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HOUSE OF REPRESENTATIVES

COMMITTEE ON
 INTERSTATE AND FOREIGN COMMERCE
 WASHINGTON, D. C.

July 10, 1935.

CHA... OFFICE

Hon. Joseph P. Kennedy,
 Securities and Exchange Commission,
 Washington, D. C.

Dear Mr. Kennedy:

I have read with interest, even amazement, your letter to Senator Wheeler with reference to the public utility bill which he yesterday read to the Senate, as shown on page 11273 of yesterday's Congressional Record. It is very evident that you did not read the House draft of the bill which you undertook to criticize.

With respect to Section 11 of the House bill you say that "the phrase 'public interest' is not defined in the House bill, thus this bill furnishes no effective standard to guide the Commission in the momentous decisions it must make" etc. As a result, you state that you cannot be "too vehement in urging upon you my feeling that this section as now drawn is most unfortunate".

It may be that a better bill can be drawn than the House bill. It may be that a better definition of public interest can be drawn. It may be that better and more explicit standards to guide administrative discretion can be drawn, but when you say that the phrase "public interest" is not defined and the bill furnishes no effective standard, you are entirely inaccurate.

I call your attention to Section 1 of the House draft of the bill. Without setting it forth at length Section 1 can be summarized as follows:

Section 1(a) states that public utility holding companies and their subsidiaries are affected by the national public interest, with five specified reasons.

Section 1(b) states that upon the basis of facts disclosed by the reports of the Federal Trade Commission and the investigation conducted by the House committee on Interstate and Foreign Commerce, it is stated that "It is hereby declared that the national public interest" and the interest of investors and con-

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sumers are or may be adversely affected,"for reasons set forth in five sub-paragraphs.

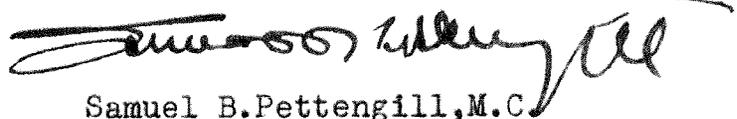
Subsection 6 states with reference to the abuses above enumerated that "It is hereby declared to be the policy of this title, in accordance with which policy all the provisions of this title shall be interpreted (which, of course, would include Sec. 11) to prevent the adverse effect upon the public interest", etc.

The above standards and definitions of public interest were worked out after days of discussion by Mr. Beeman and Mr. Perley of the legislative drafting service.

Let me again say that if better definitions of the public interest can be drawn and better standards can be defined, I would welcome them.

This letter is written only to make plain that the statement in your letter to Senator Wheeler that "the phrase "public interest" is not defined in the House bill" is a misstatement of fact, which upon your attention being called to it, I would assume you would be glad to make efforts to correct.

Very truly yours,



Samuel B. Pettengill, M.C.