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PROGRESS IN THE SIMPLIFICATION OF HOLDING COMPANY SYSTEMS

I appreciate the opportunity which you have afforded me to discuss with you developments under the integration and corporate simplification provisions of the Public Utility Holding Company Act. During the past year we have made substantial progress in the administration of these important provisions of the law.

As the outset there is one ghost I should like to lay. You have no doubt heard Section 11 referred to as the death sentence. You may also have been told that the passage of Section 11 hung by a single vote in Congress. I hope to point out that, in relation to its effect upon the underlying operating companies of the system--as well as in relation to genuine investment interests--it is not a death sentence, but a means of rescuing the operating companies from a process of slow strangulation which would otherwise result from superimposed holding company pressures. As to the fact that the death sentence was passed by a single vote, it is true that, in the course of considering the Senate bill, a series of amendments were introduced by Senator Deitrich, which he characterized as "designed to eliminate from this bill the so-called 'death sentence'", and these amendments were rejected by a vote of 45 to 44. However, it should be noted that the bill, as it finally passed the Senate, was carried by a vote of 56 to 32; that the House bill, in its final form, was passed by a vote of 323 to 81; and that the conference was agreed to by the House by a vote of 222 to 112. No vote was reported when the Senate agreed to the conference report, but that is without significance for our present discussion, in view of the fact that the bill which the Senate had previously passed by a vote of 56 to 32 contained a much more drastic provision with respect to corporate simplification and integration.

The general characteristics and structure of the Holding Company Act are most clearly revealed in Section 1, which sets forth the declaration of national policy underlying the enactment of the law. Congress was particularly concerned with the obstacles which the creation of far-flung holding company systems had placed in the way of State and local regulation. Section 1 (a) declares that the activities of public utility holding companies extending over many States are "not susceptible of effective control by any State and make difficult, if not impossible, effective State regulation of public-utility companies". The same section states that the allocation of service charges among public-utility companies in different States presented problems of regulation which could not be dealt with effectively by the States; and that the national public interest and the interests of investors and consumers are adversely affected:

> "When control of subsidiary public-utility companies affects the accounting practices and rate, dividend, and other policies of such companies so as to complicate and obstruct State regulation of such companies, or when control of such companies is exerted through disproportionately small investment."

In the light of these and other similar findings, Congress declared it to be the policy of the law to eliminate the evils of unregulated holding companies. But it was made clear that a static system of regulation of holding companies could not be sufficient to safe-guard investors and consumers and to render State and local regulation effective. Thus it was made the express policy of the Act (I quote from Section 1 (c) of the law):

". . . . . to compel the simplification of public-utility holding-company systems and the elimination therefrom of properties detrimental to the proper functioning of such systems, and to provide as soon as practicable for the elimination of public-utility holding companies except as otherwise expressly provided" in the Act,

The foregoing statement of policy shows that the Holding Company Act was intended to be a medium for effecting far reaching changes in the structure of holding company systems. True, it does contain many detailed provisions regulating transactions by holding companies and their subsidiaries. All these, however, are largely incident to the main purpose of the law -- the simplification of holding company systems. While such regulatory provisions do serve as a means of protection to investors, consumers and the public pending accomplishment of the broad objectives of the Act, and, on a reduced scale thereafter, each of the provisions of the Act is directed toward achieving the main goal of holding company simplification and integration.

This intention of the framers of the Act is probably best indicated by the President's message recommending enactment of the law. In this message the President emphasized that no Government effort could be expected to carry out effective, continuous and intricate regulation of the kind of private empires which had been created through the holding company device. Accordingly, the Holding Company Act was designed to reverse the process of concentration of power. It was planned, in the words of the President:

"to take the control and the benefits of the essentially local operating utility industry out of a few financial centers and give back that control and those benefits to the localities which produce the business and create the wealth. We can properly favor economically independent business, which stands on its own feet and diffuses power and responsibility among the many, and frowns upon those holding companies which, through interlocking directorates and other devices, have given tyrannical power and exclusive opportunity to a favored few."

While Section 11 is the keystone of the Act, other provisions of the law are, as I have stated, pointed toward the same result. These interrelated provisions dovetail into one another and are all directed to the primary statutory objective of geographical and corporate simplification of holding companies and their subsidiaries.

Thus, Section 10 of the Act, in prescribing the standards for the Commission's approval of the acquisition of securities and utility assets, specifically requires the Commission to refuse to permit new acquisitions unless the acquisition

". . . . . will serve the public interest by tending towards the economical and efficient development of an integrated public utility system."

and to refuse to approve acquisitions where the acquisition

". . . . will tend toward interlocking relations or the concentration of control of public utility companies of a kind or to an extent detrimental to the public interest or the interest of investors or consumers."

The provisions of Section 12 are designed to prevent complexities in corporate structure and to prevent recurrence of abuses which inevitably result in financial disaster not only for operating companies but also for entire holding company systems. These provisions prohibit up-stream loans to the holding company, regulate inter-company loans, prevent the payment of execessive dividends or dividends out of capital, regulate the acquisition of a company's own securities, regulate sales by the holding company of utility assets and securities, and regulate transactions between associated and affiliated companies and persons and political activities by holding company systems.

Section 7 of the Act also relates directly to the objectives of Section 11, for it prescribes definite standards of conservative and simplified finance -- standards carefully designed to safeguard the interests of investors and consumers. The requirements of this section prevent the issues of securities which are potentially dangerous to investors and consumers and which introduce burdensome corporate complexities into the system.

As you know, Section 6 (b) provides, with certain exceptions and subject to appropriate conditions, for the exemption of operating company issues expressly authorized by a State commission. In considering the imposition of conditions where this exemption is applicable, particular attention is paid to those problems relating to integration and simplification which arise from holding company control.

The physical or geographical simplification provisions are contained in Section 11 (b) (1). These provisions direct the Commission to require each registered holding company and each subsidiary company thereof to "take such action as the Commission shall find necessary to limit the operations of the holding-company system of which such company is a part to a single integrated public-utility system, and to such other businesses as are reasonably incidental, or economically necessary or appropriate to the operations of such integrated public-utility system", provided that under certain specified conditions the Commission must permit a registered holding company to control one or more additional integrated public utility systems.

One aspect of the administration of Section 11 (b) (1) is the elimination of the evils which result, as recited in Section 1 (b) (4) of the Act, "when the growth and extension of holding companies bears no relation to economy of management and operation or integration and coordination of related operating properties." Compliance with Section 11 (b) (1) involves reducing the scope and area of operations of each holding company system, so that it is limited essentially to a single coordinated operating unit, confined in its operations to a single area not so large as to preclude localized management or to impair the effectiveness of regulation. The exceptions under the so-called A-B-C standards are similarly limited with reference to size, geographical propinquity, and the necessity for proof that substantial economies would be lost by severance of the common control over the principal and the additional systems.

This is a free paraphrase and there are many points where holding company counsel have differed from us as to the interpretation and application of these standards to their holding company systems. Indeed, counsel for some of the most far-flung holding company systems have virtually refused to concede that Section 11 necessitates any change in the scope of operations of their holding company systems.

The Commission has already had occasion to pass upon many of the disputed questions as to the scope of Section 11 (b) (1). It has decided that a "single integrated system" can include only electric, or gas, operations, not both. Accordingly, a holding company system can comprise both gas and electric operations only when there is proof that this satisfies the requirements as to the retention of additional systems. The Commission has also adopted what has been called the "single area" interpretation of clause (B), in lieu of the so-called "two-area" interpretation contended for by certain of the holding companies. Under the interpretation so adopted, additional systems must be located in the same State as the principal system, or in States adjoining that State, or in a contiguous foreign country. A practical consequence of this interpretation has been to achieve a very substantial delimitation of the properties which may be retained within the existing holding company systems, without the necessity of deciding issues which might otherwise arise under clause (A) as to the "loss of substantial economies which can be secured by the retention of control" of additional systems, or as to meeting the size limitations of clause (C).

Reference to the size limitations, incidentally, suggests one of the integration standards which is, I believe, of considerable importance from the standpoint of people who are interested in promoting strong and effective local regulation. This limitation is set forth in closely parallel language, both in the definition in Section 2 (a) (29) of a "single integrated public-utility system" and in the limitation in clause (C) of 11 (b) (1) on retention of a combination of systems. In either case, the single system, or the combination of systems, must not be so large (considering the state of the art and the area or region aifected) as to impair "the advantages of localized management, efficient operation, and the effectiveness of regulation."

As all of you are aware, state and local regulation can not be effective where management of an operating utility company is controlled from some distant city, and where the size (whether in terms of area or dollars) is so large as to render impractical effective supervision by management. A size which is too great not only makes regulation ineffective; it makes localized management impossible and impairs the efficiency of operation. For these reasons Congress decided that even though all of the other statutory standards might be met, no holding company might control a system or combination of systems too large for efficient operation, localized management and effective regulation.

In this connection it should be emphasized that the particular manner of doing business of individual holding company systems is not significant in determining whether the size standard of the law is exceeded. The test of the statute is whether, by reason of size, considered of course in the light of the state of the art and the particular area or region affected, there is likely to be an impairment of the advantages of localized management, efficient operation and effective regulation.

Administration of this provision will pose many difficult questions for consideration by our Commission.

Up to the present time few decisions construing this important provision have been rendered. However, the Commission concluded, in the Engineers Public Service Company decision that the electric property of Virginia Electric and Power Company, a company operating in large areas in Virginia and North Carolina and having annual gross revenues of about $21,000,000, meets this standard; it also concluded in the same case that the electric property of Gulf States Utilities Company, operating properties in a large area in Texas and Louisiana, with annual gross revenues of approximately $10,000,000, meets this standard. On the other hand, with respect to the southern group of properties controlled by The Commonwealth & Southern Corporation, the Commission has tentatively concluded that each of the state-wide areas under the control of Alabama Power Company or Georgia Power Company either exceeds or in any event approaches the maximum size which can be retained consistently with the statutory requirements. The electric revenues of Alabama Power Company aggregate approximately $23, 500,000 and those of Georgia Power Company about $29,000,000. With respect to each of these companies, the Commission tentatively concluded that even within the areas served, it might be difficult to find that management could be localized or that regulation could be effective over companies which dominate whole states. A similar tentative conclusion was expressed by the Commission with respect to the property of Consumers Power Company located in Michigan. I want to emphasize that these conclusions with respect to the holding company system of The Commonwealth & Southern Corporation were expressed by the Commission in tentative form at the request of the companies concerned; they are of course subject to modification after the completion of hearings.

Perhaps even more important than the size limiting aspects of Section 11 (b) (1), is the fact that compliance will, in many instances, result in restoring independent status to the operating companies. In this respect, the Holding Company Act is fundamentally a self-liquidating statute. Its enforcement has already resulted, and will in the future result, in the continual shrinking in the scope of the activities subject to its provisions. As you know, the Holding Company Act does not regulate operating utility companies *except* where they are subsidiaries of registered holding companies. As soon as an operating public utility company is freed from holding company control, it is then subject only to State and local regulation and (as to certain interstate transactions) to regulation by the Federal Power Commission.

It may be appropriate to mention several specific cases in which the operation of the Holding Company Act has or is in the process of terminating our Commission's jurisdiction over individual operating utility companies. One of these is Indianapolis Power & Light Company, an operating utility serving the City of Indianapolis. This company was a subsidiary of Utilities Power & Light Corporation, a holding company which controlled utility properties scattered throughout the United States and Canada in places as far distant from each other as Nebraska, Connecticut and Nova Scotia. The holding company was in reorganization in the bankruptcy court under Section 77B. With the approval of the bankruptcy court the Trustee in bankruptcy, through underwriters, sold all the common stock of Indianapolis Power & Light Company. As a result of the sale, Indianapolis Power & Light Company is no longer a part of any holding company system. It is therefore not subject to the regulation under the Holding Company Act, and conducts its business as an independent operating utility subject to appropriate State and local regulation.

Another instance is the disposition by The United Gas Improvement Company of its interest in Connecticut Light & Power Company. The United Gas Improvement Company is a large holding company system with its principal operations located in and around Philadelphia, Pennsylvania. In addition, however, it controlled various properties scattered in other parts of the United States, among which was that of Connecticut Light & Power Company, an operating company serving substantial areas in Connecticut. The United Gas Improvement Company sold to the public through underwriters the shares of common stock which it owned of Connecticut Light & Power Company.

There are other instances where, in the proceedings under Section 11, the Commission has already ordered disposition of interests in particular subsidiaries although the dispositions have not yet been completed. Proceedings are pending under Section 11 (b) (1) with respect to the holding company system of Engineers Public Service Company; this holding company now controls utility properties scattered throughout the United States, from Virginia, Florida and Georgia on the east, to Washington, New Mexico and Texas on the west. In the pending proceedings the Commission has already ordered disposition of the Puget Sound Power & Light Company property, located in the State of Washington, and The Key West Electric Company property located in Florida. Questions involving other utility properties remain for further consideration. The order directing disposition of the Puget Sound and The Key West properties does not specify the manner in which such disposition shall be made. These properties can be sold to other holding company systems only if such sale, as to such property, will serve the public interest by tending towards the economical and efficient development of an integrated public utility system. If the properties are not acquired by holding company systems or if they are not acquired by public agencies, they will then become independent companies, subject to appropriate state or local regulation.

Divestment orders have also been entered covering certain of the properties of The United Light and Power Company holding company system. This system has utility properties scattered throughout various states in the middle west, central west and central southwestern parts of the United States. Its principal operations center around Kansas City, Missouri. Under the control of the top holding company, The United Light and Power Company, are several sub-holding companies, including Continental Gas & Electric Corporation and American Light and Traction Company. The Commission has directed these sub-holding companies to dispose of their interests in San Antonio Public Service Company and in Columbus and Southern Ohio Electric Company.

A second method by which the operating subsidiaries may be divorced from holding company control, and one which will become of increasing importance, is the use of exchanges between security holders. An illustration is the exchange offer recently made involving the stock of San Diego Consolidated Gas and Electric Company. This company is a subsidiary of Standard Gas and Electric Company, a large holding company system with properties scattered from Pennsylvania to Oregon and California. The parent company has a top-heavy capital structure containing excessive debt and other senior securities. The directors of the holding company recognized that substantial action must be taken to comply with the simplification

requirements of the law. For this purpose they proposed a plan under which debenture holders of the holding company were offered the privilege of exchanging their securities for common stock of the San Diego Consolidated Gas and Electric Company. A substantial amount of the stock was distributed in exchange for debentures. The remainder of Standard's holdings of San Diego stock was publicly sold through underwriters. The effect of the transaction is twofold: As to the holding company, it eliminates an outlying property which had to be disposed of under Section 11, and it retired substantial amounts of holding company debt; as to the operating company, it eliminated holding company control.

The cases to which I have referred have been of particular significance in connection with the Commission's duty to bring about the geographical simplification or limitation of holding company systems. That is the goal required by the provisions of Section 11 (b) (1). However, the Commission is under an equal duty to bring about corporate or financial simplification under the provisions of Section 11 (b) (2). Section 11 (b) (2) requires the simplification of holding company systems, the elimination of superfluous holding companies, including so-called great grandfather relationships, and the fair and equitable distribution of voting power among security holders of holding company systems. You may recall that Congress was particularly concerned with the fact that holding companies controlled public utility companies through "disproportionately small investment."

The Commission's experience indicates that in many cases a fair and equitable distribution of voting power can not be achieved without the making of drastic changes in the corporate structure of individual operating companies. For example, if debt is unduly large, the continuance of control by junior security holders may in itself be unfair. In that event there are likely to be conflicting interests between the persons in control, who hold the voting securities, and those senior security holders who are entitled to prior claims on the company's assets and earnings. When such priority becomes jeopardized by an unsound capital structure, a distribution of voting power which retains control in junior security holders will ordinarily not be fair and equitable as to the senior security holders.

Similar considerations are applicable to preferred stock. Thus if there is little equity for common stock, a stock which may nominally be preferred stock becomes in fact a common stock, and fair and equitable distribution of voting power cannot be achieved unless recapitalization is effected so that both preferred and common stock are given similar securities, of course pursuant to an appropriate allocation in the light of their respective priorities.

While we have not as yet had extensive experience with the application of the equitable distribution of voting power standards, our present experience indicates that wherever the common stock equity is so thin as to make it inequitable for the common stockholders to continue to exercise voting control, the appropriate remedy under the Act is likely to be a substantial scaling down of the senior securities with a view to creating a corporate structure wherein the common stock equity is so substantial as to justify exercise of voting control by the holders of that common stock.

The theoretically possible alternative of shifting voting control to the senior security holders, but leaving the existing capitalization unchanged, involves all sorts of practical difficulties. Among others, there is the problem of reconciling the conflicting interest in managerial policies on the part of holders of junior and senior securities. This familiar problem of corporate finance has created difficulties even with the conventional arrangement which leaves the powers and responsibilities of management to the junior security holders. This conventional distribution of voting power assumes that the self interest of the common stockholders will, by and large, prompt managerial policies designed to promote the welfare of the senior security holders as well. We all know that this assumption has its limitations even where the common stock represents a substantial equity and that it completely broke down with the development of the holding company and of the pyramiding process which made possible the control of the operating companies "through disproportionately small investment."

Nevertheless, we do not believe that the most appropriate way to correct this evil is to transfer voting control to the holders of limited return securities. There is not only the difficulty of protecting any genuine equity in the picture which may belong to the common stockholders, but the fact that such a reversal of the traditional distribution of voting power would present an undue complexity and tend to interfere with the raising of new capital. The action taken for the purpose of fairly and equitably distributing the voting power must be consistent with the standards laid down in the other provisions of the Act. For this reason, the action which we are likely to require for the limited purposes of equitably distributing voting power is likely to have as a necessary by-product, the correction of undue complexities which are presently a clog to the raising of additional capital by the operating companies in holding company systems. Application of the corporate simplification standard of Section 11 (b) (2) leads essentially to the same result, for corporate simplification involves something more than protecting investors from the bewildering complexities which make it so difficult to appraise the investment position of their securities. It also relates to removing impediments to the raising of new capital. Thus in considering whether it is necessary for a holding company to take action to simplify its corporate structure, one important test of undue complexity is inability of the holding company under its present capital structure to raise new capital to finance the needs of the system; and since holding companies are permitted under the statute to sell only common stock for new money, that means simplification to the point where the holding company can finance through the sale of common stock. 1/

1/ This was stressed by the Commission, and later by the Court, in connection with the Community Power and Light Company case, which involved a voluntary plan of recapitalization filed under Section 11 (e). Existing preferred stock was hopelessly in arrears and the common stock equity so thin that there was a difference of opinion among the Commission as to whether there was any equity at all for the common. The plan substituted an all common stock capitalization (except for existing debt which was not dealt with). The preferred stockholders received about 95 percent of the new common for their old preferred stock and arrears.

In stressing the relationship between the administration of Section 11 (b) (2) and the removal of impediments to the raising of new capital by the operating companies, we have in mind the tremendous growth of power demand incident to the defense program and the consequent need for rapid expansion of plant facilities by the electric utilities.

You are no doubt aware by this time that we believe in Section 11. You may be asking yourself what we have accomplished toward achieving its objectives. I shall not attempt to describe in detail the steps which have been taken in the various proceedings which have been commenced by the Commission under Section 11 (b) of the Act. As you probably know, the Commission instituted such proceedings in March 1940, directed against nine of the largest holding company systems. As of a recent date proceedings involving integration or corporate simplification, or both, were pending with respect to holding company systems which had consolidated assets aggregating over ten billion dollars - or 67 per cent of the consolidated assets of all registered holding company systems.

During the earlier stages of these proceedings, the Commission was necessarily concerned largely with procedure. Procedural problems were inevitable in the initial stages of administering a law of relatively novel character having such far-reaching effects. I shall not discuss such problems; I might mention that among them was the request made by several holding companies for a statement by the Commission of its tentative conclusions as to what action the companies should take. While the Commission determined that the law did not require the issuance of such statements, it decided that their issuance might well facilitate sound administration, and issued them in those proceedings where they were requested.

With these early procedural problems settled, we feel that we have more recently made substantial progress in dealing with the substantive questions. For example, an order has been entered directed against The United Light and Power Company and its subsidiary holding companies, requiring the disposition of a very substantial portion of the system properties. A similar order was entered directed to Engineers Public Service Company, which compelled the disposition of properties located in the States of Washington and Florida. Standard Gas and Electric Company has already indicated its intention to dispose of all of its properties other than those located in and around Pittsburgh, Pennsylvania, has filed a voluntary plan with the Commission for that purpose, and the Commission has entered an order requiring such action to be taken - leaving open the question of the retainability of both the electric and gas properties in the Pittsburgh area. In the Section 11 proceeding involving Cities Service Power & Light Company, hearings have been concluded and the matter is now under advisement by the Commission. Similarly, the proceedings involving The Middle West Corporation are in an advanced stage.

In proceedings involving The United Gas Improvement Company, an order was entered directing the disposition of certain properties; at the company's request an application for rehearing was granted as to certain phases of the order, which application has been argued before the Commission and is now under consideration.

Proceedings involving The North American Company have been completed so far as hearings are concerned. The matter is under consideration by the Commission as to what order should be entered.

After the institution of Section 11 (b) (1) proceedings involving The Commonwealth & Southern Corporation and Electric Bond and Share Company, the Commission determined to institute Section 11 (b) (2) proceedings in the hope that solution of some of the corporate simplification problems would facilitate compliance with the geographical limitation provisions of Section 11 (b) (1). In the Electric Bond and Share Company case very substantial progress has been made, and American Power & Light Company, one of the sub-holding companies, has filed with the Commission a plan for complying with Section 11. Similarly, in the matter involving The Commonwealth & Southern Corporation, hearings have been completed on the question of whether a one-stock order should be entered directed to the holding company; this matter is under advisement by the Commission. When the questions arising under Section 11 (b) (2) are settled in these cases, the Commission will be in a position to proceed more effectively under Section 11 (b) (1).

The Commission's policy of synchronizing the administration of the geographical integration and the corporate simplification provisions of the Act is illustrated by the action taken in the proceeding involving the Engineers Public Service Company System. The Commission found that the standards of Section 11 (b) (1) required the disposition by Engineers of its interest in Western Public Service Company. That company operates electric utility properties in Nebraska, Wyoming, South Dakota and Colorado, and through subsidiaries, in Missouri and Kansas. The Commission indicated, however, that the Western Public Service Company was in need of recapitalization and that substantial redistribution of voting power should be effected among security holders. The Commission therefore temporarily deferred action under Section 11 (b) (1) and directed the taking of evidence concerning the corporate and financial simplification problems under Section 11 (b) (2) with respect to the Western Public Service Company. By insisting that corporate simplification precede divestment of parent company control, the Commission can best achieve the fundamental statutory objective of putting the subsidiary operating companies in sound financial condition, so that they will be in a better position to serve the consumer and so that they can be subject to effective state and local regulation.

I have emphasized the common objective of our administration of the Holding Company Act and of State commission regulation of the operating company. I believe that in accomplishing this objective both the State commissions and our own have distinct contributions to make, necessarily of a somewhat different character, as well as of slightly different public responsibilities. State commission regulation had its origin in efforts to protect the consumer, and security regulation was an outgrowth of rate regulation as it came to be recognized that unsound capital structures tend to exert pressure on the rate base and to obstruct the raising of new capital. One of the principal reasons for the passage of the Holding Company Act was that as operating companies fell under the control of giant holding company systems, this tended to impair their ability to give good service to consumers. Congress was convinced that the abuses which had proved so detrimental to the interest of investors, are also prejudicial to consumers and to the general public. Accordingly, in passing the Holding Company Act, Congress found it necessary to deal with all phases of the problem, and directed the Commission to consider the interests of investors, consumers, and the general public.

While the ultimate objectives of the Holding Company Act and of effective local regulation are the same, our Commission and the various State commissions have somewhat different administrative facilities for pursuing this end. The State commissions have the advantage of the more intimate knowledge of the particular company and of its properties, both because they are dealing with a local company and because of their background of regulating the rates of that company. We, on the other hand, have the advantages of broader statutory powers than are enjoyed by many State commissions, such as our control over dividends and inter-company transactions. Even where our powers over the operating company are coextensive, our general jurisdiction over the parent holding companies may enable us to require the holding companies to take corrective measures, where the State commission either lacks power to do so or is not in an equally good position to appraise the feasibility of a particular requirement in the light of the adequacy of resources of the holding company, taking into account competing obligations to other subsidiaries.

The policy of the statute, and the Commission's objective in administering the statute, is twofold. First, holding company systems must be broken down into sound, efficient and coordinated operating units. To a substantial extent, such a result flows from the normal play of economic forces under the day-to-day regulation required by different sections of the statute; to the extent that such economic forces do not bring about this result, the Commission must under the law compel the taking of appropriate action under Section 11 (b) (1).

Secondly, it is the duty of the Commission to take whatever steps are necessary to bring about sound corporate and financial structures for operating companies. After the transformation of holding company systems into sound, well-financed companies, of a reasonable size, such companies can give good service to consumers and can be effectively regulated by state and local authorities.

We feel that vigorous enforcement of the statute is in the interest of the public, consumers and investors.