

Highway and Auto Dope

AUTOMOBILE NEWS

Tourist Traffic and News

BABSON MAKES STUDY OF THE CAR INDUSTRY

Saturation Point Held a Long Way Off; Automobile Stocks Not Entirely Safe Investments at Present Time.

BABSON PARK, Minn. (Special)—The Babson Institute has been making a study of the automobile industry and Mr. Babson has released a digest of the conclusions reached. The official statement is as follows:

"The most salient fact evident in any present study of the automobile industry is that the development has defied all prophetic and has exceeded the most optimistic hopes. In the early years of the industry the auto was believed to be a fad to be owned by the wealthy. Twenty-five years ago automobiles were looked upon as unwieldy airplanes today. When it finally was discovered that the automobile had practical value, then bankers began to talk about the 'saturation point.' Every year the bankers stated that the following year automobiles would reach their saturation point and the industry would begin to decline. Of course no trees grow to the skies and some time the automobile industry may reach its maximum development, but all the pessimists have been disappointed up to the present time. The following annual figures on the production and distribution of cars show the situation for the past ten years:

Year	Passenger Cars	Trucks
1915	518,618	74,909
1916	1,325,575	92,120
1917	1,746,792	129,157
1918	2,563,882	227,258
1919	3,657,432	317,864
1920	5,388,158	422,029
1921	7,514,000	517,559
1922	9,406,398	622,868
1923	12,894,237	792,740
1924	17,212,285	1,074,217

Year	Passenger Cars	Trucks
1915	2,709,664	120,000
1916	7,287,986	215,000
1917	8,957,340	276,000
1918	9,821,617	325,000
1919	6,771,074	794,372
1920	5,225,859	1,006,982
1921	3,546,195	1,118,520
1922	10,864,123	1,275,725
1923	12,479,665	1,612,589
1924	18,469,429	2,151,352

Includes Canadian production.

Present Conditions in the Trade.

"Of course, conditions are very different than they were a few years ago. Prices are being cut, they are being cut, less money is being spent on advertising and selling, there are fewer changes in models, consolidations are taking place, and various other factors are developing which are unpleasant to many people. On the other hand, these changes are merely for the benefit of the consumer and should ultimately be good for the industry. This all signifies that the business is becoming stabilized. What was once a luxury, has become a necessity, and what was once a fad, is becoming a staple. This means that there are smaller profits, but that the business is on a much sounder basis. The fact has also been proven that 'one in ten, always an auto,' which means that the replacement of worn-out cars is being brought up with the idea that an automobile is as necessary as a sewing machine or a bathroom.

"Consider the fact that about two million people are being born every year in the United States, and the average life of a car is not over seven years, it will be seen that the replacement automobile business has great possibilities. It is said that certain companies are

Auto Tries to Fly



This automobile tried to turn into an airplane in Cleveland. The driver swung to the curb to avoid a collision and lost control. The car leaped the curb and slid straight up the wire of a telephone pole, sticking there when it had reached the angle shown above.

almost able to pay their dividends merely from the sale of parts and other necessary lines. Therefore the industry is here to stay and is gradually getting on a sound basis. Of course, there is no sense in buying so many different makes of cars. Gradually these will be brought together and there will be fewer companies, resulting in reduced selling and advertising costs, which are now a great factor. It, however, should be remembered that even today the automobile is selling the trend of other products. Where in the case of most manufactured articles the purchaser is getting less today for a dollar than he did ten years ago, the reverse is true in the case of the automobile. Not only is the automobile improved every year, but prices are declining notwithstanding the reduced purchasing power of the dollar.

Outlook for Automobile Stocks.

"The above comments apply to the industry and not to the stock market. Our investigations are in connection with the manufacture and distribution of automobiles. Therefore we perhaps should say nothing regarding the securities of the companies. I, however, wish to make this comment, namely, that it is very dangerous to consider automobile stocks as a group. Each individual stock must stand on its own basis. Some will go to higher figures, while others will decline to nothing. Many of the keenest bankers believe that automobile stocks taken as a whole, are too high at the present time, and I am inclined to agree with this diagnosis. On the other hand, if the expected consolidations take place, the surviving companies should profit greatly thereby. The automobile industry is a good deal like the copper industry. Both industries, as industries, are perfectly sound; but when investors bet on any one company they run considerable risk. Moreover, statistics strongly indicate that the copper stocks, as a class, are a safer bet than the automobile stocks at the moment.

"The most dangerous factor in the situation today is the tremendous purchase of cars on installment which will always continue in the industry. These installment purchases, however, have resulted in the tying up of a lot of money, which is not a healthy condition, so that some automobile companies are doing almost a banking business without federal or state supervision. This installment business is the cloud in the automobile industry today and an account thereof some companies may have much trouble ahead. It is a new business, which means there is still a lot to learn and hence some must suffer during the process of learn-

ing. Experience is very valuable, but like most valuable things is very costly. Even though this installment business is necessary, history shows that in the early days of any good thing it is always pushed too far and overdone. This installment business is the weakest feature in the automobile structure at the present time.

The Auto Truck Industry.

"In the early days the automobile industry consisted mostly of pleasure vehicles and these of course are now the backbone of the industry. Then the manufacture of trucks developed, and today the horse is very largely displaced, but thus far the truck business has never reached the proportions expected. The most lucrative field at the moment is the auto or motor coach industry. The White Motor company of Cleveland, should be given the credit for putting this business on its feet. They were followed by the Mack people and the Pierce Arrow Motor Car company and several other companies. Then the Yellow Cab Manufacturing company of Chicago took it up, which company is now being taken over by the General Motors company. Without doubt, the auto bus or 'motor coach' as it is now called, is destined to become a great factor in transportation. Not only is it the salvation of street railways adopting it, but it also will be adopted for its assistance to steam railroads and most mercantile houses. The motor coach has a great future provided the manufacturers of these buses and coaches do not kill the goose which lays the golden egg by supplying 'auto bus bootleggers' with their wares.

"By bootleggers I mean auto bus owners who are operating contrary to law or without proper licenses. Owing to the sudden development of the industry, many states have not proper laws, while other states, which have active laws, have not the machinery to enforce them. The established railroads and street railways are operated by substantial interests who will not operate motor coaches illegally and without license. While these established railroads and street railways are endeavoring to secure licenses, these 'auto bus bootleggers' are undermining railroad and street railway investments to a most amazing amount. This is causing a very dangerous situation, and if continued, too long may bring about a panic in transportation circles. Just as the railroads and street railways are becoming rehabilitated, it is crime for the automobile industry to allow these bootleggers to rob the already established means of transportation. Moreover, the future of the industry lies with the motor coach manufacturers. If these manufacturers would refuse to sell to these bootleggers, then the industry would soon be put on a firm basis and everyone would profit thereby, including the public. The present plan of manufacturers selling motor coaches to one who they know will operate them illegally, against the interests of established transportation companies who are endeavoring to obey the law, is immoral, unjust and short-sighted.

Other Features of Industry.

"The automobile industry has done very much more than manufacture of motor vehicles. It has revolutionized our highways and has created a great road building industry of which man never before dreamed. It has developed the oil business to proportions which the Rockefeller's, in their most optimistic moments, never believed would be possible. It is the great backbone today of the steel business. Rubber, which twenty-five years ago was used only for wearing apparel and tips of pencils is today the basis of a tremendous industry with ramifications all over the world. These are some of other instances where industries have been revolutionized and greatly aided by the development of the automobile. It is said that more cotton today is going into tires than into dresses, while the manufacture of paint, artificial leather and other products used in the automobile industry has been turned today-today by the automobile chemical engineers.

"The other great factor which has not yet been fully appreciated

is the effect that the automobile is to have on our cities. We complain about the congestion of our cities, but as yet very little has been done to prepare for it. We established parking rules and regulations but the real problem has not yet been solved. This solution will come about through elevated streets, especially at important junctions, which may make cars not only the least valuable instead of the most valuable as at present. The automobile will result in the development of subsidiary business centers in the outskirts of every city. Many believe that no more big department stores will be built in our large cities and that the automobile will ultimately revolutionize retail trade. Surely after the routes of travel will be developed; routes which are now little used will share the traffic with the great through routes. New streets will be cut through in our cities and many similar things will be done. This means that there are tremendous opportunities for profit in connection with real estate in those districts which automobile congestion will develop and a real chance for loss by the present owners of the best corner lots. The automobile is here to stay; the industry is beginning to be stabilized although it has several more stages to go through; great profits have been made both in the industry and allied lines; but the greatest profits of all are coming later through the rebuilding of our cities and the opening of new arteries. Here is where the real opportunities will be for making money via the automobile. Business continues with but little variation and now stands by the Babson chart, 1 per cent above normal."

Custom-Built Franklin Creates Sensation

Among the custom-built automobiles made by the Custom Body Division of the Franklin Automobile Company, is a closed Sport Runabout made for the personal use of H. H. Franklin, President of the company.

It features crumple lines characteristic of Franklin's two-passenger open model, and is said to be the lowest in over-all height of any automobile ever made. The car is being exhibited in an elaborate display of custom and standard cars finished in special color combinations, which is now open at the Franklin factory for the inspection of dealers and their customers.

This enclosed Runabout has

Motorists Must Be Protected From Excessive Rates, Says Chrysler

WALTER P. CHRYSLER, President of the Chrysler Corporation, who evolved plans for the marketing of Chrysler motor cars which protects the purchaser from excessive financing charges and excessive insurance rates, is determined that those who buy cars bearing his name shall have them at the lowest possible prices.

For many months Mr. Chrysler made a comprehensive study of the sale of motor cars. Finally he came to the conclusion that too much money was being paid for financing and insurance requirements. After further study Mr. Chrysler decided that the one way to effect a substantial saving of from 30 to 40 per cent of the combined cost of financing and of fire and theft insurance rates, was to take advantage of the mass purchasing power of the Chrysler Corporation.

"The public must be protected from excessive rates," commented Mr. Chrysler, in New York. "At the factory we watch the expenditure of every cent. Keen competition necessitates that cars be placed in the hands of the ultimate users at the lowest possible price. Why then shouldn't we be equally diligent in saving the purchaser everything we can.

"We believe financing charges and insurance rates have been too high and so we determined to reduce financing charges and to market our cars fully covered by fire and theft insurance. Before reaching this de-



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