utility reporter

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AFL-CIO & CLC

PHASE III???

On January 11, 1973, President Nixon abolished Phase II and began Phase III. Phase III is based on voluntary cooperation with a threat that those who don't abide by the program will get clobbered. As usual, the Nixon Administration announcement was vague and uncertain.

A summary of Phase III rules are as follows:

1. The President has established a goal to reduce the rate of inflation further in 1973, to 2½% or below by the end of 1973.
2. Except in special areas (food, health, construction industry and interest and dividends), the present program will be replaced by one which is self-administering and based on voluntary compliance.
3. The Pay Board and Price Commission have been abolished. Pay and Price divisions have been established in the Cost of Living Council.
4. The Labor-Management Advisory Committee is being established. This Committee is to advise the Cost of Living Council on whether the standards should be modified and if so, how. However, for the time being the 5.5% standard will be used as the guide.
5. With the exception of units subject to special rules or exceptions:
   —All employee units of 1,000 or more will be required to keep records of wage-rate changes. They will have the obligation of producing these upon request.
   —All employee units of 5,000 or more will be required to file reports with the Cost of Living Council indicating wage-rate changes.
6. The Cost of Living Council reserves the authority to establish mandatory standards where necessary to assure that future action in a particular industry is consistent with the national goal.
7. A one year extension of the present Economic Stabilization Act is being requested by the Nixon Administration.

Pension Benefits

PART I

When Union brothers retire they are faced with a substantial reduction in income. Some retirees are able to supplement social security through their savings or through part-time employment. Most, however, would have nothing but their social security benefits were it not for the development of negotiated pension plans. The major purpose of pension plans, therefore, is to supplement social security, enabling the employee to retire with dignity and with a reasonable standard of living.

Pension plans involve substantial costs today because they require the setting aside of money to keep a promise in the future, i.e., when the worker retires. Because a pension program sets aside money now for the future, certain assumptions must be made as to what will happen in the future. These assumptions are nothing more than educated guesses as to future mortality rates, future interest rates, future turnover rates, estimated future retirement ages and other factors.

An example—Using life expectancy tables it is assumed that a worker aged 65 will live on the average of 15 years or 180 months. In order to provide $1.00 per month pension, a total amount of $180.00 would be

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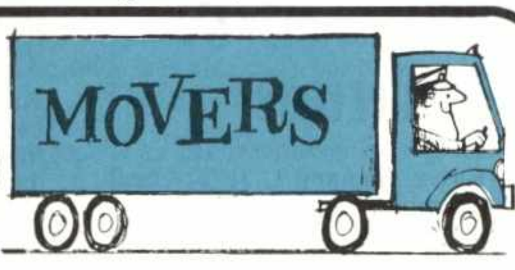
... HAVE YOU MOVED?



MY NEW ADDRESS IS:

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80% Participation at Unit meeting

Shown above are some of the members of Unit 4014, Elk Grove, Calif. These Local 1245 members are employed by the Citizens Utilities Company. Approximately 80% of those eligible to attend the meeting were in attendance. How's that for participation. See page six for more photos.

YOUR *Business Manager's* COLUMN

OUTLOOK FOR 1973

L. L. MITCHELL

The year ahead appears to be one in which Labor will be faced with a number of problems. Local 1245 will have its share and the outlook means increased work for both Officers and Staff.

Many of these problems are being created by stepped-up activities of governmental bodies into collective bargaining areas, which create the necessity to modify past practices. The dictation in resolvement of issues not in conformity with the grievance procedure infringes on the rights of both Union and Company. The problems are diverting time and effort from primary objectives of the Union and have created the need to review contract provisions, apprentice and training programs, job definitions, etc., which would not be part of the negotiations this year.

We are in a defensive position due to court decisions and decrees by governmental bodies and this must be remedied. Without quarreling over the merits of the laws or the decisions, it is obvious that we must assess the risks and we will have to make some changes to accommodate to the new order. This will be difficult for many to accept.

We are watching closely all identifiable problem areas. Each new field, be it raised by the Internal Revenue Service, Equal Opportunity Commission, Fair Employment Practices Commission, or under the Equal Rights Amendment, is being studied and we are seeking solutions to reduce the impact of the changes which we believe we must eventually make. Hopefully, cooperation in making modifications in areas where we know we are vulnerable will result in avoidance of loss of basic concepts now in the agreement. This could result if we stand pat and wait for court orders which could give us no latitude in determination of affects and no means to modify the result.

On the economic issues, we are again facing new unknowns with the announcement that Phase III is now in effect. We will have to watch closely the new round of bargaining in the major contract openings of basic industries to see how things shape up. First impressions by most economists do not appear very encouraging on the new program of so-called voluntary compliance.

Wage restraints should be effective in that the economic motivations for employers to be policemen under the program are greater than Phase II. Price controls have

(Continued on Page Two)

Right to work or freeload?

A Florida retiree and President of the Retired Brothers of Local 323, International Brotherhood of Electrical Workers, wanted to express his feelings on that state's right-to-work law to his state representative. He found that the best way to do it was to tell him of the writing of a trade union friend who explained his opposition to the compulsory open shop law in these words:

"I don't want a 'right-to-work' law, but if there is instituted such a law in this state, there are a few other things I would like to have included in it:

• If I were a businessman, I would want to use all the facilities of the Chamber of Commerce and the Retailers Association without belonging to them or paying any dues or fees to them.

• If I were a manufacturer, I would want to use the facilities of the National Manufacturers Association without cost.

• If I were a doctor, I would want to be free to practice medicine anywhere I wish without belonging to the American Medical Association.

• If I were a dentist, I would want to be able to practice dentistry without belonging to any dental association.

• If I were a lawyer, I would want to practice my profession without hindrance from a state law requiring me to belong to the Bar Association.

• If I were an engineer, I would not want my employment to be contingent upon my belonging to an engineers association.

• However, I am just a working man. But, if the state can pass a law which will protect my 'right' to ride the coattails of my labor association without paying my share of the association's expenses, I think the same law should entitle me to live in a community and enjoy all the benefits of city facilities without paying taxes to the city. It seems to me to be the same principle exactly.

As a matter of fact, if I can be a free-rider of a labor union, I should be protected by state law in my 'right' to be a free-rider of any collective enterprise, be it city, county, state or national government, club, church or whatever it may be. I don't know who will get together and provide these facilities for my free use, but I imagine it will be the same forward-looking people who are providing them at the present time."

The New Jersey Labor Herald

Shown above from left to right are: Ted Finkenbinder, Alan Dolby, Larry Foss, Asst. Bus. Mgr. and Dave Reese, Bus. Rep., front. They are Union's members of the X-Ray Engineering, Div. of Peabody and Galion, negotiating committee.

the utility reporter

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Two new staff members

WILLIE STEWART

Shown above is Willie Stewart, newly assigned Business Representative to the Shasta Division.

Brother Stewart has been assigned to Shasta Division to replace Gary Singleton on a temporary basis. Brother Singleton has been off sick for months and has been placed on long term disability.

When Brother Singleton returns, Willie Stewart will remain as a Business Representative, but will be given another assignment.

Willie has been serving Local 1245 for many years (eight to be exact) in various capacities such as Shop Steward, G.C. Joint Grievancee Committee member and Chairman of that Committee. He also served as Chairman of the following committees: The Committee to Establish Processing Centers; the G.C. Subcommittee for 1966 Negotiations and the G.C. Lines of Progression Committee. In June of 1971, Brother Stewart was elected by the members in General Construction as Executive Board Member-at-Large. Since that time he has served on several working committees established by the Board, including the Communication Committee.

Willie was employed by PG&E as an Electrician in the General Construction Department.

Brother Stewart is looking forward to working with the members in his assignment area and asks for support and cooperation.

KEN NATA

Shown above is Ken Nata, the newest addition to the staff. Ken was an Apprentice Cable Splicer in PG&E's North Bay Division. He has been an active member of Local 1245 since he joined us nine years ago.

Brother Nata has been a Shop Steward in the North Bay Division for the last four years and served as Unit Chairman of Unit 3711 and also as a member of the Marin Central Labor Council.

Ken Nata will undergo an extensive training program and will be given a specific assignment at a later date.

As a Business Representative, Ken will need any assistance and cooperation membership can give.

Tree Company Employees receive wage increase

Effective January 1, 1973, Local 1245 members employed by four different tree trimming companies will receive an increase in their wages. It will be for the last year of their three year agreements. Employees of Pacific Tree Expert Company, Davey Tree Surgery Company, and Utility Tree Service, Inc., will receive a 5.5% increase. The increase was based on a formula in their cost of living clause. Sohner Tree Service, Inc. employees will receive a 5% increase as provided by their cost of living clause.

YOUR *Business Manager's* COLUMN

'73 OUTLOOK

L. L. MITCHELL

(Continued from Page One)

not appeared very effective under the prior program and it would seem less so under the new. Only time will tell and we certainly hope that Phase IV will spell the end of it all, but this could be a long way off.

Congress will have much to say about this before April when the Stabilization Act is to be renewed, dropped or amended. Our position on many issues will have to await the result of what Congress does. Their actions will be most important and they can certainly reshape the picture if they choose to do so.

In the meantime we still have much to do in assessing the membership's desires through reviewing unit proposals and preparing data for the time when we can reasonably determine the goals which we will seek this year.

Our bargaining committees all have their jobs cut out for them. It will call for imagination and innovations to provide answers for the problems we face. We in Local 1245 cannot solve all the problems of society, but we do feel we can help reduce some of the pressures on our membership within the framework of our bargaining relationships.

We hope our employers will see it the same way.

Living Cost forecast for '73 'Most Expensive year yet'

buyers' bailiwick

By Sidney Margolius, Consumer Expert for Utility Reporter

What kind of year can you expect in 1973?

From all signs, it will be the most expensive yet. A year ago, this column predicted that living costs would go up even more than the 2½ percent the Nixon Administration had tried to set as the maximum rise.

Living costs this past year did, in fact, go up approximately 3½ per cent. As this is written, the Dun & Bradstreet wholesale food price index is also at a record high. This means that your food costs, which presently are about 4½ per cent higher than a year ago, are going to be even higher in midwinter until heavier supplies especially of pork come on the market in early spring.

Your two big problems are meat and property taxes. Meat prices actually are 11 per cent higher than a year ago. Property taxes are up about 11 per cent this year too, on a national basis—largest increase of any component of housing costs.

The jump in food prices has hit moderate-income families hardest. Pork, a staple on moderate-income tables, has been running an incredible 25 per cent higher than a year ago. Even in beef, chuck and hamburger, on which moderate-income families rely, have gone up more than round and sirloin steak.

But meat is not the only food price problem this year. The higher prices of vegetables and fruits due to bad weather last fall have pushed up prices of many of the so-called "hardware" items. Potatoes, onions and cabbages cost 5 to 20 per cent more than a year ago, although these are still relatively cheap vegetables. Carrots are one of the few items selling below last year's tags.

You'll pay more for eggs, bread and milk this year too. Flour mills were granted price increases of 6 to 11 per cent by the price commission because of a 43 per cent increase in wheat prices this year after the big wheat sale to Russia.

What can you do about high prices? Don't expect much help from the government. The price-stabilization program is due to end April 30. Even if Congress extends it, the program has not been very successful in dealing with such major problems as meat prices, property taxes and housing costs in general.

As just one example, the median sales price for new homes jumped $2600 in 1972 to the present level of $27,900. That's an increase of 11 per cent in just one year on top of already steep price tags on homes. The stabilization program has had some success in curbing further rises in already-high medical costs.

For the immediate future you're going to have to restrain the high cost of living by whatever devices of selection are available to you. Here are some policies that may be useful.

FOOD COSTS: The urgent need is to hold down your use of meat until more supplies come on the market late this winter or early spring. You know the alternatives in complete-protein foods such as eggs, cheese and fish products, and how to stretch meat and legumes and the more-nutritious cereals and whole grains.

But selectivity is even more important this year than usually. Pork loins haven't gone up as much as pork chops. Look for specials on quarter and half loins. Bacon has gone up more than the other pork products and isn't worth the price tag of close to $1 a pound for a meat that is primarily fat. Whole ham has gone up least of all the pork cuts and is a good comparative value, although the price range in the same town may be remarkable, from 60 to 95 cents. Chickens and turkeys are other useful alternates even though turkeys went up after the Thanksgiving sales. But chicken is even cheaper this year. Fish prices have jumped sharply in recent years but supplies are better and prices have moderated.

CLOTHING SALES: The January clearances provide an opportunity to fill in family wardrobe needs, with the semi-annual shoe sales especially helpful. Shoes will cost even more next spring. Another important money-saving opportunity is the January coat sales.

USED CARS: January also is a good month to shop for a car. Used-car prices went up unexpectedly last fall but usually are lowest in January and February.

Are drug gouging practices victimizing Americans?

The American people—particularly the aged, sick and infirm—are being made suckers by big US drug firms. This was the gist of a recent speech by Wisconsin US Senator Gaylord Nelson who pointed out these shocking price discrepancies. One drug company sells 100 tablets of a medicine to druggists in the United States for $7.02, in Ireland for $1.66, and in the United Kingdom for $1.92. Another drugmaker sells 100 tablets of a medication to druggists in the US for $21.84, but in Ireland for $9.31.

A third firm charges US druggists $3 for a 100-tablet container of a prescription; but 92 cents in Ireland, $1.00 in Great Britain and $1.23 in New Zealand.

Nelson charged drug firms with making exorbitant profits on some fast-selling drug medicines at the expense of the American public.

He indicates that much of the problem stems from the monopoly drug manufacturers enjoy on some of their products and has proposed a way to cut costs to Americans by eliminating the monopoly.

As chairman of the monopoly subcommittee of the Senate Select Small Business Committee, Nelson has presided over some five years of hearings into the practices of ethical-drug industry hearings.

In an address to the Senate, Nelson charged that "for many years, the American people have been forced to pay high and discriminatory prices for drugs. These prices are borne by those people in our society who are least able to afford them—the sick, the poor, and the aged."

Nelson speckled his speech with examples in which he said American drugmakers charge higher prices for drugs they sell in the United States than abroad.

Nelson proposed a procedure for lowering the high cost of important drugs by ending the monopoly their manufacturers have on them.

Basically his plan would empower the Federal Trade Commission to order the maker of a high cost drug on which a high profit is made to license other drug manufacturers to make the same product. Under his proposal, the original manufacturer would be entitled to a "reasonable" profit on these licensing arrangements.

Nelson charges that "monopolies permit the most incredible differentials between cost and selling price." As supporting evidence he cites the case of one popular tranquilizer which, he says, a Swiss firm reported that it could make for $87 a kilo in its raw forms.

But it then sold the drug in Canada at a price of $11,000 a kilo which, Senator Nelson said, is a profit of 13,000% over the cost of the raw material. He commented it is a 2,300% profit above what the firm said it cost to make the tranquilizer.—Labor Herald

Social Security tax increase

'Well worth extra cost'

The social security payroll tax went up this month to pay for a substantially increased package of retirement, survivorship and disability benefits enacted by Congress last year.

For workers at all pay levels, according to AFL-CIO Social Security Director Bert Seidman, the added protection is well worth the extra cost.

Improvement financed by the added tax on workers and their employers include a 20 percent across-the-board increase in benefits, higher payments to elderly widows, Medicare coverage for most disabled workers under 65 and substantially higher minimum benefits for persons with 30 years of employment in jobs covered by the social security program.

Even before the 1972 improvement, payroll taxes had been scheduled to rise this year to pay for earlier benefit increases. But a more realistic method of computing future costs made it possible to absorb a large part of the expense of the latest benefit improvements.

There are two parts to the 1973 payroll tax increase.

All workers are affected by the rise in the tax rate from last year's 5.2 percent to the new rate of 5.85 percent.

Only those workers earning over $9,000 a year will also be affected by the increase in the taxable wage base—the amount of annual earnings subject to tax—from $9,000 to $10,800 this year and to $12,000 in 1974.

About three-fourths of all workers currently earn less than $9,000 a year, and their tax increase will be the smallest.

A worker who made $8,000 last year, for example, had $416 deducted in social security and Medicare taxes. At the 1973 rate, with the same income he will be paying $468—$1 a week more.

At the $9,000 level, the tax paid by the worker—matched by the employer—was $468 last year and will rise to $526.50 for 1973.

The increase in the payroll tax is higher for those who are above the $9,000 level. For persons making $10,800 a year or more, deductions for social security and Medicare jump from the 1972 level of $468 to $631.80. In 1974, when the ceiling on wages subject to the social security tax rises to $12,000, persons earning that amount or more will have $702 deducted from their pay and matched by their employer.

In return, those earning and paying more will be entitled to higher benefits on retirement or disability and to greater protection for their families if they die. Under the wage-related benefit formula, the higher the pay base on which taxes are paid, the higher the benefit entitlement.

Both benefits and the taxable wage base will rise over the years under

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Sacramento area stewards meet

PG&E

Shown above from left to right are Bob Knepple, Jim Baylor, Charlie Robinson, Bus. Rep., Dean Cofer, Bus. Rep., and Al Sandoval.

Don Casey, Frank Poe and Mark Golich are shown above from left to right at the Sacramento Area Stewards meeting.

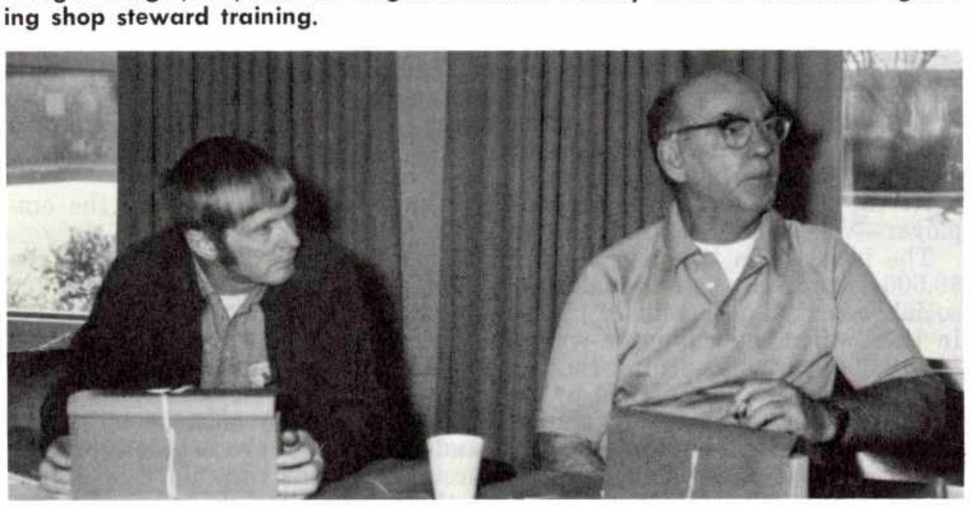
Shown above from left to right are Jack McNally, Bus. Rep., Bill Tomlinson, Bob Knepple and Jim Baylor.

SMUD

Shown above from left to right are: Mert Walters, Asst. Bus. Mgr., L. L. Mitchell, Bus. Mgr., and Charlie Robinson, Bus. Rep., at the Sacramento area stewards meeting.

"Bergie" Bergin, left, and Ken Hagin are shown as they listen to comments regarding shop steward training.

Shown above from left to right are: Dick Daugherty, Vic Mitchell and Tony Chaffner.



This photo shows Rod Johnson, left and Chief Steward Dick Bedde at the S.M.U.D. Stewards meeting.

Shown above is Business Manager L. L. Mitchell, right, and Assistant Business Manager Mert Walters.

How U.S. Jobs ship out on your taxes

(As the old tune goes, "The song is ended, but the melody lingers on." Well, the election is ended, but the problems linger on. One of them is the continuing surge of U.S. jobs, capital and technology shipped overseas by U.S.-based multi-national corporations. The article that follows is excerpted from the November AFL-CIO Federationist. In it, economist Arnold Cantor of the AFL-CIO Research Department describes how taxes of American workers help subsidize loss of their own jobs.)

Jobs and tax justice have few if any competitors for top billing on the list of issues vital to the health and well-being of the nation.

Bridging both is the dismal performance of the nation in international trade and the role tax loopholes have played in encouraging and subsidizing the export of American jobs, technology and facilities.

The U.S. government now provides American corporations with over $3 billion in tax subsidies for their foreign subsidiary operations. The result is that American workers lose their jobs, the economy loses part of its industrial base, the federal government loses revenue and the American taxpayer pays the freight.

The nation's position in world trade has been deteriorating dramatically since the early 1960s and this past year was the most disastrous. In 1971, for the first time since 1893, the nation experienced a trade deficit when Americans bought $45.5 billion worth of merchandise imported from other countries, while only $42.8 billion worth of U.S. goods were sold in foreign countries. For the current year, in all likelihood, the performance will be even worse. For the first six months of 1972, according to estimates of the President's Council of Economic Advisers, the trade deficit was $3.6 billion. If that pace should continue, the deficit for this year will jump to over $7 billion—more than double the 1971 gap.

The flood of imports in the face of the comparatively sluggish growth in exports obviously has consequences for U.S. employment. The AFL-CIO estimates that between 1966 and 1971, some 900,000 U.S. job opportunities were lost. Since the situation is getting progressively worse, tens of thousands of additional job opportunities are being wiped out.

The nation's failures on the international economic scene stem from a host of factors. Other nations manage their economies and provide direct and indirect barriers to trade. Powerful trading blocs, like the Common Market, have developed. Multinational corporations, loyal to no nation, have mushroomed. Vast amounts of American capital have gone abroad and American technology is being continually exported through the shifting of American industrial plants to other countries.

Among the results of these developments has been the dramatic shift in the composition of U.S. imports. Where once we imported primarily raw materials and manufactured products not available in the United States, now we import finished industrial products that directly compete with U.S.-made goods and of course with U.S. jobs.

Estimates show, for example, that in early 1971, imports of autos were 20 percent of the U.S. market, TV receivers over 30 percent, radios and tape recorders over 90 percent, glassware over 40 percent, sewing machines and calculating machines nearly 60 percent. And, all told, about three-fourths of imports are comparable to U.S.-produced goods. In contrast, in the 1950s, according to trade experts, only about 30 to 40 percent of a much smaller volume of imports were considered competitive with the U.S.-made products.

This new trading environment has little in common with the world of 20 or even 10 years ago. It cannot be handled by the policies, or the theories, developed at another time in a totally different world.

Unfortunately, the nation's income tax laws, which at the very least should be neutral in the face of the trade and investment crises, pull in exactly the opposite direction—they discriminate against domestic production and investment. They provide substantial inducements for U.S. corporations to transfer operations overseas and to deprive the nation of any benefits that might be obtained from profits of such operations.

The effect of tax policies on the nation's trade balances and corporate decisions to locate, relocate, invest and reinvest cannot, of course, be measured precisely. But preferential tax treatment does exist. It costs billions of dollars in federal tax revenues and such costs must be made up through higher taxes on others.

At minimum, tax loopholes provide unjustifiable bonanzas for corporations investing and profiting overseas and others must pick up the tab. Where tax benefits are decisive factors in corporate decisions to locate and relocate, it means in effect that American workers are forced to subsidize the erosion of the nation's industrial base, the blighting of the communities in which they live and the export of their own jobs.

A recent study of the tax preferences available to U.S. corporations investing overseas, by Professor Peggy Musgrave of Northeastern University, provides some insights into the damaging effects of the tax laws on our trade position, the U.S. Treasury and the equity in the nation's tax structure.

Dr. Musgrave, in her study for the Joint Economic Committee of the Congress, estimated that in 1970, the U.S. Treasury's tax collections on profits made by American corporations' foreign operations amounted to an effective rate of 5 percent. In contrast, corporations whose profits are earned in the United States are subject to a tax rate of essentially 48 percent. Moreover, the amount of this preferentially taxed income is substantial and it is enjoyed primarily by the nation's largest and wealthiest corporations. Corporate profits from foreign operations taxed at this 5 percent rate amounted to $17.5 billion in 1970 and represented about 20 percent of total U.S. corporate profits that year. But the Treasury received a mere $900 million in tax revenue on this $17.5 billion of corporate income. And Dr. Musgrave goes on to cite 1966 Internal Revenue data (the latest available) which showed that over 80 percent of taxable foreign source income was earned by an elite group of 430 large U.S. corporations with assets in excess of $250 million.

Two tax loopholes are the most significant in discriminating against American production and American jobs. One is the deferral privilege which permits U.S. corporations to pay no income taxes on the profits of their foreign subsidiaries until such profits are brought back home—which may be never. The other is the foreign tax credit scheme which means taxes paid to foreign governments are deducted dollar for dollar from the parent corporation's U.S. tax liability.

Dr. Musgrave says these two loopholes cost the federal government some $3.3 billion in annual tax revenues.

At face value, tax deferral amounts to an interest-free government loan. But, as usual, in the never-never land of high corporate finance, the actual effect is much more far-reaching. The tax deferral privilege can result in outright tax exemption—a gift from American taxpayers to subsidize the foreign corporations.

As an example of how this works, a profit of over 10 percent on each dollar invested is typical for large manufacturing corporations, according to the Federal Trade Commission. At a 10 percent rate of return, a dollar doubles in value every seven years. Thus $1 of profit re-invested abroad in 1972 at a 10 percent annual rate of return will have generated another $1 by 1979. If the entire $2 is sent home to the American parent company after seven years and taxed at the full corporate rate of 48 percent, the tax owed would be 96 cents and the company's net profit after payment of federal income taxes would be $1.04. The company made a dollar profit before taxes in 1972 and as a result of deferral, its profit after payment of federal income taxes was 4 cents higher.

Thus the value of the interest-free loan aspect of the tax referral was sufficient to more than wipe out the company's tax liability. At the same time, the Treasury saw no tax revenue over the seven-year period and other taxpayers had to make up this difference.

But the tax advantages of the deferral privilege go beyond the interest-free loan aspect. Substantial amounts of corporate profits are continually invested and reinvested abroad—they do not come home. To that extent, deferral amounts to total tax immunity for the individual corporation and continuing tax losses to the U.S. Treasury.

Professor Musgrave notes "it is clear that most income retained abroad is reinvested for plant expansion." The data available—which tells only a small part of the story—supports the conclusion.

One indication has already been noted—that in 1970 the Treasury received only $900 million in tax revenue from the $17.5 billion in corporate profits made abroad.

Secondly, as a result of a two decade build up, the value of U.S. investments in foreign subsidiaries is now about $80 billion—seven times greater than it was in 1950. In 1970, $6 billion in interest, dividends and branch earnings was "repatriated," representing a rate of return on the $80 billion of only 7.5 percent—far below the 10 to 11 percent payoff companies are actually realizing on their overseas investment. . . .

The foreign tax credit is the second major tax preference available to U.S. corporations operating abroad. Under this provision income taxes paid to foreign governments are deducted dollar for dollar from the parent corporation's U.S. income tax liability—when the corporation decides to send a portion of its profits back to the United States.

The foreign tax credit works in concert with the tax deferral gimmick. Under deferral, corporations make no federal income tax payments until profits are repatriated. When the money does come home, the foreign tax credit comes into play. The corporation then subtracts, with certain limitations, all its income tax payments to foreign countries.

In contrast, a firm operating domestically and paying taxes to state and local governments cannot defer its federal income taxes or credit its tax payment to state and local governments. It must pay its taxes in the year the profits are made; and taxes levied by state and local governments treated as costs of doing business.

For example, if a corporation earns a $1,000 profit in Pennsylvania, which has an 11 percent corporate income tax, the Pennsylvania income tax payment would be deducted from the company's gross income, just like wages, rent, materials and other costs of doing business. The $110 state tax would reduce the firm's pre-federal tax profit to $890 ($1,000 less $110) and its federal income tax would be 48 percent of $890, or $427.

But if another firm chose to earn its profits abroad and paid the same $110 to a foreign government, its federal tax liability would be only $370—$57 less. The $1,000 profit would, upon repatriation, be included as part of the parent firm's income to be taxed at the 48 percent rate. But then the firm would subtract (credit) the full $110 from its total federal income tax liability. As a result, the $1,000 profit made abroad netted the federal government only $370 compared to the $427 tax payment it received from the Pennsylvania corporation.

In addition, two side effects are also important. First of all, the domestic firm with the $1,000 profit has paid a combined (Pennsylvania and U.S.) income tax of $537 or a rate of 53.7 percent. The firm operating abroad has paid a combined (foreign and U.S.) income tax of $480 or a rate of 48 percent.

Secondly, from the domestic firm, the United States (Pennsylvania and

(Continued on Page Six)

Elk Grove Unit meeting

The photos above and below show more of those in attendance at the Elk Grove January Unit meeting. Congratulations on the excellent participation—keep it up.

The following was received in an envelope postmarked "Stratford-on-Avon, England", accompanied by a note signed Billy Shakespeare, who claimed the manuscript was discovered, yellow with age, in an old suit of armor kicking around the family attic. He said the low voter turnout in 1972 U.S. elections prompted him to send it. The manuscript was signed "Wm. Shakespeare, 1593". We have been unable to verify its authenticity despite assigning Clifford Irving to the task. Nevertheless, we print it here, unabridged, as a matter of probable historical and literary interest.

Ye Ode to Ye Non-Voters

Ye government is daft, thou say,
And doth not know whichever way
Is up or down, or go or stay—
But where wert *thou* election day?

Didst waste ye day on taverne benches
Oglinge ye servinge wenches*
And wishinge thou couldst spend thine lyfe
With them instead of with thine wyfe?

servinge wench

Thinges are not quite right, sayst thou?
Thine taxes pinch, thine purse is low?
Ye traffick jammes, ye hornes that blow?
On 'lection day, *thou* didst not show.

All shouldst be better, art thou wishinge,
Whilst art blintzinge and knishinge?**
A pox on all such tardie wishinge—
Election day, *thou* wentest fishinge.

Next time, mightst take a second looke?
Mightst tear a leaf from others' booke,
And not thine vote leave all forsooke?
Til then, feel what thou wert—a schnooke.***

goinge fishinge

* Topless waitresses.

** In Shakespeare's England "blintzinge and knishinge" meant the eating of blintzes and knishes, extremely popular foods of the day. Excellent recipes can be found, historians say, in Queen Elizabeth I's "Ye Oldie Cookie Bookie and Other Palace Scandals."

*** 16th Century English slang whose closest modern equivalent is "nebbish".

Editor's note: You might have noticed that we refrained from any bitter post-election tirades. The electorate, which includes union members in general and Local 1245 members specifically, has spoken. The real shame of "Election 72" was the large number of people who failed to exercise their citizenship. "Memo from Cope," a newsletter from the national organization, has captured the feeling of those who took the time to vote.

Shown above from left to right are Willie Stewart, Business Representative, Monty Johnson, Unit Chairman, and Mary Johnson (no relation to Monty), Unit Recorder. This photo was taken at the January meeting of Unit 4014.

You can free Presidential candidates from fat-cat donors

For the first time, you the taxpayer have it in your hands to help free presidential candidates, starting with the 1976 campaign, from reliance on big contributors.

And it won't cost you one cent.

This emancipation of candidates is written in Form 4875, which accompanied the Federal tax forms either already received by, or in the mail to, all taxpayers.

Using Form 4875, you can direct Internal Revenue to place $1 (or $2 on a joint return) in one of two types of funds for 1976 presidential candidates:

1. You can designate the $1 or $2 for a specific political party to be used for its presidential candidate in 1976. (You can not, however, single out the contribution for a specific candidate.)

2. You can direct your contribution to a non-partisan general account for all eligible candidates for President.

Your contribution will not—repeat, will not—cost you a penny. It will not be added to what you might owe in federal taxes, nor will it be deducted from any tax refund owed to you.

This is the first real chance the average American has been provided to take financing of presidential politics away from the millionaires. It's right there in Form 4875.

How U.S. Jobs ship out on your taxes

(Continued from Page Five)

federal) has received a total of $537 in tax revenue. American tax receipts from the U.S. corporation operating overseas were only $480.

Thus, the firm profiting abroad has the advantage of a lower tax rate, the United States has been deprived of badly needed tax revenue and of course the money invested and the jobs generated to produce the profit were not to be found in Pennsylvania. . . .

Fortunately, legislation, which offers specific remedies for the nation's trade and investment problems, has been introduced in Congress by Sen. Vance Hartke (D-Ind.) and Rep. James Burke (D-Mass.). The Foreign Trade and Investment Act of 1972 would provide the much needed and long overdue reshaping of the tax, trade and other federal laws that have contributed to the international crisis which is costing American jobs and posing a constant and growing threat to the nation's economic health.

If enacted, the bill would be a giant step toward restoring a balance in international trade and investment, promoting a just tax structure and stemming the export of American jobs.

In introducing the bill, Hartke appropriately noted "Old remedies have not worked . . . The textbook theories of the 1930s and the 1940s no longer apply in today's world of international trade." The legislation is needed, he said, "to protect the best interests of America against the worst practices of international corporations."

Putting an end to the privileged tax status enjoyed by American-based multinational corporations investing and profiting in foreign countries is not an attempt to discriminate, punish or penalize. Closing these loopholes would simply eliminate tax subsidies from the list of incentives that provoke corporate decisions to invest, profit and create jobs overseas.

—Memo from Cope

Bargaining Roundup

PACIFIC GAS AND ELECTRIC COMPANY

Gas Street Department

No change since last reporting.

Electric Operations (Substation Operations)

Union is expecting a counterproposal from the Company in the very near future.

Gas Service Operators

Union is expecting the final document from the Company in the very near future.

Terminal Operators—Pipeline Operations

Committee is scheduled to meet on February 8, 1973, to discuss Company reply to Union's proposal.

General Construction—Lines of Progression

Civil, Gas and Hydro Committee met on January 18, 1973, to discuss Company's proposal for the Gas Department. Further study is needed. Company will meet again when we have Company's proposed listing of classifications of equipment.***

***This Committee is composed of:

Stanley J. Stensrud	G.C.—Gas
Thomas Dotter	G.C.—Gas

The Committee is assisted by Business Representatives Anthony Morgado, Robert A. Storrs and Assistant Business Manager John J. Wilder.

Field Office Operation and Process Centers Committee will meet on January 30, 1973, to go over Company's proposed Lines of Progression.*

*This Committee is composed of Kathy M. Riddle, Sunnyvale Process Center, Roger Stalcup and Charlotte Parill.

**This Committee is assisted by Anthony Morgado, Robert A. Storrs, Business Representatives, and Assistant Business Manager John J. Wilder.

Station Department, Electric Overhead, Electric Underground and **Davis Shop** and **Warehouse** are complete with the exception of a couple of minor details.

Marysville Gas Load Center—No change since last reporting.

Technician Committee met on January 23, 1973, and discussed problems in the various Technician groups. This Committee is composed of:

Howard J. Darington, IV	Control Technician Humboldt Divison
James Wilburn	Communications Technician San Joaquin Division
Garry L. Sparks	Electrical Technician—G.C.
Richard Tucker	Communications Technician—G.C.
James L. "Bob" Murray	Apprentice Communications Technician—General Office
Gary F. Smith	Communications Technician General Office

This Committee is assisted by Business Representatives David H. Reese and Ken Nata and Assistant Business Manager John J. Wilder.

Traveling Maintenance Crew (Steam Department) Committee will meet on January 24, 1973, to go over material supplied by the Company on the disposition of travel crew assignments. This Committee is composed of:

Roger Rynearson	San Francisco Division
James A. Gray	Coast Valleys Division
Robert C. Collins	East Bay Division

This Committee is assisted by Business Representative Manuel A. Mederos, Frank A. Quadros, Mark R. Cook and Assistant Business Manager John J. Wilder.

SIERRA PACIFIC POWER COMPANY

Consolidation of Gas and Water Departments:

A meeting was held with the Company on January 11, 1973. Union received a Proposal. A meeting will be held with Company on January 25, 1973, to work out some of the details.

CITIZENS UTILITIES COMPANY OF CALIFORNIA

Benefit Committee: No change since last reporting.

CALIFORNIA-PACIFIC UTILITIES COMPANY

Medical Insurance and Life Insurance negotiations: Members of Local Unions 125, 357 and 1245, I.B.E.W., ratified the proposal and plans were put into effect as of January 1, 1973.

Lassen Division: Proposal was accepted by the membership. Results will be sent to the Executive Board for certification.

Janice E. Jones

from Sacramento, Clerical, could have won $50.00 if she had noticed her Union membership card number in the December issue of the Utility Reporter. This month's number is as well hidden as it was last month. Don't miss out, read your Utility Reporter.

LOOK FOR YOUR CARD NUMBER

Pension Benefits

(Continued from Page One)

needed at age 65. This would be the amount needed if there were no interest earnings on the $180.00.

However, when the worker retires he will receive only $1.00 the first month, leaving $179.00 in the fund to earn interest. The second month he will receive another $1.00, leaving $178.00 in the fund (plus some interest earnings to date) and so on. The $180.00 is, therefore, more than enough. The $180.00 must be "discounted for interest." In addition, some retirees will die, leaving their unpaid annuities to help pay for the pensions on those continuing to live. The actual amount needed must take into account both interest and mortality. The amount needed for a pension of $1.00 per month at age 65 is $130.69, assuming interest at 3¾% and mortality according to the 1949 Annuity Mortality Table. So, with some simple arithmetic, you can see that to provide a monthly pension of $500.00 it would take $65,345.00 in a pension fund. This example illustrates the normal costs when a worker reaches age 65. There are other cost factors involved in the pension program itself.

Union brothers should recognize the fact that the pension is not a gift from the employer but is a deferred wage which is earned by current labor services. Pension cost is chargeable as operating expense in the same way that wages are charged. When a pension plan is brought within the scope of a collective bargaining agreement, both parties thereby acknowledge that the plan is in fact a part of the pay which the workers are to receive in exchange for their services.

This means that the worker's interest in the pension fund is not established solely by reason of his advanced age and "long and faithful service." Rather, his interest is cumulative for the entire period of service under the contract.

It should be noted that, in principle, the worker's interest in a negotiated pension plan is the same whether the plan is contributory or non-contributory. The pension credits in either case have been earned by the workers, and whether the employer pays all of the costs of the pensions or not, the entire contribution represents credits the workers have earned.

It is our intent to discuss pension plans in more detail in future issues of the **Utility Reporter.**

Dictionary of Some Pension Terms

Actuarially Sound—A pension program in which future as well as current costs are recognized and where provision has been made to meet these costs over a reasonable period of time.

Annuity—Periodic payments made to a retired employee until death or for a specified period of time.

Variable Annuity—Annuity expressed in terms of benefit units instead of fixed dollar amounts.

Current Service—Participation in a plan after its adoption, also referred to as future service.

Life Expectancy—The average number of years an individual at a given age may be expected to live.

Mortality Table—A table based on past experience which indicates the number of people who will on the average die at any given age.

Social Security worth cost

(Continued from Page Three)

new escalator provisions, but no increase in the tax rate is scheduled before 1978.

Over the past five years, the average benefit for a retired worker and his wife, both over 62, has risen from $144 to $273 a month; for a widowed mother with two minor or in-school children, from $224 to $387 a month, and for a disabled worker with a wife under 65 and one or more children, from $213 to $355 a month.

As of the start of this year, also, workers over 65 will be able to earn up to $2,100 a year before their benefits are reduced $1 for every $2 earnings. The previous cutoff was $1,680. Also, those who work after 65 at incomes high enough to disqualify them for benefits will be entitled to higher benefits when they do retire.

Men who retire before age 65 or have reduced earnings in the years between 62 and 65 will be able to take advantage of an optional method of computing benefits that previously had been allowed only for women workers.

Because workers pay only half the cost of social security—the employer matching-tax finances the balance—the program provides protection that the vast majority of families otherwise couldn't afford.

But for continued, needed improvements in the program, the AFL-CIO and other groups have urged that a portion of social security benefits be financed from general federal revenues—a concept included in the original social security legislation submitted to Congress in 1935 but never adopted by Congress.

The AFL-CIO Executive Council last year urged an immediate general revenue contribution gradually raised to one-third of the total cost. That would replace the 50-50 employer-worker tax with a three-way division in which the worker, his employer and the government would put an equal amount into the program.

—The Los Angeles Citizen

The Safety Scene

Cords Can Kill

A cord attached to a pacifier fatally strangled a baby girl in Canada this year.

The 10-month-old infant was found hanging from a crib post. Although a jury ruled death was accidental, it recommnded that pacifier manufacturers not include strings with their products, and place a warning against them in each package. The infant's mother also urged a ban on cribs with protruding posts.

Another pacifier cord claimed the life of another 10-month-old infant—a boy in Texas this time. Police said the child apparently stood up along the side of his playpen, hooking the cord around a post, then sat down, strangling himself.

Pacifier cords, drapery and venetian blind cords, telephone cords, a pull cord from a cradle gym — all have wound up in National Safety Council files as the cause of countless and needless infant deaths.

How can you, as a parent, avoid the risk of strangulation for your child?

Don't buy toys with long cords for infants or very young children. And when it comes to pacifiers, an old saying takes on new meaning: "No strings attached!"

Strings on toys attached to cribs, playpens and carriages should not be longer than 10 inches. Loops or animal-shaped rings at the ends of retractable pull cords should have a diameter too small to hook onto knobs and horizontal bars.

Keep cribs and playpens out of reach of cords on drapes and venetian blinds. As for that big world out there beyond the crib and playpen, never leave infants or small children unattended—because of a variety of hazards of which strangulation is only one.

Can parents relax once their children graduate from infancy? Not according to NSC's files. The current casualty list of deaths caused by strangulation goes all the way up to the age of 17—and the list is as long as it is tragic. A few cases in point:

Playing with clotheslines, both inside and outside the house, choked four boys to death: a 5-year-old in Minnesota, a 6-year-old in Illinois, an 8-year-old in Connecticut and a 10-year-old in Wisconsin. The latter tied the line to a doorknob, passed it over the top of the door, then looped a noose around his neck — to frighten his little sister.

Playmates tied a rope around a 4-year-old Texas girl and pushed her down a playground slide—to her death.

A 6-year-old Missouri girl hung by the neck until dead—snared by a garage door rope.

During school recess, an 11-year-old Alaska boy was playing with a tetherball. Evidently while coiling around its post, the cord also coiled around the youth's neck, fatally.

A14-year-old Kentucky boy was playing with some heavy twine in a barn; the twine became tangled around his neck; he slipped, fell, choked to death.

Meanwhile, rope swings, a tire swing and a swing chain fatally strangled seven boys — some in their own back yards — in Minnesota (age 4), Nevada (age 9), Illinois (age 12), Ohio (age 13), Connecticut (age 13), Colorado (age 16) and Pennsylvania (age 17).

All of the preceding deaths, incidentally, happened within the past three years. But none of them was incidental to the parents.

Even after a child is old enough to be left alone, warn him of the danger presented by cords, ropes, clotheslines or anything else that can choke—just as you warn him about fire, electricity, traffic and the other risks that plague us all.

—Family Safety

A LETTER FOR WORKING MEN

If you're one of those workers who won't wear his safety equipment, here's a letter that you ought to read. It was dug up by President Kenneth Finley of Local 196 of the United Rubber Workers.

Finley suggests that it might enlighten some workers and their wives if the lady of the household was required to sign this statement before sending her hubby off to work in the morning:

"I hereby authorize my husband to work without safety glasses, safety shoes, hard hat or other safety equipment. I hereby promise that I, without complaint, will perform the following duties for him if he's crippled or blinded:

"1. I will lead him about through the house and yard.

"2. I will help him eat and dress.

"3. I will describe the scenery to him when we go on our vacations.

"4. I will faithfully read to him every night instead of his usual TV.

"5. I will faithfully describe to him the way the children's eyes light up at Christmas and tell him all about their graduations and weddings.

"6. I will teach him to do the housework so I can be free during the day in order to get a job to support him and the children.

"7. I will do all the work around the house and yard that he used to do.

"8. I will do my best to teach our little boy how to catch a ball, how to build model airplanes, and how to fish and hunt."

—The Trades Unionist

Skier Heal Thyself

Each year U.S. skiers suffer 35,000 leg fractures, and efforts have been made to develop a safer binding to reduce such injuries.

However, a four-man research team from Case Western Reserve University School of Medicine, Cleveland, has found that there is no releaseable binding now on the market that will prevent all leg fractures.

The researchers measured stresses on the tibia, the bone most commonly broken in ski injuries, varying the rate of speed and type of fall. They reported that although it may be possible to design ski bindings that will release before fractures occur, the emphasis should be on developing new techniques for checking and setting bindings.

Job Safety and Local 1245 Members

In the last issue of the **Utility Reporter** we ran a reduced copy of the form we use to report accidents. We urged you to report all accidents to the Business Representative or to the Local Union Office.

Shown below is the reverse side of that form, used for reporting potential hazards or unsafe work practices. The form is self-explanatory, but in the event any questions should arise contact your Business Representative or Shop Steward. Three hundred and twenty-five thousand, eight hundred and ninety-one.

The Local Union's capability of resolving any problems relating to correcting unsafe work practices or procedures or eliminating hazards through investigation of accidents depends on you, the member in the field. You must let us know.

If by chance there is not enough room on these forms for all the information gathered by you, please feel free to attach another sheet of paper with this report for such material. In the event you are out of the forms and something occurs that the Local Union should be informed of, write it out on **anything** and send it in.

REPORT OF POTENTIAL HAZARD

Date of Report ____________

COMPANY ____________ DIVISION ____________

HEADQUARTERS ____________ LOCATION ____________

DATE ________ TIME ________ WITNESS ____________

NATURE OF HAZARD: (unsafe work practice, faulty equipment, toxic substance, etc.)

COMMENTS: ____________

If not included in your report, the following information will be needed prior to an investigation.

1. Unsafe work practice.

   Name of Supervisor in charge ____________

   Title ____________

2. Faulty equipment.

   Type ____________ Company # ____________

3. Toxic substance.

   Label information ____________

   Under what conditions substance used ____________

4. Has Potential Hazard been reported to Employer? yes ___ no ___ date ______

   Reported by ____________ Supervisor's Name ____________

   Title ____________ Employer's Reply ____________

   Report made by ____________ Title ____________

4/26/72:ep