

business

Shareholders

Corporate developments spur questions

NEW YORK — New shareholder questions about deceptively low executive expense accounts, inflation-adjusted financial results and rejected takeover proposals await corporate directors in this year's round of annual meetings.

Corporate policy toward South Africa remains the most common topic of shareholder resolutions and companies involved in nuclear energy will be peppered with safety questions stemming from the Three Mile Island disaster. But several developments since last year's annual meetings have sparked questions for this spring's company get-togethers.

Publication of John DeLorean's recollections of life at General Motors Corp., for example, verified an open secret of the corporate suite — executive expense accounts can be manipulated to near nothing.

DeLorean, the former GM executive now heading his own auto company, recounted that GM's top managers "went through all sorts of financial gymnastics to avoid expenses."

"They always let underlings pay their bills and then approved the underlings' expenses; used company planes when a commercial flight would have done the job; or let suppliers pick up the tab," said DeLorean in "On a Clear Day You Can See General Motors," written by J. Patrick Wright.

"I guess a small figure gave the semblance of a lean, well-controlled corporation, and provided a shockingly low figure for the chairman to give shareholders if the question of executive expense was raised at the annual meeting."

The expense question already has been raised at this year's early annual meetings attended by stockholder activist John Gilbert, who is citing DeLorean's description of expense dodging. No company yet has disclosed it engages in the practice.

Another likely topic for questioners is the inflation-adjusted financial data being published in annual reports for the first time. With inflation taken into account, corporate results frequently are much less rosy than reported under standard accounting methods.

Many companies opposed the requirement to compute the inflation-adjusted numbers on grounds they will confuse shareholders. The accounting firm of Deloitte Haskins & Sells said directors can expect a battery of questions on what the new numbers mean and how useful they are.

Directors who have turned down takeover bids without putting the matter to a shareholder vote face questions on their decision. While many stockholders are content to let directors decide such matters, others think they should have a

voice, especially when a generous tender offer is involved.

A case in point is the rejection last year by McGraw-Hill Inc. directors of a takeover offer from American Express Co. Guy P. Wyser-Pratte, who heads arbitrage trading for the Bache Halsey Stuart Shields brokerage, fought the decision and hoped to raise the issue again at McGraw-Hill annual meeting this spring.

McGraw-Hill blocked the proposed resolution and was upheld by the Securities and Exchange Com-

mission. But despite McGraw-Hill's victory, Wyser-Pratte says he plans more resolutions to force directors to convey attractive takeover offers to shareholders.

He believes raising the issue at annual meetings will produce better results than court actions, which frequently have failed.

"There is a groundswell among stockholders against having their fate decided against their wishes," Wyser-Pratte says. "You can't leave these decisions to the directors who have vested interests."

NSP requests Tenneco aid

EAU CLAIRE, Wis. — The Midwestern Gas Transmission Co., serving Northern States Power Co. in Wisconsin, Minnesota and North Dakota, is too dependent on costly Canadian natural gas, according to an NSP official.

Edwin Theisen, Wisconsin NSP president, said the utility has asked the U.S. Department of Energy to order the Houston firm, a subsidiary of Tenneco Inc., to decrease its dependence on natural gas from Canada.

Canada increased the price to U.S. pipeline companies by 30 percent to \$4.47 per thousand cubic feet

Feb. 17. NSP distributes the gas to 38,000 customers in the three states including 14,000 in Eau Claire, Chippewa Falls, Menomonie and Altoona.

"We have requested a formal hearing because the steadily rising export price of Canadian natural gas has imposed substantial economic hardships on our customers," Theisen said.

Theisen said NSP has expressed concern since 1975 over Midwestern's exclusive reliance on gas from Canada. Midwestern won the right to serve NSP under a franchise the federal government established in 1960.

He said NSP customers in La Crosse, Onalaska and Hudson receive gas at half the price. The gas distributed in La Crosse, Onalaska and Hudson is American natural gas piped by the Northern Natural Gas Co. of Omaha, Neb.

Majority of province owns company stock

NEW YORK — When the British Columbia Investment Corp. holds its first annual meeting this spring in Vancouver Coliseum it will have to limit admission to holders of 100 shares or more.

That's because most of the Canadian province's two million population own at least five shares of the company.

Although its revenues totaled a modest \$360 million last year, the company's shareholder family is two-thirds the size of American Telephone & Telegraph Co., and it has nearly one-third as many shares outstanding as the giant General Motors Corp.

British Columbia Finance Minister Hugh A. Curtis, visiting New York to address a select group of Wall Street executives, explained the unique corporate setup.

"When British Columbia was ruled by a socialist government for three years prior to the election of the present moderately conservative regime in 1975, a lot of enterprises were acquired by the provincial government that simply don't lend themselves to state operation," Curtis said.

Last year all these were grouped in one corporation, he said. Every citizen over the age of 16 in the province was given five shares free, a total of 10 million shares to 1.9 million persons. In addition, a general offering of the stock was made to Canadian investors at \$6 a share. More than 80 million shares were sold. Many of these shares, of course, were bought by persons who also had received free shares.

Curtis said the provincial government made the distribution because it believed the people were entitled to the shares and because it wanted

to interest more British Columbians in the virtues of capitalist stock ownership.

The conservative administration of Premier W.R. Bennett was re-elected last November. Curtis said the province came back from "near bankruptcy" reached under the socialist regime and had a surplus of \$303.9 million in the first nine months of last year. Its inflation rate is only 7.7 percent, less than half that of the United States and well below half that of the general Canadian inflation rate.

The government's interest in the spun-off company has been reduced below 5 percent, which is not enough to give it any further voice in management or policies, Curtis said.

The company did well in its first year as a capitalist enterprise, earning \$40.8 million on the \$360 million revenues. The profit came from the yield on \$517 million in short-term investments and earnings from large forest products holdings. Its stock re-

cently has sold around \$10 a share. The first-year performance, despite a strike at the Prince Rupert pulp mill and some other expected setbacks.

The socialist regime left a provincial government with a dozen other Crown corporations, state-owned business enterprises called in Canada. Curtis said he has no plans to spin off or privatize private enterprise since they engage in generally not suited to public management.

As a pilot, a report showed that last year from these companies they more than one-third as much as taxes.

Curtis predicted British Columbia will have another big year because of the provincial natural resources and re-election of the moderate government has reinforced the confidence of the people.

Enzyme studies benefit gasohol

NEW YORK — If alcohol fuel mixtures yield exceptionally big oil savings, it probably will be the result of breakthroughs in enzyme chemistry.

Using enzymes to convert to sugar the starch in grains and such crops as manioc (tapioca) has made the present gasohol mixtures commercially feasible, says William Carasik, a research scientist for Novo Laboratories of Wilton, Conn., American subsidiary of Novo Industries of Denmark. The Novo laboratories is regarded as one of the world's leading in enzyme study.

Although enzyme chemistry is a century old, Dr. Kendall E. Pyle, a University of Pennsylvania biochemist, said practical developments now put it about where the electronics industry was 20 years ago.

Stressing that there are no early breakthroughs in sight, Carasik raised the possibility that chemists might develop enzymes that, combined with other technology, would convert starches or cellulose directly into alcohol, "by-passing the energy-greedy step of distillation." It is the fuel required to distill alcohol that runs up the cost.

Pyle said elimination of distillation might be accomplished by means of

molecular sieving, membrane filtration or solvent extraction, but that did not matter how good the water they can't get the water out of fermented mash.

Even if distillation were eliminated, better enzymes greatly increase the alcohol from a given tonnage of starch and a given quantity burned in distillation.

At present about the only economic use of fuel in making is to find a source of waste heat as that from a power plant, but goals are to use the waste heat to produce more alcohol.

The use of enzymes to convert starches to sugar already has a fuel requirement in making 40 percent as compared with 100 percent for acid and high-temperature processes.

Pyle said that with technology already available, enough ethanol probably can be produced to supply 20 percent of the petroleum fuels used by Americans. Development of new, much more efficient enzymes could greatly increase the percentage. There is no one such enzyme will be developed.

The two commercial enzymes have been identified and used to work in food production, leather, textile and other processes.

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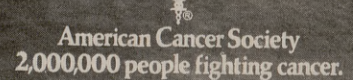
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