

Congress Quietly Ends One of Biggest Federal Subsidy Programs

By A. ROBERT SMITH
Mail Tribune Correspondent
Washington — Congress last week quietly ended one of the biggest federal subsidy programs ever launched, and from which the private electric utility industry was the chief beneficiary.

Not one congressman rose in protest against ending the fast tax write-off program, mostly, it appeared, because tax write-off had become almost a dirty word in the Washington

lexicon during this session of Congress which was marked by the hot Hells Canyon fight and the big economy drive.

It was the fast tax write-off granted Idaho Power company in April which triggered off the loudest criticism of the subsidy program ever heard, much of it from such stalwart supporters of private enterprise as Sen. Harry F. Byrd (D-Va.). It also provoked an investigation by Sen. Estes Kefauver (D-Tenn.) and his anti-monopoly subcommittee. And that tax write-off, probably more than anything, put the Hells Canyon bill successfully through the Senate before it was killed in the House Interior committee.

The Hells Canyon battle this year was finally won by the private utility industry, which had made it a principal target against federal dam building with the aid of extensive advertising campaigns. The ads, appearing in national magazines, showed pictures of the big Snake river gorge and asked the reader whether he thought taxpayers' dollars should be thrown into that canyon.

The irony of it all now is that the Hells Canyon battle brought to light for the first time in an understandable way how many taxpayers' dollars were going into the private utility industry via the fast tax write-off program, and which now has

brought the subsidy to a quick end.

From the start of the tax write-off program after the outbreak of the Korean conflict in 1950, the office of defense mobilization issued 928 certificates to private power companies allowing them to amortize their new capital investment in five years in order to cut their taxes immediately. These certificates covered a plant expansion valued at \$6.7 billion, of which \$3,300,178,000 was declared eligible for fast tax write-offs. Railroads ran second with \$6.3 billion, followed by primary metals (mostly steel) \$5.7 billion, oil and coal \$3 billion and chemicals \$2.9 billion.

To the utility industry, which became America's fastest growing industry under this program, these write-offs represented "interest free loans" (to use the term of the Federal Power commission) amounting to nearly \$1.5 billion. And, based on FPC methods of computing the total subsidy or benefit to the utilities over the lifetime of the new plant, it amounted to almost \$5 billion.

These figures have more meaning when compared with the total federal investment in government power facilities up to this year—about \$5 billion, which covers the costs of all northwest dams allocated to power, as well as TVA and other

federal power projects. Most of this is repayable at 2½ per cent interest.

The total government investment in loans to rural electric co-ops also comes to about \$3 billion. This is repayable at 2 per cent.

In short, the total subsidy to the private utilities under the tax write-off program in the past seven years almost matched the total subsidy for public power development over the past generation.

Perhaps these related events of this summer in Washington could be properly recorded on the rim of Hells Canyon with a historical marker like those that adorn the fields at Gettysburg

and Bull Run. It might say:

The Battle of Hells Canyon
Here fell the defenders of a high federal dam, but only after exposing to fatal assault one of their attackers' main supply sources, fast tax write-offs. For the private utility army massed in this bitter campaign, Hells Canyon turned out to be a Pyrrhic victory.

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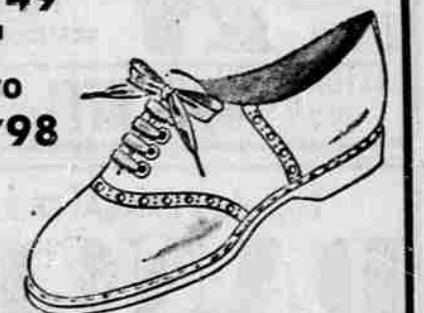
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