

UNDER the ruling handed down last week by Judge Robert C. Baltzell establishing a valuation of \$21,393,821 for the properties of the Indianapolis Water Co., and fixing 6 per cent as a fair rate of return, the chief item of concern to the water consumer was whether rates were to be lifted. As Judge Baltzell failed to hold the present charge confiscatory, the assumption is that no change will be made.

Behind this permissive factor, however, are several circumstances which, when subjected to analysis, allow the consumer to appreciate Judge Baltzell's ruling in its full significance. For instance, fair return is a meaningless term to the user of water until he realizes that the rate of return allowed in effect fixes the rates which the consumer pays.

Using the Federal judge's dual-finding as a basis, the company is entitled to earn 6 per cent on its valuation of \$21,393,821. This would amount to \$1,283,629 annually. Now if the fair return had been fixed at 7 per cent on the same valuation basis, the company would be entitled to earn \$1,517,567, or a difference of \$233,938.

As the company derives its earnings from the sale of water, the \$233,938, resulting from the spread between a 6 and 7 per cent return, would in the long run come out of the consumer's pocket-book. If existing rates were insufficient to allow the company these earnings then rates would have to be jacked up to the point where they would yield the stipulated sum.

Judge Baltzell's decision is far from the mark desired by the Indianapolis Water Co. The company had estimated the value of its property at approximately \$28,000,000 and had contended that a fair rate of return on this would be between 7 and 8 per cent. Using 7 per cent, this would mean an annual return of \$2,240,000, or \$956,000 more than is allowed under Judge Baltzell's ruling.

The water company's request for a return of somewhere between 7 and 8 per cent seems to be distinct out of line with current money market conditions. With corporations able to refinance on an average basis of around 4 per cent and bond market yields almost to the vanishing point the water company's suggested fair rate of return is ill-timed.

THE airing of the Indianapolis Water Co. situation reasserts the generally known fact that public utility companies are vitally different from the average industrial company. Earnings of the public utility company, in effect, have proscribed minimums and maximums established through the fixing of a fair rate of return. If the Public Service Commission feels that the company is making too much money it can attempt to bring down rates, but the company, by the same token, can ask for higher rates if it can prove that existing charges are confiscatory.

Water company earnings as a general rule are the essence of stability. Revenues per customer from year to year remain about the same, as water is the one commodity which outranks gas and electricity in its utility. The very nature of water probably explains the fact that a large number of water systems throughout the country are municipally owned.

It is too early yet to forecast whether the ruling handed down by Judge Baltzell will write fire to the episode. This probability rests with executives and counsel of the Indianapolis Water Co.

RETAILERS TO FIGHT
WHOLESALE'S CODESPropose to Aake Action Through
Federal Trade Commission.

NEW YORK, Oct. 7.—Retailers are planning to take action, through the Federal Trade Commission, against national manufacturing firms who, through member agreements, continue to operate under "oppressive" provisions of the NRA codes, it was announced today.

This became known through a report filed at a meeting of the National Retail Dry Goods Association board of directors.

Following filing of the report, the association charged that such manufacturers agreements are contrary to the anti-trust laws and such agreements are "monopolistic" on the grounds that they fixed prices, terms and marketing conditions.

WHEAT ESTIMATE OUT

Canadian Yield Seen Between 272
and 284 Million Bushels.

By Times Special

MONTREAL, Oct. 7.—Wheat

thrashing is nearing completion in the Prairie Provinces of Canada, except in Northern and Central Alberta, although harvesting operations have been delayed by unsettled weather, the current crop report of the Bank of Montreal, pointed out today.

Recent estimates from authoritative quarters, the bank declared, place the approximate yield at from 272 to 284 million bushels, the crop varying greatly as to grade.

Unlisted Stock

By Elyne & Co., Inc.

NEW YORK BANK STOCKS.

Bankers

Central Bank of N. Y. & C. 108 1/2

Chase 108 1/2

Citibank 108 1/2

First Nat. City 108 1/2

First Nat. City 108 1/2

First Nat. City 108 1/2

First Nat. City 108 1/2

SURVEY SHOWS
NATION MOVING
TOWARD GOALMiscellaneous Indexes Re-
veal Improvement Over
1934 Period.

By Times Special

NEW YORK, Oct. 7.—America

obviously is in the process of

steady recovery, Fenner & Beane,

leading brokerage and commodity

house, declared today on the basis

of answers to a questionnaire sent

to more than 40 branch offices

throughout the country.

Manufacturing, the survey indicated, has shown distinct improvement which varies from 5 to 21 per cent. Heavy industry recorded a somewhat larger recovery, now standing at levels from 8 to 30 per cent above last year.

Bankers Willing to Lend

Bankers are willing to lend money

to responsible borrowers and credit

is ready to flow into commerce and

industry when needed, the survey

declares. Employment in the sections

reviewed has been stepped up

anywhere from 10 to 25 per cent.

While retail trade has been showing gratifying improvement, now ranging from 13 to 21 per cent above last year.

The average business, the survey showed, is on the whole much more inclined to be optimistic than not. Reports indicate, however, that there is still much uncertainty, particularly in the case of the "man on the street," who is confused and apparently as often uncertain as he is hopeful.

In the Middle Western states, the survey shows that volume of manufacturing and the heavy industries, up 21 per cent and 30 per cent, respectively, revealed greater gains than in other sections, having benefited from the pickup in agricultural equipment, machine tools, automobiles and auto accessories and steel.

Employment Increases

Employment, up about 16 per

cent, registered one of the best

showings of any section. Neither

the 13 per cent improvement in retail

trade nor the 12 per cent advance

in installment sales was outstanding, but the 20 per cent ex-

pansion in farm income was among the best reported for any section reviewed.

Although the Middle Western business man is reported as skeptical of the Administration's policies, he is on the whole optimistic rather than uncertain, although his hopeful outlook is not generally shared by the "man on the street," the questionnaire disclosed.

The business man in this section of the country does not consider continued government spending necessary to maintain business at its present rate, and reports that the demand for government credit is "negligible," as bank credit is generally "available to good borrowers."

Chicago Stocks

(By Abbott, Proctor & Paine)

11:00 Prev. A. C. Close.

Bull. Local 100 1/2

Westing. Elec 76 1/2

A. T. & T. 137 1/2

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Record Yield, Importations From Hungary
Lift Italy's Wheat Reserves to New Peak

By Times Special

NEW YORK, Oct. 7.—Italy this year will have the largest supply

of wheat on record, according to a domestic crop issue issued today by the

Royal Italian Embassy here. The domestic crop is being augmented

by payments in grain by Hungary for arrears in trade liabilities, it was pointed out.

"Crop reports for 1935 from the Italian Ministry of Agriculture and Forestry reveal that a record wheat crop of 282,863,000 bushels has been harvested from the 12,416,000 acres under cultivation, a record yield of 23 bushels per acre," the statement said.

Hungary has agreed to ship about 8,000,000 bushels of grain to Italy through a trade agreement whereby Italy accepts the grain in payment of Hungary's trade arrears.

New York Stocks

By Thomson & McKinnon

11:15 Prev. N. Y. Close.

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PRIMARY BONDS
INSPIRE BUYING
ON YIELD BASISNeglected for Some Months,
High Grades Encounter
Demand After Dip.

By Times Special

NEW YORK, Oct. 7.—The funda-

mental investment strength of high-

grade bonds is expected to reassert

itself sufficiently to recapture domi-

nant attention in the bond market,

following a fairly long period during

which investors have remained

largely on the sidelines as specu-

lators to the speculative performance

which is now believed to have

spent the major portion of its ener-

gy. To a conservative extent, invest-

ment funds have participated in

that speculative interlude, and in

most quarters they are believed to

have been the first to take refuge in

flight, once prospects became re-

garded as alluring.

The chief factor thrown in the way of the speculative rise was a spreading realization that the market had been engaged for a long time in discounting expectations that had not yet taken material form.

Speculative Issues Bought

Some unusually conservative invest-

ors went into the speculative bracket

of the bond market for the sole

purpose of taking profits on the way

up in an effort to supplement the

return available on high-grade

issues.

In the course of this procedure, high-grade bonds have eased back to a point that gives them considerably more attraction for portfolio purposes than was true a few months ago. Many bond houses look for a sharp pickup in investment buying in view of the changed situation both in the speculative field and in investment yield.

Observers of the government bond market admit themselves puzzled by the failure of government support to put in an indisputable appearance. Attention currently has been focused on the new Treasury 2 1/2's in the belief that first evidence of government support would manifest itself at that point.

2 1/2's Break Par

Mystification became complete

when the 2 1/2's were permitted to

break through par, in view of the

fact that conversion of the called

Liberty 4's into that issue still is

operative. Obviously, conversion is

expected to be a sounder footing

about half of the nation's building

and loan assets. The Insurance

Corp., started more recently, has

975.

Four major activities are being directed toward putting private institutions on a sounder footing, with emphasis on the encouragement of long-term amortized mortgages at interest rates which the average home owner can bear.

One phase is the establishment of 935 Federal Savings and Loan Associations. To these the Treasury is authorized to subscribe for stock at the rate of \$2 for each \$1 subscribed locally. The Treasury's stake to date is about \$43,000,000. The HOLC is authorized to make similar subscriptions when the Treasury reaches its authorized limit of \$100,000,000.

On Commission Row

Quotations below, subject to change

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