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IN THE

Niagara Falls Power Supply

Speech by the Honorable Adam Beck, M.P.P.,
in the Legislature

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NIAGARA FALLS POWER SUPPLY.

By THE HON. ADAM BECK, M.P.P.

MR SPEAKER,—

I wish to indicate as briefly as possible the great importance to the commercial and consuming public of this Province of an economical development and supply of Electric Power;

(a) *Commercial value of power output of three Canadian Companies.*—Three Canadian companies have been incorporated for the purpose of developing and selling power at Niagara Falls; These are: The Canadian Niagara Falls Company, composed of Americans who are interested in the American Corporation of the Niagara Falls Power Company; The Ontario Power Company, which is likewise composed of Americans, and the Electrical Development Company of Ontario, Limited, composed largely of well known Ontario people. Under agreements entered into from time to time between the Niagara Falls Park Commissioners and the Companies aforesaid, rights have been given to develop as follows:—

The Canadian Power Company	100,000 H.P.
The Ontario Power Company	250,000 H.P.
The Electrical Development Company	125,000 H.P.
Total	475,000 H.P.

Of this authorized amount of 475,000 horse power machinery is now being installed by the different companies to provide for an aggregate output of 120,000 H.P.

I cannot hazard a guess as to the total Ontario consumption of power. It has been variously estimated, but the estimates are all more or less loose approximations. It is clear, however, that, when the Companies named prepare for an output of 120,000 H.P. they have a reasonable expectation of selling that amount. It is true, at the same time, that two of the Companies, viz., The Ontario Power Company and the Canadian

Niagara Power Company, intend to sell most of their present development in the United States. There is little doubt, however, but that if the whole of this 120,000 H.P. were expressly reserved for Canadian users, and the necessary transmission plant were laid down to different parts of the Province that might be supplied from Niagara Falls, Canadian consumers would speedily absorb the whole quantity of 120,000 H.P. I have it on good authority that the lowest price at which steam power can be produced in Ontario is $25 in the case of a large and efficient plant to $75 in the case of small plants for ten hours. The present steam consumers therefore, of 120,000 H.P. pay not less than from $4,000,000 to $5,000,000 per annum for the motive power they consume. The development of the commercial, manufacturing and transportation interests of the Province is going on so rapidly that it will not be long before power consumers within the area that may be supplied by Niagara Falls will require the whole authorized development of 475,000 H.P. to supply their needs. When that time arrives the steam value of the said quantity will amount to no less a sum than from $16,000,000 to $17,000,000 per annum. These are gigantic figures, and I desire to repeat them clearly so that they may be fixed in the minds of all. The present consumers of 120,000 H.P. in the Province of Ontario pay to-day not less than from $4,000,000 to $5,000,000 per annum therefor. When the time arrives that the steam power users of the Province consume 475,000 H.P. per annum they will pay for that quantity of power generated by steam and coal not less than from $16,000,000 to $17.000,000 per annum.

(*b*) *Approximate cost of development.*—I am well aware that there is considerable uncertainty as to what the exact cost will be of the power at present in process of development at Niagara Falls. I am also well aware that the existing Companies will challenge any approximate estimate of the cost of development that may be made, and will assert that inferences founded on such approximations are entirely, and in the nature of the case, valueless. I do not believe, however, that any such uncertainty attaches to these operations as has been and will be alleged. Before any body of business men would take up projects of the magnitude of that I am now discussing, they would by ways and means born of past experience form their own conclusions as to the cost of development operations, and the engineering data extant is such as to clothe these estimates with a high degree of probability. From independent inquiries I have made from thoroughly competent sources I am of the opinion that the 120,000 H.P. presently in the course of development may, when completely developed, be transmited to any part of the Province within a radius of 200 miles of Niagara Falls at a maximum average cost—after providing for depreciation for maintenance and bond interest—of $15,00 per continuous H.P. per annum. And by the time that the whole 475,000 H.P. is developed and consumed, the delivered cost, including all the items already mentioned, should not be more than $12.00 per H.P. per annum. On the consumption, therefore, of 120,000 H.P. the annual difference be-

tween the present market value of steam power and the cost price of the same quantity of electrical power is not less than $3,000,000 while upon a consumption of 475,000 H.P. per annum, the difference between the market value of steam power and the cost price of the same quantity of electrical power is not less than $11,000,000 per annum.

(c) *The influence on the commercial development of the country of these differences.* To endeavor to indicate in exact terms the influence upon the economic development of Ontario of the aforesaid differences between the market cost of steam power and the proper net cost of electric power is, of course, an impossible task. It is clear, however, that an aggregate saving in the manufacturing and other commercial operations of the country to the extent of from $3,000,000 to $4,000,000 per annum, will mean such a reduction in the price of commodities produced that will give a very great stimulus to Ontario domestic and export trade. It is an economic law, and it is common sense as well, that, as the prices of commodities are decreased the demand for and consumption of these commodities are increased; and if we project ourselves into the future to the time when 475,000 H.P. units of driving power are consumed in this Province the influence upon its trade and commerce of the annual saving of over $11,000,000 as aforesaid, will be inconceivably great. If it should be possible to insure to our commercial, manufacturing and transportation interests, power on the scale indicated and at the savings indicated, it will work a revolution in the industrial expansion of this province no less far reaching than the revolution that was accomplished by the introduction of steam.

(d) *Has the policy of the late Government done anything to accomplish these results.* I am afraid this question must be answered in the negative. I am well aware, however, that in considering the various propositions that have been made from time to time for the utilization of power at Niagara Falls, the late Government may have felt itself handicapped that it had to deal with a question the full possibilities of which were not yet manifest. Making full allowance, therefore, for the disabilities they labored under, it is yet necessary to consider whether, and in what degree, the agreements entered into with the Companies mentioned protect the public interest. The actual rentals payable by the three Companies mentioned are insignificant. The maximum annual revenue that can possibly accrue to the Government under the existing agreements is $307,500 and this revenue, it is to be noted, will not accrue until the full development of 475,000 H.P. is effected and sold. The present revenue is merely $60,000 per annum. There are only two provisions in the agreement that purport to protect the public, as distinct from the Government, and these provisions are:

(1) That one half of the quantity generated from time to time should be supplied to Canadian consumers at prices not to exceed the prices charged in the United States at similar distances from the Falls of Niagara for equal amounts of power and for similar uses and

(2) "that the said company shall not amalgamate with any other corporation—without the consent of the Lieutenant-Governor-in-Council—nor shall they enter into any arrangement—which may or shall have the effect of keeping up the price of said power, nor shall they enter into an agreement—for pooling the receipts of the said Company * * * with those of such other Company, nor which shall provide for or have the effect of establishing a common charge * * * for the use of the said power."

These obligations are not worth the paper they are written on. It is no safeguard to the Canadian public that they cannot be compelled to pay prices in excess of American prices. The art of amalgamation has been developed in the United States to its highest degree of perfection, and it is a fair inference that American prices carry a satisfactory profit to the power vendors. The agreement which prohibits amalgamation pooling and the fixing of prices accomplished nothing. The Companies will fix a price and they will fix a profitable price, below which they will not compete with each other, and how can it be proved that the prices when fixed are the result of anything else than an independent business view of the conditions of supply, demand and cost of production, the whole tempered with a due regard to the shareholders' interests? How can amalgamation be prevented? Is there any law in existence which will prohibit the stockholders of one company from buying the stock of the competing Companies, or a majority of that stock? And in such an event is there not established a common control and an effective amalgamation, even though the external form of bringing the Companies under the jurisdiction of one charter and one management be not gone through? The fact of the matter is that neither the price limitations nor the amalgamation vetoes of the agreements sanctioned by the late Government are of the slightest practical value to the Canadian customers of these Companies.

(e) *An illustration of monopoly prices.*—The Montreal Light, Heat & Power Company affords a very good illustration of the effect of amalgamation upon the prices paid by the public. This Company absorbed one after another the following Companies:—

The Montreal Gas Company.
The Royal Electric Company,
The Montreal and St. Lawrence Power Company,
The Imperial Light Company,
The Lachine Rapids Hydraulic and Land Company,
The Citizens Light and Power Company,
The Standard Light and Power Company.

The immediate effect of this amalgamation was shown in the raising of rates. Lighting rates were raised from 40 per cent. to 80 per cent. and power rates were also raised to—barring a few special contracts—prices of from $30.00 to $70.00 per H.P. per annum, depending upon the quantity consumed. The capital stock of this company is $17,000,000 and the outstanding bond issue is about $7,000,000. It is generally be-

lieved that a large proportion of the $17,000,000 capital stock upon which dividends are paid represents water. The aim of every Company is the same, viz., to make as much as it can, and if no more effective restraint is placed upon the existing Companies than has been imposed upon them by the agreements authorized by the late Government, it is only a matter of time until they do in this vicinity what the Montreal Company has done in its own area of operation. The total amount of capital stock issued by the Canadian Niagara Falls Companies is as follows:

The Electrical Development Company	$ 6,000,000
The Ontario Power Company	5,000,000
The Canadian Niagara Company	3,000,000
Total	$14,000,000

These Companies have got to fix the rate so as to pay dividends on this capital. The capital itself was issued by the various Companies concerned to the promoters thereof, in consideration of the transfer to the Companies of the mere rights of development. I know this was the case in regard to the Electrical Development Company's operations, and I have good reason to believe that it is also the case in regard to the other two Companies. The principal on which all these concerns are developed is this: The promoters get the capital stock for nothing, the total cost of acquiring and developing the property being borne by the proceeds of the bond issue. A 5 per cent. dividend upon the aforesaid capitalization of $14,000,000 amounts to $700,000 and this sum divided over the development of 120,000 H.P. which is in progress comes to $6.00 per H.P. per annum. The amount by which prices will be loaded to consumers for the purpose of paying a dividend on this capital is, therefore, at least $6.00 per H.P. per annum, and if the Companies pay a 10 per cent. dividend, as they will certainly endeavor to do in the course of time, the loading charge will be $12.00 per H.P. per annum upon the present development of 120,000 per H.P. What is the good of any veto of amalgamation, or any price regulation that permits of such an extraordinary loading of prices to consumers as is illustrated here? It is worthy of note that the capital stock of the Electrical Development Company is selling at about 50 cents on the dollar and therefore the shrewd and enterprising gentlemen who procured the concession have with the associated bond underwriters cleared about $3,000,000 cash value out of the transaction already. This is typical of such undertakings.

I wish now to give the House the salient features of the policy of the Government in regard to the draft agreement of 9th January, 1905. Between the Commissioners of the Queen Victoria Niagara Falls Park and the Electrical Development Company of Ontario, Limited. And upon the general policy to be pursued with reference to the development of hydraulic power at Niagara Falls and other parts of Ontario.

This statement or memorandum is deigned to set forth:

(1) The objections to the ratification of the agreement above referred to.

(2) The importance to the people of this Province of an economical development and supply of electric power.

(3) The importance of the power question to the Government of this Province as a possible source of revenue.

(4) The proposed Government policy on the question.

Objections to Ratifications.

Many objections may be taken to the ratification of the extraordinary agreement in question. I will, however, limit my remarks to four fundamental objections, as follows:

The Company is under no obligation to develop; on page 16 of the Park Commissioner's Report of 1904, it is sated on behalf of the Commissioners in their summary of the substance of this agreement that "The work of development (is) to commence within ten years from the first output of power under the Company's first agreement." As a matter of fact there is no such undertaking in the agreement. Clause 1 of the agreement in question confers upon the Company a license irrevocable to take water necessary to generate 125,000 electrical horse power. Clause 4 provides that that license shall continue until the 1st February, 1953. "Notwithstanding it is expressly understood and agreed that the Company shall not be bound to forthwith exercise its rights hereunder but may do so at its option at any time within ten years from the date of the first output of power under the first agreement and the Company shall give the Commissioners six months notice in writing of the time when it will commence operations hereunder" * * * "Provided that in case of the failure by the Company to give notice within the said period of ten years * * * the Lieutenant-Governor-in-Council may declare this agreement * * * void. * * * "It is further provided that if the Company determine not to exercise its rights hereunder it shall be entitled to give notice in writing to that effect to the Commissioners at any time within three months before the expiration of the period of ten years." From these excerpts from the actual agreement it is perfectly clear that while 125,000 horse power of electrical energy is, upon certain conditions, reserved to the Company for a period of fifty years, the Company has the right to declare at any time within ten years its intention not to exercise its rights to develop the said amount of horse power. To cut the whole matter short, the Company has a ten years option on this extra development, which, if it suits its convenience, it may proceed with, but on the other hand, if it should not suit its convenience, it is not bound to do anything. The Government is bound but the Company is not bound. When the great public value of a development of 125,000 horse power of

electrical energy is considered, the tying of the hands of the Government and the holding in abeyance of this valuable potentiality for a period of ten years would seem to be absurd, and on this ground, therefore, alone, the Government would decline to be a party to the ratification of the agreement.

In view of the last quotation from the Report, it is impossible to understand how the application was successful, unless there were reasons for granting it which are not disclosed in the report itself. If any such reason existed or exist, the naural inference is that they are such reasons as the late Government and its Commissioners were afraid or unwilling to bring to the light of day.

The situation to-day is that the Commissioners have shown by their arguments that the application should not have been granted and yet have granted the application.

In the same way the late Government had before it arguments which were strongly against the application, and in the light of those arguments granted the application.

It is inconceivable that a Government which has professed and still professes to regard the rights of the people at all times will see its way clear to have the additional franchise confirmed by Legislation. Viewing such a course from the public standpoint, it would seem to be an immoral thing to do, and, viewing it from the standpoint of political expediency, it would present itself as hopelessly and inexplicably fatuous.

(*b*) *The engineering argument of the Company is invalid.* Page 14 of the Park Commissioner's Report sets forth the ground upon which the Company based its application for the extra quantity of power already referred to. It states "on the completion of the coffer dam * * * it was found * * * the depth of water at the point of intake was very much greater than had been expected * * * (and) it became apparent that when the coffer dam was removed the volume of water intercepted by the works would be greatly in excess of the Company's requirements under their existing agreement. The Company represented to the Commissioners that if it was to be granted the right to utilize at some future time the surplus water, it would be necessary to make provision whereby this could be done before the cofier dam now enclosing the fore-lay is removed. Otherwise, a very great additional expense would be imposed upon the Company." I am informed by competent engineers that the condition here described by the Company does not exist and that the utilization at some future time of the surplus water will not necessarily involve the Company in the additional expense alleged. I am not concerned, however, to combat the engineering statements of the Company; I merely draw attention to the fact that, in the opinion of qualified engineers, these statements are not correct. My point is this; that, granting the accuracy of the Company's statement of these engineering conditions, no valid claim upon the Government for an additional grant of power is made by that fact. Under the first agreement, dated 29th Jan-

uary, 1903, between the Park Commissioners and the predecessors of the Electrical Development Company, 125,000 horse power of electrical energy was granted to the said Company upon certain terms. In my opinion, under these terms the Company was given privileges at an absurdly low figure. The mere fact that in the development of its plant it comes across conditions, which, if utilized, will add greatly to its output and earning power constitutes no claim upon the Government to grant, on these or any other terms, the right to take advantage of these new conditions. The conferring of any future privileges upon the Company is an act of grace upon the part of the Government. It is under no obligation whatever to add to the privileges the Company enjoys, other privileges good or bad. No hardship is imposed upon the Company by the flat Governmental refusal to give it any additional privileges, and the idea embodied in the Commissioner's report and in the agreement in question that the discovery of certain engineering conditions gives the Company a sort of moral claim upon the Government for further privileges is not based on any substantial ground whatever. The Government is not under any obligation in this matter no matter what the Company is prepared to pay for it. If, however, the Company proposed to pay a fair market price for the privileges embodied in the supplementary agreement, it might become a question of expediency as to whether they should be granted. But no such market price is offered, and, in my opinion, no such engineering conditions exist as are alleged; and further, even if they did exist there is not the shadow of a valid claim, moral or legal, resting upon the Government to grant additional powers because of them.

(c) *Visionary Municipal Benefits.*—Clause 5 of the agreement stipulates as follows: "It is hereby expressly provided that one-half of the power to be generated hereunder shall from time to time be available for the use of any municipality or municipalities within the Province of Ontario for the purpose of operating a municipal system of lighting, heating or other public utilities. * * The price to be paid for such municipality for the said power may be fixed by the Lieutenant-Governor-in-Council, who may also fix the price every fifteen years thereafter during the continuance of this agreement. On a superficial reading of the complete clause from which the foregoing is an extract, it would appear that provision had been made to supply municipalities with power at a price to be fixed by the Lieutenant-Governor-in-Council. This is a sop to the public sentiment, which has found for some years back vigorous expression in the newspaper press and in the resolutions of public bodies. The provision, however, is wholly misleading and illusory. First of all, the Company need not exercise its rights for ten years from the date "of the first output of power under the first agreement." In the next place, and provided that the Company does exercise its rights and does proceed with the development, the reservation for municipal purposes is limited to one-half of the supplementary development. In the third place, the power so reserved is to be restricted from the municipal uses of

"lighting, heating and other public utilities." Under the Municipal Power Works Act of 1903, municipalities are given the right to develop power for municipal purposes and also for the purpose of resale to manufacturers and others who may require it as motive power. This clause, which purports to meet the public demand embodied in the Municipal Works Act, does not provide for the sale to municipalities of power for manufacturing purposes. That is to say, that no municipality could take advantage of the price fixed by the Lieutenant-Governor in Council and demand that it be furnished with power at that price for the purpose of resale to any manufacturer within the municipal boundaries.

The Company under the operation of clause 5, has a free hand to sell its power to every manufacturer at the highest price it can exact, and the so-called municipal privileges are a dead letter so far as insuring that such power can be obtained at any price other than the Company's price. I cannot conceive of a clause of this kind being approved by any body of competent men who are animated by a genuine desire to protect the public interest. The whole thing is illusory, even the guarantee that the prices shall be fixed by the Lieutenant-Governor-in-Council is not adequate to protect the municipalities. The Lieutenant-Governor-in-Council in fixing a price must have regard to the Company's fixed charges for maintenance and bond interest, and to the dividend requirements of its capital stock. The privileges proposed to be conveyed by this supplementary agreement will certainly be capitalized by the Company at a very large figure and any price which may be fixed by the Lieutenant-Governor-in-Council for the benefit of municipalities will, of necessity, be loaded so as to pay the fixed charges attendant upon the heavy bond issue and dividends upon a magnificent issue of capital stock. Even, therefore, if the Company were under a definite obligation to proceed with the work of development at once and even though the engineering conditions and other circumstances made it obligatory upon the Government to grant the powers embodied in the supplementary agreement, the Government would still decline to ratify it because of the utter insufficiency of the so-called municipal safeguards of clause 5.

(*d*) *The Public good.*—Apart, however, from the specific grounds of objection already specified, this agreement cannot be ratified on the broad ground of regard for the public interest. It is unquestionable that the commercial use of the great power resources of Niagara Falls is going to exercise an extraordinary influence upon the economic development of the Province of Ontario. The rapid strides made in the last few years in the application of electricity to commercial purposes have been such that no random snap-shot disposition of any such valuable powers as this agreement proposes to convey can be made without the gravest consideration. It is not the sufficiency or insufficiency of the option price, which is $5,000 per annum until one-half of the development authorized by the first agreement is made; and $10,000 per annum from that time until power is de-

veloped and sold under the terms of the supplementary agreement; and from that time $15,000 per annum for the remainder of the term of the agreement; nor is it the sufficiency or insufficiency of the annual rentals, which have been fixed at $1.00 per horse power for the second 10,000 and 75c. per horse power for the next 10,000 and 50c. per horse power for the remaining 95,000 horse power. It is the broad question of determining in a rational way the kind and degree of of protection that should be accorded the commercial and consuming public of the Province in connection with the utilization of these great sources of wealth. Until this whole matter has received greater attention than has yet been given it the granting of additional rights is of the nature of gambling in the public heritage. For this reason, therefore, it is the policy of the Government not to ratify the agreement of the 9th of January, nor to grant any additional franchise in the meantime.

THE INTEREST AND POLICY OF THE GOVERNMENT IN THIS MATTER.

The interest of the Government may be briefly stated. It is two-fold. It has, first, an interest in the water power resources of the Province as a source of revenue to the public treasury. It has also an interest in the commercial development of the Province, and, as I have already shown, a very great influence upon the commercial development of the Province will be exercised by the furnishing of cheap power. It is the duty of the Public Interest in Niagara Falls Power—Gal. 4—Walsh —fvm Government to see that that development is not hindered by permitting a handful of people to enrich themselves out of these treasures at the expense of the general public. It is the established and inchallenged right of the Government to realize upon the timber and mineral resources of the Province for the benefit of the public treasury. The Government has the same right over the Provincial water powers to which it holds title that it has over the timber, mineral and Crown lands of the Province. Much attention has been given of late years to the terms upon which the Government disposes of its timber and mineral resources. Public attention is now being directed to the possibilities of its water powers, and if the granting of timber and mineral rights at unduly low prices cannot be justified, the granting of water power rights at unduly low prices is still harder to justify. The timber and mineral resources are limited, each parcel and each block is bound to be worked out in time, but it is hoped that under a gracious providence the waters of the Niagara River will forever flow over Niagara Falls. There is in these water powers a source of perpetual industrial development and a source of perpetual Provincial revenue. The question is so large and the effects of a wise Governmental policy are so far reaching that the most careful and exact enquiry should precede the announcement of any policy. Representative bodies and the newspaper press are all recognizing the great benefits that may accrue from a wisely administered system of public ownership; but the question is so vast that no Government can deal with it until it has had an op-

portunity of considering it in all its bearings. Governmental control is called for by some, and for it a good deal may perhaps be said, but I have already shown that in the case of these Niagara Falls companies the capitalization is very heavy, and the payment of dividends upon capital, which is a legitimate burden on every company, will in these cases impose a heavy tax upon the consumer. The policy of fixing prices at arbitrary figures which will not permit of a dividend upon the capital of the company affected, is one that is difficult to justify.

It may be, that, after all, the best means of arriving at a satisfactory conclusion on these points will be to utilize the services of a number of competent gentleman who may be asked to enquire into the location, capacity, and cost of development of the various power and electric railway companies, and the power possibilities of the future—in a word to enquire into the whole question in all its bearings and to report fully thereon. This will, of course, include localities other than those subsidiary to Niagara Falls. Such a commission should have the most extensive powers and upon their report the Government should be able to build up a policy which will commend itself to the people of the Province who are so vitally interested in the question, and I am in a position to state that such a course is now under the consideration of the Government.

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(*b*) *Approximate cost of development.*—I am well aware that there is considerable uncertainty as to what the exact cost will be of the power at present in process of development at Niagara Falls. I am also well aware that the existing Companies will challenge any approximate estimate of the cost of development that may be made, and will assert that inferences founded on such approximations are entirely, and in the nature of the case, valueless. I do not believe, however, that any such uncertainty attaches to these operations as has been and will be alleged. Before any body of business men would take up projects of the magnitude of that I am now discussing, they would by ways and means born of past experience form their own conclusions as to the cost of development operations, and the engineering data extant is such as to clothe these estimates with a high degree of probability. From independent inquiries I have made from thoroughly competent sources I am of the opinion that the 120,000 H.P. presently in the course of development may, when completely developed, be transmited to any part of the Province within a radius of 200 miles of Niagara Falls at a maximum average cost—after providing for depreciation for maintenance and bond interest—of $15,00 per continuous H.P. per annum. And by the time that the whole 475,000 H.P. is developed and consumed, the delivered cost, including all the items already mentioned, should not be more than $12.00 per H.P. per annum. On the consumption, therefore, of 120,000 H.P. the annual difference be-

tween the present market value of steam power and the cost price of the same quantity of electrical power is not less than $3,000,000 while upon a consumption of 475,000 H.P. per annum, the difference between the market value of steam power and the cost price of the same quantity of electrical power is not less than $11,000,000 per annum.

(c) *The influence on the commercial development of the country of these differences.* To endeavor to indicate in exact terms the influence upon the economic development of Ontario of the aforesaid differences between the market cost of steam power and the proper net cost of electric power is, of course, an impossible task. It is clear, however, that an aggregate saving in the manufacturing and other commercial operations of the country to the extent of from $3,000,000 to $4,000,000 per annum, will mean such a reduction in the price of commodities produced that will give a very great stimulus to Ontario domestic and export trade. It is an economic law, and it is common sense as well, that, as the prices of commodities are decreased the demand for and consumption of these commodities are increased; and if we project ourselves into the future to the time when 475,000 H.P. units of driving power are consumed in this Province the influence upon its trade and commerce of the annual saving of over $11,000,000 as aforesaid, will be inconceivably great. If it should be possible to insure to our commercial, manufacturing and transportation interests, power on the scale indicated and at the savings indicated, it will work a revolution in the industrial expansion of this province no less far reaching than the revolution that was accomplished by the introduction of steam.

(d) *Has the policy of the late Government done anything to accomplish these results.* I am afraid this question must be answered in the negative. I am well aware, however, that in considering the various propositions that have been made from time to time for the utilization of power at Niagara Falls, the late Government may have felt itself handicapped that it had to deal with a question the full possibilities of which were not yet manifest. Making full allowance, therefore, for the disabilities they labored under, it is yet necessary to consider whether, and in what degree, the agreements entered into with the Companies mentioned protect the public interest. The actual rentals payable by the three Companies mentioned are insignificant. The maximum annual revenue that can possibly accrue to the Government under the existing agreements is $307,500 and this revenue, it is to be noted, will not accrue until the full development of 475,000 H.P. is effected and sold. The present revenue is merely $60,000 per annum. There are only two provisions in the agreement that purport to protect the public, as distinct from the Government, and these provisions are:

(1) That one half of the quantity generated from time to time should be supplied to Canadian consumers at prices not to exceed the prices charged in the United States at similar distances from the Falls of Niagara for equal amounts of power and for similar uses and

(2) "that the said company shall not amalgamate with any other corporation—without the consent of the Lieutenant-Governor-in-Council—nor shall they enter into any arrangement—which may or shall have the effect of keeping up the price of said power, nor shall they enter into an agreement—for pooling the receipts of the said Company * * * with those of such other Company, nor which shall provide for or have the effect of establishing a common charge * * * for the use of the said power."

These obligations are not worth the paper they are written on. It is no safeguard to the Canadian public that they cannot be compelled to pay prices in excess of American prices. The art of amalgamation has been developed in the United States to its highest degree of perfection, and it is a fair inference that American prices carry a satisfactory profit to the power vendors. The agreement which prohibits amalgamation pooling and the fixing of prices accomplished nothing. The Companies will fix a price and they will fix a profitable price, below which they will not compete with each other, and how can it be proved that the prices when fixed are the result of anything else than an independent business view of the conditions of supply, demand and cost of production, the whole tempered with a due regard to the shareholders' interests? How can amalgamation be prevented? Is there any law in existence which will prohibit the stockholders of one company from buying the stock of the competing Companies, or a majority of that stock? And in such an event is there not established a common control and an effective amalgamation, even though the external form of bringing the Companies under the jurisdiction of one charter and one management be not gone through? The fact of the matter is that neither the price limitations nor the amalgamation vetoes of the agreements sanctioned by the late Government are of the slightest practical value to the Canadian customers of these Companies.

(e) *An illustration of monopoly prices.*—The Montreal Light, Heat & Power Company affords a very good illustration of the effect of amalgamation upon the prices paid by the public. This Company absorbed one after another the following Companies:—

The Montreal Gas Company.
The Royal Electric Company,
The Montreal and St. Lawrence Power Company,
The Imperial Light Company,
The Lachine Rapids Hydraulic and Land Company,
The Citizens Light and Power Company,
The Standard Light and Power Company.

The immediate effect of this amalgamation was shown in the raising of rates. Lighting rates were raised from 40 per cent. to 80 per cent. and power rates were also raised to—barring a few special contracts—prices of from $30.00 to $70.00 per H.P. per annum, depending upon the quantity consumed. The capital stock of this company is $17,000,000 and the outstanding bond issue is about $7,000,000. It is generally be-

lieved that a large proportion of the $17,000,000 capital stock upon which dividends are paid represents water. The aim of every Company is the same, viz., to make as much as it can, and if no more effective restraint is placed upon the existing Companies than has been imposed upon them by the agreements authorized by the late Government, it is only a matter of time until they do in this vicinity what the Montreal Company has done in its own area of operation. The total amount of capital stock issued by the Canadian Niagara Falls Companies is as follows:

The Electrical Development Company	$ 6,000,000
The Ontario Power Company	5,000,000
The Canadian Niagara Company	3,000,000
Total	$14,000,000

These Companies have got to fix the rate so as to pay dividends on this capital. The capital itself was issued by the various Companies concerned to the promoters thereof, in consideration of the transfer to the Companies of the mere rights of development. I know this was the case in regard to the Electrical Development Company's operations, and I have good reason to believe that it is also the case in regard to the other two Companies. The principal on which all these concerns are developed is this: The promoters get the capital stock for nothing, the total cost of acquiring and developing the property being borne by the proceeds of the bond issue. A 5 per cent. dividend upon the aforesaid capitalization of $14,000,000 amounts to $700,000 and this sum divided over the development of 120,000 H.P. which is in progress comes to $6.00 per H.P. per annum. The amount by which prices will be loaded to consumers for the purpose of paying a dividend on this capital is, therefore, at least $6.00 per H.P. per annum, and if the Companies pay a 10 per cent. dividend, as they will certainly endeavor to do in the course of time, the loading charge will be $12.00 per H.P. per annum upon the present development of 120,000 per H.P. What is the good of any veto of amalgamation, or any price regulation that permits of such an extraordinary loading of prices to consumers as is illustrated here? It is worthy of note that the capital stock of the Electrical Development Company is selling at about 50 cents on the dollar and therefore the shrewd and enterprising gentlemen who procured the concession have with the associated bond underwriters cleared about $3,000,000 cash value out of the transaction already. This is typical of such undertakings.

I wish now to give the House the salient features of the policy of the Government in regard to the draft agreement of 9th January, 1905. Between the Commissioners of the Queen Victoria Niagara Falls Park and the Electrical Development Company of Ontario, Limited. And upon the general policy to be pursued with reference to the development of hydraulic power at Niagara Falls and other parts of Ontario.

This statement or memorandum is deigned to set forth:

(1) The objections to the ratification of the agreement above referred to.

(2) The importance to the people of this Province of an economical development and supply of electric power.

(3) The importance of the power question to the Government of this Province as a possible source of revenue.

(4) The proposed Government policy on the question.

Objections to Ratifications.

Many objections may be taken to the ratification of the extraordinary agreement in question. I will, however, limit my remarks to four fundamental objections, as follows:

The Company is under no obligation to develop; on page 16 of the Park Commissioner's Report of 1904, it is sated on behalf of the Commissioners in their summary of the substance of this agreement that "The work of development (is) to commence within ten years from the first output of power under the Company's first agreement." As a matter of fact there is no such undertaking in the agreement. Clause 1 of the agreement in question confers upon the Company a license irrevocable to take water necessary to generate 125,000 electrical horse power. Clause 4 provides that that license shall continue until the 1st February, 1953. "Notwithstanding it is expressly understood and agreed that the Company shall not be bound to forthwith exercise its rights hereunder but may do so at its option at any time within ten years from the date of the first output of power under the first agreement and the Company shall give the Commissioners six months notice in writing of the time when it will commence operations hereunder" * * * "Provided that in case of the failure by the Company to give notice within the said period of ten years * * * the Lieutenant-Governor-in-Council may declare this agreement * * * void. * * * "It is further provided that if the Company determine not to exercise its rights hereunder it shall be entitled to give notice in writing to that effect to the Commissioners at any time within three months before the expiration of the period of ten years." From these excerpts from the actual agreement it is perfectly clear that while 125,000 horse power of electrical energy is, upon certain conditions, reserved to the Company for a period of fifty years, the Company has the right to declare at any time within ten years its intention not to exercise its rights to develop the said amount of horse power. To cut the whole matter short, the Company has a ten years option on this extra development, which, if it suits its convenience, it may proceed with, but on the other hand, if it should not suit its convenience, it is not bound to do anything. The Government is bound but the Company is not bound. When the great public value of a development of 125,000 horse power of

electrical energy is considered, the tying of the hands of the Government and the holding in abeyance of this valuable potentiality for a period of ten years would seem to be absurd, and on this ground, therefore, alone, the Government would decline to be a party to the ratification of the agreement.

In view of the last quotation from the Report, it is impossible to understand how the application was successful, unless there were reasons for granting it which are not disclosed in the report itself. If any such reason existed or exist, the naural inference is that they are such reasons as the late Government and its Commissioners were afraid or unwilling to bring to the light of day.

The situation to-day is that the Commissioners have shown by their arguments that the application should not have been granted and yet have granted the application.

In the same way the late Government had before it arguments which were strongly against the application, and in the light of those arguments granted the application.

It is inconceivable that a Government which has professed and still professes to regard the rights of the people at all times will see its way clear to have the additional franchise confirmed by Legislation. Viewing such a course from the public standpoint, it would seem to be an immoral thing to do, and, viewing it from the standpoint of political expediency, it would present itself as hopelessly and inexplicably fatuous.

(*b*) *The engineering argument of the Company is invalid.* Page 14 of the Park Commissioner's Report sets forth the ground upon which the Company based its application for the extra quantity of power already referred to. It states "on the completion of the coffer dam * * * it was found * * * the depth of water at the point of intake was very much greater than had been expected * * * (and) it became apparent that when the coffer dam was removed the volume of water intercepted by the works would be greatly in excess of the Company's requirements under their existing agreement. The Company represented to the Commissioners that if it was to be granted the right to utilize at some future time the surplus water, it would be necessary to make provision whereby this could be done before the cofier dam now enclosing the fore-lay is removed. Otherwise, a very great additional expense would be imposed upon the Company." I am informed by competent engineers that the condition here described by the Company does not exist and that the utilization at some future time of the surplus water will not necessarily involve the Company in the additional expense alleged. I am not concerned, however, to combat the engineering statements of the Company; I merely draw attention to the fact that, in the opinion of qualified engineers, these statements are not correct. My point is this; that, granting the accuracy of the Company's statement of these engineering conditions, no valid claim upon the Government for an additional grant of power is made by that fact. Under the first agreement, dated 29th Jan-

uary, 1903, between the Park Commissioners and the predecessors of the Electrical Development Company, 125,000 horse power of electrical energy was granted to the said Company upon certain terms. In my opinion, under these terms the Company was given privileges at an absurdly low figure. The mere fact that in the development of its plant it comes across conditions, which, if utilized, will add greatly to its output and earning power constitutes no claim upon the Government to grant, on these or any other terms, the right to take advantage of these new conditions. The conferring of any future privileges upon the Company is an act of grace upon the part of the Government. It is under no obligation whatever to add to the privileges the Company enjoys, other privileges good or bad. No hardship is imposed upon the Company by the flat Governmental refusal to give it any additional privileges, and the idea embodied in the Commissioner's report and in the agreement in question that the discovery of certain engineering conditions gives the Company a sort of moral claim upon the Government for further privileges is not based on any substantial ground whatever. The Government is not under any obligation in this matter no matter what the Company is prepared to pay for it. If, however, the Company proposed to pay a fair market price for the privileges embodied in the supplementary agreement, it might become a question of expediency as to whether they should be granted. But no such market price is offered, and, in my opinion, no such engineering conditions exist as are alleged; and further, even if they did exist there is not the shadow of a valid claim, moral or legal, resting upon the Government to grant additional powers because of them.

(c) *Visionary Municipal Benefits.*—Clause 5 of the agreement stipulates as follows: "It is hereby expressly provided that one-half of the power to be generated hereunder shall from time to time be available for the use of any municipality or municipalities within the Province of Ontario for the purpose of operating a municipal system of lighting, heating or other public utilities. * * The price to be paid for such municipality for the said power may be fixed by the Lieutenant-Governor-in-Council, who may also fix the price every fifteen years thereafter during the continuance of this agreement. On a superficial reading of the complete clause from which the foregoing is an extract, it would appear that provision had been made to supply municipalities with power at a price to be fixed by the Lieutenant-Governor-in-Council. This is a sop to the public sentiment, which has found for some years back vigorous expression in the newspaper press and in the resolutions of public bodies. The provision, however, is wholly misleading and illusory. First of all, the Company need not exercise its rights for ten years from the date "of the first output of power under the first agreement." In the next place, and provided that the Company does exercise its rights and does proceed with the development, the reservation for municipal purposes is limited to one-half of the supplementary development. In the third place, the power so reserved is to be restricted from the municipal uses of

"lighting, heating and other public utilities." Under the Municipal Power Works Act of 1903, municipalities are given the right to develop power for municipal purposes and also for the purpose of resale to manufacturers and others who may require it as motive power. This clause, which purports to meet the public demand embodied in the Municipal Works Act, does not provide for the sale to municipalities of power for manufacturing purposes. That is to say, that no municipality could take advantage of the price fixed by the Lieutenant-Governor in Council and demand that it be furnished with power at that price for the purpose of resale to any manufacturer within the municipal boundaries.

The Company under the operation of clause 5, has a free hand to sell its power to every manufacturer at the highest price it can exact, and the so-called municipal privileges are a dead letter so far as insuring that such power can be obtained at any price other than the Company's price. I cannot conceive of a clause of this kind being approved by any body of competent men who are animated by a genuine desire to protect the public interest. The whole thing is illusory, even the guarantee that the prices shall be fixed by the Lieutenant-Governor-in-Council is not adequate to protect the municipalities. The Lieutenant-Governor-in-Council in fixing a price must have regard to the Company's fixed charges for maintenance and bond interest, and to the dividend requirements of its capital stock. The privileges proposed to be conveyed by this supplementary agreement will certainly be capitalized by the Company at a very large figure and any price which may be fixed by the Lieutenant-Governor-in-Council for the benefit of municipalities will, of necessity, be loaded so as to pay the fixed charges attendant upon the heavy bond issue and dividends upon a magnificent issue of capital stock. Even, therefore, if the Company were under a definite obligation to proceed with the work of development at once and even though the engineering conditions and other circumstances made it obligatory upon the Government to grant the powers embodied in the supplementary agreement, the Government would still decline to ratify it because of the utter insufficiency of the so-called municipal safeguards of clause 5.

(*d*) *The Public good.*—Apart, however, from the specific grounds of objection already specified, this agreement cannot be ratified on the broad ground of regard for the public interest. It is unquestionable that the commercial use of the great power resources of Niagara Falls is going to exercise an extraordinary influence upon the economic development of the Province of Ontario. The rapid strides made in the last few years in the application of electricity to commercial purposes have been such that no random snap-shot disposition of any such valuable powers as this agreement proposes to convey can be made without the gravest consideration. It is not the sufficiency or insufficiency of the option price, which is $5,000 per annum until one-half of the development authorized by the first agreement is made; and $10,000 per annum from that time until power is de-

veloped and sold under the terms of the supplementary agreement; and from that time $15,000 per annum for the remainder of the term of the agreement; nor is it the sufficiency or insufficiency of the annual rentals, which have been fixed at $1.00 per horse power for the second 10,000 and 75c. per horse power for the next 10,000 and 50c. per horse power for the remaining 95,000 horse power. It is the broad question of determining in a rational way the kind and degree of of protection that should be accorded the commercial and consuming public of the Province in connection with the utilization of these great sources of wealth. Until this whole matter has received greater attention than has yet been given it the granting of additional rights is of the nature of gambling in the public heritage. For this reason, therefore, it is the policy of the Government not to ratify the agreement of the 9th of January, nor to grant any additional franchise in the meantime.

THE INTEREST AND POLICY OF THE GOVERNMENT IN THIS MATTER.

The interest of the Government may be briefly stated. It is two-fold. It has, first, an interest in the water power resources of the Province as a source of revenue to the public treasury. It has also an interest in the commercial development of the Province, and, as I have already shown, a very great influence upon the commercial development of the Province will be exercised by the furnishing of cheap power. It is the duty of the Public Interest in Niagara Falls Power—Gal. 4—Walsh --fvm Government to see that that development is not hindered by permitting a handful of people to enrich themselves out of these treasures at the expense of the general public. It is the established and inchallenged right of the Government to realize upon the timber and mineral resources of the Province for the benefit of the public treasury. The Government has the same right over the Provincial water powers to which it holds title that it has over the timber, mineral and Crown lands of the Province. Much attention has been given of late years to the terms upon which the Government disposes of its timber and mineral resources. Public attention is now being directed to the possibilities of its water powers, and if the granting of timber and mineral rights at unduly low prices cannot be justified, the granting of water power rights at unduly low prices is still harder to justify. The timber and mineral resources are limited, each parcel and each block is bound to be worked out in time, but it is hoped that under a gracious providence the waters of the Niagara River will forever flow over Niagara Falls. There is in these water powers a source of perpetual industrial development and a source of perpetual Provincial revenue. The question is so large and the effects of a wise Governmental policy are so far reaching that the most careful and exact enquiry should precede the announcement of any policy. Representative bodies and the newspaper press are all recognizing the great benefits that may accrue from a wisely administered system of public ownership; but the question is so vast that no Government can deal with it until it has had an op-

portunity of considering it in all its bearings. Governmental control is called for by some, and for it a good deal may perhaps be said, but I have already shown that in the case of these Niagara Falls companies the capitalization is very heavy, and the payment of dividends upon capital, which is a legitimate burden on every company, will in these cases impose a heavy tax upon the consumer. The policy of fixing prices at arbitrary figures which will not permit of a dividend upon the capital of the company affected, is one that is difficult to justify.

It may be, that, after all, the best means of arriving at a satisfactory conclusion on these points will be to utilize the services of a number of competent gentleman who may be asked to enquire into the location, capacity, and cost of development of the various power and electric railway companies, and the power possibilities of the future—in a word to enquire into the whole question in all its bearings and to report fully thereon. This will, of course, include localities other than those subsidiary to Niagara Falls. Such a commission should have the most extensive powers and upon their report the Government should be able to build up a 'policy which will commend itself to the people of the Province who are so vitally interested in the question, and I am in a position to state that such a course is now under the consideration of the Government.