

# Consumers' Gas Company

TO THE

## CITIZENS OF TORONTO.

In view of the false and misleading statements which have appeared in some of the newspapers of this city regarding the Consumers' Gas Company, the Directors have considered it desirable to present, as briefly as possible, a few facts, in order that the general public may be in a position to form a correct judgment in the matter.

### INVESTMENT OF THE RESERVE.

One of the principal charges in the recent action Johnston v. Consumers' Gas Company was that the Company had unlawfully invested a portion of its Reserve in the Company's own business, instead of in certain securities named in the Act of 1887.

The clause in the Act referring to the investment of the Reserve was inserted solely at the request of the Company to legalize an investment of the Company's funds in debentures, which had been made prior to the passing of the Act. The words used are that the fund "MAY be invested." It will be noted that the word "may" is used here, while with regard to obligations imposed upon the Company in the same Act the word "shall" is invariably used. The Directors have never considered that they were obliged to invest their Reserve, or any portion of it, in outside securities, and they have been advised by eminent counsel that they have a perfect right to invest it in their own business, and Mr. Justice MacLennan, in his judgment in the appeal case, says that, "apart from his right to a reduction of price, a consumer has no right whatever to interfere in the internal affairs of the Company."

The investment of a portion of this Reserve in the Company's business has been unquestionably to the advantage both of the gas consumer and the Company, because thereby the profits of the Company have been increased, and, as a consequence, the Reserve also, the interest to the consumer being that after the Reserve reaches 50 per cent. of the paid-up capital stock of the Company, all additional profits must be carried to a special surplus account, which, when it equals 5 cents per thousand cubic feet upon the quantity of gas sold during the preceding year, will render it obligatory upon the Company to reduce the price of gas for the current year by at least 5 cents per thousand.

### ADVANTAGE OF INVESTMENT OF THE RESERVE IN THE COMPANY'S BUSINESS.

In October, 1895, the following, amongst other questions, was submitted to Messrs. Clarkson and Cross, the well-known chartered accountants, of this city:—

"Had the Company invested the whole instead of a portion of its Reserve in debentures, as named in the Act of 1887, and to have enabled them to do this had disposed of stock at the average price realized on stock sold since the passing of the Act of 1887 (77 per cent. premium), would it or would it not have been more profitable to the Company, and what would the difference have amounted to?"

To this question they gave the following answer:—

**"The Company would have lost in above period \$172,600 had all its Reserve been invested in debentures, instead of in its own works."**

Messrs. Clarkson and Cross' report was verified by Mr. Walter S. Lee, managing director of the Western Canada Loan and Savings Company, and Mr. A. Rutherford, manager Canada Landed and National Investment Company.

Any unprejudiced person must see the advantage, both to the Company and the consumers, of investing the Company's funds where they will earn the highest rate of interest, consistently with security. Had the whole of the Reserve been invested in debentures the Company would not have received more than 4 per cent. per annum. While it would have had to issue additional capital stock to pay for the plant required, upon it they would have had to pay the Stockholders nearly six per cent.

Therefore the investment of the Reserve in the Company's business, instead of in debentures, is about the last thing that should have been complained of, in the interest of the gas consumers.

### LARGE PROPORTION OF RESERVE CONTRIBUTED BY THE STOCKHOLDERS.

It might be mentioned here that of this Reserve, regarding which so much has been said, the sum of \$538,349 19 was paid by the Stockholders as premium on stock purchased by them at public auction under the Act of 1887, and was not in any way contributed by gas consumers. Instead of receiving 10 per cent., as is generally supposed, the purchasers of the \$700,000 of stock issued since 1887 are thus receiving but 5 65 per cent., a rate which cannot be increased.

### WRITING OFF FOR DEPRECIATION.

The other principal charge made against the Company is writing off certain sums from time to time, for depreciation.

There can be no question as to the propriety—indeed, the duty—of writing off valueless assets, and of reducing depreciated assets to their true value; otherwise the Company's financial position would be misrepresented. The only ground for complaint then could be the writing off of more or less than a proper amount for this purpose. Surely those having the management of the Company are the best qualified to judge as to the value of their assets, and the Directors affirm that nothing has been written off that they did not feel fully justified in writing off, after a careful valuation had been made and actual losses and depreciation truly ascertained. As is customary in every business, these items of depreciation have been charged against the profit and loss account of the Company, there being no other legitimate means of dealing with them.

### JUDGMENTS OF THE COURTS.

With regard to the judgment given by Mr. Justice Ferguson in the Johnston suit, the representations made in certain quarters that this judgment declares that the Gas Company owes to the consumers the fabulous sums of money claimed in Mr. Auditor Hughes' reports, are without the slightest foundation in fact. It merely declares that the plaintiffs (Johnston et al.) were entitled to an account from the defendants of their dealings with the moneys received by them, which account the Directors know would show a very different result from that claimed by Mr. Hughes. However, that decision has been reversed by the Court of Appeal, and the following is an extract from the judgment of Mr. Justice Rose, one of the appellate judges in the case:—

**"NOT ONLY DOES IT NOT APPEAR, AS POINTED OUT BY OUR LEARNED BROTHER MACLENNAN, THAT THE PLAINTIFFS (JOHNSTON ET AL.) HAVE PAID ANY SUM IN EXCESS OF WHAT WAS PROPERLY CHARGEABLE, BUT IT DOES APPEAR THAT REDUCTIONS HAVE BEEN MADE WHICH POSSIBLY AND PROBABLY HAVE GIVEN THE PLAINTIFFS MORE THAN THEY WERE ENTITLED TO ON ANY VIEW OF THE FACTS AS ALLEGED BY THEM."**

Since this judgment was given, the price of gas has been reduced on the average about eleven cents per thousand feet.

The directors do not present these facts because they have any fear of the result of an appeal to the Privy Council, or of any additional suit that may be instituted, but simply for the purpose of placing themselves right before the public.

### RELATIVE PRICES OF GAS AND REDUCTIONS MADE.

A circular recently issued by the Company, and placed in the hands of all gas consumers, gives a list of prices charged for gas in a number of the larger American cities, from which it will have been seen that gas is now supplied in Toronto at a lower rate than in any other city on the continent, with the exception of one or two places where the circumstances are entirely exceptional. The price in Toronto is 30 cents lower than in the city of Montreal, 10 cents lower than in Philadelphia (where the price has only recently been reduced to \$1, and where the Municipal Corporation operates the works), and is relatively lower than the price of 80 cents per thousand charged in Cleveland, as,

although gas is 90 cents in Toronto, the difference in the price of coal alone gives Cleveland an advantage over Toronto equal to 18 cents per thousand feet of gas made.

It might here be stated that since 1883, when the price was \$1.75 net per thousand, the Company has voluntarily made five reductions.

**THE PRICE NOW CHARGED (90 CENTS) BEING BUT A TRIFLE OVER ONE-HALF THE PRICE CHARGED IN 1883, WHILE THE ILLUMINATING POWER OF THE GAS IS TWENTY-FIVE PER CENT. HIGHER, AND THIS WHILE THE COMPANY PAYS NEARLY \$24,000 PER ANNUM IN TAXES AND OVER \$5,000 PER ANNUM FOR GAS AND METER INSPECTION.**

At the price at which the Company is now selling gas, the Directors do not expect this year to be able to earn more than their limited dividend and the actual running expenses of the Company.

It might also be stated that while the law only requires the Company to furnish a 16-candle gas, it has been actually supplying 20-candles and over.

The Directors believe that the public must also appreciate the fact that as the dividends are limited by Act of Parliament and there can be no further distribution of profits to the Stockholders, they can have no interest in accumulating a larger amount of Reserve than the law allows.

### OFFERS FOR AN INDEPENDENT AUDIT.

As to the charge of dishonest and unsound bookkeeping made in the city's special Auditor's last report as published, the Manager of the Company in his letter in the *Globe* of the 22nd ult. has most clearly shown upon what a baseless foundation such a charge rests. In view of the statements made by the said Auditor, the Company on the 29th ult. demanded of the Mayor and City Council an investigation by independent auditors of the charges made, and at the same time they offered to defray all the expenses of such investigation. So far no assent has been given to this proposal.

On behalf of the Board of Directors.

LARRATT W. SMITH,  
Vice-President.

### STOCKS IN MONTREAL.

MONTREAL, January 20th, 1897.

STOCKS.	Highest.	Lowest.	Total.	Sellers.	Buyers.	Average price 1896.
Montreal .....	230	230	37	231	227½	217½
Ontario .....	84	84	10	85	84½	.....
People's .....	.....	.....	.....	.....	.....	.....
Molson's .....	.....	.....	.....	190	183	175
Toronto .....	.....	.....	.....	230½	226	231
Jac. Cartier .....	.....	.....	.....	.....	.....	.....
Merchants' .....	174	172½	63	174	170	162
Commerce .....	126½	126½	71	130	126½	133
Union .....	.....	.....	.....	120	100	99½
M. Teleg. ....	166	165½	20	169	165	161
Rich. & Ont. ....	89½	89½	25	98	87	92½
St. R'y. ....	224½	223	3566	223½	223½	211½
Gas .....	189½	188	6781	189½	189½	195
C. Pacific Ry ..	55½	54	44	56	54	52½
Land gr't bonds	.....	.....	.....	.....	167	107
N.W. Land pfd. ....	.....	.....	.....	.....	.....	.....
Bell Tele. ....	156	155	122	160	155	156
Mont. 4% stock ..	.....	.....	.....	.....	.....	.....

### NEW YORK BOARD OF TRADE.

The twenty-fourth annual meeting of the New York Board of Trade was held on Wednesday, at which the following managing directors were chosen: To serve until January, 1900, Francis B. Thurber, William Henry Arnoux, James Talcott, Aaron Vanderbilt, John H. Washburn, Edwin A. McAlpin, Oscar S. Straus, Elias S. A. de Lima, William Brookfield, Richard Deeves, Charles H. Patrick, James G. Johnson; to serve until January, 1899, Henry A. Rogers, vice Thomas White (deceased); to serve until January, 1898, Robert Dunlap, vice Ambrose Snow (deceased); Seth M. Milliken, vice Seth E. Thomas (retired); J. Noble Stearns, vice James H. Seymour (retired). The election of officers, which was set for Wednesday next, the 20th, was postponed one week, until January 27, on account of the annual banquet, which will occur next Wednesday evening.