

## Basis of Valuation.

There are a number of considerations on which the valuation of a waterworks, electric light, gas, street railway or other plant may be based. They are frequently specified more or less distinctly in the franchise provisions or arbitration agreement, or may depend on other conditions of the arbitration proceedings.

The features to be considered may include one or more of the following :

1. Original cost of works.
2. Cost of reproduction of the works
3. Depreciation.
4. Operating or "going" value.
5. Valuation of franchise, rights, privileges or concessions, and of business acquired or prospective.
6. Valuation for salvage.

The first consideration above listed assumes a valuation based on the original investment or a return of the money actually invested in the works. This basis may be just and equitable under conditions where the plant is to be assumed on or soon after completion. It may also, under certain conditions, have a direct but partial influence on valuation considered together with other conditions.

The second consideration is similar, except that such a valuation is based on present prices, that is, prices prevailing at the time of appraisal, or on the cost that would be involved in the reproduction of the works at the date of the proceedings for appraisal.

The question of depreciation is also usually considered, and the physical value of the plant, either based on first cost, or cost of reproduction as modified by use, and the effects of time are considered.

Under the fourth head is considered the fact that, whereas a plant constructed and completed and ready for operation would have a certain value due to prospective consumers, but with no consumers using the output of the plant, yet a plant of equal physical value, but with consumers actually utilizing its product has a value due to that fact, and to the fact that it is in actual and successful operation and that it has a business worked up, and which constitutes an asset in the consideration of the plant value. This feature is often termed the "going value" or "operating value" of the plant, and has no reference necessarily to the franchise rights, or to the dividend paying condition of the plant. The question as to whether or not this consideration should receive attention in plants of which the franchise has expired is perhaps open to some discussion, and may depend on the wording of the franchise agreement for appraisal and sale.

Fifth. The franchise of the company is its right or privilege to do business in the

public ways of a city, and may be more or less restricted, and curtailed, or extended and perpetuated by the terms of the instrument, and when considered on an appraisal, the value must depend on the wording of the agreement. As a franchise determines the rights or privileges of the company to do business in the streets of a community, its value must of necessity depend on the nature and amount of the business both acquired and prospective, and when considered, it must be valued in relation to the growth and nature of the population to be served, and the limits set by the franchise and the local conditions.

All rights, privileges or concessions have a value relative to the community concerned, and a value derived from the nature and extent of such community, and of its possible future development.

The consideration of a plant as a financial investment is most largely and clearly a franchise value.

The right to perform the service of supplying gas, water or other service to a community is the right on which is based the financial value of the works, or their value as a profitable investment, and if the franchise rights are expired, or are not to be considered, this basis of valuation is often eliminated, although under certain wordings this is more or less uncertain, and is usually a disputed point, unless definitely and distinctly eliminated by the appraisal agreement.

The sixth head mentioned is an extreme condition and considers all rights forfeited or expired, and the works valued only on the salvage basis, or the value which could be obtained by their sale for other purposes. It is seldom that such a basis is seriously considered.

The true value of a plant, even when determined under the limiting conditions of the appraisal clause of a franchise or other appraisal agreement, usually partakes to a degree at least of all these considerations. Justice and equity under the contract terms should be the spirit with which all such proceedings are re-approached.

## Electric Railways.

The Maryland State Highways Commissioners, in their annual report make the following comments upon electric railways.

Much fault has been found with county commissioners for granting passenger railway companies the privilege of laying tracks on county roads, it being contended that they should buy rights-of-way across country; but they are public conveniences and serve the public best by following the most settled routes, that is, the public roads.

The advantages offered by the railways are: Rapid and frequent trips at small cost; and the cost could not be kept down

if they had to buy expensive rights-of-way to lay their tracks. They develop the region they traverse, increase the value of the land and thus add to the taxable basis of the county. The suburban trolley system is still in its infancy and it is not unreasonable to expect a great extension of it; also an increase in its functions to take in, (as it already does in some regions), an express and freight business. This would greatly increase its usefulness and would save the farmers many a long and expensive haul with horses. But it will not do away with the use of the roads for short hauls and for driving.

The passenger railway companies are organized for private gain and should therefore meet their just share of taxation, and should meet the necessary expenses of construction; on the other hand they are semi-public servants and their power of serving the public is dependent on the privileges granted them by the Legislature and county commissioners. The proper balancing of the benefits received by the companies, and the services rendered by them so that they shall be treated justly and the public receive the best service at the smallest cost and with the least inconvenience, and so as to develop the system to still greater usefulness, is a very delicate matter, and one that should receive the closest attention of legislators. A discussion of this broad question does not belong here, but some of the minor details do.

Many of the electric roads have taken complete possession of the public highways and have greatly injured the surface of the whole road, and they often leave the road much too narrow. Sometimes they cross and re-cross the road, increasing the danger of accidents by collision.

They should be required to keep their tracks on one side of the road if the road is not a wide one, and always to leave a level strip at least twenty feet wide on the side, for this is not more than enough to provide for a road bed of twelve or fifteen feet wide and leave space for a sidewalk when this becomes necessary.

In wide and important roads the tracks should be in the middle with at least twenty feet on each side to the gutters, and from five to ten feet beyond that for sidewalks, say a distance of thirty feet on each side between the outer rail and the fence. In the opening of new roads the roadway, (between fences), should be made broad enough to provide room for a railway if it should be needed.

Railway companies should not be required to keep the road in order; it is apart from their line of business and they have not the skilled assistance necessary for the proper care of roads; it is not advisable as a method of taxation, not nearly as good a method, for instance, as the park-tax levied on the street railways of Baltimore. If, however, they directly or indirectly damage the roadways, the damage should be repaired by the proper persons in charge of the road, at the expense of the companies.