Electric Railway Department

The Montreal Tramways Company's New Franchise.

Canadian Railway and Marine World for March devoted over 3 pages to details of the Montreal Tramways Co.'s franchise, which was signed on Jan. 28, after extended negotiations before the commission appointed by the Quebec Legislature and the company's representatives. Below we give the balance of the franchise agreement as ratified by the Quebec Legislature at its last session, our reason for giving so much space to it being that it is a new departure in many ways and will doubtless prove of great interest to electric railways generally. As stated in our last issue, the original bill before the legislature was in French, and the translation we have given was made hurriedly and is subject to revision. The following is the balance of the franchise agreement:—

If at the end of the first year of operation under this contract or at the end of any subsequent year, it shall appear to the commission's satisfaction that the maintenance allowance herein fixed is insufficient, such allowance shall be increased for the ensuing year and from year to year as may be deemed necessary. If at the close of any year the commission shall find that the maintenance allowance is excessive or that the maintenance and renewals fund is greater than prudent management of the tramways system required, then the commission may reduce such allowance to any extent which it may see fit: provided that the maintenance allowance shall never be so reduced as to cause a reduction in the maintenance and renewals fund, except temporarily, below $500,000, and in case such fund is at the end of any year found to be reduced below such sum, then the commission shall forthwith increase the maintenance allowance in an amount sufficient to restore fund at least to $500,000. Fund shall be under the commission's control and no monies in it shall be paid out or loaned or invested except with the commission's approval. In case the monies in fund are deposited in bank or invested, the interest or revenues therefrom shall be added to the fund. In case the city shall acquire the property at the termination of this contract, the maintenance and renewals fund as then existing, shall become the city's property, and the amount of the fund shall not be added to the purchase price, and any monies then due by the company to the fund shall be deducted from the purchase price.

Return Upon Capital Value.—The capital value of the tramways system is hereby fixed at $36,286,295, including all physical assets added to the system up to Dec. 31, 1917. As its usual return upon the capital value so fixed, the company shall receive in quarterly payments out of gross revenues a sum equal to 6% on such capital value. From time to time hereafter as money is needed for betterments, additions and extensions of plant required by this contract or approved by the commission, such money except to the extent that monies for such purposes are payable at the time from the maintenance and renewals fund, shall be supplied by the company, and the amounts so supplied and actually expended for such purposes under the commission's supervision shall, plus net interest expenses during construction, be added to capital value, and the company shall receive out of the gross revenues an annual return of 6% on such amount. For such purposes, however, the company shall be obliged to borrow temporarily from monies in the maintenance and renewals fund, except from monies already in that fund for same purposes and from the contingent reserve fund and the tolls reduction fund to the extent that in the commission's judgment the monies are available for loans, and upon monies so borrowed the company shall pay into such funds interest at 6% per annum. Monies so borrowed shall be reimbursed by the company as ordered by the commission.

Within 60 days after the coming into force of this contract, the commission shall ascertain and determine the amount of money expended by the company for all physical assets added to its system subsequently to Dec. 31, 1917, and the amount so determined shall be added to capital value and the company shall receive an annual return therefrom at the rate of 6% per annum to be taken out of gross revenues.

Upon all monies supplied for capital expenditure by the company, from other sources than the aforesaid funds, during the continuance of the present war, or within two years after its close, the company shall receive out of gross revenues an additional return of 1% per annum, provided such additional return shall not be paid for more than five years beyond the close of the war.

As the capital hereinbefore established at $36,286,295, does not comprise any working capital, it is agreed that any working capital required shall, when ordered by the commission, be furnished by the company. Upon such working capital so furnished the company shall receive a return at the rate of 6% per annum. Should the commission so order, the company shall be obliged, for the purpose of creating or maintaining such working capital, to borrow from any or all the different funds created by the contract, in the same manner as hereinbefore established for monies borrowed by the company from said funds for betterments, additions and extensions of plant.

For the purpose of covering the expense to be incurred in procuring additional capital, the company shall, out of gross revenues, receive annually $181,421.47 (being equivalent to ½ of 1% of $36,286,295), provided said amount is expended solely for the following purposes: when issuing bonds or debenture stock, for discounts, commissions, printing and engraving, exchange, legal and other expenses incidental thereto; when issuing stock, for printing, engraving, transfer and registration fees and listing on stock exchanges. Any surplus over and above the said expenditure, and the interest or income therefrom shall belong to the company but shall be kept in a special account and shall not be distributed until the termination of this contract.

During this contract the company shall not pay dividends of more than 10% annually on its capital stock.

In procuring any amounts of additional capital required after the coming into force of this contract, the company shall limit its mortgages or issues of mortgage bonds or debenture stock in order that the same do not aggregate more than 75% of the total additional capital then furnished under this contract, but this restriction shall not apply to securities which the company may issue to renew or replace loans contracted under the trust deeds in existence on June 30, 1917, and also the debentures amounting to $1,500,000, and maturing on May 22, 1922.

City Rentals.—The city shall receive out of gross revenues and above all other amounts to which it may be entitled under this contract or otherwise, $500,000 a year during the continuation of this contract, payable quarterly.

Contingent Reserve Fund.—A sum equal to 1% of the gross revenues shall be paid annually into a contingent reserve fund until such fund with its accretions, shall amount to $500,000, and thereafter no further payments shall be made to this fund and the accretions thereof shall be paid into and become a part of the gross revenues; provided, that if the fund shall be diminished by any of the contingent payments hereinafter described, the accretions of the fund shall thereafter belong to it and the payment of 1% of the gross revenues into the fund shall be resumed as soon as the percentage is available, and shall so continue until the fund is again restored to the full amount of $500,000. The fund shall be used whenever it may be necessary to make up any deficiency in the payment to be made as provided, and allowances provided.

Upon the termination of the contract, the company shall repay any monies borrowed from the fund and not previously repaid, and the total amount then in the fund shall be distributed as follows: To the city, 30%; to the company, 20%, and to the tolls reduction fund hereinafter established, 50%.

Division of Surplus.—All the portion of the gross revenues remaining after the payment of charges hereinbefore described, shall constitute the divisible surplus, and shall, at the end of each year, be distributed as follows: To the city, 30%; to the company, 20%, and to the tolls reduction fund, 50%. The portions distributed to the city and to the company shall belong to them and may be used or disposed of as they respectively see fit. The tolls reduction fund shall be held in trust for the company's patrons for the reduction of tolls, and shall be administered by the commission as herein provided. Whenever at the end of any year the amount in the tolls reduction fund shall exceed $1,000,000, the commission may, and whenever the amount in said fund shall exceed $2,500,000, the commission shall, reduce the fares or tolls on the tramways system. For the purpose of effecting said reduction, an amount not exceeding 25% of the total amount in the fund at the close of the year preceding the year when such reduction is to be made, shall be taken out of the tolls reduction fund and added to gross revenues, and the commission shall thereupon reduce the tolls to an extent that in the aggregate for the year is at least equal to the amount so taken out of the tolls reduction fund, but does not exceed such amount plus 75% of the amount which during the last preceding year flowed from gross revenues into the divisible surplus. Thereafter, at the beginning