

"Under the old system the guarantee of the Government was everything," said Mr. Drury. "The act was unworkable without it." He said that such obligation would have had to be met out of the Provincial funds if the railways were not paying propositions.

Premier Drury said that his Government at that time had obtained a report from Mr. Clarkson, and he had advised caution in matters of new undertakings. The new undertakings involved an expenditure of nearly \$50,000,000, to be guaranteed by the Province. The Government had decided to go slow and find out where the Province was headed on the radial issue.

Is Public-ownership Man.

He then told about the appointing of the Sutherland Commission and the findings of that body, among which was one that, in the opinion of the commission, the proposed lines would not be self-supporting. "I stand for the public ownership of public utilities," said the Premier.

"But I believe they should have a fair chance."

He was glad the Dominion had entered into the field of railway ownership, though not under the most happy auspices. The Dominion taking over the railways had changed the situation from what it had been in 1914.

Mr. Drury then referred to his Glencoe speech last year, when he had announced on behalf of the Government that it had decided not to go on with the radial lines so far as the guarantee of bonds was concerned, but he had said then, if the municipalities wanted radials, and voted again on them to go on without the endorsement of the Province, the Government saw no reason to interfere. The present bill was a fulfilment of that pledge.

Can Build Local Lines.

There might be instances, he said, where the municipalities might find it wise to have a local railway. The present legislation was designed to give full power to make it easy for the municipalities to build and manage lines as they saw fit. If the municipalities were to incur the losses, then they should have some say in the body that would operate the road.

The act he was sponsoring, said the Premier, put the inception of a radial project where it should be—in the hands of the municipalities affected—but, at the request of municipalities, the Hydro-electric Power Commission was authorized to investigate and report on any radial project at the request and expense of the municipalities. Municipalities were permitted under his act to enter into agreements with each other for the construction, equipment and operation of electric railways. After the municipalities had entered into agreements, the by-laws were to be submitted to the electors.

All Electors Must Vote.

The old law allowed the zoning of municipalities. The new act requires that voting was to be done by the whole of the electors of the municipality. The by-laws themselves had to set forth in detail the total financial obligation and the estimated revenue. In explaining his abolition of the zoning system, Mr. Drury said that the whole municipality was liable, and so the whole municipality should vote. Experience had shown, he said, that the nearer to the railway the more likely the people were to vote for it.

In the old act, if one municipality failed to pass the by-laws necessary, and if the amount of the financial obligation did not exceed 10 per cent. of the whole, then the other municipalities could proceed. That provision was also in the new act. The new act also provided for the creation of a new body, the Municipal Association. The members of this association, five in number, practically formed a board of directors, controlling, as a board of directors did, the running of the railway.

Like Bankruptcy Act.

The small municipalities were protected in the same way as were the small creditors in the election of administrators for a bankruptcy case, the provisions in that respect being based on bankruptcy proceedings.

The Premier then came to the financing under the new act. Concerning this feature he said:

"As the financial provisions of the present act are complicated in their effects, I requested Mr. Clarkson, as auditor of the Hydro Power Commission, appointed by the Government, to give me a memorandum explaining the effect of the provisions of the act, and at the same time I asked him to state if the objections to such provisions are avoided in the bill now before you. A memorandum which I have from Mr. Clarkson is as follows:

Mr. Clarkson Explains.

"In order to explain the difference between the present Hydro-electric Railway Act and the one contemplated, take the example where a railway is to be constructed on behalf of ten municipalities by the sale of five million dollars of bonds secured by five million dollars of debentures pledged by the municipalities interested.

"Under the present act the Hydro-electric Power Commission would sell five million dollars of its bonds to bankers, and these bonds, under the provisions of the act, would be a direct mortgage upon the railway to be constructed, and would be enforceable against such railway. The commission, on its part, as security to it in respect of the five million dollars of bonds which it would sell, would hold five million dollars of bonds from the municipalities. These bonds it would have the right to sell from time to time, only to the extent necessary to make up operating deficits, including sinking fund and interest.

No Recourse for Bankers.

"The bankers would have no direct recourse against the debentures deposited by the municipalities, but such debentures would remain in the hands of the commission. Thus the commission directly intervenes between the bankers and the securities held from the municipalities. In case of default under the above circumstances the bankers might meet with considerable difficulty in obtaining the benefit of the debentures deposited by the municipalities with the commission, and it is very questionable if under the terms of the act the bankers could, with default upon the bonds sold to them by the commission, obtain repayment before full maturity of the commission's bonds.

"In view of these conditions there can be no question but that it will be very difficult to sell bonds for the construction of any railway where there are a number of small townships interested without the Government's guarantee, so as to overcome, from the standpoint of the bankers, the difficulties mentioned; in fact I think Sir Adam Beck admitted that such was the case.

To Mortgage Radial Lines.

"Under the new act it is contemplated that the association to be formed shall issue its bonds, and that these bonds shall be secured by (a) a mortgage to a trust company upon the railway to be constructed; (b) the deposit with the trust company of debentures from the municipalities to an amount equal to the bonds issued by the association.

"Thereafter each municipality interested is under covenant to pay its share of any deficit (including interest and sinking fund). If under such circumstances default in the payment of any interest or principal on the bonds issued by an association should take place, the whole of such bonds would immediately become due, when the bankers, through the trust company, would be entitled immediately to sell (a) the debentures of the municipalities lodged with the trust company, or (b) the railway and its equipment, or (c) both of the above.

Side-step H. E. Commission.

"Under these conditions the bankers have direct recourse against the debentures of the municipalities without the intervention of anybody, and can realize upon them to meet their advances.

"The difference between the two methods of financing is just this: that under the proposed act the bankers can sell both the railway and its equipment and the bonds immediately upon default, in order to pay their claims. Under the present act they could sell the railway, but would not have direct recourse against the debentures deposited