

TREASURY DEPARTMENT,  
February 12th, 1874.

The undersigned begs to submit, for the information of His Excellency in Council, concurrently with his recommendation approving of the corrected Schedules under the 3rd section of the Act 36 Vict., cap. 47, the following report, upon the contentions of the Corporations of the Counties of Perth and Huron, and of the Town of Goderich respectively, for adopting new modes of calculating the Railway allowance to which they became respectively entitled under the said Act, and the resolutions and proceedings of the Legislative Assembly upon which the said Act is based.

The contentions referred to comprise the following :—

1st. That interest on the railway allowance should be computed at the rate of 6 per cent., from the date of the contraction of the debt until 1861.

2nd. That interest should be allowed from the 1st of January, 1873, till 1st February, 1874.

3rd. That the amount of the Railway allowance should be deducted from the amount of the original debt at the date of its contraction, and the interest and payments on account be computed accordingly.

All of these questions had been considered and disposed of during the year 1873, as will appear by the correspondence passing between the Government and the Municipalities; and the Government felt itself unable to agree with the views then contended for by the Municipalities, and the corrected schedules annexed to my recommendation of this date, have been settled solely according to the mode of computation adopted in the tables and statements laid before the Legislative Assembly as the basis for the schedules then submitted for its consideration, and which mode was to deduct the railway allowance with compound interest at 5 per cent. from the date of the creation of the debt, from the amount of debt due the Municipal Loan Fund as shown in the official books relating to that Fund.

The points firstly and secondly contended for do not require to be specially noticed in this Report further than to mention that the rate of interest on the railway allowance was stated in the tables submitted to the Legislative Assembly to be at the uniform rate of 5 per cent., and that the 1st of January, 1873, is the date fixed by the tables and the resolutions of the Assembly for ascertaining and stating the balances of all debts due the Municipal Loan Fund.

The third question, however, requires to be particularly mentioned, inasmuch as it had been assumed that this mode would increase the amount of debt, but the undersigned has had several calculations made according to that contention in order to practically test the result, and he finds that if it were adopted the difference would be substantial; thus, in the case of the County of Perth, the debt would be decreased about \$8000, and it would alter the amounts settled in respect of thirty-five municipalities.

The only ground upon which this contention can be sustained is, that by a literal reading of the language of the resolution, the amount of the railway allowance is to be allowed as a payment at the date of the debt therefor being contracted; but, if the circumstances of the Fund to be dealt with, and the circumstances also existing when the resolutions were considered and adopted by the House of Assembly are regarded, the language of the resolution must be construed so as to harmonise and not conflict with these circumstances.

The debt contracted was represented by the debentures issued on the credit of the Fund, and it was these debentures which the municipality was bound to redeem by the required payments for interest and sinking fund. The railway allowance can only therefore be properly referred to as a means of assisting in the redemption, and a literal reading of the resolution is consequently inapplicable.

Again, the statements and tables laid before the House of Assembly as the basis for its consideration of the proposed resolutions were specific, in taking as the debt of each