

as I said at the outset, it is your duty—but your reasoning on that, when the others say they are acting within the framework of the law, and the policies that the Congress has established in reaching their decisions—let me give you an example of something that is underway down there.

The Revenue Act of 1962, on recommendation of the President, included a 7-percent investment credit provision, the purpose of which was to encourage business and industry to modernize and expand the Nation's production facilities. Among other industries which we specifically included are natural gas pipelines, which you have mentioned today.

The bill passed the House, and in the course of its consideration by the Senate, Senator Kerr inadvertently made a statement to the effect that in the case of pipelines, this benefit would accrue to the benefit of the consumer.

When the Senator was asked about this statement, he agreed that it might lead to misinterpretation, and when the bill was in conference, he signed the conference report in which any possible misinterpretation was eliminated. The conference report language reads as follows:

It is the understanding of the conference on the part of both the House and Senate, that the purpose of the credit for investment in certain depreciable property, in the case of both regulated and nonregulated industries, is to encourage modernization and expansion of the Nation's productive facilities and to improve its economic potential by reducing the net cost of acquiring new equipment, thereby increasing the earnings of the new facilities over their productive lives.

Chairman Mills, of the Ways and Means Committee, in a letter to the chief counsel, dated November 26, stated in part:

* * * the investment incentive credit, as I understand it, was to be purely for the purpose of encouraging capital investment. This would clearly not be the result if any investment credit had to be passed on to the users by public utilities.

Thus, we find that the clear intent of the Congress was to conform with the President's recommendation and to give the 7-percent investment credit to firms for the purpose of encouraging economic growth. Nothing was said in the final legislative history to indicate that this tax credit was to be passed on to the consumer.

Now, there seem to be proceedings down in the Commission—preparing to take away the 7 percent from the investor in the pipeline companies and pass it on to the consumer. Now, do you think that taking away the 7 percent from the pipelines could possibly be justified in the view of the obvious congressional intent as I have outlined it here?

Mr. MORGAN. Well, you pose a very intriguing problem, sir. We have scheduled an interpretation of this matter as a rulemaking procedure, and we will have to come to a decision on it. The Interstate Commerce Commission, I understand, has laid down a rule that this tax benefit will be flowed through to the consumer. Now, on what basis they have done that, I don't know. I haven't studied the matter yet. But I am interested in having you pose the problem as you did. It sounds as though it will be an interesting problem when it comes before us.