

8 Institutions Control Most Of Top Firms

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Most of the nation's largest corporations appear to be dominated or controlled by eight institutions, including banks.

This is a major finding of a massive new Senate study of the 89 principal holders of voting stock in corporations. In addition to the banks, the stockholders are an agency of the New York Stock Exchange and the country's biggest brokerage house.

The 480-page report is a wealth of hitherto unavailable, hard-to-get or obscure facts.

In the study, however, it is noted that a big data gap remains—the identification of stock holdings in bank trust departments and other institutional holdings.

The study, "Disclosure of Corporate Ownership," was published by two Senate Government Operations subcommittees. One is headed by Sen. Lee Metcalf (D-Mont.), sponsor of a bill to require public disclosure of true owners of large companies, and the other by Sen. Edward A. Brooke (D-Mass.).

In May, 1972, Metcalf sent a letter of inquiry on stock ownership to the 100 top corporations (as measured in terms of sales), the 20 leading firms in the categories of transportation, public utilities (excluding communications), retailing and banking, and the 20 major life insurance companies that are not systemically covered in other data sources.

Of these 324 corporations 89 responded fully. A large proportion were airlines, railroads and communications companies that are required to file information with federal regulatory agencies. But one was Ford Motor Co., the third-ranking industrial corporation in sales in 1972.

Fifty-eight firms did not reply to Metcalf's letter. Among them were 15 industrial corporations, including General Foods, Aluminum

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Company of America and Georgia Pacific Corp. The highest proportion of non-responses was among retailing firms, including Zayre and Giant Food.

The corporations that supplied partial or irrelevant data numbered 177—almost twice as many as responded fully. The commonest justification given was a professed need or requirement for confidentiality.

This justification was called into question in the report, which showed that some firms complied fully with Metcalf's request while others in their categories did not.

Ford and Chrysler Corp., for example, complied; General Motors did not. Atlantic Richfield and Mobil Oil complied but Exxon and Texaco refused. RCA and American Telephone & Telegraph complied but International Business Machines and International Telephone and Telegraph refused. Safeway and Grand Union complied but A&P and Food Fair refused. Bankers Trust and First National City complied but Morgan Guaranty and Bank of New York refused.

The responses and non-responses were tabulated and analyzed for the subcommittees by Julius W. Allen of the Library of Congress, who was aided by Eugenie Dieringer, and by Prof. Robert M. Goldofsky. Supplementary data were obtained from reports filed with regulatory agencies.

The resulting report is the most important congressional document of its kind since a huge staff study on commercial banks and their trust activities was issued by a House Banking and Currency subcommittee in 1968.

The eight institutions that control the 89 fully reporting companies—and, the staff of the Metcalf subcommittee believes, the rest as well—are:

- Five New York City banks, which together manage investment portfolios valued at the end of 1972 at \$84.5 billion: Morgan Guaranty Trust Co., Bankers Trust Co., First National City Bank, Chase Manhattan Bank, and Bank of New

York.

- State Street Bank & Trust Co. of Boston.

- Merrill Lynch, Pierce, Fenner & Smith, the brokerage house.

- Cede & Co., the "street name" for the nominee of the Stock Clearing Corp., which in turn, is totally owned by the New York Stock Exchange. Cede represents Exchange members—144 of them that hold stock in, for example, American Airlines. The ultimate owners of stock represented by Cede are mostly undisclosed. The extent to which Cede actually votes shares is uncertain, the report said.

Cede & Co. in 1972 was the largest stockholder in a total of 32 companies. Chase Manhattan was the largest in 20, including four trunk airlines: American, 9 per cent; National, 8.4; United, 8.3, and Northwest, 6.9.

Chase Manhattan was also the largest stockholder in Southern Railway, 8.3 per cent; Burlington Northern, 6.7; Seaboard Coast Lines, 6.2; Transcontinental Lines, 8, and Consolidated Freightways, 6.4.

First National City was the largest stockholder in Virginia Electric & Power, 5.6, and Carolina Power & Light, 7.

Among holders of at least 2 per cent of the voting stock in the 89 corporations that responded to the inquiry, Cede led with 55. Next came Chase Manhattan, 46; Morgan Guaranty, 29; First National City, 28; Bankers Trust, 21; Merrill Lynch, 19; Bank of New York, 17, and State Street, 16.

A major focus of the report is on "street names," because of the barriers they erect to determining who has control of voting stocks.

Only through the use of the "Nominee List," sold for \$20 by the American Society of Corporate Secretaries, can the "street names" be translated into the institutions behind them.

The study cited the listing of the 30 security holders with "the highest voting powers" provided last year by the Burlington Northern railroad to the Interstate Commerce Commission.

Eleven of the security holders proved to be "street names" for Bankers Trust, Chase Manhattan, Bank of New York and State Street Bank & Trust, the study said. But, it emphasized, none of the four banks was mentioned in the BN's ownership reports to the ICC and the Securities and Exchange Commission, although they held 25 per cent of the firm's common stock.

Sometimes the principal stockholder were named as Swiss banks. Litton Industries, for example, said that of its 16.9 million shares, Credit Suisse owned 1.3 million, Societe de Banque Suisse 976,000, and Union Bank of Switzerland 584,000. "An individual" was listed for 1.1 million.

Another emphasis in the study is on the control over rival companies exercised by one or a few institutional investors.

To take a case in point, the largest single stock-

holder in Mobil Oil in 1972 was Bankers Trust, which had voting rights to 6.1 per cent of Mobil's common stock. Chase Manhattan ranked second with 5.2 per cent. Morgan Guaranty was fifth with 2.9 per cent.

Together, the three banks had 14.2 per cent. Control is "presumed" at 10 per cent under guidelines set by Congress, although as little as 5 per cent may be sufficient. "Even 1 per cent or 2 per cent" confers potential "tremendous influence," the House Banking staff study said.

Bankers Trust, with 5.8 per cent of the stock of Continental Oil, was principal stockholder there as well as at Mobil Morgan Guaranty held 2.2 per cent of Continental.

Chase Manhattan, in addition to its 5.2 per cent of Mobil's stock, held 4.5 per cent of Atlantic Richfield and is consequently ARCO's biggest stockholder. First National City Bank held an additional 2.7 per cent of ARCO.

Morgan Guaranty, in addition to its holdings in Mobil and Continental, held 2.1 per cent of Ashland Oil. The biggest holder of stock in Ashland is Cede & Co., the stock exchange unit, which also held 2.3 per cent each in Mobil and ARCO and 4.4 per cent in Continental.

Similar patterns show up

among other rival firms among the 89 reporting companies. Chase Manhattan in 1972, for example, held 3.5 per cent of Ford Motor and 4 of Chrysler, 3.6 of General Electric and 2.1 of Westinghouse, 7.4 of Monsanto Chemical and 2 of Dow Chemical, 10.5 of Safeway and 2.5 of Grand Union.

Similarly, Morgan Guaranty held 2.7 per cent of GE and 5 of Westinghouse, and 3 of Safeway and 3.3 of Grand Union. State Street of Boston held 2.2 of Ford and 2 of Chrysler.

A related series of tables in the study's appendix lists the concentration of holdings of common stock by the top 50 bank trust departments.

Among drug, cosmetic and toiletry firms, for example, four banks held 14 per cent of Syntex voting stock and eight banks held 15.65. The comparable figures for Merck were 9.66 and 13.46; for American Home Products, 6.90 and 9.39. A single bank held 4.78 per cent of Schering and 5 of Avon Products.

Here is a sampling of other figures on four-bank holdings: ITT 9.61 per cent; GE, 4.83; Aetna Life, 19.17; Colt, 15.43; Pepsi-Cola, 13.46; Metromedia, 12.26; Xerox, 11.68; Gulf Oil, 21.72; Sears Roebuck, 3.11; Polaroid, 11.16; GM, 3.19 and International Paper, 10.66.

The influence of banks is further reflected by a listing of 29 institutional investors managing portfolios with combined assets at the end of 1972 of \$306.4 billion.

Banks predominate. Morgan Guaranty tops the list at \$27.4 billion, followed by Bankers Trust at \$19.9 billion. At the bottom of the list, with \$5.2 billion, is Girard Bank of Philadelphia. Among other investors on the list are Prudential Insurance, ranking third at \$18.3 billion; Metropolitan Life, sixth at \$16.5 billion,

and Investors Diversified Services, 13th at \$9.7 billion.

Interlocks among directors are set out in a special appendix. Chase Manhattan, for example, is shown to hold 14.1 per cent of Columbia Broadcasting System. One of the directors of the bank as well as of CBS is Robert O. Anderson, chairman and chief executive officer of Atlantic Richfield, in which, as was noted, the bank is the top stockholder.

Who owns Chase Manhattan? Its reply to the Metcalf letter, along with

the responses of numerous other large banks and institutional investors, is unrevealing. It names only chairman David Rockefeller, holder of 337,500 shares of common stock; the 29 other principal holders of the remaining 31,544,247 shares were identified only with phrases such as "bank nominee."

In invoking confidentiality, Chase Manhattan president Herbert P. Patterson cited "policy," as did GM, Exxon and Standard Oil of Indiana termed their rela-

tionships with shareholders private. American Home Products wondered about "Propriety." ITT and Tenneco worried over "a breach of our fiduciary responsibility."

On the other hand, Mobil Oil and Dow Chemical not only supplied the requested data but said they were pleased to do so.

The report is available for \$5.60 from the Superintendent of Public Documents, Government Printing Office, Washington, D.C., 20402.