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Montana State Rural Electrification Administration Convention - Lewistown, Mt.

Mike Mansfield 1903-2001

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MONTANA STATE REA CONVENTION
LEWISTOWN, MONTANA

SPEECH OF SENATOR MIKE MANSFIELD
OCTOBER 30, 1956

The Rural Electrification Administration is an agency of the United States Department of Agriculture. It was established on May 11, 1935, by Executive Order of the President under authority of the Emergency Relief Appropriation Act of 1935. The Rural Electrification Act of 1936 gave REA permanent status and authorized a ten-year lending program. In 1944 this lending program was extended by Congress indefinitely. Congress annually makes available the amount of funds REA may lend.

REA is headed by an Administrator who is appointed by the President for a ten-year term. His appointment is confirmed by the Senate, and in his official actions he is responsible to the Secretary of Agriculture. The present Administrator, David A. Hamil, of Colorado, took office in June 1956.

REA is empowered to make loans to qualified borrowers, with preference to nonprofit and cooperative organizations and to public bodies. Loans are made to cover the full cost of constructing power lines and other electric facilities to serve persons in rural areas who are without central station electric service. The loans bear 2 percent interest and are repaid over a maximum period of 35 years.
REA itself operates no rural-electric facilities, and no grants or subsidies are involved in its program. Its loans are repaid from the operating revenues of the locally owned, locally managed systems. A part of each individual consumer's monthly electric bill goes to pay off the Government loans. REA serves principally as a banker to the local systems. Its main functions are to lend money and give technical advice and counsel where needed in the construction and operation of the borrower's facilities.

Farm electrification had advanced very slowly in the United States during the 53-year period from 1882, when the first central generating system went into service, to 1935, when REA was created. A few farmers were connected to central-station power prior to World War I. The early twenties saw a short-lived spurt in which the progress made in electrical engineering was reflected by a small increase in the number of farms served. However, only 10.9 percent of all farms in the United States were receiving central-station electric service by 1935. Few power lines had been built beyond the immediate vicinities of cities and towns.

Farmers and farm organizations, chafing at the slow rate of progress, increased their demands for Government action in the field of rural electrification. The result was the establishment of REA, with an action program designed primarily to make electric service available to those farm people who were without electricity.
REA estimated as of June 30, 1956 that 93.4 percent of the Nation's farms were electrified.

Many of the remaining unelectrified farms are situated in isolated areas, or in areas of relatively low farm income. Consequently, the most difficult part of the rural electrification job remains to be completed. However, the REA program has succeeded in establishing a pattern which eventually can provide virtually every unserved farm in the country with electric service.

Membership in rural electric cooperatives is not confined to farmers. It is open to all people in a rural area who can be reached and who want electric service. More than three-fourths of all consumers on REA-financed cooperative lines are farms. But also included are many thousands of rural non-farm dwellings, schools, churches, stores, community buildings, and similar facilities. REA borrowers also serve thousands of rural industries and other commercial enterprises. Many of these rural industries themselves are operating on a cooperative plan.

Rural electric cooperatives have proved the most effective instrument for carrying out the REA program because of their advantages as a method of making reasonable cost electric service available to farmers in rural areas. These advantages include:

First, REA-financed cooperatives operate on a nonprofit basis. This enables them to provide electric service at cost to their members.
Second, Directors of REA-financed cooperatives are elected because of their known interest in making electric service available to rural people at reasonable rates. They serve without compensation and keep operating expense at the lowest possible level consistent with good service.

Third, Members of REA-financed cooperatives also are interested in electric service at reasonable cost. For example, they help reduce operating expense by voluntarily reporting potential causes of service interruptions such as tree limbs touching the lines. Most of them read their own meters, and many make out their own bills.

Fourth, Previous experience of farmers with other types of cooperatives helps them to organize and operate rural electric cooperatives on a sound basis with a minimum of effort and expense.

Lines constructed by REA borrowers are built to serve entire areas, including less densely settled sections as well as those of greater population. This is known as area coverage. The test is no longer whether an individual line or section will be self-supporting, but whether the entire system as a whole is feasible. This policy has become increasingly important as the rural electrification job has progressed. Only through area coverage can electric service be extended to many of the more isolated farms, and to others which are remotely situated in pocketed areas far removed from any established source of power.
In every region in the United States rural electric cooperatives have demonstrated that farm electrification, far from constituting an additional cash drain on low-farm incomes, actually brings about a higher real-farm income and better farm living. It brings more business into rural communities. It encourages new local enterprises which come about when low-cost power is available. It stimulates private business, both locally and nationally. Surveys indicate that for every dollar invested in rural power facilities the farmer invests an additional $4.50 in wiring, plumbing, and electrical appliances.

The use of electric power in farm production and processing is constantly expanding. To date about 400 farm uses for electricity have been reported. Electric power on the farm is an economic necessity which can pay its way with handsome profits for the farmer. Guidance is given consumers on REA-financed lines as to which uses are the most efficient and the most profitable in these times of power shortages.

In the State of Montana, at the time REA was established in 1935, only 2,768 farms, or 5.5 percent, were receiving central station electric service. REA estimated as of June 30, 1956, that 28,450 farms, or 86.1 percent of all farms in the State, were served. An estimated 9,000 farms in the State still were without service.

The first REA loan in Montana was approved in May 1936, and the first REA-financed line placed in operation on December 5, 1937, by the Lower Yellowstone Rural Electric Association of Sidney, Montana.
As of July 1, 1956, REA had approved $50,537,108 in loans in the State to 25 borrowers, 25 of them cooperatives. The loans will enable these borrowers to finance the construction of 26,963 miles of line and other rural electric facilities to serve 41,400 rural consumers. Most of these facilities already are in operation and additional lines are being built.

As of July 1, 1956, REA had advanced $43,859,620 as loans in Montana, and the State's borrowers were operating 27,123 miles of line serving 40,413 farms and other rural consumers.

The average monthly farm consumption on REA-financed lines in Montana increased from 76 kilowatt-hours in December, 1941, to 211 kilowatt-hours in December, 1948, to 466 kilowatt-hours in 1955.

This increase reflects greater use of electrical equipment to save time and labor in performing farm and household tasks to help bring about a more comfortable rural living.

REA's latest debt-service summary, covering all transactions to July 1, 1956, shows that the Montana borrowers have paid $3,229,100 interest on their Government loans, and repaid $7,753,467 of the principal on their government loans. This includes a current balance of $2,930,349 of payments made ahead of schedule.

No payments are overdue.

This is a great record for a great program in a great State. It is my hope that the day is not too far distant when every farm in Montana is electrified. I will do everything in my power to achieve that goal.
As Toby Rader, Manager of the Fergus Co-op, said on Monday, October 8, 1956:

"The most important contributing factor to our continued success is an adequate supply of cheap electric power. We must always fight for equal rights in the purchase of wholesale power. Government sponsored electric generation and private electric generation must keep pace with each other. For one to grow too big could well destroy the other.

"We must fight for continuation of the Preference clause as it was written into the Reclamation Act of 1906. There are those interests that would lead you to believe that the preference clause discriminates against members of our cooperative since our power is delivered to our substations by a private company.

"This is definitely not the case. The preference clause helps us as it helps every individual user of electricity in America. The preference clause inserts an element of competition in the electric business. Competition is the basic principal in our free enterprise system.

"You must leave no stone unturned to keep control of your electric business. You must keep faith with those who have worked so hard to bring electric service to you. You must be ready at all times to fight for the right to serve yourself with electricity. It is an honest and just cause. Are we going to stand up today and be counted or are we going to sit down and be counted out tomorrow."