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DRAF
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6 DRAFT DECREE PERMITTING UTILITY RATE INCREASES
APR. 1944 - FEB. 1945

FILE CLOSED 21 FEBRUARY 1945



PARTITO FASCISTA REPUBBLICANO
FEDERAZIONE DELL'URIE

IL COMMISSARIO FEDERALE

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16A

HEADQUARTERS ALLIED COMMISSION
APO 394
LEGAL SUB-COMMISSION

AC/4104/9/L.

21 February 1945.

SUBJECT : Utility Rate Decree.

TO : Public Works and Utilities Sub-Commission.

We have no comments on the proposed decree which is returned herewith.

W. E. BRENNIS,
Colonel,
Deputy Chief Legal Advisor

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785016

Tel. 489081
Ext. 320

HJR/ac

INTEROFFICE MEMORANDUM

17 Feb. 45

Reference : 220/PWU

Subject : Utility Rate Decree

To : Commerce Sub-Commission, AC
Finance Sub-Commission, AC
Industry Sub-Commission, AC
Legal Sub-Commission, AC

From : Public Works & Utilities Sub-Commission

- 1) - Inclosed is copy of proposed decree prepared by the Ministry of Public Works, Italian Government, relative to application of temporary surcharge to Utility Rates.
- 2) - We have made several corrections to drafts previously submitted by the Minister, and the attached copy now appears satisfactory to us.
- 3) - Will you please review this as soon as possible and return to us with your comments.

LEG. SUB-COMMISSION

J. A. JENNY

Public Works & Utilities Bureau, Washington, D.C.

- 1) - Inclosed is copy of proposed decree prepared by the Ministry of Public Works, Italian Government, relative to application of temporary surcharge to Utility Rates.
- 2) - We have made several corrections to drafts previously submitted by the Minister, and the attached copy now appears satisfactory to us.
- 3) - Will you please review this as soon as possible and return to us with your comments.

L. A. Penny
L. A. PENNY
Colonel, C.E.
Director

1001-847-0100

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17 FEB 1946

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4104/9

HEADQUARTERS ALLIED COMMISSION
ECONOMIC SECTION
APO #394LEGATE 9/14A
LJL/mrhTel. 489081
Ext. 320

064/PMU

18 November 1944

SUBJECT: DEGREE - Public Utility Rates.

TO : His Excellency Signor Mancini
Minister of Public Works

Not read

1. We refer to our letter ACC/064/PMU, dated 26th Sept 44, in which we requested you to withhold publication of the proposed Decree relating to increases in rates for water, gas and electricity.

2. The wording of the first paragraph of Art. 3 is not clear to us. We do not understand why only increases of expenses should be considered and why it is stated that increases of interest, dividends, etc., should be excluded. In the examination of the question of rate increases all expenses inherent to the production and operation of services are to be considered exclusive of interest, dividends, etc. We recommend that this paragraph be re-drafted to indicate that:

(a) all actual operating expenses must be considered in the determination of utility rates, exclusive of:

- (i) Interests on Bonds, or other long term debentures,
- (ii) Dividends,
- (iii) Allowances for depreciation and for plant renewals,
- (iv) Provision of sinking funds,
- (v) Increases in "enolument".

3. We recommend further that the second paragraph of Art. 3 (namely: "Sara inoltre delle Aziende") shall be omitted.

that is the end of the first para-

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inherent to the production and operation of services are to be considered exclusive of interest, dividends, etc. We recommend that this paragraph be re-drafted to indicate that:

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- (i) Interests on Bonds, or other long term debentures,
- (ii) Dividends,
- (iii) Allowances for depreciation and for plant renewals,
- (iv) Provision of sinking funds,
- (v) Increases in "enclusement".

3. We recommend further that the second paragraph of Art. 3 (namely: "Sara inoltre delle Aziende") shall be omitted.

4. It is suggested that at the end of the first paragraph of Art. 6 the statement be added that this Decree shall remain in effect until one year after the complete liberation of Italy, at which time the entire problem of Utility rates will be re-examined.

5. Will you please submit to us, as soon as possible, a revised draft of the Decree, prepared in accordance with the above recommendations. The Decree should NOT be published until the final draft of it has been approved by the Allied Commission.

For the Chief Commissioner:

LEGAL SUB-COMMISSION

CLO

DCLO

Chief Commissioner

CLO

ccf

Italian Public Works & Utilities S/C

CL RK Finance S/C

Legal S/C

Economic Section (2 for files)

A. G. ARDOLINI
Acting Vice-President
Economic Section

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4104/9

Legal S/C BA

Tel. 197

HEADQUARTERS
ALLIED COMMISSION
ECONOMIC SECTION
APO 394

HQB/lat

HQB/lat

4 November 1944

SUBJECT: Proposed Increase of Rates and Fares for Railways and for Inter-urban Trains.

TO : H. E. Garofano, Minister of Communication.

1. Reference is made to Royal Decree of December 16, 1943, No. 27/B.
2. This proposed decree was reviewed by the Price Office of the Allied Commission in July, and through consultation between our Legal Sub-Commission and Avv. Garofano of your Ministry, an agreement was reached on a simplified wording of the decree.
3. A copy of the act concerning railways and trams is herewith returned.
4. The Allied Commission has no objection to the publication of this decree in its present context.
5. The effective date of imposing the rate increases should be changed however, to coincide with some contemporary date to be determined by the Italian Government at the time of the final approval of the decree.

For the Acting Chief Commissioner:

A. G. Artolini
Acting Deputy Chief of Staff
Economic Section

Attachments:

As stated above.

Distribution:
 Transportation Sub-Commission
 Legal Sub-Commission
 Mr. Taylor
 Harlan Cleveland
 Files

LEG 1 SUB-C

CLO

DCLO

Chief Counsel

CJO

Italian Section

CL RKS

6 NOV 1944

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HEADQUARTERS ALLIED COMMISSION
APO 394
LEGAL SUB-COMMISSION

AC/4104/9/L.

/rlp.
31 October 1944.

MEMORANDUM

TO: Public Works & Utilities S/C (THRU: Economic Sec).

1. Reference Memo ACC/064/PWU dated 25 Oct 44 and our recent conference, we have the following observations to make.

2. Article 3 of the proposed decree appears to us to be unsatisfactory. We consider that the first paragraph will provide a greater increase in rates than you desire at the present time. We feel that the article should provide that any increase should be so calculated as to secure that the total revenue received by the utility companies should be sufficient but only sufficient to provide an income equal to the everyday expenses inherent to production and operation of the services of the country.

3. We do not consider that in making this calculation any regard should be had to payment of dividends or perquisites or to any allowances for plants, renewals or provision of sinking funds or payments of fixed charges or other items of this nature.

4. We suggest that the second paragraph of Article 3 should be deleted as we are unclear what it is intended to mean and we are of opinion that it is so vaguely drawn that it is capable of almost any interpretation. We do not think that past profits should influence the decision on the increase of rates.

5. We should point out that in excluding fixed charges and interest from the expenses which the utility companies may consider, we have given effect to what we understand to have been your decision in the conference. If, however, you think that in the absence of a moratorium these charges will have to be met by the companies, these items should be deleted from paragraph 3.

6. We suggest that the Italian Government be informed to submit an amended draft complying with these recommendations. The actual drafting of the article should, in our opinion, be left to the Italian Government. We should add that if you intend to allow the companies to take into account the fixed charges mentioned in paragraph 3, these should specifically be made clear to the Italian Government.

7. As was discussed at the conference, it is possible for the decree to be implemented in Military Government Territory. If it is desired that

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the increases take effect in Army areas, the necessary consent of the SCAG concerned will have to be obtained and the necessary orders will have to be published by the SCAG.

8. We have limited these observations to the decree proposed by the Italian Government. We have not concerned ourselves with the general observations made by you in your draft letter to the Ministry.

W. E. FERRIS,
Colonel,
Deputy Chief Legal Advisor.

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(11A)

HEADQUARTERS
ALLIED CONTROL COMMISSION
LEGAL SUB-COMMISSION
APO 394

ACC/4104/L.

/rlp.
15 October 1944.

SUBJECT : Proposed Increases in Railway Rates and Fares.
TO : Director, Transportation S/C.

1. Reference your letter of 10 Oct 44 ACC.Tn/30.
2. The revised form of decree seems to my Italian legal advisors and myself as unduly complicated and as containing rules and regulations which should properly go in a circular to railway clerks and not be included in the basic statute.
3. This matter has been discussed with Avv. Caravita of the Ministry of Communications. He has agreed upon the revised form of decree of which I send you four copies in English and four copies in Italian. I am returning herewith the papers which you send me together with copy of acts concerning inter-urban tramways.

RICHARD H. WILMER.
Colonel, GAC.
Chief Legal Advisor.

4 Encls.

- 1 - 4 copies in Eng. of revised form of decree;
- 2 - 4 copies in Ital. " " " " "
- 3 - Draft Decree;
- 4 - Copies of Acts.

785016

THE MINISTER SECRETARY OF STATE FOR THE COMMUNICATIONS,
 CONSIDERING THE ROYAL DECREE-LAW OF DECEMBER 16, 1943, No. 27/B.

D E C R E E:

Art. 1.

All fares in operation on 30th June, 1943, for transports of persons and goods by the State Railways shall be increased by 100%.

This increase shall be applied on the total amount to be collected for each transport. If a fraction of lira appears in the thus resulting amount, such fraction shall be increased to a full lira.

Art. 2.

Authority is also herewith given for the increase of the fares in operation on the same date for transports of persons and goods by private railways in concession and long distance (extra-urban) tramways within the limits of and under the provisions established by Art. 1.

Any previous increase of rate or fare but into effect on or after 1 July 1943 exceeding 100% of the fare or rate in operation on 30 June 1943 shall be decreased to conform to the rate or fare hereby established.

Art. 3.

Further Decrees shall provide for the tramways, funicular railways and trolley buses and for any other public transport service according to the R. Decree-Law 16 December 1943, No. 27/B.

Art. 4.

This Decree shall be published in the "Gazzetta Ufficiale" of the Realm and shall come into force on the day following that of its publication.

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This Decree shall be published in the "Gazzetta Ufficiale" of the Realm and shall come into force on the day following that of its publication.

Dated.....

THE MINISTER

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MINISTERO DELLE COMUNICAZIONI

FERROVIE DELLO STATO

Il MINISTRO Segretario di Stato per le Comunicazioni

Visto il R. Decreto Legge 16 dicembre 1943, n. 27/B:

D E C R E T O

ART. 1. I prezzi comunque vigenti al 30 giugno 1943 per i trasporti di persone e cose sulla Ferrovia dello Stato sono aumentati del 100%.

L'aumento viene praticato sull'ammontare complessivo degli importi attualmente fissati per i singoli trasporti.

Le eventuali frazioni di lira della cifra così risultante sono arrotondate in più, fino alla lira intera.

ART. 2. E' autorizzato altresì l'aumento dei prezzi vigenti alla stessa data per i trasporti di persone e cose sulle ferrovie concesse all'industria privata e sulle tramvie extraurbane nei limiti e con le modalità previste nell'Art. 1.

Ogni precedente aumento di tariffa o prezzo entrato in vigore dopo il 1° luglio 1943 eccedente il 100% delle tariffe oppure dei prezzi in vigore al 30 giugno 1943 deve essere diminuito fino ad adeguarsi alle tariffe o prezzi stabiliti col presente decreto.

ART. 3. Con successivi decreti sarà provveduto per le tramvie, funicolari e filobus e per ogni altro servizio pubblico di trasporto di cui al R. Decreto Legge 16 dicembre 1943 n. 27/B.

ART. 4. Il presente decreto sarà pubblicato nella Gazzetta Ufficiale del Regno ed avrà effetto dal giorno successivo alla sua pubblicazione.

Dato a Roma, ottobre 1944

ART. 2. E' autorizzato altresì l'aumento dei prezzi vigenti alla stessa data per i trasporti di persone e cose sulle ferrovie concesse all'industria privata e sulle tramvie extraurbane nei limiti e con le modalità previste nell'Art. 1.

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ART. 3. Con successivi decreti sarà provveduto per le tramvie, funicolari e filobus e per ogni altro servizio pubblico di tra- sporto di cui al R. Decreto Legge 16 dicembre 1943 n. 27/B.

ART. 4. Il presente decreto sarà pubblicato nella Gazzetta Uf- ficiale del Regno ed avrà effetto dal giorno successivo alla sua pubblicazione.

Dato a Roma,

ottobre 1944

IL MINISTRO

30

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ACF/hl

(10A)

HEADQUARTERS
ALLIED CONTROL COMMISSION
Transportation Sub-Commission
APO 394

Tel: 478701

Our Ref: ACC.ln/30/

10 October 1944

TO : Legal Sub-Commission

SUBJECT: Proposed Increases in Railway Rates and Fares.

1. Reference is to your letter ACC/4104/L dated 28 September 1944, and my copy of communication addressed to Ministry of Communications, reference ACC.ln/30/53 - NR dated 4 October 1944.

2. The Minister now submits further draft of decree and has temporarily left enclosed copy of Acts concerning inter-urbane tranways for your perusal.

3. It would be appreciated if further consideration could be given to the text of the Decree in order that the increase in rates and fares can be agreed in the near future.

4. Should you wish to consult the Italian Legal Officer of the Ministry of Communications, his name is

Avvocato Caravita
Tel. No. 843070

Golding Capra
P. D. S. ADAMS
Colonel, C.E.

785016

3. It would be appreciated if further consideration could be given to the text of the Decree in order that the increase in rates and fares can be agreed in the near future.
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Avvocato Caravita
Tel. No. 843070

Richard Capra
U.S. ADAMS
Colonel, U.S.
Director, In. Sub. Comm.

Enclosures: Draft Decree
(Copies of Acts)

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785016

ACF/AL

(9A)

HEADQUARTERS

ALLIED CONTROL COMMISSION

Transportation Sub-Commission

APO 394

4 October 1944

Tel. 478701

ACC.TN/30/83

TO : Minister of Communications, RomeSUBJECT: Proposed increases in Railway Rates and Fares

1. Reference is to your letter of 6878 of 12 Sept. '44.
2. Approval is given in general to the Decree proposed, but before introduction there are points which need a little clarification.
3. In Article I, reference is made to the fact that increase of 100% is to be applied "by re-doubling the total price of the transport". It is not clear why the second phrase as to the method of applying the increase is inserted in the Decree, and it is either superfluous or conveys a special significance which needs further explanation.
4. By my letter ACC.TN/303/15 of 2 October 1944, I have agreed to the inclusion of inter-urban tramways in the increase, but it would seem desirable to include a definition of what is deemed to be an "inter-urban" tramway on any decree allowing increase in rates and fares to avoid difficulty of interpretation.

5. It is also suggested that the decree should include a phrase as follows:-

"any previous increase of rate or fare put into effect on or after 1st July 1943 exceeding 100% of the fare or rate obtaining on that date shall be decreased to conform to the rate or fare hereby established."

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Admiral Capr

P. S. ADAMS
Colonel, G.R.
Director, Tn. Sub. Comm.

Copy to: Economic Section
Legal Sub. Commission ✓

LEGAL SUBCOMMISSION
CLO
DCLO
Chief Counsel
CJO
Italian Section ✓
CLERKS

785016

4.04/9

(8A)

Tel. 497

HEADQUARTERS
ALLIED CONTROL COMMISSION
ECONOMIC SECTION
APO 394

HFB/lnl

MS/41

2 October 1944

SUBJECT : Price Group Meeting.

TO : ~~XXXXXXXXXXXX~~

Finance	5/0
Food	5/0
Ind. & Gen.	5/0
Labor	5/0
Legal	5/0 ✓

Attention: Col. Wilmer

1. The Public Works and Utilities Sub-Commission has asked the Price Group to meet on Wednesday, 4 October at 15.00 hours in the Main Conference Hall, 3rd Floor, to discuss problems and policies in adjusting public utility rates.
2. The attached memoranda describes past procedures and policies of this Sub-Commission in determining rates.

Bakken

Henry H. Bakken
Staff Officer
Economic Section

of utility rates.

785016

4.04/9

(8A)

Tel. 497

HEADQUARTERS
ALLIED CONTROL COMMISSION
ECONOMIC SECTION
APO 394

HMB/lml

RM/41

2 October 1944

SUBJECT : Price Group Meeting.

TO : ~~xxxxxx~~ ~~xxxxxx~~ ~~xxxxxx~~

Finance S/O

Food S/O

Ind. & Gen. S/O

Labor S/O

Legal S/O ✓

Attention: Col. Wilmer

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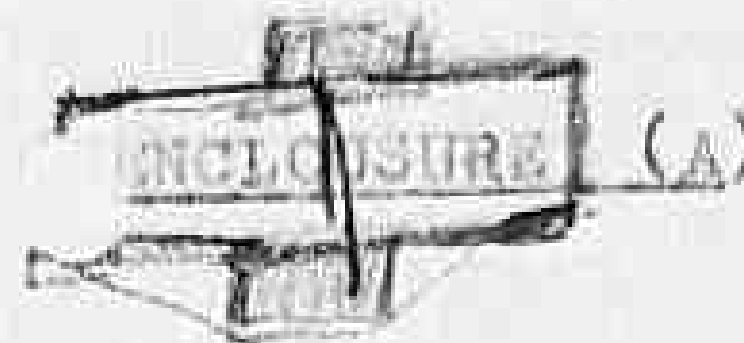
Bakken

Henry H. Bakken
Staff Officer
Economic Section

Attachment - 1

Notes on Adjustment of Utility Rates.

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NOTES ON ADJUSTMENT OF UTILITY RATES26 Sep. 441. Brief History.

The overall problem of the fixing of Italian Public Utility service rates was discussed at considerable length at a meeting held by the Economic Section late in December 1943. At that meeting the Public Works and Utilities Sub-Commission was authorized to examine the rate structures of Undertakings desiring authority to augment their charges. On 28 Mar. 44, the Director addressed a letter to the Vice-President of the Economic Section, recommending that necessary adjustments should be effected by the application of approved temporary surcharges, and that the basic rates, statutorily fixed, should remain unchanged until such time as the economic situation might become sufficiently stable to permit of the establishment of new rates that could be expected to remain in force for a considerable time. These recommendations (including other proposals) were approved at a conference held by the "Price Fixing Committee" of the Economic Section on 3 Apr. 44, and the Sub-Commission was authorized to settle rate adjustments accordingly. Since that time, and under that authorization, the Sub-Commission has dealt with and settled many such cases.

2. Principles observed in deciding surcharges.

The following principles have been generally observed in calculating temporary surcharges:-

(a) The Undertaking to be assured of sufficient income to enable it to maintain its public service.

(b) The income of the Undertaking to be sufficient only to meet actual operating costs, including payment of interest on loans (e.g. debentures), no allowance being made for depreciation, amortization, the payment of dividends or of interest on bonds, or other expenses not essential to the immediate operation of the service.

(c) The Undertaking's financial structure and its Balance Sheets for previous years should be taken into consideration in determining what should be its immediately essential income under (a) and (b) above.

3. Italian Decree.

A Decree was prepared in draft by the Ministry of Public Works but before it is finally approved by A.C.C., some Articles that it contains should be considered by all interested branches the most important point being the extent, if any, to which allowance should be made (in the fixing of the temporary surcharges) for the payment of interest and dividends, for depreciation, amortization and similar matters.

4. Other Points for Consideration.

(a) The respective responsibilities, after issue of the proposed Decree, of the Italian Ministry of Public Works and the Allied Control Commission, in

(i) Italian Government Territory;

(ii) A.M.C. Territory.

e.g. should the A.C.C. exercise control over the adjustment of Utility rates, by the Ministry, in Italian Government territory? In this connection, a degree of uniformity is very essential.

(b) The legality, or otherwise, of imposing retrospective surcharges.

5. Recent Procedure.

In most cases during recent months, this Sub-Commission has, in the first place, required the Italian Ministry of Public Works to review applications for surcharges and to submit recommendations for our consideration. In all such cases, the Ministry's recommendations have been carefully reviewed, and in most cases they have been approved without amendment. Some of these, and also some of the earlier adjustments which were not referred to the Ministry, have involved the application of retrospective surcharges.

If the Italian Govt. is not consulted and if they make no recommendation, it is then all too easy for the Public to be told that the Allies have ordered it and that it is their sole responsibility. The policy is to follow and endorse, where possible, the Italian Government's decisions.

7. Up to the present date, the I. . . U. Sub-Commission has handled rate increase applications as follows:

Received	Deferred	Authorized	Under Review
42	2	22	18

8. General.

It is recognized that this question of allowing increased charges to large Public Companies such as gas, water and electricity, is one of absolutely major importance. These companies are in all cases, within their respective territories the holders of great monopolies. Any increase in the price of these things is likely to have considerable repercussion, not only in a domestic sense, but also on many industries, since these things are prime essentials. In countries such as England and, the U.S.A., any revision in the charges levied by such monopoly Companies is subjected to an exhaustive examination, which in some cases may extend over weeks or months. Further (at any rate in England) Parliament laid it down as a general principle many years ago that as a Company increased in prosperity, and so paid increased dividends or increased its reserve funds, the price of the commodity to the consumer must be proportionately reduced. This kind of thing is obviously not possible at the present time in Italy and any action taken must be little more than a "stop-gap" applicable for a short period of weeks or months, and subject to review again at the end of that time. For this reason it is considered that no attempt should be made to alter or modify the basic rate structure. By this is meant differential rates for electricity for different purposes, differential rates to large users of gas and water

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as apposed to small users, and so on. A revenue to any given Company being achieved by a mere, short term, temporary, overall surcharge.

9. There has been, and still is, a great volume of protest (Rome newspapers) about a suggested 180% increase in electricity costs.

G.E. Rhodes.

G.E. RHODES
Lieut Colonel, R.E.
Acting Director.

26. 9. 44.

785016

COPY

ENCLOSURE (b)

HEADQUARTERS
ALLIED CONTROL COMMISSION
Public Works and Utilities Sub-Commission
APO 394

LAJ/mc

ACC/064/PWU

28 March. 1944

Subject: Utility Rates.

To : V.P. Econ. Sec.

After prolonged study of all phases entering into or affecting utility rates this Sub-Commission has reached certain conclusions which are submitted herewith for consideration and approval so that we may now proceed along approved lines.

1. a. If rate increases are allowed today they are bound to be based upon estimated expenses and income, both of which are very apt to be quite different already in a few months, necessitating frequent revisions of rates so as not to have deficits or unduly high revenues.
- b. Such a procedure would require a considerable staff, both at this headquarters and by the Ministry of Public Works, whose officials would be called upon to do much of the work in the Italian Zone. Neither we, nor the Italians, have a sufficient staff for such purposes, nor are we likely to obtain it in the future.
- c. As utility rates should ^{only} be changed after serious study, any rate changes established now could only be considered as a temporary expediency subject to change, and, therefore, would add to confusion rather than avoid it.
- d. Inequalities are bound to be introduced in trying to solve the problem of basic rates in Italy which never were reviewed here with the same scientific care as is done in the U.S. and U.K.

e. One of our most important worries on this subject at the moment is in connection with electricity rates in Italian territory in view of the forthcoming plan for rationing electricity. If electricity is rationed, small companies in the South, who purchase their current, will have their revenues cut to a fraction of what they were and are bound to show high deficits.

f. Basic utility rates should be changed only upon extended and careful analysis, based upon some degree of economic stability.

2. In view of the present unstable condition, and in view of the above facts, we recommend that no change be made at this time in the existing utility rate structure. However, in view of the need of giving some assistance to these companies to meet monthly deficits, we ask approval on the following simple procedure:

a. Bills for utility services are rendered either every month, or every 2, or 3 months, therefore a simple analysis, requiring a very limited personnel, is possible every 2 months for certain groups, and every 3 months for those who bill quarterly.

b. These companies should render to us a sworn statement, or one certified by a public accountant, giving all revenues and all expenses, including overhead, pro rata share of taxes and interest on operational bank loans for the 2 or 3 months period as the case may be.

c. We to analyze these and then authorize the company to send out with the next bill to all users of services a surcharge statement, covering the deficit of the previous period, based upon a flat percentage of surcharge authorized by us on all classes of services, to be adjusted as required every 2 or 3 months, and added as a surcharge to the total charge for the period in question.

d. No allowance will be made for depreciation, interest on bonds or dividends. As to depreciation, since much plant has been destroyed any allowance would be based upon guesswork and in our opinion, all depreciation and amortization and even interest

on the bonds can wait until after the war when an overall settlement will have to be made.

e. The company would continue to render this essential service as it would be assured that all fair operating charges will be met.

f. No change would be made in the existing rate structure, unless, after say 6 months or more of adjustment, it is found that some reasonable economic equilibrium does exist and that a change in basic rates is then desirable and is apt to last for some time.

g. In this manner a complete periodic picture will be obtained including parent company and subsidiary relations, or the relations of distributors, who purchase wholesale, with the seller, and will permit of an adjustment of any unfair practices in this field.

h. Should any company show a drastic cut in revenues due to rationing or other war causes, then, a report can be made recommending a fair surcharge to be made against the consumer, and the balance to be covered by a Government subsidy.

i. Should any property appear out of balance with others of the same category a field survey of the property can then be made to determine the reason and corrective measures taken.

3. In order to show by some typical examples of how this may be effectuated we present the following cases, using factual data where obtainable and estimates where indicated:

a. Electric Properties:

1. Società Generale Pugliese di Eletticità.
2. Società delle Calabrie
3. Società Lucana per Imprese Idroelettriche.

(Subsidiaries of the Società Meridionale Eletticità, the large company serving most of southern Italy).

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b. Gas Properties:

1. Compagnia Napoletana d'Illuminazione e Scaldamento col Gas.

c. Water Properties:

1. Società Acquedotto di Napoli.

4. The day before Mr. Grafty left he discussed this matter with me and expressed general approval of the method of procedure proposed herein, but he suggested that it be brought to the attention of the "Economic Committee".

5. Will you, therefore, please arrange for a conference with this Committee so that this matter may now be settled at an early date.

L.A. JENNY
Lt. Col. C.E.
Director.

785016

C O P Y

ENCLOSURE (a)

HEADQUARTERS
ALLIED CONTROL COMMISSION
Economic Section
AFC 354

HJ/cg

ES/41

15 April 1944

SUBJECT: Meeting of Price Group on Utility Rates, 3 April 1944.

1. The meeting was held in Col. Adam's office.

The following were present:

Representing Public Works		Lt.Col. Jenny
" and Utilities Sub-Commission		Lt.Col. Lapper
" Industry and Commerce	"	Capt. Murphy
" Finance	"	Lieut. Hicks
" Food	"	Capt. Parker

2. The meeting was held to consider the attached proposal, prepared by the Public Works and Utilities Subcommission. Briefly, the proposal was:

- (a) to postpone revision of the basic rates for electric power on the Mainland and for water and gas in the City of Naples until adequate records of operating costs are available, and
- (b) in the meantime, add a surcharge to bills rendered at the end of each billing period, the surcharge being sufficient to cover operating expenses (excluding interest on long-term indebtedness and depreciation).

The main reason given for this interim arrangement was that if rates were determined now, they would have to be based on estimates of future costs, which under present conditions would inevitably be unreliable. As regards depreciation it was pointed out that with the properties in their present condition it would be extremely difficult to determine a proper allowance. Moreover, since utility properties can be amortized over a very long period of years, the accumulation of a reserve for depreciation can be suspended for a period of months without serious consequences. As to interest and dividends, it was proposed that a final settlement be postponed until after the war, since the greater part of the stockholders and bondholders are located in German-controlled territory or in Switzerland.

3. It was proposed by Lieut. Hicks that the Naples City taxes on gas and on electricity for cooking be increased. Lieut. Hicks believed that an increase in these taxes would help to retard inflation and could be justified on the ability - to - pay principle. Col. Adams directed the Finance and Public Works and Utilities Subcommissions to work together on this proposal so that an appropriate decree could be drafted. It was felt that the Legal Subcommission

would have to determine whether the tax increase could be embodied in the decree which would implement the proposal regarding surcharges. It was felt that it would be desirable to avoid having consumers notified on two separate occasions that they would have to pay more for their electricity, water and gas.

4. Col. Adams pointed out two disadvantages in the surcharge proposal which he felt would make it undesirable except as a purely temporary, emergency measure namely:

- (a) Consumers would not know in advance how much they would have to pay for their normal consumption of electricity, water or gas.
- (b) Since the companies would always earn enough to cover operating costs, and never more, they would have no motive for economy of operation.

As regards the first point, it was agreed that the rate of surcharge should be announced for each billing period at the earliest possible date.

5. Col. Adams also expressed concern over the non - payment of interest on bonds. He directed that in drafting the decree no mention should be made of interest on bonds, or dividends, in order not to prejudice in any way the rights of bondholders or stockholders, in any future settlement.

6. Subject to the proviso mentioned in paragraph 5, Col. Adams approved the proposal, on the recommendation of the Price Group.

H.J. Wadleigh
Secretary
Price Group.

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H.J. Wadleigh
Secretary
Price Group.

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Tel. 489081

C O P Y

Enclosure (d)

LAJ/mc

HEADQUARTERS
ALLIED CONTROL COMMISSION
Public Works and Utilities Sub-Commission
APO 394

ACC/064/PWU

19 Sept. 1944

Subject : Utility Rates.

TO : Economic Section,
Attention: Col. DENSMORE.

1. In reply to the question put to me by you this morning as to the authority given to the Public Works and Utility Sub-Commission to settle utility rates, I wish to refer you to the following:

2. At a prolonged meeting held by the Economic Section late in December and early January 1944 the overall price fixing problem and its effect upon the economic structure of Italy were discussed at considerable length. The minutes of that meeting, page 3, Para 19-b, state as follows:

" Italian public utility service rates have been kept to artificially low levels. In some cases these rates can be raised sufficiently to eliminate the need for government subsidy without affecting appreciably the cost of living. With this in view, the Public Works Sub-Commission has been authorized to examine the rate structures of these public utility institutions seeking rate increases with a view to recommending such increases as are consistent with our overall efforts to retard inflationary price rises. "

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3. I wish to point out that it was the considered opinion of this conference group that such increases, as I proposed to make in the cost of utility services, would not appreciably effect the cost of living.

4. As this Sub-Commission was thus directed to handle utility rates it began its studies in considerable detail obtaining accurate information as to the status of various companies, the need for rate increases and what these increases should be.

5. On 26 March 1944 I addressed a letter to the Vice-President Economic Section on this subject. In that communication I pointed out that I did not consider it proper during the present uncertain economic status of Italy to change basic utility rates, but in view of the necessity of making some kind of increased allowance to the Utility companies, I recommended that a "surcharge" be allowed on bills rendered, using previously established basic utility rates.

6. On 3 April 1944 a Conference was held by the "Price Fixing Committee" of the Economic Section, at which this entire problem was discussed. Mr. Wadley was secretary of this Committee. The method of procedure proposed by the Public Works and Utilities Sub-Commission was approved. It was agreed that the problem of utility rate increases, under the method recommended, would not adversely affect the economic structure of Italy because these were tail end expenditures and not basic expenditures and, in fact, would only represent a very small percentage of a person's income.

7. The Public Works and Utilities Sub-Commission was authorized to settle utility rates in accordance with these approved principles. It was stated, however, that, should any exceptional case come before this Sub-Commission, where abnormal increases would have to be made, that the Public Works and Utility Sub-Commission should present such case for review to the Finance and Labor Sub-Commissions, so that a determination might be made whether or not a national subsidy should be granted the Utility company for a portion of the money necessary and the balance charged in the form of a surcharge to the public.

8. This Sub-Commission has since that date settled numerous utility rates all over Italy and its authority to do so has never been questioned. We have had only one case where a 500 % surcharge was recommended in connection with the gas rate in Naples and this was submitted for review and it was agreed that, even at that rate, the economic structure would not be affected and that the people would, in fact, pay even less for this gas than they would for charcoal which they would have to use as a substitute fuel. In fact the Finance Sub-Commission representative wanted to increase also the present tax.

9. In every Monthly Report of this Sub-Commission we have referred to our activities in this field and, in some instances, we have given in tabulated form the number of applications received, the number of companies for either electricity, water or gas where we had authorised a surcharge to be made, and the number of companies still under consideration. At no time has anyone questioned our authority to do this.

10. As to the 180 % increase for electricity use in Rome, it must be clearly understood that the amount of current available to the people of Rome is so small, and they only receive current every fourth day, that the people of Rome would be willing to pay even more if they could have a normal supply of electricity. It must be made clear also that this small expenditure has no effect on the economic structure.

11. Just because some news-papers, who are always trying to find fault, have commented upon this and some people without proper knowledge of the basic facts appeared to be critical, does not seem to me to be justification for a change in policy.

12. It should be brought out also that all utility rates are now first reviewed by the Ministry of Public Works. This Ministry makes its recommendations to us on what the increases should be and, after carefully reviewing each case, we make the recommendation as to what the surcharge should be. I wish to state that in most instances we have agreed with the recommendations of the Ministry.

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The Public Works and Utilities Sub-Commission has carried out all of its tasks in a careful and faithful manner, including the question of Utility rates. These have been handled in accordance with previously approved procedure.

13. If further written authority is needed to this Sub-Commission to continue to handle these rates as described above, we shall welcome such written authority, as it would strengthen our position.

L.A. JENNY,
Lt-Colonel, C.E.,
Director.

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C O P Y

Translation

Enclosure (E)

PROPOSED DECREE AUTHORIZING THE INCREASE IN
RATES FOR WATER, GAS AND ELECTRICITY

UMBERTO DI SAVOIA PRINCE OF PIEMONTE
LIEUTENANT GENERAL OF THE KINGDOM

In virtue of the authority conferred on us,

Having seen the R.D. of March 11, 1943 N° 100, by which
are delayed, up to six months after the cessation of the
present hostilities, the orders of R.D. of March 20, 1941,
N° 142, regarding the price block for goods, civil building
service, industrial plants, leases; and succeeding variations;

Having seen art. 18 of the law of January 19, 1939, n° 129;

Considers that it is a condition due to the war;

Having seen the deliberation of the Council of Ministers;
upon the proposal of the President of the Council, Prime Minister,
Secretary of State and of the Minister of Public Works, in
agreement with the Ministers of the Interior, of Justice, of
Finance, of Agriculture, of Industry, of Commerce, of Transport;

WE HAVE DECREED AND DECREE :

Article 1.

In derogation of the order of the only article of R.D.
11/3/1943 N° 100, and article 1 para A) of the R.D. 12/3/1941-
N° 142, when the concerned companies are in financial difficulties,
it is permitted to increase the rates in force on July 30, 1940
for the supply of water, gas, electric energy.

Article 2.

The revision of the list of rates will be made, upon the
request of the company concerned, by the Prefect in whose
district the company has their headquarters, if this company
carries on their work only in one Province, and by the Minister
of Public Works in every other case.

The Prefect shall decide, having heard the officials of "Genio Civile".

Claims are admitted against the deliberations of the Prefect and the Minister of Public Works, within ten days from the receipt of the communication, to the Central Commission mentioned in the art. 8 of the R.D. April 3, 1944, N° 95.

For the examination of the requests in question the composition of the above mentioned Commission shall be modified, putting back in place of the agent of the Electric companies for production and supply, either an agent of the Companies for the water supply, in case that the revision of water rates is in debate, or an agent of the gas companies supply, in case that the revision of gas rates is in debate.

Beside, as member of the Commission, in place of the agent of the companies for the supply of electricity, an agent of the water, gas, electricity companies will be called; and according to the present Decree a technical officer of the Ministry of Public Works, expert in gas, water and electricity supply, shall be appointed as President of the above mentioned Commission, in modification to the R.D. 3/4/1944, N°95.

The requests for revision, drawn up on stamped paper and signed by a legally responsible agent, must include beside the full directions about the Companies (name, characteristics, financial standing, names of the responsible managers, the whole yearly supply and its origin) also an abridgment of the balance-sheet for the year 1943, the estimate sheet for the year, which the request, drawn up according to the previous rates in force, is referred to, and the requested percentage increase for such rates.

The Companies shall give any other information thought necessary and requested by the officials mentioned in the first paragraph.

Article 3.

In determining what increase of the rates is to be allowed only the actual increase of the expenses inherent to the production and operation of the services shall be considered, exclusive of any increase of interests, dividends, perquisites, depreciation of capitals and plants, renewals, etc.

(art.3 cont.)

Further all the savings of operation that may be attained and the amount of the profits, as shown in the balance-sheet of the companies shall be taken into account.

Article 4.

The application of the increase of rate-lists shall be temporary and shall be limited to billing periods. However, the period of application of the increase shall last, at least, 4 months and may be lengthened, on expiration, by the same proceeding.

As regards the invoicing, the latest tariffs shall be applied and the permitted increase shall be added apart.

In those cases where this will not be possible because of the form of invoice used by the company, the invoice shall bring to notice that it includes the temporary increase, stating the percentage agreed upon by the competent authorities.

Article 5.

The owners of buildings with water supply are ~~not~~ at liberty to pass on to the tenants the increase of the water rates that shall be authorized according to the present Decree.

Article 6.

The present Decree shall go into effect upon the day of its publication in the "Official Gazette of the Kingdom", special series.

We order all who are concerned to observe the present Decree and have it observed as a law of the ~~State~~ State.

Dated at Salerno

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HEADQUARTERS
ALLIED CONTROL COMMISSION
LEGAL SUB-COMMISSION

APO 394

ACC/4104/L.

/ap.

SUBJECT : Proposed increases in Railways Rates and Fares.
28 Sep 44.

TO : Transportation Sub-Commission.

1. Reference your letter dated 26 Sept 44 ACC/TM/30 which was not received in the Legal Sub-Commission until 1600 hrs 28 Sept 44.

2. The proposed decree has been examined and I have the following comments :-

- a. Second par. Art.1 does not appear to make sense. The first two pars. of Art.1 when translated read :-
"Fares in operation on July 1st, 1943, for transports of persons and goods by the State Railways shall be increased by 100%."
"This increase shall be applied by doubling the total fare."

If taken together they mean that there shall be an increase of 100% the second paragraph would appear to be superfluous on the other hand if they have different meanings they should, or at least the second par, should be clarified.

- b. The contents of par 2 of your letter of 21 Aug 44 were not included in the proposed decree. Possibly it was not necessary but I call your attention to it. If there has been some increase of any railroad rates or fare on or after 1 July 1943, the decree should expressly provide in effect that "any previous increase of rate or fare put into effect on or after 1 July 1943 exceeding 100% of the fare or rate obtaining on that date shall be de-

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an increase of 100% the second par. should be clarified. the second par, should be clarified.

b.

The contents of par 2 of your letter of 21 Aug 44 were not included in the proposed decree. Possibly it was not necessary but I call your attention to it. If there has been some increase of any railroad rates or fare on or after 1 July 1943, the decree should expressly provide in effect that "any previous increase of rate or fare put into effect on or after 1 July 1943 exceeding 100% of the fare or rate obtaining on that date shall be decreased to conform to the rate or fare hereby established".

RICHARD H. WILMER,
Colonel, CAC.,
Chief Legal Officer.

See 73A, 72A, 72B

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✓ 4100

(6A)

ACP/fd

HEADQUARTERS

ALLIED CONTROL COMMISSION

Transportation Sub-Commission

APO 394

Recd 28 Sept 1944

Tele : 478701

26 September 1944

ACC Tn/30

SUBJECT : Proposed increases in Railways Rates and Fares

TO : Legal Sub-Commission ✓

HQ. ACC.

1. Attached is a copy of a letter ACC Tn/30/73 dated 31 Aug. 44, authorising the increase of 100% over the basic figures of Railways Rates and Fares, in operation on 1 July 1943, together with draft of the Decree also attached.

2. Will you please inform this Sub-Commission, within the next day or so if possible, if the wording of the new Decree meets the requirements of letter ACC Tn/30/73 dated 31 Aug. 44.

A.C. Vining Esq
 P. D.S. ADAMS
 Colonel, C.E.,
 Director, Tn.S/C.

Copy to : Economic Section

LEGAL SUB-COMMISSION

and next day or so if possible, if the wording of the new Decree meets the requirements of letter ACC Tn/30/73 dated 31 Aug. 44.

A.C. Long Capt

P- D.S. ADAMS
Colonel, C.E.,
Director, Tn.S/C.

Copy to : Economic Section

LEGAL SUB-COMMISSION									
→	DCLO								
	DCLO								
	Chief Counsel								
	CLO								
	Italian Section								
	QL RKS								

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HEADQUARTERS
ALLIED CONTROL COMMISSION
Transportation Sub-Commission
APO 394

Our reference : ACC/Tn/30/73
Date : 24 August 1944

TO : His Excellency
The Minister of Communications,
Rome

SUBJECT : Proposed increases - Railway Rates and Fares

1. It has been decided that authority may be given for an increase in all Railway Rates and Fares to 100% over the basic figures in operation on 1 July 1943.

2. It is desired that any previous increase which has exceeded 100% be decreased to conform with the standard increase now agreed to.

3. This increase to be permitted to all State Railways and private railways in concession, in Italy, Sicily, and Sardinia but no to tramways, trolley busses and funicular railways which are dependent to a large extent on local conditions and which will form the subject of discussion in the light of existing circumstances.

4. Please let me have copy of amendment to Royal Decree N. 27 B dated 16 december 43, to meet the circumstances now agreed to.

D.S. ADAMS
Colonel, C.E.,
Director, Tn. S/C.

now agreed to.

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D.S. ADAMS
Colonel, C.E.,
Director, Tn. S/C.

Copy to : Economic Section

(6c)

MINISTERO DELLE COMUNICAZIONI

Ferrovie dello Stato

IL MINISTRO

Segretario di Stato per le Comunicazioni

Visto il R. Decreto Legge 16 dicembre 1943, n. 27/B;

D E C R E T A

Art. 1

I prezzi vigenti al 1° luglio 1943 per i trasporti di persone e cose sulle Ferrovie dello Stato sono aumentati del 100%.

L'aumento viene applicato col raddoppio del prezzo globale del trasporto.

E' autorizzato altresì l'aumento dei prezzi vigenti alla stessa data per i trasporti di persone e di cose sulle Ferrovie concesse all'industria privata fino al massimo di cui al primo comma.

Art. 2

Con successivi decreti sarà provveduto per le tranvie, funicolari e filobus e per ogni altro servizio pubblico di trasporti di cui al R. Decreto legge 16 dicembre 1943 n. 27/B.

Art. 3

Il presente Decreto sarà pubblicato sulla Gazzetta Ufficiale del Regno - serie speciale - ed ha effetto dal

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Art. 3

Il presente Decreto sarà pubblicato sulla Gazzetta Ufficiale del Regno - serie speciale - ed ha effetto dal giorno successivo alla sua pubblicazione.

Dato a Roma il 19 settembre 1943

IL MINISTRO

F. to Cerabona

b

785016

NEAR HEADQUARTERS
ALLIED CONTROL COMMISSION
LEGAL SUB-COMMISSION
A.P.O. 394

27th April 1944

ACC/4104/9/L

SUBJECT: Italian Legislation - Extension to AMG Territory

TO : Public Works & Utilities Sub-Commission

1. Reference your ACC/134/PWU of 25 April 1944, para 4.
2. Attached is a copy of the memorandum of the Deputy Chief Commissioner dated 5 Mar 44 setting forth the procedure for extending the validity of Italian legislation to occupied territory.
3. Also enclosed for your information a copy of a directive on the same subject.

G. G. HANNAFORD,
Major,
Officer i/c Italian Branch.
for, Chief Legal Officer.

Encls: (1) 47/AS of 5 Mar 44.
(2) ACC/4010/2/L of 12 Apr 44.

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4104/9
 HEADQUARTERS
 ALLIED CONTROL COMMISSION
 Public Works and Utilities Sub-Commission
 APO 394

WML/ew

ACC/134/PWU

25 April 44.

Subject: Decree permitting Utility Rate Increases.

To : Chief Legal Officer, Legal Sub-Commission. Salerno.

1. Attached is a copy of a letter dated 22 April 44. which was handed to Signor Ruggiere, the Electrical Adviser to the Italian Government, on Saturday last.

2. This letter is addressed to the Minister of Public Works and calls for an amendment to the existing Italian law to allow of Increase in Rate of Public Utility Rates.

3. We have asked that the decree be passed to us for approval before enactment into law and we will submit this final drafting to you before giving our approval.

4. As it is desirable that this should also apply to A.M.G. Area will you advise as to procedure.

W.M. Lapper

W.M. LAPPER.
 Lt.-Col.
 Chief, El & Adm. Div.

Sent EL & AM

*a copy of the letter setting out
 procedure adopted
 for reviewing studies received
 operating in Army Administration
 15/4/44*

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Copy.

HEADQUARTERS
ALLIED CONTROL COMMISSION
Public Works and Utilities Sub-Commission
APO 894

LAJ/ccp

22 April 44.

ACC/134/PWU

Subject: Decree permitting Utility Rate Increases.

To : The Minister of Public Works.

1. In order that the Public Utility concerns may be allowed adjustments in their revenue, certain legislation will be necessary.
2. We suggest that Article I, Paragraph A, RDL No. 142 of 12 March 1941, be amended by deleting the following words:-
"..... for the supply of water, gas, and electric energy for any use....."
3. When Utility Companies are exempted from the price freezing order by such an amendment, it will be necessary immediately to enact legislation establishing procedure which must be followed by companies desiring adjustment in revenues.
4. Such legislation should provide that:-
"Water, gas and electric companies who are in financial difficulties and desire to have adjustments made in their revenues will apply to the Ministry of Public Works through the Provincial Genio Civile."
5. Please prepare the necessary decree and submit this to me for final approval before enactment into law.

L.A. JENNY, 3
Lt. Col. C.E.,
Director.

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REAR HEADQUARTERS
ALLIED CONTROL COMMISSION
Legal Subcommittee
APO 394

GRU/gmf

ACC/4104/9/L

14 April 1944

SUBJECT: Decree permitting utility rate increases.

TO : Public Works and Utilities Subcommittee.

1. We return herewith the enclosures in your letter ACC/134/PWU dated 9 April 44.

2. We agree that all that is required is a decree cancelling the relevant parts of the present decrees and substituting the provisions set out in your letter relating to applications for increases.

3. We think, however, it would be better to omit all reference to the Public Works and Utilities Subcommittee leaving it to an arrangement between yourself and the Minister of Public Works whereby all increases will only be made with your consent. Likewise we think the same machinery should be adopted in the occupied area and application should be made not to the Provincial Commissioner but to the Provincial Genio Civile to secure uniformity in occupied and unoccupied areas.

4. We have discussed the question of tax on proposed increases with the Minister of Finance and his view at present is any tax, except possibly on light, would be inadvisable. Will you, therefore, take up this question with the Finance Subcommittee and Minister of ~~Justice~~, please. If any tax on the increases is agreed upon subsequently, the Minister of Finance thinks that it should be in a separate decree and we agree with him.

G. R. Upjohn

G. R. UPJOHN
Colonel
Chief Legal Officer.

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HEADQUARTERS

ALLIED CONTROL COMMISSION

Public Works and Utilities Sub-Commission

LAJ/ac

APO 394

ACC/34 /FWU

410419

9 April 1944.

Subject : Decree permitting Utility
Rate Increases.

To : Director, Legal Sub-Commission.

Under various dates Decrees were passed by the Italian Government freezing prices on various things, including Utility Rates. (tariffs) We have obtained copies of such Decrees and believe that there are only 1, or 2 Decrees of interest in this case.

It is necessary to permit rate increases at this time. What we are planning to do is to allow a surcharge to be made on each bill covering the deficit of the previous billing period and not to change basic rates at a time as unstable as the present. We do not plan to allow anything for interest on bonds, dividends on stocks or amortization or depreciation, but merely to cover actual operating losses, until we see how things are going when the basis may be extended to cover some of the things now planned to be eliminated.

We do not want the basis of our method of approach to be published in any Decree. We are of the opinion that all that is needed is a Decree calling for :

- (1) The cancellation of such parts of the present Decrees referring to Water, Gas and Electric Utilities.

- (2) Stating that :

- (a) In Italian territory applications for increases must be submitted to the Provincial Genio Civile for transmission to the Minister of Public Works and the Public Works and Utilities Sub-Commission, A.C.C.
- (b) In the Army Zone north of the Italian Area, applications for increases are to be made to the Provincial Commissioner, A.C.C. for transmittal to the Public Works and Utilities Sub-Commission,

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 - (b) In the Army Zone north of the Italian Area, applications for increases are to be made to the Provincial Commissioner, A.C.C. for transmittal to the Public Works and Utilities Sub-Commission, A.C.C.

Copies of various Decrees are attached.

Please advise me if the above recommended action regarding the issuance and content of a new Decree is correct, or, if not, what procedure you recommend.

1

L.A. Jenny
L.A. JENNY,
Lt Col. C.E.
Director.

C.O. to, Econ. Section.
Finance Sub-Commission.

