

The decision of the Supreme Court of the United States compelling, in effect, public service commissions to permit a fair return on capital investments of public service companies, has been one of the greatest factors in the remarkable growth and development of the Electric Light and Power industry in the last few years, for capital flows freely into any fully protected enterprise which satisfies a public need.

Super-power development is a big capital operation, and its growth has heretofore for that reason been slow; but recently consolidation of groups of power companies into single composite systems has been rapidly effected. Now these consolidations do not just happen, but are undoubtedly part of a well laid scheme to embrace, within a few super-power systems covering the entire United States, the entire electric light and power industry. We may, in fact, expect to see within a few years a great holding company for this industry similar to the American Telephone and Telegraph Company, which controls the telephone industry.

The following statement—attributed to Guy E. Tripp, Chairman of the Board of Westinghouse Electric & Mfg. Company—appearing in an article in the *Magazine of Wall Street* of July 5, 1924, is of importance as coming from a prominent figure in the power industry:

"Already we are laying the foundations for a new and more comprehensive method of generating and distributing power. An increasing number of our water powers are being developed and new steam plants of the largest size constructed. Because of certain economic advantages, with which engineers are familiar, the tendency is to connect groups of these plants together, forming large composite systems.

"By its very nature, a composite system can produce power at a lower cost, and therefore can sell it at lower rates than an isolated local company. Hence, when its lines reach the territory of a local company, the latter will be unable to compete, and must eventually become a part of the larger system. The growth of these composite systems will, therefore, be irresistible, until in time a few super-power systems, drawing upon all economical sources of power within the area they cover, will supply electric energy to the greater part of the North American continent."

Gerard Swope, President of General Electric Company, has been quoted as expressing views on the present trend and future of the electrical industry, very similar to those just quoted.

Few will, I think, question the fact that the potential demand for power is tremendous, as compared with the amount of water-power at present developed in North America. Engineers have estimated that, of 65,000,000 horsepower available, only 10,000,000 is now developed and in use.

The fact that the big life insurance companies have made a very pronounced turn to public utilities for a substantial part of their investments is sufficient in itself to justify full confidence in the future of the Electric Light and Power industry; this being of special interest when it is realized that the resources held by life insurance companies are greater than the total holdings of the savings banks. Public Utility bond holdings of life insurance companies are estimated at \$465,000,000 to \$490,000,000.

The consolidations—or groupings of companies or properties under one management—afford many opportunities, as stated above, to secure a high yield, with safety and enhancement in intrinsic value. This situation results where small companies or properties—formerly under inefficient management—are acquired and consolidated into one big system under highly efficient engineering and administrative control. In view of the outlook for the industry, the future of such a company seems assured and its securities should eventually demand a much better investment rating, with resulting higher prices.

A recently published analysis, purporting to include practically every electric light and power operating company in this country with gross earnings of \$1,500,000 per year and over (the combined capitalization representing practically 90% of the industry) discloses a remarkable dividend record for the preferred stocks of these companies—a record which without doubt establishes the investment position of this type of security. The holding company is of recent origin, but under existing conditions in the Electric Light and Power industry it has many features which make it even more desirable than the operating company, and its securities are fast gaining the investment rating to which they are entitled.