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Montreal Tramways Finance

THE adage, "Better late than never," may well be applied to the latest move of the Montreal Board of Control respecting the tramways franchise. For several weeks the Controllers have been carrying on negotiations with representatives of the Montreal Tramways Company, in the course of which it appeared to be assumed that the members of the Board possessed all the knowledge of tramways questions that was necessary. It is gratifying to find that, whatever may have been the earlier intention, the Board have recognized the necessity of expert advice and have agreed to obtain the services of a Chicago tramways expert. One of the members dissented from the Board's resolution to employ an expert, stating as his ground that he did not know whether the Tramway's Company would be willing to open their books to examination. It is not likely that any difficulty on that score will arise. It is by no means certain that an examination of the Company's books is essential to a proper understanding of the question. But if the expert thinks such an examination is necessary, and the Company object, the City has an easy course open. The Board can intimate that unless the Company comply with the request for the privilege of examination the negotiations will have to come to an end. The finding of a satisfactory basis of agreement is desirable from every point of view, and therefore reasonable efforts should be made towards that end. But it is probable that the making of a new agreement is more important to the Company than to the City, and that therefore the City authorities can properly insist on the taking of whatever steps are reasonably necessary in the consideration of the subject.

There are many features of the tramways question on which a man familiar with modern street railway problems can render very valuable service as an adviser to the City authorities. The action of the Board of Control in seeking assistance will, we are sure, meet with general approval. The rates of fares, the frequency and regularity of the service, the character of the cars, the arrangements for present and future improvements and extensions, the relations with the suburban municipalities—these and other matters need the light that can be drawn from the experience of other large cities and from the experience of the expert who is to be called in. On the financial side of the question also, such an adviser may be helpful in arranging details, once the principles governing the transaction are settled. But the settling of these principles is not so much a matter for tramways experts as for business men.

In the discussions that have already taken place it seems to have been taken for granted

that the only basis to be considered is a percentage of the gross receipts to be paid into the City treasury. There is much danger that on any such basis the City will fail to receive what is due to it as the owner of the streets which the Tramways Company wish to use. It is with a desire to guard against this, and to do justice to the City as well as to the Company, that we have suggested a different method of finance.

The foundation of any new arrangement between the City and the Tramways Company should be a determination to take from the citizens, in the form of fares, sufficient money to pay the working expenses and a generous rate of interest on the value of the assets which the Company are able to bring into the partnership with the City. A partnership, practically, it should be, and in any partnership the parties concerned can only claim a return on the value of the property, in whatever form it may be, that they bring into the business. This would be admitted at once in any ordinary business transaction. Why should not such a simple and correct rule be applied to the proposed agreement between the City and the Tramways Company? Why should the case be complicated by the introduction of questions concerning the amounts of the stocks, bonds or other securities of the Tramways Company? These sheets of paper are in themselves worthless. They are of value only so far as they represent a real value in the Company's property and assets. Whatever that real value is should be ascertained and on it the Company should receive a liberal return. If there are stocks, bonds, or anything else of the kind that do not represent such value there may be need of a rearrangement of the Company's finances. That, however, is the Company's affair and they may be left to arrange it as they please. The citizens of Montreal are not concerned in it. What they are concerned in is that they shall not be called upon to provide dividends or anything but the value received. On such real value the Company should be assured of a liberal return. On any fictitious value the citizens should not be asked to pay a cent.

Considerations of this kind do not appear to have entered the minds of the Tramways representatives. They have assumed that the contribution of a percentage of the receipts to the City treasury is to be the plan of finance, and naturally they will endeavor to keep that percentage as low as possible. "See," the astute agents of the Company will say, "we give the City a percentage, an assured income, beyond doubt; we take all the risk of good or bad business." But it is safe to say that the risk thus to be taken by the Company is infinitesimal, that before making the offer the managers of the Company will assure themselves from their experience in the business that under anything like partnership conditions the City would get more. But why should the City commute its interest in this way? Why should