

THE NEW BRUNSWICK POWER COMPANY HEARING

ST. JOHN DAY AT THE CAPITAL ATTRACTS LARGE DELEGATION

M. G. Teed, Peter Hughes and F. R. Taylor Speak for New Brunswick Power Co.—J. L. Sugrue and James Powers Declare Increase Desired by the Employees—Many Citizens Oppose Plan to Increase Rates—Dr. Wallace, Mayor Hayes, Commissioner McLellan, Miles E. Agar and Others Speak for City.

Fredericton, April 11.—Before the Corporations Committee, Hon. J. P. Burchill, chairman, hearing on the Power Company Bill, a delegation of upwards of 100 citizens, headed by Mayor Hayes and Commissioners McLellan and Fisher and M. E. Agar and including some 20 from Fairville, were present. Chairman Burchill announced that the street railway would first be heard. Then, those opposing the company's proposals.

M. G. Teed, K. C., in support of the company's proposal, said the increase asked was not to increase the return to the shareholders, but to meet the increase of the extraordinary expenditures of the war. The increase was necessitated by increases in labor, or coal and all the elements of business. The company had acquired water powers in the vicinity of St. George and expended about \$118,000 in cash in that connection. With a view to utilizing their power they acquired the St. John Street Railway plant. Owing to certain circumstances it has become impossible to operate, keep up the plant, make due extensions, grant wage increase and give a fair return on the investment. Certain bonds and preferred stock have been issued, also. The company all the time is not making increase to pay dividend on the common stock. He said 8 per cent was fixed, some years ago, as a fair return on a public utility investment. Public utilities are fixed the cost of the plant at \$2,600,000. These with liquid assets made the value more than \$2,700,000. Interest at 8 per cent would give more than is now asked after deducting the cost of operations.

Adding the water power cost it would be seen that the company is only asking interest at 6 1/2 per cent. The group now owning the company paid \$1,400,000; they retired bonds of the value of \$1,967,000. This with the water power makes a total of \$2,567,000. A return at this per cent would yield more than the company is now asking. Last April wages were increased \$4,000. The full cost is \$35,000 ahead of last year. Labor is now asking increases involving \$50,000 more and \$4,000 for the Workmen's Compensation Act.

Mr. Teed talked of the increase of various supply articles. Either rates must be increased or dividends or workmen without pay, or operations have to be stopped. They are not asking rates for the return on two million stock; no moneys are diverted in the transfer. The application is not to make profits out of development of water power. They asked the committee to eliminate from their minds any suggestions that interest be sought on the \$2,000,000 of common stock. If they get the increase they will be able to pay operating expenses, give wage increases and if they do not get it will have to default to the dividends. He told of the coal rate increases. He told of the coal demands of other companies for the increase on the same grounds company is asking. Some increase must be allowed; how much is the only question. The company required the assistance which the street railway was unable to finance. The new company will give better service, but the legislature must enable it to pay its way by giving it reasonable rates. Under the present rates the month required to carry on the business cannot be secured.

F. R. Taylor, K. C., said the application was necessary by the great increase in all the operating expenses. The city demanded valuation of its property; the company consented. The city appointed an auditor who was given facilities to examine the books thoroughly.

Dr. Baxter, K. C., read the first section of the bill, saying that he had been denied access to the minute books.

Mr. Taylor replied that Mr. Macintyre wanted to go through the books for matters not connected with the audit, and was seeking information no company would give an auditor.

Dr. Wallace, K. C., M. C. Cox, who assisted Mr. Macintyre, is here and will tell you just what took place. Mr. Taylor said the company also permitted officers of the Public Utilities Commission to examine its plant. They did not examine the water powers nor the subsidiary supply company. He understood the city and the premier have copies and the third with the chairman of the Public Utilities Commission. The commissioners expressed appreciation of the facilities afforded them by the company. These reports show there is no necessity for a further investigation because there have been full investigations. Mr. Sloan, who investigated the railway department, fixed the cost value at \$1,600,000.

A SLUGGISH LIVER CAUSES LOTS OF TROUBLE

When the liver becomes sluggish it is an indication that the bowels are not working properly, and if they do not move regularly many complications are liable to set in. Constipation, sick headache, biliousness, headache, jaundice, heartburn, water brash, catarrh of the stomach, etc., all come from a disordered liver. Milburn's Lax-Liver Pills are a specific for all diseases or disorders arising from a slow, sluggish, lazy or torpid liver, and they have been universally used throughout Canada for over 20 years with the greatest success.

Mr. W. A. Harrison, 7 Poplar Grove, Halifax, N.S., writes: "I take pleasure in writing you concerning the great good I have received by using Milburn's Lax-Liver Pills for a sluggish liver. When my liver got bad I would have severe headaches, but after using a couple of vials of your pills I have not been bothered any more."

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Mr. McGregor—These bonds were not secured in any way. Com. McLellan—Why should the common stock sell for more than the bonds? Mr. McGregor—Harris, Forbes & Co. would not buy third mortgage bonds. Premier Foster—What was it to cost to develop 5,000 horse-power? Mr. McGregor—I think about \$300,000. Mr. Tilley—What was the engineer's valuation of the water power? Mr. Forbes—I do not recall. Mr. Taylor—What do you consider the value of the water power? Mr. McGregor—Undeveloped half a million dollars. Mr. Fotheringham, engineer, who valued the property for Harris, Forbes & Co., said a public utility must be on a sound basis. Public utility is a manufacturer and the cost to produce service varies and so should the price. Mr. Fotheringham said it was not fair to the ratepayers to have the cost of the street railway on the rock bottom cost of their property. Street railways are not popular investments today because of their many non-productive expenditures. The burden must be borne either by higher rates or by taxation. So long as it remains under private ownership the cost of operation cannot be met without rate increases. The estimated net earnings does not even insure sufficient to pay the expenses of the first mortgage bonds. Mr. Strong's valuation of the property would have to be increased 50 per cent for reproduction. The owners of the company have a vision of hydro-electric developments. The value of their water asset is largely in excess of the \$118,000 already expended. The valuation of the complete project is fully equal to the bond issue of \$2,100,000. The situation is extreme and relief should come immediately.

Mr. Tilley—You say there was \$118,000 spent on the hydro-electric property. Do you know the particulars? Mr. Fotheringham—I do not. Mr. Tilley—Perhaps Mr. Taylor will detail the expenditure. Mr. Taylor—I do not know how the \$118,000 was spent or what it was spent for. Mr. Tilley—In the transfer what was the value of the hydro-electric? Mr. Taylor—I never heard of any valuation. M. Robinson said many who bought the securities were convinced it would pay interest were entitled to the higher rates to protect their securities. It was due to the exigencies of the war that expenses had increased and the legislature should protect the bond and stock investors. Mr. Burchill asked if any persons desired to speak on behalf of the shareholders or employees. James Power, on behalf of the company employees, urged the necessity to get the report, as he understood Harris Forbes & Co. for whom the report was made, never made them public, but F. E. Fotheringham, Coffin & Barr, New York, who made the physical valuation, was here and could speak of that report. Mr. Baxter will be able to reproduce the report.

Mr. Taylor—"No." Mr. Taylor, continuing, said, if granted the new rates the company will be able to make many improvements and to develop its water powers. The legislature asked is only in temporary relief. At the present time the average rate is 4 1/2 cents. In many communities rate increases have been granted. Mr. Taylor said the city of St. John had a deficit of \$89,000 on its municipality owned ferry. The Mayor—it was only about \$15,000. Premier Foster—Part of that was due to your cars carrying people by the bridge. Mr. Taylor gave details of increased supply cost. He said the increase meant life to the company, if it was to continue as a live concern and be able to sell its bonds and give relief to its employees. Mr. W. E. McGregor, of Harris, Forbes & Co., Boston, brokers, said they were approached, years ago, with a request for more money, but could not then see their way. Later they met the Hydro people and advised that the two properties be amalgamated. They sent an engineer. His report could not be made public as it was confidential. They also sent auditors, who made a report covering some years. As a result they outlined the financial plan and advanced \$1,750,000 and another firm advanced \$1,000,000. The engineers reported 10,000 horse-power, capable of development within 35 miles of St. John and on the outlook for business expansion was good. But for the war 5,000 horse-power would already be in operation. War conditions will continue, and the water power can be developed. Many street railways have gone into receivers' hands. Any public utility must have new capital, and to get that must show earnings. The request is very reasonable, the company should be allowed to make good return on investment capital.

F. A. Dykeman—Why, if bonds of old company could not be sold above 60 per cent made common stock worth \$140? Mr. Taylor—The bonds were not secured in any way. Com. McLellan—Why should the common stock sell for more than the bonds? Mr. McGregor—Harris, Forbes & Co. would not buy third mortgage bonds. Premier Foster—What was it to cost to develop 5,000 horse-power? Mr. McGregor—I think about \$300,000. Mr. Tilley—What was the engineer's valuation of the water power? Mr. Forbes—I do not recall. Mr. Taylor—What do you consider the value of the water power? Mr. McGregor—Undeveloped half a million dollars. Mr. Fotheringham, engineer, who valued the property for Harris, Forbes & Co., said a public utility must be on a sound basis. Public utility is a manufacturer and the cost to produce service varies and so should the price. Mr. Fotheringham said it was not fair to the ratepayers to have the cost of the street railway on the rock bottom cost of their property. Street railways are not popular investments today because of their many non-productive expenditures. The burden must be borne either by higher rates or by taxation. So long as it remains under private ownership the cost of operation cannot be met without rate increases. The estimated net earnings does not even insure sufficient to pay the expenses of the first mortgage bonds. Mr. Strong's valuation of the property would have to be increased 50 per cent for reproduction. The owners of the company have a vision of hydro-electric developments. The value of their water asset is largely in excess of the \$118,000 already expended. The valuation of the complete project is fully equal to the bond issue of \$2,100,000. The situation is extreme and relief should come immediately.

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referred to, they had also issued \$2,000,000 of common stock, in fact the Macintyre report showed that in one hour the capitalization of the company had been increased to \$5,100,000. M. G. Teed said the report did not make such a showing, but Dr. Wallace reiterated his statement, which he said could also be proven by the additional books. It was not to meet the additional costs of material and labor, that the company required the extra revenue, but to pay interest upon an inflated capital. If the company had bankrupted itself, it should not be assisted by the citizens. Much had been said concerning the water power owned by the company, but Dr. Wallace contended that was purely a speculation, and might or might not prove of value. The whole question to be considered was whether the company deserved relief under the present circumstances. He then referred to the refusal of the company to permit Mr. Macintyre to examine all the books. Mr. A. E. Cox, who assisted in the preparation of the Macintyre report, was there at the time, and refused permission to see the required books. Mr. Teed asked if Mr. Cox was present for the public, Dr. Wallace replied that it was not necessary. The company had no right to conceal any of the books, and one request for them should be granted. It was very important that every auditor doing business with a company should see all the books, and the resolutions passed by that company, for only in that way would he get a comprehensive idea of the company's business. The City of St. John wanted the legislature to authorize a commission to examine into the whole matter of the railway company from its formation down to the present time and see that everything was fair between the company and the city. It should not be decided by the public utilities commission, but by a commission of experts, clothed with full power to get results. There had been more or less friction in the past between the company and the city, and this investigation would, it was hoped, establish a basis for a fresh start, where no friction would be necessary. The city was prepared to pay the cost of the commission if it wanted and should get it. He strongly urged the committee not to pass the railway company's bill, but to pass the measure sent up by the city.

Mayor Hayes. Mayor Hayes, who followed, said if the company had made a full statement to the citizens, St. John would have been inclined to deal fairly with them, but this was not done. He did not think the legislature should grant the company any such rates as they asked for. The whole question should be sifted to the bottom and, there would be no necessity for it to come up again. If any relief was due to the company it should be afforded by the interests of the users of the commodity supplied by the company should also be protected. He would be sorry if shareholders in the company suffered, but they went in with their eyes open and he would not be the first time that investors in any enterprise had lost money. He would not agree with the contention of the company, that the common stock to the amount of \$2,000,000 should not be taken into account. It was true that stock was water, but if by securing increased rates it would pay for the water, it would be valuable, it would then become valuable to the company and the investors. The company's earnings in the past had been generous, and even if the present conditions were such that they could not pay a dividend, they would not be the first time that investors in any enterprise had lost money. He would not agree with the contention of the company, that the common stock to the amount of \$2,000,000 should not be taken into account. It was true that stock was water, but if by securing increased rates it would pay for the water, it would be valuable, it would then become valuable to the company and the investors. The company's earnings in the past had been generous, and even if the present conditions were such that they could not pay a dividend, they would not be the first time that investors in any enterprise had lost money. 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