

MAINE STATE LEGISLATURE

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Legislative Record

OF THE

Eighty-Third Legislature

OF THE

STATE OF MAINE

1927

KENNEBEC JOURNAL COMPANY
AUGUSTA, MAINE

HOUSE

Wednesday, February 16, 1927.

The House met according to adjournment and was called to order by the Speaker.

Prayer by the Rev. Mr. Walch of Augusta.

The SPEAKER: In accordance with the action of the House of yesterday the Clerk will advise the Senate of a joint convention to be held here this evening at eight o'clock.

Subsequently the Clerk reported that he had conveyed to the Senate the message with which he was charged.

On motion by Mr. Griffin of Biddeford by unanimous consent, the reading of the Journal of yesterday was deferred until tomorrow morning.

On motion by Mr. Griffin of Biddeford, that gentleman was given unanimous consent to introduce a resolution out of order.

At this point the Secretary of the Senate conveyed to the House the acceptance of the Senate of the proposition for a joint convention at eight o'clock this evening.

Thereupon the gentleman from Biddeford, Mr. Griffin, introduced the following resolution, and moved its adoption by a rising vote:

WHEREAS, the members of the House of Representatives of the Eighty-Third Legislature of the State of Maine have been deeply moved by the sudden death on the morning of February 15, 1927, of a highly regarded fellow member, the gentleman from Biddeford, James G. C. Smith;

AND WHEREAS, the members of the House of Representatives sense a personal loss in the passing of a distinguished son of Maine whose services to his State had ever been honorable;

NOW BE IT RESOLVED that the State of Maine mourns the decease of James G. C. Smith of Biddeford, whose death in the prime of life deprived her of a valuable public servant, and the members of the House of Representatives mourn the de-

parture of a beloved companion and helpful fellow worker,

AND BE IT FURTHER RESOLVED that these resolutions be spread upon the permanent records of the House, and the Clerk transmit a copy to the bereaved family of the late gentleman from Biddeford.

The resolution was adopted by a unanimous rising vote.

Mr. GRIFFIN of Biddeford: As a further mark of respect I move that the House recess until eight o'clock this afternoon and the House recessed until 8 o'clock this evening.

After Recess—8 P. M.

The Speaker in the Chair.

The SPEAKER: The House will be at ease until the arrival of the Senate.

The Senate came in and a joint convention was formed.

In Convention

The President of the Senate in the Chair.

On motion by Senator Maher of Kennebec, it was

Ordered, that a committee be appointed to wait upon the Honorable Ralph O. Brewster, Governor of Maine, to invite him, accompanied by his Executive Council, to introduce to the Joint Convention the Honorable Gifford Pinchot of Pennsylvania, and to invite the Honorable Gifford Pinchot to address the Joint Convention.

Thereupon, the Chairman of the Convention appointed as members of that committee on the part of the Senate, Senators, Maher of Kennebec, Carter of Androscoggin, Morrison of Franklin and Holmes of Androscoggin: On the part of the House, Representatives Rounds of Portland, Richardson of Monmouth, Powers of Caribou, Buker of Bath, the member from Norridgewock, Mrs. Folsom, Mr. Forhan of Canton, Butler of Bath, Winslow of Freeport, Cole of South Portland and Lait of Old Town

Subsequently Senator Maher for the Committee reported that he had delivered the message with which he was charged and that His Excellency will attend the Joint Convention forthwith.

The report was accepted, and the committee discharged.

Thereupon Ex-Governor Pinchot of Pennsylvania and Governor Brewster and Council entered the hall of the House of Representatives, amid ap-

plause, the members of the Convention rising.

The Chairman of the Convention (President Holley): Members of the Legislature; ladies and gentlemen: It is my privilege and opportunity to present to you His Excellency, your Governor, Ralph O. Brewster. (Prolonged applause, the audience rising.)

Governor Brewster

Mr. President, your Excellency, friends,—I think we may say that,—as well as members of the Eighty-Third Legislature: Maine owes a great debt to Pennsylvania as the birthstate of that foster son of Maine who was, perhaps, the most brilliant and the most beloved figure in the political life of our Nation in the half century following the Civil War. The Blaine House stands as an enduring memorial to that bond of affection between these two great States. It is a happy reminder of that association with the memory of James G. Blaine that these two great States may cherish, that we are privileged tonight to entertain one who for four years has served with National interest as Chief Executive of the Keystone State; but we welcome him and his most gracious accompanist, not only as a representative of that State, but also as a figure for a generation known and loved throughout the Nation, because of his uncompromising stand in behalf of those principles and policies that he believed were of vital importance to the progress of our Nation toward those things that shall carry us on to new heights in that civilization that is developing throughout the world today, in that galaxy that assembled about that pioneer of the new spirit of civic service that showed so brilliantly in the Nation in the dawning days of the Twentieth Century.

On none did that great leader of our Nation lean with more confidence or assurance than upon the one whom we are privileged to entertain tonight,—going still forward with undiminished vigor drawn from the inspiration and example of one of the greatest political leaders of this century, whom more and more the Nation is coming to cherish as the one given to our Country to awaken us to new ideas and to new ideals,—Theodore Roosevelt,— (Applause). Thrown into intimate association with him as new ideals of conservation dawned upon a land

rich beyond compare in natural resources that have been strewn with the prodigal hand as we subdued a continent to the service of our States.

Our guest this evening speaks with authority as to that new spirit of civic service that more and more is animating the citizens of our great State as they realize that our great resources and all the great utilities that have brought them into usefulness to mankind for cooperation and organization in which our Nation has been supreme, are yet given to us, not for selfish exploitation, but that the great mass of men and women may enjoy in more and more equitable measure these things given to us by a power beyond our own.

So Maine, with its proud motto, welcomes this guest tonight, expresses its profound appreciation of his visit here in this winter clime, shares tomorrow night with all the other citizens of our State, the rich experience of his broad activities throughout the Nation, as he is privileged to broadcast through the courtesy of our State Radio Station at seven o'clock tomorrow night when we may hear, wherever we find ears that will hear, come ringing over this new found instrument of communication the voice of one who sat at the feet of one whose memory we revere. So I know that I speak the heartfelt sentiment not only of you representing the citizens of Maine, but of thousands of other citizens scattered all over our broad acres, in expressing the cordiality of our welcome as we present tonight the Honorable Gifford Pinchot who will discuss with us issues that are of importance to our Nation at this time. (Prolonged applause, the audience rising.)

Hon. Gifford Pinchot

Mr. President, your Excellency, and after that greeting, I can say no less than "Friends," for you certainly have been kind to Mrs. Pinchot and me since we came to Maine today. First, my old friend, Governor Baxter, met us at Portland. Then my friend—and I have the honor to call him my friend in a very high sense—your great, forward-looking governor, met us here, took us to the house of the man whom I have known for years, your great former statesman, and then tonight this

opportunity was graciously given by you to address both the houses of your legislature, and on top of it all, your welcome.

I wish I had words to tell you how very deeply I appreciate it all, and how deeply I appreciate also the introduction which Governor Brewster was kind enough to give me. I wish, Governor, I thought that you hadn't drawn a long bow. When anyone is good enough to speak to me like that, I have to recall an incident which happened in California a little while ago. I have a niece out there who is often asked, for I have a lot of friends in California, whether she is my daughter. But she finally got tired of correcting the statement and she said to one of the men who asked her, "Why, no, who is this Governor Pinchot? I never heard of him." The answer was, "Don't you know, he is the wet governor of New York." (Applause). Now you have me properly placed.

Ever since the dawn of human history, men have preyed upon men. At first they killed each other to eat each other. Later on, they killed each other for wives or weapons, or land or money. When killing went out of fashion as a socially approved method of property transfer, other methods came in. Instead of killing to eat, or killing to rob, robbing without killing became popular in the form, for example, of human slavery. And when robbery and slavery went out of fashion, cunning took the place of force in removing from him who had not, even that which he had.

There was little equality of opportunity between the primitive man with a club and the primitive man without a club. There is just the same inequality of opportunity between the present day lords of the earth and the plain people, and that inequality will continue unless the plain people by their intelligence and their numbers refuse to permit their rights or their property to be taken away from them by the modern substitute for the old-fashioned club.

If you work for a man who pays you less than a reasonable return for your work you are to that extent his slave. If you pay a man more than what he sells you is fairly worth, it may be your own fault, or it may be that by his cunning he has secured a monopoly on a necessary

of life, and you have no choice. In that case the effect is the same as if he took it away from you with a club. That is the situation we face in electricity today.

When in the near future, power for transportation, manufacture, and substantially all other uses has become electric, then the whole round of daily life will be bound to electric service. When that day comes, everything that the people eat, or use, or wear, everything that contributes to the beauty, utility, or satisfaction of life, will be attainable only through the use of electricity.

Today there still remains at least a semblance of competition from coal, gas, acetylene, or kerosene. Today there may still be said to be a choice. But the time is not far distant when the only choice will be between using the electricity of the electric monopoly or abandoning civilized living altogether.

It is almost impossible to imagine the force and intimacy with which an electric monopoly will touch and affect for good or evil, the life of every citizen. Such a monopoly, unless effectively controlled in the public interest, would be all-powerful in the nation it held in its grip. It is hard even to imagine the extent of its domination.

It would be supreme industrially, because not a wheel could turn except upon its own terms and with its consent. All Maine power will soon be electric power, whether water power or steam power, but whatever it is it will be passed over wires.

An electric monopoly would be supreme commercially, because the whole producing and distributing machinery of the nation would be dependent upon it for power. It would be supreme in agriculture, because the cost of what the farmer buys, much of the power he will use in farm operations and the price of what he sells, would be under its thumb. It would be supreme financially because through agriculture, industry, and commerce it would have at its mercy the whole banking organization of the country. It would be supreme politically, for the electric monopoly, when it comes, will be the greatest of special interests, and the special interests now

run politics in most parts of America. But more than that the electric monopoly, when it comes, unless properly controlled, would be supreme in daily life, for from morning to night, from the cradle to the grave, electric service will enter at every moment and from every direction into the life of every man, woman and child in America.

Over every product of the soil, of the factory, of the mine, over every utility and every service, over every comfort, convenience, and adornment of life, over every political policy, agency, and action, over the working life of man and woman, and over the home life of every family would fall the compelling shadow of the electric monopoly.

I speak of this seriously for I regard it with the utmost seriousness. Nothing like this impending gigantic electric monopoly has ever appeared in the history of the world. Nothing has even been imagined before that even remotely approaches it in the thorough going, intimate, unceasing control it may exercise over every human being within the web of its wires.

Remember this, the measure of material civilization is the amount of power used per capita, that the reason why the American people enjoy a standard of living not to be equalled anywhere else in the home, is because nowhere else in the world do men use per capita anything like the amount of power we use. When all that power is of one kind, then you can imagine what strength of every sort is concentrated. Even to say that if every pound of steam made in the United States was now under one control, even to say that, would not adequately represent what this electric monopoly may become.

This coming electric monopoly is immeasurably the greatest industrial fact of our time. If uncontrolled, it will be a plague without previous example—a plague which no free people could suffer and remain free. If effectively controlled in the public interest, it can be made incomparably the greatest material blessing in human history.

How is that part of it which already exists being used by its owners? How are they applying the commercial and industrial and political power which is already in their hands? What profits are

they taking out of the people by means of their monopoly club of cunning?

The Philadelphia News Bureau, published by the same concern that publishes the Wall Street Journal, in its issue of May 27th, 1926, computed the profits of ten power companies—and, mind you, this comes from the people who are on the other side than my side of this fight—the Philadelphia News Bureau computed the profits of ten power companies by the increase in the stock market value of their stocks from the low point of 1924 to that date. After making full deductions for all new stock issued and exchanged for new properties the News Bureau said: "For these ten companies the balance of some \$282,000,000 represents the real increase in stock market valuation, amounting to some 180% of the average in less than eighteen months, and that means that for these ten companies their stocks were increasing at the rate of 10% a month.

The report of the Pennsylvania Giant Power Board, the second report, made to me last December gave a startling analysis of the huge profits of ten holding companies—not all of them the same as these ten I have just referred to—of ten holding companies which control Pennsylvania power and light corporations. It showed that the value of the common stock of all ten outstanding in 1920 computed at the high stock market prices of 1925, was nearly three times what it was in 1920, computed at the high stock market prices of that year. That is to say, for every one hundred dollars in value at the 1920 high prices there was \$295.96 of value at the 1925 high prices. For only one of these holding companies was the increase in value during these five years as low as 50%; for only two was it less than 100%; for four of them it was more than 1000%; and for one of them it was 10,000%. And that came straight out of the pockets of the consumers—or the interest on that came straight out of the pockets of the consumers.

These are typical superpower companies. Is it any wonder that the men who take these huge profits are opposed to real and effective regulation in the public interests? I think not.

Now, by what process are these huge profits realized? We complain, and with justice, that the cost of food doubles between the farmer who grows it and the housewife who buys it. But if the cost of electric current only doubled between the generating station and the householder's meter the present rates would be cut into small pieces. Producers of electric current commonly sell it to large consumers for a tenth of the price they charge to the head of a family, and for much less than the small industrial consumer pays and for very much less than the larger consumer pays. It is the small user, the average consumer, to whom the companies charge their highest rates. And it is the average consumer, the millions of average consumers, from whom this amazing golden flood is flowing into the coffers of the company—and that is the fellow I am interested in.

A recent investigation by the Pennsylvania Giant Power Board brought forth an almost general admission by the companies that they did not know the cost of serving big and little consumers; that their rates were based not on comparative costs but on experience and competition. In other words, that even from the point of view of the companies there is no justification. The report shows that where no competition exists the highest rates are charged and where there is competition rates sufficiently low to get the business are made irrespective of the cost to serve. The report also shows that the cost to serve small consumers—and this is an important figure—is only three times the cost of serving large consumers but that the small consumers are commonly charged ten times as much as the large consumers for the same unit of current. They take it because they have been able to get it. And it shows further that this discrimination against the small consumer is the more unjust because domestic service is largely off peak and should be rated as such. That means that the domestic service is rendered at times when the maximum load on generation is not at the highest and therefore when the cost of power is necessarily far cheaper.

Now, there are many reasons why

this golden flood flows on. One of them, from which the companies are profiting enormously, is technical improvements in electrical methods. Another reason is the enormous profits of consolidation, and upon that subject a book could be written. Still another reason is the failure of the public to demand and secure regulations that regulate in the public interests. I have had my troubles in Pennsylvania in the matter of local electric rates. I am fresh from four years of active conflict—I only got out of the governorship last month—I am fresh from four years of active conflict with the Public Service Commission in Pennsylvania, the majority of whose members were and are owned body and soul by public utility corporations—and I wouldn't make that statement in the state of Maine unless I had previously made it to the legislature of the state of Pennsylvania. I am willing to say things abroad that I have already said at home, but not otherwise. I have seen this Commission not only give these corporations what they had no right to have, but do so with a shocking indecency of haste. Therefore I know what the corporations have done to public regulation in Pennsylvania.

Let us consider also what happened recently in another state in the case of Samuel Insull. I understand that this man came last year into Maine, New Hampshire and Vermont, and bought up the control of much of the power of northern New England. So you ought to be interested in his doings.

Insull is the dominating figure in the electric business in Illinois (and not in Illinois alone) and is nominally subject to regulation by the public service commission of that state. Last fall he was caught by the Reed Investigating Committee of the United States Senate contributing something like \$125,000 to the campaign fund of the chairman of that commission, Smith, who was running for the United States Senate. I leave it to you whether that public service commission, with Mr. Smith as chairman, could be trusted to protect the power consumers of electricity in Illinois from extortion at the hands of Insull's monopoly.

Insull refused to testify before the Reed Committee, which he naturally would not have done had his hands been clean. It is a matter of great

satisfaction to me that the Senate has decided to call him to account.

I believe that a public service commission, if it handles itself properly ought to be a militant, active body taking up the cause of the public, without any complaint being brought before it, on its own initiative and I am proud to say that recently for the first time in the history of the state of Pennsylvania the public service commission of that state did so take up cases through the initiative, inside the commission, of one of my appointees. But the public utility men are constantly proclaiming that a public service commission is a court and that the commissioners should have the independent position and view point of judges. Accepting their own stand in the matter I leave it to you to give a name to the conduct of a man, with cases before a court, who quietly slips the presiding judge \$125,000.

In the light of Pennsylvania, Illinois, and many another state, I venture to say that if the people of the United States ever turn to the nationwide ownership of electrical utilities, it will be because the companies have driven them to it. The people of the United States will not indefinitely stand for regulation that does not regulate and if they turn to something else it will be directly and only because the utility companies have so opposed and prevented reasonable and effective regulation by the states and by the nation that the only choice left was between servitude to a gigantic and unendurable monopoly and the ownership and operation of that monopoly by the people.

There comes a time when things can in the end be pushed too far. This fight for fair treatment by the electric people is not new. It is now more than 20 years since the attempt was first made to compel the water-power monopolists to recognize in some degree the rights of the people in this country—and I am speaking now of the national field—and that was, I am proud to say, under the direction, and with the hearty backing of the man who was my leader while he was living and who is my leader now when he is dead, Theodore Roosevelt. (Applause)

That was in 1905 when the United States Forest Service, with which I then had the honor to be connected made the first effort to compel the electric companies to deal equitably with the public in developing water

power sites on the national forests. It was a very hard fight for in doing this the forest service was breaking the long established precedent of giving public water power to private interests forever and for nothing. Congress had long joined with the Interior Department and the War Department in handing over whatever the companies asked for, either on public lands or navigable streams, at the mere cost of asking for it. And here in the action of the forest service was a new deal.

It goes without saying that the attempt of the Forest Service to give consideration to the public interest was met by furious indignation on the part of the electric interests. Their proposition was that they had always had this special privilege, and that it was an invasion of their rights to question it, and they became so angry that more than once I was notified by these interests that I was through, that at the next session of Congress they would abolish the United States Forest Service altogether, and would then proceed to take what they wanted when they wanted it, forever and for nothing, as before. Well, the Forest Service is still in existence, I am glad to report, and the electric interests, driven out of one position of greedy unreasoning selfishness after another—and I mean just exactly that—were compelled, by the force of public opinion expressed in national legislation, to give steadily great recognition to the right of the American people to a reasonable share in the natural sources of power which they own and control. In other words, the idea that the people had a right in these resources, as well as the power companies that wanted to use them, finally was established and now has firm ground in Washington.

Among the principal battles of this long war were the defeat of the Crane-Mondell bill and the defeat of the Shields bill before Congress. Finally, after fifteen years of active fighting, the present Federal Power Act became a law in 1920, and established for good and all the principle that in dealing with public water powers the public good comes first. And here is a curious thing to be remembered; today the very men and the very interests who most bitterly opposed the recognition of public rights and the enactment of the

Federal Power Act have become its most ardent supporters. I am not aware of any power interests anywhere concerned in developments on national forests or navigable streams who do not recognize both the enormous increase in development which this Act has brought about, and its essential fairness not only to the public but to the companies themselves; for let me tell you with all the emphasis I can, that one of the main reasons why the conservation policy has succeeded before the Congress of the United States in dealing with national resources is that the men who were advocating it were careful to be just as fair to the companies as they were to the public. The only kind of law and the only kind of problems such as these that can possibly hope to endure are those which in the end seem to be square all around. In other words, there is no sense in attempting to deal with the companies on the same basis as the companies are constantly attempting to deal with the public. The public has got to be fair. We have been fair. We have protected the public rights in water powers on public lands and navigable streams. Today the power men themselves are the strongest and most insistent defenders of the act which they fought so bitterly for fifteen long years. I was in that fight and I know. These electric men are now nearly as loud in praising as they were first in abusing the act.

In Pennsylvania, for example, where during the last four years we have enacted for the state the principles of the Federal Power Act, the power companies,—the electric companies—join with the friends of conservation in putting the principles of this act into State law.

Now the Giant Power idea—and by the way, I shall not have time tonight to go at length with you into the Giant Power idea. It would tax your patience too much, but I shall be exceedingly glad if you will either write to me, or perhaps Governor Brewster would allow me to say, to write to him, and I will see to it that so far as I have copies—and I have a good many—bearing on the Giant Power question, they will be most gladly furnished to any of you who may desire them. I am going to say something about it,

but there is too much to be said at one sitting.

The Giant Power idea, together with a report of the first Giant Power Board, was laid before the Pennsylvania Legislature in 1925. It was a new conception as to the protection of the public interests. At once, without a moment's delay, the same interests which had so violently opposed recognition of public rights in Federal legislation—these same fellows proceeded to go through precisely the same performance with regard to Giant Power, as they had with regard to the Federal Power Act. Apparently they had learned nothing and forgotten nothing, and even much of the language which they used in opposing this new idea of protection of public rights was precisely the same language which they had used twenty years before in fighting the original act.

One of their spokesmen, for example, testified before a Legislative committee that they were opposed to every Giant Power bill and every item in every Giant Power bill; and when it was proposed as a compromise—and I give this as a good illustration of how these things are done—when it was proposed as a compromise to continue the term of the Giant Power Board merely for further investigation, a committee representing the Pennsylvania Electric Association waited upon me as Governor and laid down as a condition of their consent to such extension not only that the investigation itself should be denatured by the restriction of its scope, but that their Association should be allowed to name four out of the seven members of the Commission. That was made to me, and I was there and I know. Naturally, I refused that impudent proposal, and therefore they killed the bill.

I am far less impressed with the screams of anguish which all but the enlightened few—very few—among the electric people, have thrown to high Heaven after contemplating the Giant Power proposals, than I would be if I had not heard the same interests, and largely the same men, scream the same screams against the Federal Water Power Act, which they now regard as one of the most satisfactory and beneficent laws ever passed by Congress; and I ven-

ture to predict that when the shouters are through shouting, and when they begin to use their heads instead of their lungs, that the same process will be repeated, and that the same men who now propose to deal with Giant Power by the law of fang and claw, will change from raging lions to kindly tabbycats, as they have the other matter, and will sit on its lap and purr as they are now sitting and purring on the lap of the Federal Water Power Act of 1920. But, of course, there will be much hard fighting first, just as there was before.

Now what is the solution? The solution in my opinion is the Giant Power idea. In my judgment on Giant Power rests the happiness and satisfaction of daily human life in the coming years. And what is Giant Power?

First, let me tell you by contrast. Remember that super-power is the development of one great electric system all over the United States with one single object—one single central object—and that is profit to the companies. Giant Power is the development of a great network of electric wires all over the United States, with the idea both of the interests of the people and profit of the companies, but with the interest of the people first. Now let me contrast Giant Power and super-power. Giant Power is as different from super-power as the government of the United States is from the Standard Oil Company. In the first place—and I will repeat this because I regard it as of great importance—the sole object of super-power is profit to the electric companies while the object of Giant Power is the public welfare, including the welfare of the electric companies as well as the welfare of the people who use their current. To those of us who are dealing with these questions we grasp the idea that good service means prosperous companies and without prosperity on the part of the companies good service is impossible.

Super-power provides for the extension of wires and service only as the profits of the companies dictate. We have had a lot of that in Pennsylvania. I don't know, Governor, what the percentage of farmers in Maine is who are already served with electric power, but in Pennsylvania it is only six per cent, and yet our

state is very densely settled. Super-power provides for the extension of wires and service then only as the profit of the companies dictate. Giant Power provides for the planned and orderly development of a great system of electric service for the people of the whole United States, with generous but not excessive profit to the companies as a necessary incident, but not as the main purpose of the whole plan.

Let me say, in passing, that just as the advent of steam which replaced the four sources of power known before steam came, which were human muscle, animal muscle, wind and falling water, just as when steam came, it completely changed the industrial complexion of the civilized world, created industrial cities, created slums, gave us the struggle between capital and labor, is the fundamental condition which has brought about the type of industrial civilization we have today. Just so the change from steam to electricity will, as I think, be even greater. Steam brought people together, because you have got to use a steam engine where it is. Electricity can be sent where the people are, and it may well mean in the end, a line drawn, boundaries set, the increase of great industrial cities and the human misery in them, and the making of an entirely new form of industrial civilization in which the garden city will replace the slums. That is only one of the vast changes which electricity is more than likely to bring about.

To return to the comparison between Giant power and super-power. Super-power takes for the companies substantially the whole of the economies which result from the merging of companies and the pooling of service, and these economies are simply enormous. Giant power proposes that all of these economies beyond a properly generous return to the companies shall go to the public in lower rates.

Super-power proposes only partial pooling of service with partial economy. Giant power proposes complete pooling, with far larger economies, and, therefore, far larger possible reductions in rates to the consumer. And let me add that we do not want to repeat with regard to this tremendous oncoming monopoly in power the same mistakes that we

made of failure to foresee and provide in advance with the railroads because they have had as right well you know not only decades but generations of conflict which might have been avoided if the people of the United States, through their responsible officials, had been willing to think ahead and meet what was inevitable before it actually came.

To return again to this comparison. Super-power consistently charges to the consumer the inflated promotion, and the legal and other expenses of merging companies. Giant power would eliminate inflated merger costs altogether. In one single case recently in a project of only a fraction of a hundred million dollars we eliminated through co-operation with the Public Service Commission of another state promotion expenses of something like five million dollars upon which the people who used that power would ultimately and indefinitely have had to pay interest.

Super-power charges these things to the public. Giant power restricts what shall be charged to the public to a proper level. Super-power is built largely on stock inflation accompanying the merger of corporations for which the public pays the bill. Giant power provides for honest issues of stock, each dollar represented by an actual dollar prudently invested. Do you get the distinction? One, all for the company; the other one for the companies and for the public but with the public sitting in on the plan as it ought to be made.

Now how does this Giant Power propose to achieve its end of public service without extortion—of a more abundant supply of electricity for all the people with only a reasonable profit above actual cost honestly computed? Remember the detailed answer to that question so far as I know or so far as the Giant Power Board of Pennsylvania knows it—and these reports are available for any of you who care to read them—but let me give it to you in the simplified form as I have been able to write it down for myself like this: The money you pay for electricity is partly used to run and partly to look after the plant which supplies it. You have got to run the plant, you have got to maintain the plant and you have got to pay inter-

est with that money on the bonds and dividends and on the stock of the electric companies. That is what they bill us for, electricity, and that is what we have got to pay. You want good service at fair cost, every reasonable human being does. Therefore, you ought to keep the plant in good shape, to provide for interest and reasonable dividends on the company's securities, but anything more than that is extortion. Out of the millions of men and women all over the United States who pay household bills, the heart of this whole matter is in the rates charged to the small consumer. We have already seen that there is where the companies make the highest charge beyond what it costs them and that is where they get their exorbitant profits from. There are two favorite ways by which the electric interests practice extortion. One is to charge very much more than it costs to serve all the consumers taken as a whole. The return on all of the power taken together over what it costs to produce and deliver that power is excessive. That is one method. The other method is to hit the small consumer harder still by making him pay more in proportion to the cost of service than the large consumer. To prevent these two kinds of extortion two necessary steps must be taken, and until they are taken you will be charged for your electricity more than you ought to pay.

The first step is to prevent the company you deal with from making you pay interest and dividends on money that never was put into its plant; and that in Pennsylvania is going on today on a very large scale, and that means of course that the face value of the stocks and bonds must represent no more than the actual investment, and not huge quantities of water.

The companies must be held down to issuing securities representing nothing but the actual investment. The Federal Power Law makes it under the title of net investment, the prudent investment, the reasonable investment, and not the wasteful investment. The companies must be held down to issuing securities representing nothing but the actual investment. Then the rates you pay must be held down so that the

dividend paid out of your rates will be no larger than is necessary to keep the company prosperous and able to expand when the necessities of the public demand that it shall expand. To put that in another way, that means that the common stock, the rates must be sufficient to keep the common stock at par or a little over par.

As I have already mentioned to you, one holding company in Pennsylvania through its subsidiary operating companies has actually extorted from its consumers dividends so high that the price of the stock has increased ten thousand per cent in five years. The public pays for it. That is one step,—squeeze out the water and require dividends only on money honestly invested.

The second step is to compel the company to figure your bills as a small consumer of electricity on what it actually costs the company to serve you instead of on all the traffic will bear, and to figure on what the traffic will bear has been their habit. The rate charged to the big consumer with pull also must be based on what it costs to serve him instead of being as has frequently been customary in the past, very much below what the actual cost was. In other words the small consumer must pay no more than it costs to serve him with proper compensation to the company, and the big consumer no less than it costs to serve him with proper compensation to the company.

Rates based on cost of service will increase the bill of the big consumer a little, but will greatly reduce the bill of the small consumer. Such rates will make the small consumer pay for current only about three times as much as the big consumer instead of ten times as at present. This question of spread between the big consumer and the little consumer goes straight to the heart of the electrical problem and I know of no public service commission in the United States which has yet made a careful and competent study of this thing. That is where one of the greatest of all the evils is located and that is where to reach it. Now the way to bring this all about—and it is what we have been trying to do in Pennsylvania, and some of

it we have got done—the way to bring this all about is to see that the terms of every charter granted to an electric company prevent overcharging, that it is written into the charter that the company cannot overcharge the small consumer, by writing into it those two conditions,—honest financing and payment for what you get and no more. The thing to do is to make sure that the company gets no rights from the public unless it agrees to treat the public fairly along these lines. The way to do that is to pass a law forbidding any charter to be issued that does not embody these conditions. I am not attempting to advise you as to what you ought to do. That is beyond my meaning, but I have written this as a general statement applicable all over the United States.

In conclusion—and I think you must know this already—in my view no subject has come before you, nor can any subject come before you, that holds within it so vital and far-reaching an influence as this over the daily life of the present and the future citizens of your State and the whole United States. For good or evil, for economic freedom or industrial bondage, this change from steam to electricity, this vast monopoly is upon us. We ought not to stop the coming of a unified system of distribution all over the United States. I am not speaking about your problem here in Maine at all but for the other States. We ought not to stop that unification in general because of the enormous economies which result from a monopoly of that kind. The question is who is going to run it. What is this change going to bring us? What it will bring us depends on ourselves. We know that if we control it instead of permitting it to control us, the coming electrical development will form the basis for a civilization happier, freer, safer and fuller of opportunities than any that the world has ever known.

Electricity means the lifting of drudgery off the shoulders of every housewife in this broad land, off the shoulders of every farmer, a lot of them, making the task of the man and the woman easier everywhere, and the life of the man, the woman

and the child altogether better than it has ever been before, provided we control electrical development and that it does not control us.

As we deal with electrical power, so shall we and our descendants be free men, masters of our own destinies and our own souls, or we shall be the helpless servants of the most widespread, far-reaching and penetrating monopoly ever known; and that is the question that is being decided in the United States today. Either we must control electric power or its masters and owners will control us.

The motto of the people of the State of Maine is "Dirigo". The best translation I can think of for that is "I paddle my own canoe for myself," and it struck me that that was a good thought to leave with you as I close.

My very warmest thanks for the courtesy of your attention and for the still greater courtesy of having asked Mrs. Pinchot and myself to come here.

I want to express in conclusion once more my gratitude to you, and my very especial gratitude to you, Governor, for your kindness, not only now, and for our friendship, but for many another time besides. Thank you very much. (Prolonged applause, the audience rising.)

At this point the Honorable Gifford Pinchot and Governor Brewster and suite retired, amid the applause of the convention.

The purpose for which the convention was assembled having been accomplished, the Joint Convention was dissolved and the Senate retired to the Senate Chamber, amid the applause of the House.

In the House

The Speaker in the Chair.

On motion by Mr. Rounds of Portland,

Adjourned until tomorrow morning at ten o'clock.