

annual charges arising therefrom, but the actual amount incurred is far beyond anything then contemplated.

"In the third place," the Toronto hydro executive continues, "it was not anticipated when the report was issued a year ago, that the Commission would be called upon to assume the retroactive sinking fund obligations attached to the debenture issues otherwise than by equal annual loadings for the remaining debenture term. It has, however, become necessary to assume them in full, with the result that future surpluses have been thereby mortgaged in favor of the sinking fund obligations to the amount of \$94,617. The burden, therefore, imposed upon the system by the necessity of establishing a steam reserve plant; by the additional sinking fund obligations in question, and the necessity of utilizing the whole of the resources of the system for the payment of current liabilities pending arrangements for a sufficient amount of working capital, combine to make a reduction of rates at the present time impossible. It is due to the public that these conditions be clearly stated, because, unfortunately, an impression has recently been sown in the public mind that a reduction of rates is imminent. The rates enjoyed by the customers of the Toronto hydro-electric system are understood to be lower than rates of like service in any city on the continent of this size. No complaint has been voiced against these rates by the consumers of the system. Whenever the conditions warrant it, the rates will be lowered, but it would be a breach on the part of the commissioners to sanction any reduction thereof before the financial condition of the enterprise justifies it."

The statement has been made that the Toronto hydro-electric commissioners are responsible for the heavy debenture loss, but the commissioners had nothing whatever to do with the sale of these debentures. They were sold directly by the corporation of the city of Toronto. It is, in the judgment of the commissioners, "very unfortunate that the debentures, aggregating \$4,950,000, were not sold earlier, when the market for municipal debentures was much more favorable. The first-mentioned by-law was passed in January, 1908, and the second in January, 1912, but the debentures were not sold until the middle of 1913, when the conditions of civic finance and the state of the money market combined to render a sale compulsory. The prices realized were probably satisfactory in view of the then state of the market and the history of the previous financing attempted. But the quoted prices ex-dividend on the London Stock Exchange between July, 1910, and July, 1912, of four per cent. city of Toronto debentures, due 1944-1948, ranged from 101 to 103 at the first-mentioned date to 96 to 98 at the last-mentioned date. Had these two items been sold within the period named, they would have probably realized minimum prices of from 92 to 96, giving a safe average of, say, 94. The resultant saving would have been about 12 per cent., or \$594,000. In the judgment of the commissioners, all hydro-electric debentures should be marketed by themselves."

*The Monetary Times* has never entered the sphere of politics. It remains outside as an interested observer of a party system which has reached a fine art. With the political manoeuvres of the dispute, therefore, it is unnecessary to deal here. Looking at the matter from a business viewpoint, we have this position. A public ownership enterprise—the Ontario Hydro-Electric Commission—buys and transmits power to customers throughout the province. One of these customers is the Toronto Hydro-Electric system, another public ownership undertaking. It purchases power from the provincial commission and is practically compelled to re-sell that power at rates which the provincial commission, (not the Toronto

commission, who has become the salesman), deem advisable. The Toronto commission thus becomes divested of a certain amount of authority in the running of its own business. When it comes to financing, the city of Toronto sells the bonds of the Toronto Hydro-Electric Commission, the commission again being divested of some authority in the running of its own business. These business methods would never work with success where private capital is concerned. There appears to be no good reason why the public should approve of such methods, simply because the parties involved are under the flag of public ownership. The Toronto Hydro-Electric Commission should have ample freedom with regard to the price it charges for the commodity it sells. The Toronto commissioners have given their assurance that in the first place their policy dictates a first-class service, and in the second place, a service at the lowest cost possible. The Toronto commission should also manage its own financing. *The Monetary Times* has proper admiration for the Hon. Adam Beck, chairman of the Provincial Commission, but figuring as he does as the hero of cheap power in Ontario, heroics should not be allowed to run away with the sound business and finance foundation of the Toronto hydro enterprise.

#### PANAMA TOLLS AND CANADA

President Wilson has succeeded in convincing the house of representatives at Washington that the United States is duty bound to carry out the provisions of the Hay-Pauncefote treaty as it bears upon Panama Canal tolls. The Senate will probably follow suit. The decision to uphold the treaty was fairly unanimous and opposed chiefly by men of the Champ Clark type. Now that the struggle is nearly over, business men in the United States are saying that the question of the Panama tolls is apparently more one of principle and diplomacy than one of economics. This is, to a large degree, correct. With Great Britain, the matter is chiefly of principle. Mr. J. P. Meyer, vice-director of the Hamburg-American Line, goes even further. He says with England it is "entirely a matter of principle. The treaty is plain and the act of Congress contravenes it." Great Britain has always lived up to its treaties, which it regards with a national sacredness. It expects countries, such as the United States, to do likewise, leaving to irresponsible nations the pastime of tearing up international agreements. President Wilson is a type of man who sees eye to eye with the British view on such important matters.

The opinions of the high officials of foreign steamship lines have been gathered by the New York Annalist, and are of great interest. Generally, they agree that the matter which has stirred the feelings of United States legislators so long is one of principle that the United States should carry out in good faith, but one that has little significance economically. The exemption of coast-wise shipping from tolls, they say, would not affect them. The most interesting point, however, is the exception which some of the steamship officials make to this rule. Mr. Meyer, for instance, quoted above, says that the only possible way in which Great Britain could be affected, so far as he can see, is in relation to Canadian shipping. A Canadian ship sailing from Halifax would be at a disadvantage as against a United States ship sailing from New York, both bound for San Francisco, or the Canadian ship bound for Vancouver.

"As to any direct competition between them, however, none exists," he adds. "In theory a shipper might send his goods by way of Boston, instead of by way of