Babson Discusses Airlines

By Roger W. Babson

New York City, Jan. 18—(Special Correspondence)—Have had an unfortunate experience at La Guardia airport in New York City where I waited from 6 a. m. for a plane due to leave for the south at 7:30 a. m. Then at the very last minute it was announced that "due to weather conditions" the flight had been cancelled. I immediately went to the Penn. station to get a Pullman berth. There I was told that all space had been sold for two weeks ahead. Let me further add that, although I had my plane reservations two weeks in advance, I would now have to wait another two weeks before getting another plane seat.

Air travel is marvelous when the weather is good and there are plenty of planes; but this winter on long routes it is terrible. For runs over 400 miles I advise readers to engage Pullman accommodations and not depend upon airlines. The same general principle may also apply to airline stocks as an investment. For a few years they should have good earnings and much glamour; but then look out! They may be as uncertain, in the long run, as the weather.

Government Competition In Rail Lines Impossible

Now that our country is honeycombed with a network of railroads, it would practically be impossible for the government to build new competing railroad lines. Furthermore, their securities are probably now selling for less than their original cost,—not to mention reproduction costs. Remember that the railroads own their roadbeds and terminals, as well as their equipment.

With the airlines the situation is very different. They own no roadbeds nor terminals. The air is free to all; while the terminals are publicly owned. At any time the government could start competing air routes with little expense. This means that—however large the profits may be during these honeymoon years—they cannot last many years. Airplane traffic will increase tremendously; but this does not mean that airplane companies will always make much money. Furthermore, it strongly suggests that some airplane stocks are now selling too high.

Price Relation Is An Investment Yardstick

One of the best yardsticks for judging most stocks is the relation of price to earnings. I try to select stocks which are selling about 10 times their annual earnings; certainly 20 times is a maximum ratio. Yet, the leading airline stocks are today averaging to sell at 40 times their earnings. Two of the most popular ones are selling from 60 to 70 times earnings. This seems crazy to me.

Of course, there is one thing about airplane stocks which appeals to investors, viz.: In order to buy an interest in 75 per cent of the nation's rail business an investor must buy stocks of 300 different railroads. But he can buy an interest in 75 per cent of the total air business by buying the stocks of only seven airline companies. These are American Airlines, Eastern Airlines, United Airlines, T.W.A., Pan-American, Northwestern and Penn. Central. Yet, this advantage cannot justify the big rise in prices which all have had during the past 10 years.

Inflation Possibilities For Airplane Stocks

Airplane stocks are no good as "inflation" hedges. They are poor "socialistic" hedges. Their value lies with the probability of huge earnings during the next few years; but then look out. Although very popular they can be very risky for the long-pull investor. Better keep your money on the ground rather than in the air! Personally, I am not keen for anything that operates on wheels and that depends upon franchises or public regulations.

The best inflation hedge is good fertile Mother Earth upon which you can live, — near enough to a small city where you can get a job or have a small business of your own. The next best is a family of God-fearing children, each educated to some one profession or trade. Money invested in good land, good children and good education is far safer than in the stocks of any company operating on the ground, above the ground or under the ground!

LAST SERVICES HELD FOR DEROBOAM BABY

Services for Pauline DeRoboam, infant daughter of Mr and Mrs. Noel DeRoboam, Rogue River, who passed away Monday at home, were held at the graveside in Rogue River Thursday. Arrangements were in care of the Conger-Morris chapel.

Also surviving are two sisters, Luella Jeane and Barbara, at home, and the grandparents, Mr. and Mrs. William Tracer, Rogue River; Mrs. Ida Merton, Grants Pass, and J. E. DeRoboam, California.

BUTTE FALLS CAGERS TO PLAY AT PHOENIX

Phoenix high school basketball team will play Butte Falls at Phoenix tonight instead of at Butte Falls as a schedule release printed yesterday indicated. The tilt is a county "B" league game.

Permanent auto license plates have been in use in Connecticut since 1937. Made of aluminum, they have proved non-rusting and weatherproof.

Carlos Morris Is New President Of Funeral Directors

Carlos Morris, of the Conger-Morris Funeral Home, was elected president of the Southern Oregon Funeral Directors at the annual meeting at Holland Hotel last night. Virgil Hull, Grants Pass, was named vice president and W. W. Ward, Klamath Falls, was elected secretary-treasurer.

A. E. Lundberg, Tillamook, president of the Oregon Funeral Directors association, spoke on highlights of the recent national convention. He was accompanied by Mrs. Lundberg. Miss L. Lauritsen, executive secretary, also was present.

Retiring president C. M. Litwiller, Ashland, presided at the meeting.

SERVICES SATURDAY FOR SCRANTON BABY

Graveside services in I.O.O.F cemetery will be held Saturday at 11 a. m. for Berta Kay Scranton, infant daughter of Mr. and Mrs. Albert Scranton of Klamath Falls. The child, which died Thursday at the home of a friend here, was born Nov. 19, 1944, in Klamath Falls.

The Rev. Edwin C. Cox will officiate. Perl Funeral Home is in charge of arrangements.

Court Records

Justice Court

Leona B. Mall, drunk on public highway, $25 and costs.

Roy D. Graham, no PUC permit, $10 and costs.

Gordon B. Bowman, no registration card, $1 and costs; no trailer license, $1 and costs.

William L. McDonald, no chauffeur's license, cited.

Albert O. Bates, no license on motor vehicle, cited.

John Olson, no operator's license, cited.

Claude A. Ragsdale, driver axle overload, cited.

Court House News

Marriage Licenses

Mario Juluis Martina and Jessie Anna Fry.

Robert W. McCormick and Marie Alma Jones.

Albert Thomas Armstrong and Harriet Esther Harris.

Lawrence Nelson Rathbun and Bonnie Nellie Carlson.

James Leroy Swindler and Doris Corrine Cooper.

Maxwell Drake Payne and Clara Mae Simpson.

Clarence Albert Tingleaf and Juanita Mildred Brittsan.

Walter Gordon McNely and Norma F. Emmelius.

Morris B Terry and Lilly Bell Doane.

1197 RETURNEES DUE

San Diego, Cal., Jan. 18—(U.P.)—Six ships bringing home 1197 navy, marine and coast guard personnel were due here today. More than 1210 veterans were unloaded here yesterday from 15 craft headed by the veteran escort carrier Kalinin Bay.

WINONA HENDRICKSON SUCCUMBS IN TALENT

Ashland, Jan. 18 — Winona Belle Hendrickson, 24, passed away early today at her home in Talent. She had been in failing health for the past year and a half.

The deceased, born in Cedarville, Kans., is survived by her husband, Paul, of Talent and a step-father, E. C. Gray, Malin.

Services in charge of the Litwiller Funeral Home will be held at 1:30 p. m. Monday with interment in Mountain View cemetery. The Rev. George W. Bruce will officiate.

MISSIONARIES SPEAK TO LUTHERANS TONIGHT

Mr. and Mrs. S. O. Thorlakson of the Lutheran Church will present details of the missionary work of the church at a meeting tonight at Zion Lutheran church at 8 p.m., to which the public is invited. The Thorlakssons are making preparations at Berkeley, Calif., to begin mission work in Japan at the earliest opportunity.

The 8 o'clock meeting will be preceded by a potluck fellowship dinner at 6:30 p. m. at the church.

LAST WACS RETURNING

San Francisco, Jan. 18—(U.P.)—Two transports are enroute to the United States from Manila bearing the last contingents of WACS to see service in the western Pacific, the San Francisco port of embarkation disclosed today.

Ted Gamble Given Gold Medal For Bond Sale Success

Philadelphia, Jan. 18—(U.P.)—Ted R. Gamble, director of the U. S. treasury's war finance division, today held the Poor Richard club's 1946 gold medal of achievement for supervising Gamble, of Oregon, was pre the sale of $185,000,000,000 in war bonds.

sented the medal by Roger W. Clipp, club president, at the organization's annual dinner last night.

The award was won last year by Bob Hope, radio and screen comedian.

NEW DIMES

Washington, Jan. 18—(U.P.)—The first dime bearing the portrait of the late President Roosevelt will be turned out today at the U. S. mint. The coin will be part of the president series, including the Lincoln penny, Washington quarter and Jefferson nickel.