields. **Proceeds**—For debt repayment and working capital. **Office**—455 W. Main St., Wyckoff, N. J. **Underwriter**—Myron A. Lomasney & Co., N. Y. **Note**—This registration will be withdrawn and then refiled.

Remitco, Inc.
Nov. 19, 1962 filed 952,000 common. **Price**—$10. **Business**—Company is engaged in selling "puts" and "calls." **Proceeds**—For working capital. **Office**—130 N. Virginia St., Reno, Nev. **Underwriter**—None.

Resort Corp. of Missouri
Nov. 27, 1962 filed 125,000 class A common and three-year warrants to purchase 1,250 class A shares to be offered in units consisting of four shares and one warrant. **Price** — $32 per unit. **Business** — Company will erect and operate a luxury hotel and resort facilities, and sell 80 acres of land for home sites. **Proceeds**—For construction. **Office**—3615 Olive St., St. Louis. **Underwriter**—R. L. Warren Co., St. Louis. **Offering**—Expected in February or March.

Richard Gray & Co., Inc.
June 21, 1962 ("Reg. A") 60,000 common. **Price**—$5. **Business** — A securities broker-dealer. **Proceeds** — For working capital and other corporate purposes. **Office**—237 W. 51st St., N. Y. **Underwriter**—Richard Gray Co., New York. **Offering**—Indefinite.

Richmond Corp.
Dec. 21, 1961 filed 142,858 common. **Price**—$7. **Business**—A real estate investment company. **Proceeds**—For debt repayment and general corporate purposes. **Office**—220 K St., N. W., Washington, D. C. **Underwriter**—Hirschel & Co., Silver Spring, Md. **Offering**—Indefinite. **Note**—The SEC has challenged the accuracy and adequacy of this registration statement.

● Roddy Recreation Products Inc. (2/4-8)
Dec. 31, 1962 filed $1,000,000 of 6½% convertible subordinated debentures due 1978 and 50,000 common shares to be offered in units of one $500 debenture and 25 shares. **Price**—$650 per unit. **Business**—Manufacture and sale of fishing equipment, ammunition reloading devices and cord, tapes, etc. **Proceeds**—For debt repayment and working capital. **Office**—1526 W. 166th St., Gardena, Calif. **Underwriter** — Dempsey - Tegeler & Co., Inc., St. Louis.

Rona Lee Corp.
Sept. 26, 1962 filed 100,000 common. **Price**—$5. **Business**—Design, manufacture, and distribution of girls' blouses, sportswear, and coordinates. **Proceeds**—For debt repayment. **Office**—112 W. 34th St., N. Y. **Underwriter**—Winslow, Cohu & Stetson Inc., N. Y. **Offering**—Indefinite.

Royaltone Photo Corp.
Nov. 29, 1961 filed 300,000 common, of which 100,000 are to be offered by the company and 200,000 by stockholders. **Price** — By amendment. **Business** — Develops and prints color, and black and white photographic film. **Proceeds** — For equipment and working capital. **Office**—245 7th Ave., N Y. **Underwriter** — Federman Stonehill & Co., N. Y. **Note**—This registration will be withdrawn.

Ruby Silver Mines, Inc.
Jan. 2, 1962 ("Reg. A") 2,400,000 common. **Price**—12½ cents. **Business**—Exploration and development of mineral deposits. **Proceeds**—For debt repayment and general corporate purposes. **Address**—Box 1088, Wallace, Idaho **Underwriter**—Pennaluna & Co., Spokane, Wash.

Russell Mills, Inc.
Sept. 28, 1962 filed 312,500 common. **Price**—By amendment (max. $12). **Business**—Manufacture of athletic clothing, knitted underwear, children's sleepwear and cotton cloth. **Proceeds**—For bond retirement and plant expansion. **Address**—Alexander City, Ala. **Underwriter**—Hornblower & Weeks, N. Y. **Note** — This company formerly was called Russell Manufacturing Co. **Offering**—Indefinite.

San Francisco Capital Corp.
April 23, 1962 filed 60,000 common. **Price**—$12.50. **Business**—A small business investment company. **Proceeds**—For investment. **Office**—400 Montgomery St., San Francisco. **Underwriter**—Cantor, Fitzgerald & Co., Inc., Beverly Hills, Calif. **Note**—This registration will be withdrawn.

Seaboard Land Co.
July 25, 1962 filed 200,000 class A common. **Price**—By amendment (max. $2.50). **Business**—Ownership and development of real estate. **Proceeds**—For working capital. **Office**—912 Thayer Ave., Silver Spring, Md. **Underwriter** — North American Seaboard Securities Corp., (same address).

Selective Financial Corp.
Feb. 28, 1962 filed 500,000 common, of which 405,000 are to be offered for subscription by holders of the A, B and C stock of Selective Life Insurance Co., an affiliate, on the basis of 4 company shares for each class A or B share and two-thirds share for each class C share of Selective Life held. Remaining 94,822 and any unsubscribed shares will be offered publicly. **Price**—To public, $6; to stockholders, $5. **Business**—Company plans to engage in the consumer finance, mortgage, general finance and related businesses. **Proceeds** — For general corporate purposes. **Office**—830 N. Central Ave., Phoenix. **Underwriter**—None.

Sentinel Life Insurance Co.
Sept. 10, 1962 filed 250,000 capital shares. **Price** — $5. **Business**—Company plans to sell life and disability insurance. **Proceeds**—For organizational expenses and other corporate purposes. **Office**—225 Bush St., San Francisco, Calif. **Underwriter**—None.

Shaker Properties
Oct. 19, 1962 filed 215,000 shares of beneficial interest. **Price**—$15. **Business** — A real estate investment trust. **Proceeds**—For investment and working capital. **Office**—1956 Union Commerce Bldg., Cleveland, Ohio. **Underwriter**—McDonald & Co., Cleveland. **Offering**—Indefinite.

Signalite Inc.
Jan. 29, 1962 filed 126,000 common. **Price**—$4.50. **Business**—Manufacture, sale and development of glow lamps for use as indicators and circuit components. **Proceeds**—For debt repayment, equipment and working capital. **Office**—1933 Heck Ave., Neptune, N. J. **Underwriter**—Milton D. Blauner & Co., N. Y. **Offering**—Postponed.

Southeastern Towing & Transportation Co., Inc.
Nov. 29, 1961 ("Reg. A") 100,000 common. **Price**—$3. **Business**—Construction and operation of towing boats. **Proceeds**—For debt repayment, conversion of a boat, and working capital. **Office**—3300 N. W. North River Drive, Miami, Fla. **Underwriter**—Irwin Karp & Co., Inc., 68 William St., N. Y.

Southwest Forest Industries, Inc.
Jan. 11, 1963 filed 638,237 common to be offered for subscription by stockholders on the basis of three new shares for each five held. **Price**—By amendment (max. $7). **Business**—Company manufactures lumber and wood products, and converts, processes and distributes paper products. **Proceeds**—For working capital and debt repayment. **Office** — 444 First National Bank Building, Phoenix. **Underwriter**—None.

Sovereign Life Insurance of California
Nov. 28, 1962 filed 800 capital shares. **Price**—$2,500. **Business**—Company plans to engage in writing life and disability insurance in California. **Proceeds**—For capital and surplus. **Office**—510 S. Spring St., Los Angeles. **Underwriter**—McDonnell & Co., Inc., New York. **Offering**—Indefinite.

● Sperti Products, Inc.
Nov. 29, 1961 filed 230,000 common of which 200,000 are to be offered by the company and 30 000 by stockholders. **Price**—By amendment. **Business**—Manufacture of drug and food products, electrical and electronic devices and precision machinery. **Proceeds**—For the purchase of certain patents, repayment of debt, and working capital. **Office**—730 Grand St., Hoboken, N J **Underwriter**—Blair & Co., New York. **Note** — This registration was withdrawn.

Stars of New York, Inc.
Dec. 28, 1962 filed $450,000 of 15-year 8% debentures and 15,000 common shares to be offered in 300 units, each consisting of $1,500 of debentures and 50 shares. **Price**—$2,000 per unit. **Business**—Operation of discount department stores. **Proceeds**—For debt repayment and working capital. **Office**—North Colony Rd., Wallingford, Conn. **Underwriter**—None.

Sterling Copper Corp.
Aug. 2, 1962 filed 850,000 common. **Price**—$1. **Business**—Company plans to operate a non-ferrous rod and tube mill. **Proceeds**—For plant and equipment, working capital and other corporate purposes. **Office**—300 Horn Rd., Pinconning, Mich. **Underwriter**—None.

Stratford Financial Corp.
March 29, 1962 filed 315,000 class A shares of which 218,000 are to be offered by the company and 97,000 by the stockholders. **Price**—$6. **Business**—Commercial finance company. **Proceeds**—For debt repayment. **Office**—95 Madison Ave., N. Y. **Underwriter**—Mortimer B. Burnside & Co., Inc., N. Y.

Stratton Fund, Inc.
March 20, 1962 filed 500,000 common. **Price**—$20. **Business**—A new mutual fund which plans to offer investors the opportunity of exchanging their individual securities for shares of the Fund without incurring Federal income tax liability. **Office**—15 William St., New York. **Dealer-Manager**—J. R. Williston & Beane, N. Y. **Note**—This company formerly was named Stratton Realty & Construction Fund, Inc. **Offering**—Indefinite.

Superior Commercial Corp.
Nov. 15, 1962 filed 200,000 class A common, of which 100,000 are to be offered by the company and 100,000 by stockholders. **Price**—$1.50. **Business**—Company buys and holds second mortgages. **Proceeds**—For general corporate purposes. **Office**—9 Maiden Lane, New York. **Underwriter**—S. C. Burns & Co., Inc., New York. **Offering**—Expected in February.

Teaching Systems, Inc.
June 1, 1962 ("Reg. A") 50,000 common. **Price**—$2. **Business**—Production and sale of educational audio-visual teaching aids. **Proceeds**—For equipment, promotion and advertising and working capital. **Office**—1650 Broadway, N. Y. **Underwriter**—Creative Ventures Corp., 733 Third Ave., N. Y.

Ten-Tex, Inc.
Dec. 31, 1962 ("Reg. A") 3,000 units each consisting of one 6½% 10-year debenture, 25 common shares and purchase warrants for 100 common shares to be offered for subscription by stockholders of Ten-Tex Corp., parent, of record Feb. 1, 1963 on the basis of one unit for each 150 common shares held. **Price**—$100. **Business**—Sale and lease of machinery for production of tufted textile products. **Proceeds** — For debt repayment and working capital. **Office**—3814 Tennessee Ave., Chatsworth, Ga. **Underwriter**—Irving J. Rice & Co., Inc., St. Paul.

Tenna Corp.
Sept. 28, 1962 filed 122,000 common. **Price**—By amendment (max. $11). **Business**—Manufacture of automobile antennas and radios. **Proceeds**—For repayment of bank loans and working capital. **Office**—19201 Cranwood Parkway, Warrensville Heights, Ohio. **Underwriters**—Westheimer & Co., Cincinnati, and Hartzmark & Co., Inc., Cleveland.

Texas Plastics, Inc.
July 27, 1962 filed 313,108 common. **Price**—$3.50. **Business**—Operation of a plant producing plastic film and packaging products. **Proceeds**—For working capital. **Address**—Elsa, Texas. **Underwriter**—Crow, Brourman & Chatkin, Inc., N. Y.

Top Dollar Stores, Inc.
May 1, 1962 filed 200,000 common, of which 100,000 are to be offered by company and 100,000 by stockholders. **Price**—$5. **Business**—Operation of a chain of self-service retail stores selling clothing, housewares, etc. **Proceeds**—For expansion, equipment and working capital. **Office**—2220 Florida Ave., Jasper, Ala. **Underwriter**—Philips, Appel & Walden, 115 Broadway, N. Y. **Offering**—Temporarily postponed.

Transarizona Resources, Inc.
May 28, 1962 filed 500,000 capital shares. **Price**—$1.50. **Business**—Exploration, development and production of the Lake Shore copper deposit near Casa Grande, Ariz. **Proceeds**—For equipment, exploration and working capital. **Office**—201 E. 4th St., Casa Grande, Ariz. **Underwriter**—None.

Tyson's Foods, Inc.
Dec. 26, 1962 filed 100,000 common. **Price**—By amendment (max. $12). **Business**—Company operates an integrated poultry business. **Proceeds** — For construction, equipment and working capital. **Office**—317 East Emma Ave., Springdale, Ark. **Underwriter**—Rauscher, Pierce & Co., Inc., Dallas.

Ultrasonic Laboratories, Inc.
Nov. 29, 1962 filed 67,200 common. **Price**—$3.50. **Business**—Design, engineering and manufacture of specialized products primarily in the field of contamination control. Company also acts as sales agents and distributors of allied equipment in the fields of contamination control and ultrasonics. **Proceeds**—For debt repayment, equipment, advertising and other corporate purposes. **Office**—1695 Elizabeth Ave., Rahway, N. J. **Underwriter**—None.

United Camera Exchange, Inc. (2/4-8)
Nov. 29, 1962 ("Reg. A") 100,000 common. **Price**—$3. **Business**—Operation of retail stores selling and trading cameras, films and other photographic equipment. Company also sells radios, tape recorders, dictating and photocopying machines, and provides a film developing and printing service. **Proceeds**—For new stores and camera concessions. **Office**—25 W. 43rd St., N. Y. **Underwriter**—Ingram, Lambert & Stephen, Inc., N. Y.

United Variable Annuities Fund, Inc.
April 11, 1961 filed 2,500,000 shares of stock. **Price**—$10 per share. **Business**—A new mutual fund. **Proceeds**—For investment. **Office**—20 W. 9th Street, Kansas City, Mo. **Underwriter**—Waddell & Reed, Inc., Kansas City, Mo.

Urethane of Texas, Inc.
Feb. 14. 1962 filed 250,000 class A and 250,000 common to be offered in units of one share of each class. **Price**—$5.05 per unit. **Business**—Manufacture of urethane foams. **Proceeds**—For equipment, working capital, leasehold expenses and other corporate purposes. **Office**—2300 Republic National Bank Bldg., Dallas. **Underwriter** — First Nebraska Securities Corp., Lincoln, Neb. **Offering**—Temporarily postponed.

Valu-Rack, Inc.
May 4, 1962 filed 200,000 common, of which 100,000 are to be offered by company and 100,000 by stockholders. **Price** — $5. **Business** — Wholesale distribution and retail merchandising of health and beauty aids, housewares, kitchenwares, wearing apparel and other goods. **Proceeds**—For debt repayment. **Office**—2925 S. San Pedro St., Los Angeles. **Underwriter**—To be named.

● **Venride Inc. (2/25)**
Nov. 5, 1962 filed 150,000 common. **Price**—$3. **Business**—Operation of coin-operated children's rides. **Proceeds**—For debt repayment, equipment and working capital. **Office**—241 Church St., N. Y. **Underwriter**—Leonard B. Stern & Co., N. Y.

Wade, Wenger ServiceMaster Co.
Nov. 23, 1962 filed $250,000 of 7% conv. subord. debentures due 1973. **Price**—95% of principal amount. **Business**—Sale of franchises for on-location cleaning of carpets, furniture, floors, etc., and the manufacture and sale of cleaning equipment and materials. **Proceeds**—For debt repayment and other corporate purposes. **Office**—2117 N. Wayne, Chicago. **Underwriter**—None.

Wallace & Tiernan Inc.
Jan. 16, 1963 filed 256,000 common. **Price**—By amendment. **Business** — Manufacture of chemicals, equipment and pharmaceuticals. **Proceeds**—For selling stockholders. **Office**—25 Main St., Belleville, N. J. **Underwriters**—White, Weld & Co. and Cyrus J. Lawrence & Sons, N. Y. **Offering**—Expected in mid-February.

Wallace (William) Co.
Jan. 9, 1963 filed $2,500,000 of subordinate debentures due 1981 (with attached warrants) to be offered in units consisting of one $1,000 debenture and one warrant to purchase 55 common shares. **Price** — By amendment. **Business**—Manufacture of double wall gas vent systems, prefabricated chimneys, roof drainage equipment, stove pipe, and fittings. **Proceeds** — For loan repayment and working capital. **Address** — 230 Park Ave., New York. **Underwriters**—Reynolds & Co., Inc., and P. W. Brooks & Co., Inc., New York.

Waterman Steamship Corp.
Aug. 29, 1961 filed 1,743,000 common. **Price**—By amendment. **Business**—The carrying of liner-type cargoes. **Proceeds**—For the purchase of vessels, and working capital. **Office**—71 Saint Joseph St., Mobile, Ala. **Underwriter**—Shields & Co., Inc., N. Y. (mgr.). **Offering**—Temporarily postponed.

Western Empire Real Estate Investments
Sept. 26, 1962 filed 600,000 shares of beneficial interest. **Price**—$4. **Business**—Company plans to qualify as a real estate investment trust. **Proceeds**—For investment. **Office**—1755 Gilpin St., Denver, Colo. **Underwriter**—None.

● **Western Travel, Inc.**
Oct. 29, 1962 ("Reg. A") 187,000 common. **Price** — $1. **Business**—Operation of motels, hotels, restaurants and related businesses. **Proceeds**—For completion of a motel and working capital. **Office**—290 N. University Ave., Provo, Utah. **Underwriter**—Western Securities, Inc., Provo, Utah.

Wheeler & Ryan, Inc.
July 30, 1962 filed 80,000 common. **Price**—$12.50. **Business**—Acquisition of leases and production of oil and gas. **Proceeds** — For repayment of debt and other corporate purposes. **Office**—Thompson Bldg., Tulsa. **Underwriter**—R. J. Edwards, Inc., Oklahoma City.

White Photo Offset, Inc.
July 13, 1962 filed 100,000 common. **Price**—$3.50. **Business**—Photo-offset printing. **Proceeds** — For debt repayment, equipment and working capital. **Office**—142 W. 26th St., N. Y. **Underwriter** — K-Pac Securities Corp., New York. **Offering**—In late February.

Widman (L. F.), Inc.
Oct. 27, 1961 filed 162,000 common, of which 102,000 are to be offered by the company and 60,000 by stockholders. **Price**—$3. **Business**—Operates a chain of retail drug stores. **Proceeds**—Expansion, equipment and working capital. **Office**—738 Bellefonte Ave., Lock Haven, Pa. **Underwriter**—Godfrey, Hamilton, Taylor & Co., N. Y.

Wiener Shoes Inc.
April 2, 1962 filed 80,000 common. **Price** — By amendment (max. $11). **Business**—Operation of a chain of shoe stores. **Proceeds**—For debt repayment, expansion and working capital. **Office** — 808 Dakin St., New Orleans. **Underwriter** — Howard, Weil, Labouisse, Friedrichs & Co., New Orleans. **Note**—This registration will be withdrawn.

Winslow Electronics, Inc.
Dec. 28, 1961 filed 125,000 common. **Price**—$4. **Business**—Design and manufacture of precision electrical and electronic measuring devices and test equipment. **Proceeds**—For debt repayment and other corporate purposes. **Office**—1005 First Ave., Asbury Park, N. J. **Underwriter**—To be named.

Wolf Corp.
Jan. 26, 1962 filed $4,500,000 of 6.5% convertible subordinated debentures due 1977 (with attached warrants) to be offered for subscription by stockholders of class A stock on the basis of $500 debentures for each 100 class A shares held. **Price**—$500 per unit. **Business**—Real estate. **Proceeds**—For debt repayment and realty acquisitions. **Office**—10 East 40th St., N. Y. **Underwriter**—S. E. Securities, Inc., 10 East 40th Street, New York. **Note**—This registration will be withdrawn.

Workman Electronic Products, Inc.
Oct. 25, 1962 filed 140,000 common. **Price**—$3. **Business**—Manufacture, development and assembling of precise electronic replacement components for radio, TV and industrial use. **Proceeds**—For debt repayment, inventory, research, and other corporate purposes. **Office**—Packinghouse Rd., Sarasota. Fla. **Underwriter**—Hensberry & Co., St. Petersburg, Fla. **Offering**—February.

Zero Mountain Inc. (2/4-8)
March 30, 1962 ("Reg. A") 100,000 common. **Price**—$3. **Business**—Operation of underground cold storage facilities. **Proceeds**—Expansion, debt repayment and working capital. **Address**—Box 594, Fayetteville, Ark. **Underwriter** — Don D. Anderson & Co., Inc., Oklahoma City.

Issues Filed With SEC This Week

★ **Ashland Oil & Refining Co.**
Jan. 23, 1963 filed $25,000,000 sinking fund debentures due 1988; $35,000,000 convertible subordinated debentures due 1993; and 260,000 common. **Business** — A refiner, transporter and marketer of petroleum products. **Proceeds**—For proposed acquisition of United Carbon Co. **Address**—1409 Winchester Ave., Ashland, Ky. **Underwriter**—Eastman Dillon, Union Securities & Co., and E. F. Hutton & Co., Inc., New York, and A. G. Becker & Co., Inc, Chicago.

★ **Black Hills Power & Light Co.**
Jan. 17, 1963, filed 22,516 common to be offered for subscription by stockholders on the basis of one new share for each 19 held. **Price**—By amendment (max. $44.40). **Proceeds**—For construction, and loan repayment. **Office**—621 Sixth St., Rapid City, South Dakota. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

★ **Diversified Resources, Inc.**
Jan. 16, 1963 ("Reg. A") 67,000 common. **Price** — $3. **Business**—Manufacture of a lightweight structural board and sheet insulating material (wallboard). **Proceeds**—For equipment, leasing of working space, advertising, and working capital. **Office**—42 Broadway, N. Y. **Underwriter**—A. J. Gabriel Co., Inc., New York.

★ **Drexel Enterprises, Inc.**
Jan. 23, 1963 filed 156,414 common. **Price**—By amendment (max. $25). **Business**—Manufacture of furniture for homes and institutions. **Proceeds**—For selling stockholders. **Address**—Drexel, N. C. **Underwriters**—Lehman Brothers, New York, R. S. Dickson & Co., Inc., Charlotte, N. C, and Powell, Kistler & Co., Fayetteville, N. C.

★ **Emerson Electric Manufacturing Co. (2/19)**
Jan. 17, 1963 filed 162,045 common. **Price**—By amendment (max. $35). **Business** — Manufacture of electric motors, automatic controls, electronic devices, and builder products. **Proceeds**—For selling stockholders. **Address**—8100 Florissant Ave., St. Louis. **Underwriter**—Blyth & Co., Inc., New York.

★ **Hobam, Inc.**
Jan. 16, 1963 ("Reg. A") 75,000 class A. **Price**—$4. **Business**—Development and marketing of new equipment for the processing industry. **Proceeds**—For debt repayment, purchase of Strudh Co., in Sweden, and working capital. **Office**—1720 Military Rd., Tonawanda, N. Y. **Underwriter**—Doolittle & Co., Buffalo.

★ **Home Entertainment Co. of America.**
Jan. 16, 1963 filed 230,000 common of Home Entertainment Co., Inc., Los Angeles, a subsidiary, and 23,000 stock purchase warrants in parent, to be offered in units of 10 shares and one warrant. **Price** — $100 per unit. **Business**—Company and subsidiary are engaged in the development and promotion of a pay television system in Santa Monica, Calif. **Proceeds**—For installation of a pay television system. **Address** — 19th and Broadway, Santa Monica, Calif. **Underwriter**—Bernard M. Kahn & Co., Inc., New York.

★ **Investors Trading Co.**
Jan. 17, 1963 filed 200,000 capital shares. **Price** — Net asset value (max. $5), plus 8% sales charge. **Business**—A mutual fund. **Proceeds**—For investment. **Office**—460 Denver Club Building, Denver. **Distributor**—Nemrava & Co., (same address).

★ **Laclede Gas Co. (2/6)**
Jan. 17, 1963 filed $10,000,000 of sinking fund debentures due 1983. **Business** — Distribution and sale of natural gas in and around St. Louis. **Proceeds**—To repay bank loans. **Office**—1017 Olive Street, St. Louis. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers-Merrill Lynch, Pierce, Fenner & Smith Inc.-Reinholdt & Gardner (jointly); Stone & Webster Securities Corp.; First Boston Corp.; Eastman Dillon, Union Securities & Co. **Bids**—Feb. 6, 1963 (10:30 a.m. EST) at Bankers Trust Co., 16 Wall St., New York. **Information Meeting**—Jan. 31, 1963 (11 a.m. EST) same address.

★ **Laclede Gas Co. (2/6)**
Jan. 17, 1963 filed 200,000 preferred (par $25). **Price**—By amendment. **Business** — Distribution and sale of natural gas in and around St. Louis. **Proceeds**—To repay bank loans. **Office**—1017 Olive Street, St. Louis. **Underwriters**—Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith Inc., New York, and Reinholdt & Gardner, St. Louis.

★ **Southwestern Public Service Co. (2/6)**
Jan. 16, 1963 filed $14,000,000 of first mortgage bonds due Jan. 1, 1993. **Proceeds** — For debt repayment, construction and other corporate purposes. **Address**—720 Mercantile Dallas Building, Dallas. **Underwriter**—Dillon, Read & Co., Inc., New York.

★ **Tecumseh Investment Co., Inc.**
Jan. 21, 1963 filed 48,500 common. **Price**—$100. **Business**—A holding company which plans to organize a life insurance company. **Proceeds**—For investment in U. S. Government Bonds and in new subsidiary. **Office**—801 Lafayette Life Bldg., Lafayette, Ind. **Underwriter**—Amosand Inc., (same address).

★ **Texas Power & Light Co. (2/18)**
Jan. 22, 1963 filed $10,000,000 of first mortgage bonds due 1993. **Proceeds**—For construction, and other corporate purposes. **Office** — 1511 Bryan St., Dallas. **Underwriters**—(Competitive). Probable bidders: Kuhn, Loeb & Co.-Blyth & Co., Inc.-Kidder, Peabody & Co.-Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); White, Weld & Co.; First Boston Corp.; Eastman Dillon, Union Securities & Co.-Salomon Brothers & Hutzler (jointly); Lehman Brothers; Halsey, Stuart & Co. Inc. **Bids**—Feb. 18 (11:30 a.m. EST) at Ebasco Services, Inc., 2 Rector St., New York. **Information Meeting**—Feb. 14 (11 a.m. EST) at same address.

★ **Vend-Mart Inc.**
Jan. 22, 1963 filed 60,000 common. **Price**—$4. **Business**—Operation of coin-operated automatic ice cube vending machines and clothes washing and drying machines. **Proceeds** — For debt repayment, equipment, expansion and working capital. **Office**—565 Fifth Ave., New York. **Underwriter**—M. G. Davis & Co., Inc., New York.

★ **Western Power & Gas Co. (2/18-22)**
Jan. 21, 1963 filed $9,000,000 of subordinated debentures due 1978. **Price**—By amendment. **Proceeds**—For debt repayment, construction, advances to subsidiaries, and other corporate purposes. **Office**—144 South 12th St., Lincoln, Neb. **Underwriters**—Paine, Webber, Jackson & Curtis, Dean Witter & Co., and Stone & Webster Securities Corp., New York.

Continued on page 108

Continued from page 107

Effective Registrations

The following registration statements were declared effective this week by the SEC. Offering details, where available, will be carried in the Monday issue of the "Chronicle."

Aquariums, Inc.
51,200 common offered at $4 per share by Golkin, Divine & Fishman, Inc., New York.

Chesapeake & Potomac Telephone Co. of Maryland
$50,000,000 of 4⅜% debentures due Jan. 1, 2002 offered at 102⅞% and accrued interest to yield 4.224% by Morgan Stanley & Co., New York.

Luck's, Inc.
145,500 common offered at $8 per share by J. C. Wheat & Co., Richmond, Va., and Allied Securities Corp., Greensboro, N. C.

Public Service Co. of Oklahoma
$10,000,000 of 4⅛% first mortgage bonds due Jan. 1, 1993 offered at 98.727 to yield 4.20% by Halsey, Stuart & Co. Inc., Chicago.

Servotronics, Inc.
125,000 common offered at $3 per share by General Securities Co., Inc., New York.

Tennessee Gas Transmission Co.
$50,000,000 of 4⅞% first mortgage pipe line bonds due March 1, 1983 offered at 100.95% to yield 4.80% by Stone & Webster Securities Corp., White, Weld & Co., New York, and Halsey, Stuart & Co. Inc., Chicago.

Prospective Offerings

★ Alabama Power Co.
Jan. 22, 1963 it was reported that this subsidiary of The Southern Co., plans to sell $13,000,000 of first mortgage bonds and $5,000,000 of preferred stock in May. **Proceeds**—For construction. **Office**—600 North 18th St., Birmingham, Ala. **Underwriters**—(Competitive). Probable bidders: (Bonds): Blyth & Co., Inc.-Kidder, Peabody & Co. (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co.-Equitable Securities Corp.-Drexel & Co. (jointly); Halsey, Stuart & Co. Inc.; First Boston Corp.; Morgan Stanley & Co. (Preferred): First Boston Corp.; Eastman Dillon, Union Securities & Co.-Equitable Securities Co. (jointly); Blyth & Co.; Morgan Stanley & Co.; Stone & Webster Securities Corp.

★ Atlanta Gas Light Co.
Jan. 22, 1963 the company stated that it was negotiating with certain underwriters for the proposed sale of $27,000,000 of first mortgage bonds. It added that if the negotiations are not fruitful the bonds would be sold at competitive bidding. **Proceeds** — To refund approximately $17,000,000 of outstanding 5⅛% bonds due 1982-85, and for construction. **Office**—243 Peachtree St., N. E., Atlanta, Ga. **Underwriters**—To be named. The following bid on the last sale of bonds on Dec. 8, 1960: White, Weld & Co.-Kidder, Peabody & Co. (jointly); First Boston Corp.; Shields & Co.- Equitable Securities Corp. (jointly); Halsey, Stuart & Co.; Stone & Webster Securities Corp. **Offering**—Expected in March.

★ Atlantic City Electric Co. (3/6)
Jan. 22, 1963 it was reported that the company plans to sell $15,000,000 of first mortgage bonds due 1993. **Office**—1600 Pacific Ave., Atlantic City, N. J. **Underwriters**—(Competitive). Probable bidders: White, Weld & Co.-Shields & Co. (jointly); Kuhn, Loeb & Co., Inc.-American Securities Corp.-Wood, Struthers & Co. (jointly); Lee Higginson Corp.; Halsey, Stuart & Co. Inc.; White, Weld & Co.-Shields & Co. (jointly); First Boston Corp.-Drexel & Co. (jointly); Eastman Dillon, Union Securities & Co.-Smith, Barney & Co. (jointly); Blyth & Co. **Bids**—Expected March 6 (11 a.m. EST) at Irving Trust Co., One Wall St., New York.

Atlantic Coast Line RR (2/18)
Jan. 15, 1963 it was reported that this road plans to sell about $3,600,000 of 1-15 year equipment trust certificates. **Office**—220 E. 42nd St., New York. **Underwriters**—(Competitive). Probable bidders: Salomon Brothers & Hutzler; Halsey, Stuart & Co. Inc. **Bids**—Feb. 18 (12 noon EST) at above address.

Bethlehem Steel Co.
Dec. 3, 1962, Arthur B. Homer, Chairman, announced that the company will embark on a $750,000,000 capital improvements program to be completed over the next three years. He said that approximately two-thirds of the financing for the program will be generated internally and the balance secured externally. Mr. Homer added that this would not be required in the immediate future. **Office**—25 Broadway, New York. **Underwriters**—To be named. The last public sale of securities in May, 1955, was handled by Kuhn, Loeb & Co., and Smith, Barney & Co., New York.

Brooklyn Union Gas Co. (2/27)
Dec. 26, 1962 it was reported that the company plans to offer $12,000,000 of 25-year first mortgage bonds in February. **Office** — 195 Montague St., Brooklyn, N. Y. **Underwriters**—(Competitive.) Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Smith Inc.; Blyth & Co., Inc.-Eastman Dillon, Union Securities & Co.-F. S. Moseley & Co. (jointly); Harriman Ripley & Co., Inc.-First Boston Corp. (jointly). **Bids**—Expected Feb. 27.

California Electric Power Co.
Oct. 29, 1962 it was reported that this company plans to raise new money in the third or fourth quarter of 1963. A spokesman for the company stated that the utility is thinking of selling 380,000 common shares, although a final decision has not been made. **Office**—2885 Foothill Blvd., San Bernardino. **Underwriter** — Merrill Lynch, Pierce, Fenner & Smith Inc., New York.

● Central Illinois Light Co. (3/11)
Jan. 2, 1963 it was reported that this utility plans to sell $9,375,000 of first mortgage bonds due 1993 in March. **Proceeds**—To refund a like amount of 3¼% bonds due April 1, 1963. **Office**—300 Liberty St., Peoria, Ill. **Underwriters** — (Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; Merrill Lynch, Pierce, Fenner & Smith Inc.-Stone & Webster Securities Corp. (jointly); Blyth & Co.-Lehman Brothers & Co.-Salomon Brothers & Hutzler (jointly). **Bids**—March 11 (11 a.m. EST) at 300 Park Ave., New York. **Information Meeting**—March 8 (11 a.m.) at 16 Wall St. (2nd floor), New York.

Central Illinois Public Service Co.
July 10, 1962 it was reported that this company plans to issue about $10,000,000 of first mortgage bonds in 1963. **Proceeds**—For construction. **Office**—607 E. Adams St., Springfield, Ill. **Underwriters**—(Competitive). Probable bidders: Eastman Dillon, Union Securities & Co.-Equitable Securities Corp. (jointly); Blyth & Co.-Kidder, Peabody & Co.-Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); Halsey, Stuart & Co. Inc.; Salomon Brothers & Hutzler; First Boston Corp.; Lehman Brothers-Bear, Stearns & Co. (jointly).

Chicago Burlington & Quincy RR
Jan. 16, 1963, following the sale of $6,300,000 of equipment trust certificates, it was reported that $14,700,000 of certificates remain to be sold in 1963, in two or more instalments. **Office** — 547 W. Jackson Blvd., Chicago. **Underwriters**—(Competitive). Probable bidders: Salomon Brothers & Hutzler; Halsey, Stuart & Co. Inc.

Chicago Union Station Co.
Nov. 28, 1962 it was reported that this company will issue $48-$50 million of first mortgage bonds in May 1963. **Proceeds**—To refund outstanding 3⅛% and 2⅞% bonds maturing July 1, 1963. **Office**—210 S. Canal St., Chicago. **Underwriters** — (Competitive). Probable bidders: Kuhn, Loeb & Co.; Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.

Community Public Service Co.
Jan. 16, 1963 it was reported that this company plans to sell $8,000,000 of first mortgage bonds in June 1963. **Office**—408 W. 7th Street, Fort Worth, Tex. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Brothers & Hutzler; Stone & Webster Securities Corp.

Connecticut Light & Power Co.
Dec. 10, 1962 it was reported that the company is considering the issuance of about $22,500,000 of bonds in 1963 or 1964. **Proceeds**—For construction. **Address**—Selden St., Berlin, Conn. **Underwriters**—To be named. The last public offering of bonds on Jan. 20, 1960 was handled by Morgan Stanley & Co.-Putnam & Co.-Chas. W. Scranton & Co.-Estabrook & Co. (jointly).

Consumers Power Co.
Jan. 16, 1963 it was reported that the company plans to sell $40,000,000 of bonds in the second half of 1963, or in 1964. **Office**—212 West Michigan Ave., Jackson, Mich. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.-Shields & Co. (jointly); Harriman Ripley & Co. Inc.-First Boston Corp. (jointly); Morgan Stanley & Co.

Eastern Freight Ways, Inc.
Oct. 9, 1962 the ICC authorized the company to issue 100,000 common. **Price**—By amendment (min. $5). **Business**—A motor vehicle common carrier operating in nine eastern states from Vermont to Virginia. **Proceeds**—For working capital, debt repayment and advances to subsidiaries. **Office** — Moonachie Ave., Carlstadt, N. J. **Underwriter**—Allen & Co., New York.

★ Federation Bank & Trust Co.
Jan. 23, 1963 it was reported that the bank is offering its stockholders the right to subscribe for an additional 100,114 shares on the basis of one new share for each seven held of record Jan. 22. Rights will expire Feb. 7. **Price**—$32. **Proceeds**—To increase capital funds to permit the opening of additional branches. **Office**—10 Columbus Circle, New York. **Underwriters** — Kuhn, Loeb & Co., Inc.; Paine, Webber, Jackson & Curtis, and Laird, Bissell & Meeds, New York.

Food Fair Properties, Inc.
May 11, 1962 stockholders authorized the company to issue 756,000 shares of a new convertible preferred stock which will be offered to stockholders through subscription rights on a 1-for-10 basis. **Price**—By amendment. **Business**—Development and operation of shopping centers. **Proceeds**—To retire outstanding 6% preferred stock and purchase up to $6,000,000 convertible debentures of Major Realty Corp., an affiliate. **Office**—223 East Allegheny Ave., Philadelphia. **Underwriter**—To be named. The last rights offering in December 1957 was underwritten by Eastman Dillon, Union Securities & Co., New York. **Offering**—Indefinitely postponed.

General Aniline & Film Corp.
On Oct. 22, 1962, President Kennedy signed a bill authorizing the Government to sell its holdings of 540,894 class A and 2,050,000 class B shares, representing 98% of the voting control of the company. The stock, now held by the Attorney General, was seized in 1942 as a German asset. No date has been set for the offering which need not be registered with the SEC. Proceeds from the sale will be used to reimburse American citizens for losses of life and property during World War II. **Business**—Company is a leading domestic producer of dyestuffs, chemicals and photographic materials. **Office**—111 W. 50th St., New York. **Underwriters**—(Competitive). Probable bidders: Bache & Co.; Blyth & Co.-First Boston Corp. (jointly); Lehman Brothers-Kuhn, Loeb & Co.-Glore, Forgan & Co. (jointly).

★ Georgia Power Co.
Jan. 22, 1963 it was reported that this subsidiary of The Southern Co., plans to sell $30,000,000 of first mortgage bonds and $7,000,000 of preferred stock in November. **Proceeds**—For construction. **Office**—270 Peachtree Bldg., Atlanta. **Underwriters** — (Competitive). Probable bidders: (Bonds): Equitable Securities Corp.-Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co.-Kidder, Peabody & Co.-Shields & Co. (jointly); Halsey, Stuart & Co. Inc.; First Boston Corp.; Harriman Ripley & Co.; Morgan Stanley & Co.; Lehman Brothers. (Preferred): First Boston Corp.; Lehman Brothers; Blyth & Co.; Eastman Dillon, Union Securities & Co.-Equitable Securities Corp. (jointly); Morgan Stanley & Co.

Gulf States Utilities Co.
Oct. 5, 1962 it was reported that this company plans to sell $16,000,000 of first mortgage bonds due 1992. **Proceeds**—To retire a like amount of 5¼% bonds due 1989. **Office**—285 Liberty Ave., Beaumont, Tex. **Underwriters**—(Competitive). Probable bidders: Salomon Brothers & Hutzler-Eastman Dillon, Union Securities & Co. (jointly); Stone & Webster Securities Corp.; Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc.-White, Weld & Co. (jointly); Lehman Brothers. **Offering**—Temporarily postponed.

Highway Trailer Industries, Inc.
Sept. 10, 1962 it was reported that this company plans to raise some $2,500,000 by a rights offering to stockholders. Authorized stock now consists of 2,000,000 $1.25 par common shares of which 714,086 shares are outstanding. **Business**—Manufacture of truck trailers, cargo containers, telephone and power line construction equipment, etc. **Proceeds**—To help form a new finance company subsidiary. **Office**—250 Park Ave., N. Y. **Underwriters**—To be named. The last financing by the company was underwritten by Allen & Co., and Van Alstyne, Noel & Co., New York City.

Interstate Power Co.
Jan. 16, 1963 it was reported that this company plans to sell $7,000,000 of first mortgage bonds and $3,000,000 of common stock in May 1963. **Office**—1000 Main Street, Dubuque, Iowa. **Underwriters**—(Competitive). Probable bidders: Merrill Lynch, Pierce, Fenner & Smith Inc.-Kidder, Peabody & Co. (jointly); Halsey, Stuart & Co. Inc.; Salomon Brothers & Hutzler; White, Weld & Co.

Iowa Power & Light Co.
Jan. 16, 1962 it was reported that the company plans to sell $10,000,000 of bonds in the fourth quarter. **Office**—823 Walnut St., Des Moines. **Underwriters**—(Competitive). Probable bidders: First Boston Corp.; White, Weld & Co.; Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; Lehman Brothers; Blyth & Co.

Iowa Public Service Co.
Nov. 5, 1962 it was reported that this company plans to sell $16,000,000 of bonds in the third quarter of 1963. **Address**—Orpheum-Electric Bldg., Sioux City, Iowa. **Underwriters**—(Competitive). Probable bidders: Kidder, Peabody & Co.-Blyth & Co. Inc. (jointly); Eastman Dillon, Union Securities & Co.; Equitable Securities Corp.; White, Weld & Co.; First Boston Corp.

Jamaica Water Supply Co.
March 20, 1962 it was reported that this utility plans to sell $3,000,000 of mortgage bonds and $2,000,000 of preferred and common stocks. **Proceeds**—For debt repayment, and construction. **Office** — 161-20 89th Ave., Jamaica, N. Y. **Underwriters**—To be named. The last sale of bonds on May 3, 1956 was made by Blyth & Co. Other bidders were: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White, Weld & Co. The last several issues of preferred were sold privately. The last sale of common on May 9, 1956 was made through Blyth & Co., Inc.

Kentucky Utilities Co.
Aug. 1, 1962 it was reported that this utility plans to sell approximately $15,000,000 of 30-year first mortgage bonds, in the first quarter of 1963. **Office**—120 So. Limestone St., Lexington, Ky. **Underwriters**—(Competitive). Probable bidders: Blyth & Co., Inc.; Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.-White, Weld & Co. (jointly); Eastman Dillon, Union Securities & Co.-Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly).

Laguna Niguel Corp.
Dec. 11, 1962, Gerald W. Blakeley, President, stated that the company is "seriously considering" the issuance of about $10,000,000 of debentures to redeem its 60-cent cumulative class A stock. Mr. Blakeley said class A dividends must be paid from after-tax earnings, meaning the company has to earn 12% of gross revenue, whereas interest on debentures is an expense item, so the company would have to earn only 6% to provide the same

return. **Business**—Acquisition, development and management of real properties. **Office** — 32802 Pacific Coast Hwy., So., Laguna, Calif. **Underwriter**—To be named. The last financing for the company was handled by Paine, Webber, Jackson & Curtis, Boston.

Massachusetts Electric Co.

Jan. 16, 1963 it was reported that this company plans to sell $10,000,000 of bonds in the fourth quarter. **Office**—441 Stuart St., Boston. **Underwriters** — (Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Smith Inc.; Eastman Dillon, Union Securities & Co.; Kidder, Peabody & Co.; Blyth & Co.-White, Weld & Co. (jointly).

Michigan Consolidated Gas Co.

On Oct. 24, 1962 it was reported that this company plans to sell about $22,000,000 of first mortgage bonds in the third quarter of 1963. **Proceeds**—For construction. **Office**—415 Clifford St., Detroit. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.-Lehman Brothers (jointly).

Michigan Wisconsin Pipe Line Co.

Oct. 24, 1962 it was reported that this company plans to sell about $22,000,000 of first mortgage bonds in the third quarter of 1963. **Proceeds**—For construction. **Office**—500 Griswold St., Detroit. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Blyth & Co., Inc.

Mitsubishi Electric Mfg. Co.

Oct. 24, 1962 it was reported that the Japanese Finance Ministry had authorized the company to sell $10,000,000 of convertible bonds in the U. S. by March 31, 1963. It is expected that the bonds would mature in 15 years and bear interest of 6.5%. No decision has yet been made as to whether the issue will be sold publicly or privately. **Business**—Production of electric machinery. **Proceeds**—For expansion. **Office**—Tokyo, Japan. **Underwriter**—Kidder, Peabody & Co., New York.

New England Power Co.

Jan. 16, 1963 it was reported that this utility plans to sell $10,000,000 of bonds and $10,000,000 of preferred stock in the fourth quarter. **Office**—441 Stuart St., Boston. **Underwriters** — (Competitive). Probable bidders: (Bonds) Halsey, Stuart & Co. Inc.; Lehman Brothers-Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Smith Inc.-Kidder, Peabody & Co.-White, Weld & Co. (jointly); First Boston Corp. (Preferred) First Boston Corp.; Dean Witter & Co.-Smith, Barney & Co.-Wertheim & Co. (jointly); Equitable Securities Corp.-Kidder, Peabody & Co.-Lee Higginson Corp.-White, Weld & Co. (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith, Inc.

Nippon Telegraph & Telephone Public Corp.

Dec. 19, 1962, it was reported that the company plans to sell $20,000,000 of bonds in the United States in the fiscal year April 1, 1963 to March 31, 1964. The financing program is subject to approval by the Japanese Diet. **Business** — Nippon Telegraph, wholly-owned by the Japanese Government, furnishes domestic telephone and telegraph services, without competition, in Japan. **Proceeds**—For expansion. **Office**—Tokyo, Japan. **Underwriters**—Dillon, Read & Co.; First Boston Corp., and Smith, Barney & Co., New York.

Norfolk & Western Ry. (3/25)

Dec. 26, 1962 it was reported that this road plans to sell about $5,475,000 of 1-15 year equipment trust certificates in March. **Office**—8 N. Jefferson St., Roanoke, Va. **Underwriters**—(Competitive.) Probable bidders: Salomon Brothers & Hutzler; Halsey, Stuart & Co. Inc. **Bids** — Expected March 25.

Northern Illinois Gas Co.

Dec. 20, 1962 the company stated that it plans to spend $40,000,000 on construction in 1963, an undetermined amount of which will be raised by sale of bonds. **Office**—615 Eastern Ave., Bellwood, Ill. **Underwriters**—(Competitive). Probable bidders: First Boston Corp.; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.-Equitable Securities Corp. (jointly); Glore, Forgan & Co.

★ **Northern Indiana Public Service Co.**

Jan. 27, 1963, the company stated that it plans to sell $25-$30,000,000 of first mortgage bonds sometime in 1963, depending on market conditions. **Office** — 5265 Hohman Ave., Hammond, Ind. **Underwriters** — (Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Eastman Dillon, Union Securities & Co.-Lehman Brothers-Bear, Stearns & Co. (jointly); Equitable Securities Corp.; Dean Witter & Co.-Blyth & Co.-Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); First Boston Corp.; Kuhn, Loeb & Co.

Northern Natural Gas Co.

Jan. 16, 1963 it was reported that this company plans to sell $30,000,000 of debt securities sometime in 1963 or 1964. **Office**—2223 Dodge St., Omaha, Neb. **Underwriter**—To be named. The last sale of debentures on Nov. 16, 1960 was handled on a negotiated basis by Blyth & Co., Inc., N. Y.

● **Northern States Power Co. (Minn.)**

Jan. 11, 1963, it was reported that this company plans to sell $25,000,000 of first mortgage bonds due 1993 in the last half of the year. **Proceeds** — For construction. **Office**—15 South Fifth St., Minneapolis. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.-Blyth & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith Inc.-Kidder, Peabody & Co.-White, Weld & Co. (jointly); Equitable Securities Corp.-Eastman Dillon, Union Securities & Co. (jointly); Lehman Brothers-Riter & Co. (jointly).

Northwestern Bell Telephone Co. (3/5)

Dec. 3, 1962 it was reported that this A. T. & T., subsidiary plans to sell $40,000,000 of debentures to mature not later than 40 years after date of issuance. **Office**—100 So. 19th St., Omaha, Neb. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; First Boston Corp.-Eastman Dillon, Union Securities & Co. **Bids**—Expected March 5, 1963 at 195 Broadway, New York.

Oklahoma Gas & Electric Co. (3/12)

Jan. 8, 1963 it was reported that this company plans to sell $15,000,000 of first mortgage bonds due 1993. **Office**—321 No. Harvey St., Oklahoma City. **Underwriters**—(Competitive). Probable bidders: Merrill Lynch, Pierce, Fenner & Smith Inc.-White, Weld & Co. (jointly); Halsey, Stuart & Co. Inc.; Lehman Brothers-Blyth & Co. Inc. (jointly); First Boston Corp.; Harriman Ripley & Co., Inc.-Eastman Dillon, Union Securities & Co. (jointly); Equitable Securities Corp. **Bids**—March 12 (11 a.m. EST) at First National City Bank, 55 Wall St., New York.

Otter Tail Power Co.

Jan. 16, 1963 it was reported that this company plans to sell $10,000,000 of bonds in the fourth quarter. **Office**—215 South Cascade St., Fergus Falls, Minn. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co. Inc.; Glore, Forgan & Co.-Kalman & Co. (jointly); White, Weld & Co.

Pacific Power & Light Co.

Nov. 28, 1962 it was reported that the company plans to issue $30,000,000 of first mortgage bonds in June 1963. **Proceeds**—To repay outstanding loans. **Office**—920 S. W. Sixth Ave., Portland, Ore. **Underwriters**—(Competitive). Probable bidders: Lehman Brothers-Bear, Stearns & Co.-Salomon Brothers & Hutzler (jointly); Halsey, Stuart & Co. Inc.; Blyth & Co.-White, Weld & Co. (jointly); Eastman Dillon, Union Securities & Co.-Kidder, Peabody & Co. (jointly).

Pennsylvania Power & Light Co.

Feb. 20, 1962. Jack K. Busby, President and C. E. Oakes, Chairman, stated that the company will require about $93,000,000 in debt financing in the period 1962 to 1970. **Proceeds**—For construction and the retirement of $17,-000,000 of maturing bonds. **Office**—9th and Hamilton Sts., Allentown, Pa. **Underwriters**—To be named. The last sale of bonds on Nov. 29, 1961 was won at competitive bidding by White, Weld & Co., and Kidder, Peabody & Co. Other bidders were Halsey, Stuart & Co. Inc.; First Boston Corp.-Drexel & Co. (jointly).

Potomac Electric Power Co. (2/19)

Jan. 8, 1963, it was reported that this utility plans to sell $50,000,000 of first mortgage bonds. **Office**—929 E St., N. W., Washington, D. C. **Underwriters**—(Competitive). Probable bidders: Dillon, Read & Co., Inc.-Lehman Brothers-Eastman Dillon, Union Securities & Co.-Stone & Webster Securities Corp.-Johnston, Lemon & Co. (jointly); Halsey, Stuart & Co. Inc.; First Boston Corp.; Kidder, Peabody & Co.-Merrill Lynch, Pierce, Fenner & Smith Inc.-White,Weld & Co.-Salomon Brothers & Hutzler (jointly). **Bids**—Feb. 19 (10 a.m. EST) at above address.

Seaboard Air Line RR

Dec. 26, 1962 it was reported that this company plans to sell $6,360,000 of equipment trust certificates in late February. This will be the second installment of a total issue of $12,720,000. **Office**—3600 W. Broad St., Richmond, Va. **Underwriters** — (Competitive.) Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Brothers & Hutzler.

Snelling & Snelling, Inc.

Nov. 20, 1962 it was announced that the company plans its first public offering of stock. **Business**—Operation of a nationwide network of franchised personnel consultants with offices in 35 major cities. **Proceeds**—For expansion. **Office**—1530 Chestnut St., Philadelphia. **Underwriter**—To be named.

★ **Socony Mobil Oil Co., Inc.**

Jan. 22, 1963 the company announced plans to sell about $200,000,000 of debentures in early April. **Business**—Company and its subsidiaries are engaged in the production, refining, transportation and distribution of petroleum products. **Proceeds**—For general corporate purposes. **Office**—150 E. 42nd St., New York. **Underwriter**—Morgan Stanley & Co., New York.

Southern California Edison Co.

Jan. 16, 1963 it was reported that this company plans to sell $60,000,000 of bonds later this year or in 1964. **Office**—601 West Fifth St., Los Angeles. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp., and Dean Witter & Co. (jointly).

Southern Counties Gas Co. of Calif.

Jan. 2, 1963 it was reported that this subsidiary of Pacific Lighting Corp., plans to sell $27,000,000 of first mortgage bonds in the fourth quarter. **Address**—P. O. Box 2736, Terminal Annex, Los Angeles 54, Calif. **Underwriters**—(Competitive) Probable bidders: White, Weld & Co.; Blyth & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc.; Halsey, Stuart & Co. Inc.; First Boston Corp.

Southern Railway Co.

Jan. 15, 1963 stockholders authorized the company to issue $50,000,000 of general mortgage bonds. **Proceeds**—To acquire stock of Central of Georgia Ry.; retire first mortgage 3¾% bonds of Atlanta & Charlotte Air Line RR.; reimburse the treasury for capital expenditures and provide for additional capital expenditures. **Offices**—14th and Canal St., Richmond, Va., and 70 Pine St., New York. **Underwriters** — (Competitive). Probable bidders: First Boston Corp.; Eastman Dillon, Union Securities & Co.-Salomon Brothers & Hutzler (jointly); Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.-White, Weld & Co. (jointly). **Bids**—Expected in late February.

Southern Railway Co. (2/14)

Jan. 16, 1963 it was reported that the company plans to sell $4,020,000 of equipment trust certificates in February. A second instalment, also of $4,020,000, will be sold later in the year. **Office**—70 Pine St., New York. **Underwriters** — (Competitive). Probable bidders: Salomon Brothers & Hutzler; Halsey, Stuart & Co. Inc. **Bids**—Feb. 14 (12 noon EST) at above address.

Southern Union Gas Co.

Aug. 15, 1962 it was reported that this utility plans a rights offering of $10,000,000 of convertible preferred stock in the first quarter of 1963. **Office**—1507 Pacific Ave., Dallas. **Underwriters** — To be named. The last rights offering of preferred stock in April 1959 was handled by Snow, Sweeny & Co., Inc., N. Y., and A. C. Allyn & Co., Chicago.

Southwestern Electric Power Co.

Jan. 16, 1963 it was reported that this company plans to sell $30,000,000 of first mortgage bonds in the fall of 1963. **Office**—428 Travis St., Shreveport, La. **Underwriters**—(Competitive). Probable bidders: Merrill Lynch, Pierce, Fenner & Smith Inc.-Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co.-Blyth & Co. Inc.-Salomon Brothers & Hutzler (jointly); Halsey, Stuart & Co. Inc.

Tennessee Valley Authority

Oct. 3, 1962, A. J. Wagner, Chairman, stated that the Authority plans to issue $50,000,000 of short- or long-term securities in the spring of 1963. **Proceeds**—For construction. **Office**—Knoxville, Tenn. **Underwriters**—To be named. On Jan. 24, 1962 the Authority sold at competitive bidding $45,000,000 of 4½% bonds due Feb. 1, 1987. The issue was won by a group jointly managed by Chase Manhattan Bank; Morgan Guaranty Trust Co. of New York; Chemical Bank New York Trust Co.; C. J. Devine & Co.; and the First National Bank of Chicago.

Texas National Bank of Houston

Jan. 15, 1963, it was reported that the bank is offering its stockholders the right to subscribe for an additional 80,000 common on the basis of one new share for each 10 held of record Jan. 15, with rights to expire Jan. 30. **Price**—$55. **Proceeds**—To increase capital and surplus. **Address**—1300 Main St., Houston. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith Inc., New York.

Union Light, Heat & Power Co.

Nov. 21, 1962 it was reported that this subsidiary of Cincinnati Gas & Electric Co., plans to sell $5,000,000 of first mortgage bonds in 1963. **Office**—139 East Fourth St., Cincinnati. **Underwriters** — (Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co. Inc.-First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith Inc.-Kidder, Peabody & Co. (jointly); Equitable Securities Corp.; White, Weld & Co.; Kidder, Peabody & Co.

Virginia Electric & Power Co. (5/14)

Jan. 16, 1963 the company announced plans to sell $30,-000,000 of first mortgage bonds due 1993. **Proceeds**—For construction. **Address**—7th and Franklin Sts., Richmond. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Salomon Brothers & Hutzler. **Bids**—Expected May 14.

Washington Gas Light Co.

Aug. 1, 1962 it was reported that this company plans to sell $12,000,000 of 25-year bonds, in the second quarter of 1963. **Office**—1100 H. St., N. W., Washington, D. C. **Underwriters**—(Competitive): Probable bidders: Eastman Dillon, Union Securities & Co.; Equitable Securities Corp.; Kidder, Peabody & Co.; First Boston Corp.; Halsey, Stuart & Co. Inc.

Western Light & Telephone Co., Inc.

Aug. 1, 1962 it was reported that the company plans to sell approximately $5,000,000 of common stock through a rights offering to stockholders, in the second quarter of 1963. **Office**—2015 Forest Ave., Great Bend, Kan. **Underwriter**—To be named. The last rights offering in January, 1957, was underwritten by Dean Witter & Co., San Francisco.

Wisconsin Public Service Corp.

Jan. 16, 1963 it was reported that this company plans to sell $15,000,000 of bonds later this year or in 1964. **Office**—1029 North Marshall St., Milwaukee. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc.; Eastman Dillon, Union Securities & Co.-Salomon Brothers & Hutzler (jointly); First Boston Corp.; White, Weld & Co.; Kidder, Peabody & Co.

TAX-EXEMPT BOND MARKET

Continued from page 6

ates submitted the best bid for $10,000,000 Cleveland, Ohio City, School District (1964-1983) bonds stipulating a 2.777% interest cost. This winning bid compared very favorably with the second bid, a 2.778% net interest cost which came from the group led jointly by First National Bank of Chicago and Bankers Trust Co.

Associates of Glore, Forgan & Co. in this group were Bear, Stearns & Co., Philadelphia National Bank, United California Bank, Los Angeles, National State Bank, Newark, First National Bank, Boston, Paribas Corp., Stroud & Co., Ira Haupt & Co. and Gregory & Sons. Scaled to yield from 1.65% to 3.00% for a 2⅞ coupon, initial orders have amounted to $4,000,000.

Tuesday Was a Very Busy Day

Tuesday, Jan. 22, was a busy day with four issues of note offered for public bidding. The largest loan of the week, $25,000,000 State of Oregon Veterans Welfare (1972-1978) bonds, was awarded to the syndicate jointly managed by the *First National City Bank* and *Harris Trust & Savings Bank* on a 2.7886% net interest cost bid. The runner-up bid, a 2.797% net interest cost, was made by the Bank of America N. T. & S. A. group.

Other major members of the successful syndicate include Bankers Trust Co., First National Bank of Oregon, Portland, Chase Manhattan Bank, Kuhn, Loeb & Co., Blyth & Co., Chemical Bank, New York Trust Co., Philadelphia National Bank, Seattle First National Bank, Merrill Lynch, Pierce, Fenner & Smith Inc., R. W. Pressprich & Co., Weeden & Co., First Western Bank & Trust Co., Los Angeles, F. S. Moseley & Co., American Securities Corp., Marine Trust Co. of Western New York and First National Bank in Dallas.

Reoffered to yield from 2.50% in 1972 to a dollar price of 99½ for a 2.80% coupon in 1978, investor and bank demand has been moderate with the present balance in syndicate $13,000,000.

A companion issue, $12,000,000 State of Oregon, Highway (1966-1995) bonds was awarded to the group composed of *Bank of America N. T. & S. A.*, *The First Boston Corp.*, and *Mellon National Bank & Trust Co.*, at a net interest cost of 2.988%. The runner-up bid, a 3.007% net interest cost, came from the group headed jointly by the First National City Bank and Harris Trust & Savings Bank.

Scaled to yield from 1.90% in 1966 to 3.25% in 1994, the present balance in group totals $3,500,000. The 1995 maturity carried a one-tenth of 1% coupon and was not reoffered.

Morgan Guaranty Trust Co. of New York and associates submitted the best bid, a 2.532% net interest cost, for $12,350,000 Milwaukee, Wisconsin, Public Improvement (1964-1978) bonds. The second bid, a 2.563% net interest cost, was made by the Northern Trust Co. group and there were five additional bids ranging from a 2.57% to 2.58% interest cost made for this popular bond.

Other members of the winning account include Salomon Bros. and Hutzler, Hallgarten & Co., Stroud & Co., National Shawmut Bank of Boston, Francis I. Du Pont & Co., Bache & Co., Brown Bros. Harriman & Co., Spencer Trask & Co., Second District Securities Corp. and Rand & Co. Scaled to yield from 1.60% to 2.70%, good commercial bank buying was reported for this issue with the present balance $5,435,000.

The syndicate headed jointly by *Ira Haupt & Co.*, and *Walston & Co.*, won $6,000,000 Las Vegas Valley, Water District, Nevada (1967 to 1995) bonds on a 3.808% net interest cost bid. The second bid, a 3.84% net interest cost, came from John Nuveen & Co. and associates.

Other major members of the successful syndicate include Bache & Co., Bacon, Stevenson & Co., First of Michigan Corp., Reynolds & Co., and Rauscher, Pierce & Co.

Scaled to yield from 2.50% in 1967 to 3.90% in 1994, this yield bond attracted good investor demand with the present balance of $1,600,000. The 1995 maturity carried a 3¼% coupon and was sold at 4.00% yield.

Dollar Bond Quotes Recede Slightly

The markets for toll roads, toll bridge, port authority and public utility revenue issues are generally down from a week back. The *Commercial and Financial Chronicle's* revenue bond yield index averages at 3.54% on Jan. 23, as against 3.50% a week ago. Dollarwise the market was off three-fourths of a point for the 23 various long term issues utilized for our index. The more obvious changes in the list are as follows:

Florida Turnpike 4¾s down three-quarters to 107⅝ bid; Illinois Toll 3¾s down three-quarters to 97½ bid; Kansas Turnpike 3⅜s down three-quarters to 84⅜ bid; Maine Turnpike 4s down 1½ to 101½ bid; New Jersey Turnpike 3⅜s down one-half to 101½ bid; New York State Power Authority 3.20s down three-quarters to 97⅜ bid; Pennsylvania Turnpike 3.10s down three-quarters to 96¾ bid; Virginia Toll 3s down three-quarters to 97¼ bid; Tri-Dam Project down 1 to 94½ bid; Oklahoma Turnpike 4¾s down 1½ to 106½ bid; and Port of New York Authority 3⅜s down three-quarters to 97½ bid. Most of these corrections appear to be technical as these issues had previously been in the vanguard of the market's upswing.

Manna Financial Branch

FALLS CHURCH, Va. — Manna Financial Planning Corporation has opened a branch office at 210 Little Falls St., under the management of Harry Lee Franklin.

Successful Bidders for Puerto Rico Bonds

A banking group headed by the Chase Manhattan Bank, Morgan Guaranty Trust Company and Ira Haupt & Co., and including Banco de Ponce was successful bidder, Jan. 16, for an issue of $9,100,000 City of San Juan, Puerto Rico, bonds, on a bid which represented a net interest cost basis of 3.12057%. Shown, left to right: Standing, Ugo J. Lisi, Vice-President, Banco de Ponce and William G. Carrington, Jr., Partner of Ira Haupt & Co. Seated, left to right: Francis Bowen, Senior Vice-President of the Government Development Bank for Puerto Rico, fiscal agent; Dr. Rafael Pico, President of the Government Development Bank and John de Milhau, Senior Vice-President of Chase Manhattan.

NSTA NOTES

SECURITY TRADERS ASSOCIATION OF CHICAGO

J. P. O'Rourke, Jr.

Leonard J. Wolf

W. Raymond Dixon

John P. O'Rourke, Jr., J. P. O'Rourke & Co., has been elected 1963 President of the Security Traders Association of Chicago.

New Vice-President is Leonard J. Wolf, Jr., A. G. Becker & Co. Elected Treasurer was William R. Dixon, Goldman, Sachs & Co., and Secretary, Arnold P. Wolter, Dean Witter & Co.

Directors for 1963 are Nathan M. Silberman, Straus, Blosser & McDowell; James Vacha, H. M. Byllesby & Co.; Edward N. Barth, Dempsey-Tegeler & Co.; Frank X. Cummings, Bear, Stearns & Co.; and Morey D. Sachnoff, Cook Investment Co.

Established in 1926, the association has about 350 members in the city's financial community.

CINCINNATI STOCK & BOND CLUB

The new officers and directors of the Cincinnati Stock and Bond Club, are as follows:

President, W. Patrick Garrard, C. J. Devine & Co.; 1st Vice-President, Thomas W. Tritten, Harrison & Company; 2nd Vice-President, Harold Roberts, John E. Joseph & Company; Secretary, William L. Barth, J. L. Barth & Company; Treasurer, Robert A. Conger, Westheimer & Company.

Directors: James F. Moriarty, W. E. Hutton & Co.; John Froehlich, Walter, Woody & Heimerdinger; Robert L. Conners, Robert L. Conners & Company; John Armbrust, Pohl & Company, Inc.; Robert Reis, Seasongood & Mayer, and Richard Hoefinghoff, L. W. Hoefinghoff & Company.

Faster Earnings-Growth Seen for California Banks

Morris A. Schapiro compares performance and outlook for major New York City and California banks. He predicts their earnings will rise 4% and 8%, respectively, in 1963, even though after-tax profit margin on loans and investments is running higher in New York.

Speaking before the Boston Security Analysts Society on Monday of this week, Morris A. Schapiro, President of the New York investment banking firm, M. A. Schapiro & Co., Inc., compared performance and prospects of 11 major banks in New York City with seven leading California banks and forecast increased earnings of 4% for the New York City banks and 8% for the California banks in 1963. In 1962 the New York banks as a group showed a modest increase in earnings while earnings of the California group declined.


Morris A. Schapiro

Entering the new year, total deposits at domestic offices of these 18 banks, based on the Dec. 28 call reports, were up $3,270 million, or 6% above the average figure for 1962 of $56,153 million, Mr. Schapiro said.

In New York City, time and savings deposits at the beginning of 1963 stood at $8,900 million, or 24.4% of total deposits compared to $11,600 million, or 50.6% in California. Mr. Schapiro pointed out that higher interest paid by the New York banks on the increasing volume of time and savings funds will raise the yield required on loans and investments in order to break even to 2.31%, from 2.22% last year and 1.48% in 1957. The corresponding figures for the West Coast banks were put as 3.49% in 1963, 3.48% in 1962 and 2.57% in 1957.

The profit margin per $1,000 of total loans and investments, after applicable taxes, are currently estimated by Mr. Schapiro at $11.40 in New York compared to $8.53 in California. The New York banks are now earning at a rate of 9.40% on their stockholders' equity, $3,825 million, as published on Dec. 28. The California banks this year are earning at the rate of 10.70% on $1,625 million of stockholders' money.

Bank Credit's Use to Rise

Mr. Schapiro predicted further substantial growth in the use of bank credit by both private and public sources, citing the 7.4% annual rate of expansion so far in the 60's compared to 4.3% for the 50's. Monetary policy will be geared to the rising needs of the economy.

The New York bank analyst anticipates Federal Reserve action to reduce the cash reserves that commercial banks are required to maintain against their time and savings deposits from 4% to the present statutory minimum of 3%.

Rivalry for the depositor's dollar will not slacken and competition for its employment in loans and investments will remain keen, he said. Changes in interest rates, if any, are likely to be upward in response to foreign as well as domestic factors.

Speaking of stock options for bank officials, Mr. Schapiro said that such plans make essential adequate disclosure to stockholders of how their banks are doing and of stock transactions of management.

Howard, Weil Branch

MEMPHIS, Tenn.—Howard, Weil, Labouisse, Friedrichs & Company has opened a branch office in the Falls Building, under the management of Robert Alexander.

Godfrey, Hamilton, Taylor & Co. Opens New Branch Office

MIAMI BEACH, Fla. — Godfrey, Hamilton, Taylor & Co., Inc., has opened a branch office at 1545 Collins Avenue.

WASHINGTON AND YOU

BEHIND-THE-SCENES INTERPRETATIONS FROM THE NATION'S CAPITAL

WASHINGTON, D. C.—Letters are already streaming in to various members of Congress from the "average man" approving the proposed tax cut requested by President Kennedy.

However, most of the constituents perhaps would be surprised if they thought that Congress is going to be forced to again amend the Public Debt before it gets around to cutting taxes.

As of now, there is no indication whether the Federal Government will have a balanced budget again for the next four or five years. It appears hopeless at the present. Even Secretary of Treasury Douglas Dillon holds out no hope for a balanced budget before the 1967 fiscal year.

Because our income continues falling behind our expenditures, Congress will have to amend the Public Debt law. The present $308 billion ceiling, which reverts to $305 billion on April 1, 1963, will again have to be changed by Congress this year. Under present law the $305 billion effective April 1, will drop to $300 billion on June 25 of this year, and on July 1, the so-called permanent debt ceiling will drop to $285 billion.

Obviously it is too early for the Department of the Treasury to determine how big a debt limit it will ask of Congress later this year.

In the face of the deficits, the Administration, apparently with tongue in cheek, insists that it is going to be able to finance the deficits without causing any inflationary conditions. If this is correct, it is going to take some real professional fiscal juggling.

The interest on the public debt for fiscal 1964 is estimated at more than $10,100,000,000 or 6 cents of every Federal Tax dollar. This amount is about $300,000,000 more than it is costing the current fiscal year.

Clamor for Economy to Mount

In his budget message to Congress, Mr. Kennedy said that outlays for fiscal 1964 would amount to about $98,800,000,000 while the tax income would be $86,900,000,000. This would mean, of course, a deficit of $11,900,000,000.

Already there is a demand in some quarters on Capitol Hill that the White House back down on some of the recommendations for more funds, if it is serious about a reduction in both individual and corporate taxes. The clamor probably will grow.

There is no question, but the proposed budget expenditures will affect the economy of the country. Many securities, if not all of them, will be affected directly or indirectly by the proposed expenditures the next fiscal year.

The President asked Congress for $56,000,000,000 for the Defense Department. The amount is $2,600,000,000 more than for the current fiscal year. Nevertheless, Congress is very likely to trim this figure to about what it made available this year. The major difference in the current Defense Department expenditures for fiscal 1963 and what is proposed for the next year is a recommended military personnel pay raise totaling about $885,000,000.

Expenditures for Space Program Soaring

Many new and fast growing industries will be affected in the upcoming budget for exploration and exploitation of space. President Kennedy is keenly interested in the space exploration program. He would like, if possible, for a team of our astronauts to go to the moon and back while he is in the White House. And he hopes to be living in the White House until January, 1969.

He recommended $6,100,000,000, an increase of more than $2,000,000,000 over present space research and technology. The fastest growing of all civilian agencies of the Government, the National Aeronautics and Space Administration (called NASA) would get most of the money. NASA would receive $4,200,000,000 compared with $2,400,000,000 in fiscal 1963 and $1,300,000,000 in 1962.

Of course no one knows where we are going in the exploration of space, but it is essential we spend all of the billions to see what the planets hold for mankind. The budget for NASA a year from now more than likely will be substantially greater.

Many city residents will hail the recommendation of Secretary of Agriculture Orville Freeman, who is requesting $1,000,000,000 less in agricultural payments for 1964.

Extension of 52% Corporate Rate Indicated

Mr. Kennedy outlined many things in his two important messages to Congress—the State-of-the-Union and the Budget. As of now, it appears certain Congress will carry out his recommendation to extend the present 52% corporate tax rate until at least Jan. 1, 1964, when it would be reduced to 47%, and extend certain excise tax rates through July 1, 1964.

If Congress follows his recommendation, every individual paying a Federal income tax would be covered, but those in the lower bracket would be affected most.

As previously explained in the daily press, the President's tax program, as recommended, would cover a three-year period. The Chief Executive said fiscal 1964 tax revenues would be reduced by about $5.3 billion. On the other hand, the President's economic advisers are confident that because the tax cut would put more zing in the economy, the net tax loss would be substantially lower.

A few of President Kennedy's additional legislative requests include:

Raise the existing annual $600,000,000 authorization for the Alliance for Progress by $100,000,000; authorize a $50,000,000 payment as this country's share of an increase of the Inter-American Bank; extend for five years the Export-Import Bank, and increase its authorization by $2,000,000,000.

Provide medical care for the aged (there are now 17,500,000 citizens over 65 years) by a further increase in the Social Security tax; step up the program designed to curb the pollution of our streams, and increase the amount of Federal funds in the air pollution control programs.

Provide Federal grants to help in the building of medical, dental, and public health schools; increase substantially the program to train nurses, and provide assistance to medical and dental students.

Authorize a great fallout shelter program for schools, hospitals, and public buildings; authorize purchase by Federal Government of seashore property that has recreational possibilities.

Legislative Outlook on President's Program

There were numerous other recommendations such as a $500,000,000 program to assist urban areas to try and solve some of their mass transportation problems, and raise the authorization for the Housing Administration so that loan programs may be increased for the construction of housing units for elderly persons and for low and moderate income families.

It is apparent that not half of the President's recommendations will be approved by Congress this year, but a good many of them will be sanctioned during the 88th Congress. Congress will not be fully organized for several weeks, but some of the committees are preparing to start hearings soon on various proposals.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

"If you ask me, he's a NO-account executive!"

COMING EVENTS

IN INVESTMENT FIELD

Jan. 24, 1963 (Kansas City, Mo.)
Kansas City Security Traders Association Mid-Winter Party on the Roof Garden of the Hotel Continental.

Jan. 28-29, 1963 (Houston, Tex.)
Association of Stock Exchange Firms Winter Meeting of the Board of Governors at the Sheraton-Lincoln Hotel.

Feb. 8, 1963 (Boston, Mass.)
Boston Securities Traders Association annual dinner at the Statler Hilton. A luncheon for out of town guests will be given at the Parker House the same day.

Feb. 20, 1963 (Philadelphia, Pa.)
Security Traders Association of New York-Investment Traders Association of Philadelphia annual bowling tournament at the Pennsylvania Lanes.

Feb. 21, 1963 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual winter dinner at the Bellevue Stratford Hotel.

March 10-15, 1963 (Philadelphia, Pa.)
Institute of Investment Banking at the University of Pennsylvania—sponsored by the Investment Bankers Association and the Wharton School of Finance and Commerce.

March 29, 1963 (New York City)
New York Security Dealers Association 37th Annual Dinner at the Waldorf-Astoria Hotel.

April 3-4-5, 1963 (Dallas, Tex.)
Texas Group Investment Bankers Association Convention at the Statler Hilton Hotel.

CHRONICLE's Special Pictorial Section April 25.

April 17-21, 1963 (Syracuse, N. Y.)
American Bar Association Regional Meeting.

April 26, 1963 (New York City)
Security Traders Association of New York Annual Dinner in the Grand Ballroom, Waldorf-Astoria Hotel.

May 6-7, 1963 (Richmond, Va.)
Association of Stock Exchange Firms Spring Meeting of the Board of Governors at the John Marshall Hotel.

May 8-11, 1963 (White Sulphur Springs, W. Va.)
Investment Bankers Association Board of Governors Meeting at the Greenbrier.

May 12-15, 1963 (Chicago, Ill.)
Financial Analysts Federation annual convention at the Palmer House.

May 13-15, 1963 (Washington, D. C.)
National Association of Mutual Savings Banks 43rd annual conference at the Sheraton Park Hotel.

May 16-17, 1963 (Nashville, Tenn.)
Nashville Association of Securities Dealers annual spring party at the Hillwood Country Club and Belle Meade Country Club, respectively.

May 16-17, 1963 (Nashville, Tenn.)
Nashville Securities Dealers Association Spring Party.

June 19-21, 1963 (Chicago, Ill.)
Investment Bankers Association Municipal Conference at the Pick-Congress Hotel.

CHRONICLE's Special Pictorial Section July 11.

Sept. 22-26, 1963 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor Hotel.

CHRONICLE's Special Pictorial Supplement Oct. 17.