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Special Articles

Expanding Revenue Facilitates Our War Financing.
By H. M. P. Eckardt.

1916 Wheat Crop—236 Million Bushels.
By Ernest H. Godfrey, F.S.S.

PRINCIPAL CONTENTS.

The Montreal Tramways

ONCE more the question of a renewed franchise for the Montreal Tramways Company is before the Montreal City authorities. The Company has made a proposal which contemplates a thirty year renewal, a five cent fare, without transfers, and the payment to the City treasury, in lieu of taxation, of $200,000 per annum for the first five years, $300,000 per annum for the next five years, and $500,000 per annum for the remainder of the term. The proposal is not one to be accepted. Probably the Company do not expect it to be regarded as more than a starting point for further negotiations. The figures mentioned will not be satisfactory to the public. But the objection to the proposal goes more deeply. The scheme is framed on lines that are not likely to admit of the making of a fair arrangement.

It will be well if, at the outset, the City authorities lay down as a foundation principle that while a present re-arrangement of terms is for some reasons desirable, it is not necessary for the City. The City can better afford to wait until the end of the present franchise term than to be rushed by the Company into a hasty and improvident renewal. If the Company, for its own convenience more than for that of the public, wish to make a new contract several years before the old one expires, it should be prepared to agree to terms that are distinctly fair and reasonable to the people.

The contributions that are to be made by the Company to the City treasury are matters of importance in their place, but they are not the primary considerations. The first thought in the making of a new arrangement with the Company should be the furnishing of an efficient service, with the needed extensions now and provision for such future extensions as may be required by the Board of Public Utilities or other independent public authority, and for the supply of such service to the people at the lowest possible rates of fares. Probably the City authorities, in endeavoring to secure adequate arrangements for these purposes, will require the assistance of competent tramways men, familiar with the manner in which such things are regulated in other communities.

The question of the contributions to be made to the City treasury is, as we have said, an important one, but only in a secondary degree. Efficiency of service rather than profit to the City treasury is of first importance. But since the experience of other communities as large as Montreal enables us to believe that the enterprise will be profitable, care must be taken to see that the several partners in it receive their proper shares of the earnings. The City of Montreal and the Tramways Company are partners in the enterprise. The Company and its bondholders put considerable money into the business. The City of Montreal contributes an invaluable asset in the form of the use of its streets and an exclusive privilege to the Company. There should be a careful valuation of the tangible property which the Company has, and fair allowance should be made for the value of the unexpired term of the Company's present franchise. These two things are what the Company have to put into a new partnership. The amounts of stock, bonds or other obligations outstanding are matters of concern in the internal arrangements of the Company. The Company, its shareholders and bondholders, should arrange among themselves for the distribution of the new securities that may be issued to represent the value of the property in the new deal, and to obtain the necessary releases of present incumbrances. But as between the Company and the City's representatives in the formation of a new scheme, the latter should not be troubled with such matters. What they have to consider is not what stocks and other securities, solid or watered, are oustanding, but what property and substantial assets the Company is bringing into the new partnership. Upon a fair valuation of such property and assets the Company should be allowed to take, as a first charge upon the net earnings, a generous rate of interest. To that extent the Company might be allowed a preferential claim, the other partner, the City, being content to make its share subordinate at this stage. All earnings in excess of the amount so allowed to the Company should become the property of the two partners—the City and the Company—and be divided between them in proportions agreed upon. Provision should be made that whenever the profits so earned exceed a given figure, the Board of Public Utilities, or other independent tribunal, should revise the rates of fares with a view of giving the public cheaper transportation.

A scheme along these lines, we submit, would be not only just but generous to the Company, and would be fairer to all concerned than any proposal of fixed annual payments to the City. If the enterprise, under a careful management in which the City is adequately represented, does not earn enough to pay the capitalists a fair interest on the actual value of their property, the City should not desire to take from it $200,000 or any other sum per annum. If the enterprise earns enough to pay the capitalists a liberal interest and very much more, the excess should not go to their pockets only, but should be shared with their partner, the City. If money invested in tramways yields more than an ordinary return, it is not because of any rare qualities exhibited in the management, but because such enterprises draw profit from what the community has invested in the form of street privileges. Therefore, the community should be careful to receive its proper share of the earnings.