

Auditor's Report on Hydro Electric Power Commission of Ontario's Electric Railway Projects.

G. T. Clarkson, F.C.A., who was appointed by the Ontario Government to audit and report upon the Hydro-Electric Power Commission of Ontario's accounts, was asked by the Premier, recently, to report on 1, The state of the affairs of each of the systems and companies controlled or operated by the commission; 2, The approximate amount of money which must be obtained by the province within the next two years and be loaned to the commission in order to allow it to complete works undertaken by it and now in course of construction, and to pay debts which become due within that period; 3, To express an opinion as to the soundness, from a business standpoint, of each of the undertakings now operated by the commission, and as to whether there are any reasons why, with the government sympathetic and desirous of supporting the commission, so far as it can be done with benefit to the municipalities and the province, the government cannot safely continue and extend support to the commission.

Following is the portion of Mr. Clarkson's report dealing with the Hydro-Electric railway lines:—

Under the provisions of the Hydro-Electric Railway Act, 1914, and amendments thereto, the commission is authorized to enter upon the construction or purchase and operation of electric railway lines when and so soon as (a) The Lieutenant-Governor in council shall have authorized the municipalities interested to enter into agreements with the commission for the construction and operation of any electric railway; and (b) The municipalities interested shall, in respect of any proposed line, have signed agreements containing terms and conditions laid down by the act, including the assumption on their part of liability for the costs of construction and operation of such a line.

Under sec. 6 of the act, it is provided that the commission may raise money for the construction and equipment of such a railway line by the issue of bonds secured upon the railway and all assets belonging thereto, and further, that it may from time to time increase the amount of the bonds so to be issued by any amount which it deems necessary to cover the costs of construction and equipment or to provide for extensions or improvements to the line.

Under sec. 7 of the act it is provided that neither the province nor the commission shall be liable for the payment of the bonds to be issued by the commission, except to the extent of the moneys which shall be received in connection with the operation of the railway line or from the sale of debentures to be deposited with the commission by the municipalities. Under sec. 8 of the act, however, it is provided that the Lieutenant-Governor in council may authorize the Provincial Treasurer to guarantee the payment of the bonds issued in respect of any radial line they cannot be sold by the commission to advantage without the guarantee of the province.

The municipalities on their part are required to deposit debentures to the amount of their respective shares of the costs of construction and equipment of the railway line, with the commission, and these debentures are to be held by the commission as collateral security for

the bonds issued by it, subject to the right on its part to sell or dispose of so much of them as may be necessary at any time to meet the payment of any amounts due by a municipality in default. The agreements with the municipalities are very rigid in character, in that the responsibilities assumed by each municipality are based upon the costs of construction and operation of a line, the exact location and character of which is definitely laid down in each agreement. Legal opinion is that there is doubt as to whether the obligations assumed by any municipality can be enforced in the event that a line shall be constructed and operated for a portion only of the distance prescribed in the agreement to which such municipality is a party; this is particularly the case if the portion constructed becomes a defined part of a new system comprised of the part of one system and the part or the whole of another system, leaving any part of either of the original systems unconstructed.

The commission has in contemplation the construction or purchase and operation of the following lines:—(a) Port Credit to St. Catharines Line, to run between the Village of Port Credit and the City of St. Catharines; (b) Toronto to Port Credit to London line, to run between the City of Toronto, to the Village of Port Credit, and the City of London; (c) The Toronto and Eastern line, to run from the City of Toronto to the Town of Bowmanville.

Necessary agreements have been executed with the municipalities in respect of the Port Credit to St. Catharines line, and such agreements have been approved of by the Lieutenant-Governor in council. Agreements have been voted upon by the municipalities interested in the Toronto to Port Credit to London line, but the same have to be signed, I am informed, by the municipalities between Toronto and Port Credit only. Agreements with the municipalities in respect of the Toronto and Eastern line have been executed and the approval of the Lieutenant-Governor in Council thereto has been obtained.

Costs of construction and purchase of the Port Credit to St. Catharines line are estimated by engineers of the commission at \$11,000,000, which amount it is proposed to raise when and as required by sale of bonds of the commission. Certain of these bonds have already been guaranteed by the province and are in the hands of the commission. The commission has entered upon certain obligations in connection with the acquisition of right of way and for supplies and materials, and these obligations amount to between \$250,000 and \$300,000.

In order to provide for connection of the Port Credit to St. Catharines line with the City of Toronto, the commission has made expenditures and incurred liabilities to the amount of upwards of \$650,000, and it states that these expenditures have been made as part of the costs of construction and purchase of the proposed Toronto to Port Credit to London line, in respect of which it intends to apply for legislation authorizing it to construct and operate the same in two divisions, to be located between Toronto and Port Credit, and Port Credit and London. Agreements have been executed by the municipalities between Toronto

and Port Credit, but not by those between Port Credit and London; accordingly the terms of the Hydro-Electric Railway Act have not as yet been complied with in respect of the Toronto to Port Credit to London line as voted on by the municipalities. The commission states that it received assurances from Sir William Hearst, when Premier of Ontario, that if it would obtain resolutions by the municipalities interested, requesting the government to introduce and pass amendments to existing legislation that may be necessary to validate the building of the Toronto to Port Credit section as a part of the Toronto to St. Catharines Hydro-Electric Railway (so as to make the same legal, valid and binding upon the municipalities), that the government would, with the presentation to it of such resolutions, support legislation to that effect. In such event Sir William Hearst is said to have expressed the opinion that no difficulty would be met with in carrying out the wishes of the commission to have the bonds necessary for the construction and equipment of such line guaranteed by the province. On the basis of these assurances, therefore, and with resolutions by the municipalities in its possession, the commission, although without statutory authority to do so, has felt justified in making expenditures amounting to \$550,000 out of the funds held by it under the terms of The Power Commission Act, in the belief that by so doing it would make a considerable saving in the cost of the Toronto to Port Credit line. Engineers of the commission estimate that the cost of construction of the Toronto to Port Credit line will be upwards of \$5,000,000 to \$6,000,000.

Estimates of the engineers of the commission indicate that the cost of construction of the Toronto and Eastern line will be about \$9,000,000, to be raised as and when required by sale or issue of the commission's bonds guaranteed by the province. The approval of the Lieutenant-Governor in council to the agreements with the municipalities has been obtained, and expenditures upon the line to this date amount to about \$10,000.

As the costs of construction or purchase and operation of the above mentioned electric railway lines are matters which engineers alone can estimate at this time, I am unable to make any further statement to you with reference to them. Engineers of the commission are of the opinion, however, that the revenues of such lines will be sufficient to meet costs of operation.

Niagara Falls, Wesley Park and Clifton Tramway Co.—We are officially advised that this company's franchise in Niagara Falls, Ont., expired Mar. 31, and that the city council had given notice that it would assume the ownership on the expiration of the franchise. The city council recently advised the Niagara, St. Catharines & Toronto Ry., which owns the N.F., W.P. & C.T. Co., that it was applying to the Ontario Railway and Municipal Board for a board of arbitration to decide upon a price for the line. In the meantime the line is being operated by the N.S.C. & T. Ry. as formerly, but without any agreement with the city.