

It is established in England that a Municipality will not be permitted to enter into a business in competition with a private company without offering to take over the assets of that company on fair and equitable terms; it is the law in the United States and Australia, that while a Municipality may expropriate a private concern upon proper compensation, it has not the right to enter into competition with it; it was, and still is, the law in the Province of Ontario (except when the Hydro-Electric Commission is concerned), in the case of a public utility, that a Municipality cannot go into business in competition with a company operating a public franchise until it first offered to buy it, and pay for it at a proper valuation.

This recognition of existing franchises and vested rights encouraged progress and development, guaranteed the security of private enterprise, and formed protecting bulwarks in the investment of capital.

Why should this Company be treated in any exceptional way? Why should the City of Toronto seek to enter into competition without according to us the kind of treatment that has been recognized as fair in every other country?

The City's Proceedings.

I will now explain what has been done by the City during the last two years.

In 1907 the City applied to the Legislature of the Province of Ontario for the right to acquire the Company by purchase, upon terms which would require the City to pay only for the physical assets of the Company without taking over their contracts, and without paying for the value of the franchise or making any allowance for the future profits and earnings of the Company, or for the long years of incubation, during which the capital of the Company was unproductive, and its success uncertain; these proposals by the City were so radical in their nature, and so opposed to all decent and honest principles, that a representative body of citizens appeared before the Legislature and denounced them, with the result that the Government, convinced of their unfairness rejected the Bill unless the City would consent to modification recognizing the Company's rights. This was not acceptable to the City, and they abandoned the proposals and withdrew the Bill.

Having thus failed to acquire this Company on a scrap-iron valuation, the City officials apparently made up their minds to construct a plant in opposition to the Company, absolutely refusing to consider any arrangements which would recognize the Company's rights, as I shall show you later on when I come to deal with that subject.

The City's Illegal By-law.

In January, 1907, a By-law was carried authorizing the City to enter into a contract with the Hydro-Electric Commission for 10,000 horse-power at a price not to exceed \$18.10 per horse-power per annum for power delivered at Toronto ready for distribution.

In January, 1908, a By-law was carried authorizing the issue of debentures to the extent of \$2,750,000 for the construction of a civic distribution plant, and afterwards a contract was entered into with the Hydro-Electric Commission, whereby the City agreed to take 10,000 horse-power, with which to enter into competition with this Company in the sale of electrical power in the City of Toronto.

I can affirm positively, from the knowledge and experience which I have gained during the 27 years that I have been connected with this Company, confirmed by the opinion of competent experts, that the City cannot successfully compete with us in the sale of electrical power purchased from Niagara under the terms of the contract with the Hydro-Electric Commission, and I give to you my assurance that you need have no fear that the revenues of the Company will be in any sensible degree impaired or diminished.

While it is true that the price of the securities of the Company on the market at the present day is much less than the actual value, this is only the natural and inevitable result of the feeling of uncertainty following from this legislation and proposed competition. I believe that within a measurable time as the clouds are dissipated and the situation clarifies, they will be re-established at their proper valuation in the financial markets.

\$48 Per Horse-power, Not \$18.10.

The City Council has made its contract for power at Niagara Falls at \$10.40 per horse-power (not at Toronto at \$18.10 in accordance with the By-law) and has told the people that the maximum price in Toronto for power delivered will be \$18.10 per horse-power per annum. The public are relying upon this and never doubt but that when their money is expended and their obligations incurred in this matter they will receive a supply of power at the price quoted.

This price of \$18.10 cannot be realized. I have had the contracts between the Hydro-Electric Commission and the municipalities carefully analyzed, and I have ascertained that the cost of the Government power in Toronto at the sub-station, instead of being \$18.10 per horse-power per annum, will be, on a load factor of 50 per cent., which has not been reached in any municipality, equal to \$48 per horse-power per annum.

This figure is based upon the estimates of the cost of transmission made by the engineers of the Hydro-Electric Commission, and, if these estimates are too low, as we know they are, the price of \$48 will be increased accordingly.

Understand what I say—it is this—that the City of Toronto will pay for its 10,000 horse-power, not \$18.10 per horse-power per annum, but an average of \$48 per horse-power per annum under the conditions which I have stated.

Cost of Distribution.

To this must be added the cost of distribution to consumers in the City, which the City's own experts have placed at not less than \$20.00 per horse-power per annum. That there may be no mistake about the distribution cost, I quote from a letter written by Ex-Mayor Coatsworth to Mayor Oliver on the 20th of July, 1908, referring to the distribution cost as estimated by Mr. Dow, of Detroit, the City's electrical expert: "I am not violating any confidences when I say that in our conferences last year Mr. Dow advised us that the proposed distribution system would cost about \$20,000 per horse-power per annum."

The City is responsible to the citizens for the success or failure of its power scheme. The Ontario Government has warned the municipalities that it will not be responsible in case of loss, positively contradicting Mr. Beck's statement that the Government would make good any deficiency. The Government claims that it has obtained a supply of power at Niagara Falls at a reasonable rate, and says that, if the municipalities want to transmit it and use it for their own purposes, they must do so at their own cost and their own risk.

Small Property-holders Must Pay Deficiency.

The City will be held responsible for whatever is required to pay the deficiency in the power revenue. Water and gas are used by everyone, and it is, therefore, no hardship that a deficiency in revenue from these commodities should be added to the general taxation, but how manifestly unfair it will be when it is found that the income will not meet the expenditure to tax the man for it who does not use electrical energy at all. Unless this is done the rates for electric light and power must be raised to meet the cost.

Mr. Beardmore, one of our leading citizens, has issued a writ to set aside the contract between the City and the Hydro-Electric Commission on the ground that it is for something different from what the people voted—in other words, Mr. Beardmore says that as the By-law was for power at \$18.10, a contract which makes the people liable to pay \$48.00 is illegal. One learned judge of the High Court in a similar case has declared such a contract to be illegal, and I suppose there is no harm in my saying now, although the case has not been disposed of, that a similar judgment would presumably be delivered invalidating the contract in this case, but it is said that, while all this is undoubtedly true, the City expects the Legislature of the Province to pass legislation making that legal which the judges have said is illegal, and to bind the City to a contract differing widely from that voted on by the people.

Dangerous Transmission Line.

I also think it is fair to draw your attention to the dangerous system adopted by the Hydro-Electric Commission for the construction of its high current line from the Falls. This line is not to be constructed upon a private right of way fenced and guarded for public protection, but along highways and over private property under agreements by which a site for the tower is leased or purchased with the right to string wires below. This may be cheaper in the first instance, but the danger to life and property is very great. In a recent case arising out of the stringing of wires carrying 2,200 volts at Welland, after hearing the evidence of some of the leading experts in electrical engineering, the judge condemned the stringing of such wires over the highway in the strongest language.

What would he have thought of the proposal to transmit energy at over 110,000 volts along the highway? In the case mentioned the learned judge says that commercial necessity would not justify so reckless a disregard of human life and safety.

Several actions have been brought by farmers to restrain this mode of construction, and petitions have been sent in to the Government by some of the townships interested, pointing out the danger.

While this has been the attitude of the City towards us, we have gone a long way to avoid what we cannot help feeling is an unsatisfactory position of affairs by making most liberal offers to the City. We do not think there should be duplication of pole lines and plant in the City.

The Company's Offer to the City.

I recall the fact to you that in November, 1907, the Company's representatives, at a meeting with the Mayor and Board of Control called specially for the purpose with a view to avoid duplicating their plant, made three distinct offers to the City—one an arrangement on similar terms as were reached between the City and the Gas Company, which has proved so eminently satisfactory to all concerned, viz., a fixed rate of dividend to be agreed upon to the shareholders of the