MAKING RATES FOR PUBLIC UTILITIES

SUPPLIES CAPITAL NEEDS

Talk by Vice-President of Telegraph Co. Economic Revelation; Production Cost Is Compared

In considering rate-making in the field of public utilities of America, the cost of financing new plants and equipment - the item of new capital requirements - must be considered, according to Nathaniel T. Guernsey, vice-president of the American Telephone and Telegraph company, who delivered a lecture recently before the Chicago division of the school of commerce of Northwestern university on "Some Rate-making Matters." And this single item in itself is a huge one in America, Mr. Guernsey stat-

"It is estimated," he said, "that at present the annual requirements of the public utilities in the United States, not including railroads, of new it. capital in order to provide for the necessary additions to their plants is \$1,450,000,000. This money must be obtained in a highly competitive market in competition with other investments seeking capital. It is obvious that the utilities could not obtain this necessary money unless they could offer to the investor as much in the way of profit as would be offered to him by other equally good investments. If they are to secure the capital that is necessary for their business, the law of demand and supply, as applied to money, requires the utilities to make as much in the way of profit as other equally desirable investments."

Economic Eye-Opener

tric light and power, for gas and re- by the business." lated public utilities are what they are at present in the United States. His interpretation of this vexatious prob- President to increase the tariff on lem to Northwestern commerce school tomatoes and other vegetables. The

the utilities is to produce and sell vania. something. The fundamental economic rules which apply to all business apply to them just as much brated, but judging by the noise they as they do to the banker, the manu- make in many neighborhoods, every facturer or the retail merchant. The week is Boys' week.

572 Wrigley Building

the average, sound trades benefit both parties to them. The business must afford a profit to both the producer and the consumer, and to permit this the value to the consumer of what the business produces must exceed what it cost to produce and sell it. And as a necessary element of this cost, there must be included the expense incident to securing the capital necessary to carry on the business, including both the present investment and new money needed for new plant.

"Where this cost of producing and selling something is, say, \$5.00 and its value to the person why buys it is, say \$7.50, or \$10.00, or \$15.00 it is perfectly obvious that its sale at a price in excess of \$5.00 will afford a profit to the person engaged in producing and selling it, which if large enough will furnish a sufficient incentive for its production and sale. It is just as obvious that if its value to the person why buys it is \$7.50, or \$10.00, or \$15.00, and he can buy it for a price appreciably less than this, say, in the first case \$6.00, in the second \$7.00, in the third \$7.50, on his side of the transaction he will have a sufficient incentive to buy because every purchase up to the limit of his requirements will afford him a prof-

In Public Utilities "Applying these principles to public utilities, if they are to exist at all. the cost of producing and selling the service, including the cost of securing the necessary capital, must be less than what the service is worth to the customers who buy it from the utilities. For the business to go on, this profit, represented by the spread between this cost of the service and its value to the customer who buys it must be divided between the utility and the customer. Unless the service is worth more to the customer than what he pays for it, he would rather have his money than the service, and will not buy the service. It is because the service is worth more to him than what he pays for it - be-Just what the cost of this new cause he profits by the transactionmoney each year amounts to and just that he pays his money and takes the how much of the costs the consumers service. On the other hand, unless the or patrons of public utilities must pay investors, who in the final analysis annually would be an economic eye- from this aspect constitute the utility, opener if Mr. Guernsey or some other can receive something in addition to financial wizard were able to discover a bare reimbursement of what it costs it, but these costs were not mentioned | them to do the business, there is not in figures by the speaker. He did, inducement for them to continue the however, explain in an interesting business or to invest the additional fashion why rates for telephones, elec- capital which is constantly required

Growers in Florida are asking the students was given in these words: | high tariff men are no longer con-"Fundamentally, the business of fined to New England and Pennsyl-

Boys' week has been well cele-

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NOTICE OF LETTING CONTRACT ASSESSMENT NO. 316 BOARD OF LOCAL IMPROVE-MENTS OF THE CITY OF HIGH-

LAND PARK. NOTICE IS HEREBY GIVEN that bids will be received for the construc- bids will be received for the construction of a connected system of sani- tion of a connected system of cast tary sewers in Groveland Avenue, iron water mains in Oakland Drive Oakland Drive and Lyman Court, all and the street between Lots 9, 10, in the City of Highland Park, County 11, and 12, and Lots 8, 7, 6, and 5, all of Lake and State of Illinois, as a in Ravinia Woodlands, all in the City whole in accordance with the ordin- of Highland Park, County of Lake ance therefor.

Said bids will be received by the Board of Local Improvements at its office in the City Hall, Highland Park, Illinois, until 5:15 o'clock p.m. on the 27th day of May, 1927, at which time and place they will be publicly open-

The specifications and blank proposals will be furnished at the office of the Board of Local Improvements in the City Hall of said City.

The contractor will be paid bonds, which bonds will draw interest at the rate of six (6) per cent per annum.

The successful bidder for the construction of said improvement will be required to enter into bond in a sum equal to one-third of the amount of his or their bid with sureties to be approved by the President of the Board of Local Improvements when entering into the contract for the construction of said improvement.

All proposals or bids must be accompanied by a certified check payable to the President of the Board of Local Improvements of the City of Highland Park for the sum of not less than ten (10) per cent of the aggregate of the proposal.

Said proposal must be delivered to the President of the Board of Local Improvements in open session of said the President of the Board of Local Board at the time and place fixed herein for the opening of the same.

ered unless accompanied by check herein provided.

The Board of Local Improvements herein provided. reserves the right to reject any or all bids if they deem it best for the

BENJAMIN F. LEWIS, WM. J. BROWN, LYLE GOURLEY, WM. M. REAY, . JULIUS ZIMMER,

Board of Local Improvements, City of Highland Park. 11-12 NOTICE OF LETTING CONTRACT ASSESSMENT. NO. 315 BOARD OF LOCAL IMPROVE-

MENTS OF THE CITY OF HIGH-

LAND PARK. NOTICE IS HEREBY GIVEN that and State of Illinois, as a whole in accordance with the ordinance there-

Said bids will be received by the Board of Local Improvements at its office in the City Hall, Highland Park, Illinois, until 5:15 o'clock p.m. on the 27th day of May, 1927, at which time and place they will be publicly opened and read

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Said proposal must be delivered to Improvements in open session of said Board at the time and place fixed No proposal or bid will be consid- herein for the opening of the same.

No proposal or bid will be considered unless accompanied by check

The Board of Local Improvements reserves the right to reject any or all bids if they deem it best for the public good.

> BENJAMIN F. LEWIS, WM. J. BROWN. LYLE GOURLEY, WM. M. REAY. JULIUS ZIMMER. Board of Local Improvements City of Highland Park. 11-12

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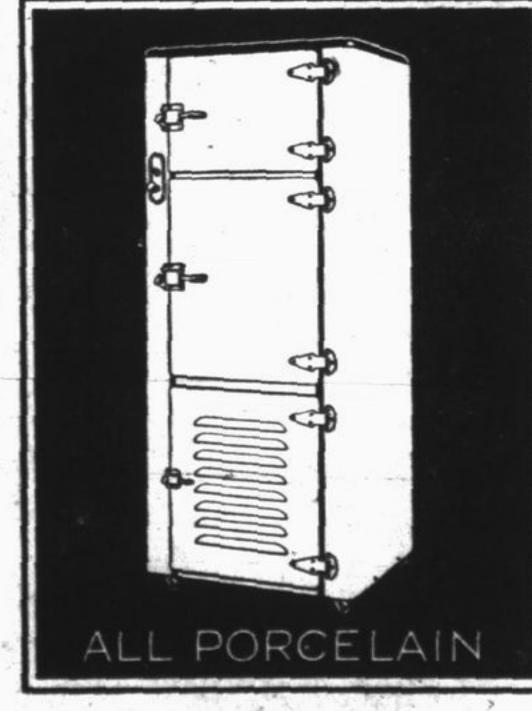
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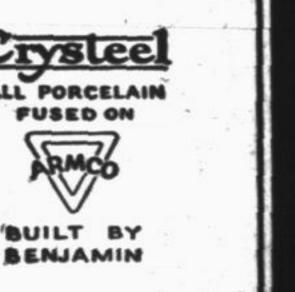
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