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The Hydro-Radial Situation in Ontario

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Mr. President and Gentlemen:—I have met you here so often and on so many occasions that I am beginning to feel quite at home among you. I think this is the third or fourth time I have spoken on one subject or another to the Canadian Club, so I know fairly well your rules as to brevity, and I can assure you I do not intend to trespass on your practice of getting through quickly so as to get back to your work.

I have been asked to come here to discuss a specific question which has very much agitated the minds of certain sections of the province and in a measure the whole province. It is not a question that can be dealt with in any way by platitudes or theory or sentiment, but a question that must be dealt with in the light of experience and in the light of reasonable conviction—the hydro-radial question.

Now, in order to understand that question I want to ask you to go back with me two years to the time when the government came into power. At that time the hydro-radial policy had been more or less matured. The hydro-radial plan had more or less been drawn up. But the province had not become committed to it to any great extent. Things were being delayed and quite properly being delayed. When we came into power we found another situation confronting us, a situation that had to be dealt with and which has a very great bearing on the matter of hydro-radials.

In order to understand some of the changed conditions I want to direct your attention first to this situation—the road situation. It is a mistake to say the province launched a new thing in launching an extensive trunk highway scheme. The fact was that the people had taken the matter into their own hands and by evolving an entirely new thing in the line of locomotion had thrust the problem upon us. In 1910 there were about 25,000 motor vehicles in the province of Ontario. This year there are 200,000. The matter of motor traffic had become a very important thing, not only in passenger traffic, but in freight traffic and, coming in, there was only one thing to

do if we were going to have roads at all—because the roads system was falling down lamentably, the municipalities could not take care of through traffic, the burden was too great, the traffic was there—we were confronted by one of two things. We could leave the road policy alone and lose what roads we had. It was inevitable. They were going to pieces. Or we could take hold of it courageously and evolve a system of provincial highway transportation. It was a new situation that had come upon us since the inception of the hydro-radial scheme.

A further thing had occurred. When the hydro-radial scheme was first thought of it was perhaps a matter of competition between privately owned railways and a provincially owned system that was destined ultimately to extend and cover practically the whole of the province. Circumstances had changed in that connection. The privately owned railways, having become hopeless losses, were being taken over by the Dominion Government. Perhaps they were unwise in their inception in the first place. I believe in the principle of making progress forward by looking backward. The situation in regard to the Dominion railways had two effects upon our thought. In the first place it seemed unwise or at least questionable to duplicate a publicly owned Dominion system with a publicly owned provincial system. And, in the second place, the lesson of the ill-conceived Dominion railway venture had a little influence in,—well at least indicating caution. You know the Dominion situation and you know how we are suffering from it. You remember how the transcontinental railway was launched under the most beautiful prospective. The Prime Minister of that day, Sir Wilfred Laurier, backed up by his Finance Minister, Hon. Mr. Fielding, stated in the House that that entire system from Moncton to the Pacific would cost one year's surplus, or about \$13,000,000 to the country, and for that we should have a publicly owned transcontinental system. And then it cost about \$356,000,000. And then there was the lamentable thing of the C.N.R.; built chiefly to get a railway to build; and, bonused by everybody in sight, built by the people's money, and then taken over when the thing was not a going concern. And it did seem as though caution were indicated in the duplicating of these unfortunate systems, and perhaps unfortunately acquired systems, by another publicly owned system of provincial railroads, which once begun could scarcely be stopped until it covered the whole province. Get it out of your minds that the radial situation is one local to Toronto. Radials might

benefit Toronto, but the radial policy is one which once begun in the manner in which it was proposed could not stop short of covering the whole province. How should we say to people in Grey and Bruce, where in many sections they need railways, "We will build radials going out from the City of Toronto, but we will not do anything to help you build railways in your section." We could not do it. To my mind, once we launched on the policy there was no stopping until the province was covered by electric provincially owned lines, competing with the publicly owned steam lines, which might be electrified, and perhaps ought to be electrified to meet the needs of the case. Now these things indicated caution. He is a fool who doesn't learn by experience, and those people are foolish who do not learn by the experience of a country.

I know there are those who say that this is entirely a municipal undertaking. I disagree with them most emphatically. It was in every sense a provincial undertaking, and an undertaking which the province, once entered into in the manner in which it was proposed, would become responsible for in the event of loss.

You are all acquainted with the unfortunate history of the Municipal Loan Fund. It began in a time of prosperity. The government provided a fund which was loaned to the municipalities for various aims, and a lot of them were railways. During the Crimean War we had prosperity. The municipalities took that fund and invested it as they saw best. But they did not pay it back. It was a loan, but some 20 years later the government had to wipe out the loss—almost a total loss, because the municipalities could not pay it back and the government could not force them to pay it back. We might as well be frank. Governments live by the will of the people. The art of government is not only business, but it is the art of maintaining the confidence and the support of the people. Those who constitute a government we call politicians. They must be politicians. They must see to it that the government has popular support, and no matter how strong a government, a wholesale attempt to recover from defaulting municipalities would result in its destruction. We might as well be frank about it. Besides, there was this difference. The Municipal Loan Fund was loaned direct to the municipalities and managed by them. If ever there was a case where they ought to have paid back there was a case. But consider the matter of bond guarantee for municipalities for hydro-radials, managed, not by the municipalities, but by a Commission, appointed again, not by the municipalities, but by the

government. Assume a loss, and what do we find?—That the municipalities come to the government and say, "This thing is not paying because your Commission is responsible for its management." And the municipalities coming with that case would have a moral right as well as the political right to resist any attempt to collect losses from it. Those are the facts and you cannot get away from them.

Well now, that being the case, if we are to accept it as a principle, and I think every reasonable man will, the government cannot shirk its responsibilities by saying it is a municipal affair. We have nothing to do with it but the formality of backing the notes of the municipalities. I do not believe in carrying on government in that way. Where there is responsibility let us face responsibility, squarely, and deal with it on its merits, and if we should do the thing, let us do it. And if we should not do it let us have courage not to.

When the matter was brought to a head in June of 1920, it has been asserted in some quarters that the farmers' organizations raised a howl and the government yielded to this howl. Why, there is nothing further from the truth. No one outside, practically outside, of the government, was aware of the problem that was developing and maturing. You know that up to July, 1920, the problem was not being discussed by the people or organization or by any class of people. It was not discussed until the government took action and threw it into the arena of public discussion. The matter was brought to a focus so far as the government was concerned in June, 1920. The municipality of Guelph had voted on a radial by-law. The City of Guelph was part of a radial scheme with other municipalities, which had also voted. But the municipality of Guelph had voted on a by-law differing very materially from the by-law on which the other municipalities had voted as to the route by which the railway was to enter the city and other things. On June 20 the matter, having been voted on the January before, the government received a letter from the Hydro Commission, telling us that the thing had to be carried out by the 30th of June, and asking us to go through the pleasing formality of guaranteeing the bonds for the proposition. Four days to think it over! Well, I am one of those slow people from the country! Most of the members of the Cabinet are also more or less bucolic. They did not care to think things over in a day or two and make up their minds. We like to have time to consider. So we held it up, and then, of course, the fat was more or less spilt into the fire. And the other matter was precipitated, but we had

to make up our minds whether we could guarantee the bonds for the larger system of hydro-radials which were then immediately proposed, or whether we should look into the matter more thoroughly before we undertook the proposition.

We found that there was immediately proposed a system of about 320 miles, extending from Bowmanville to Niagara Falls, and also another system included in this from Toronto to Guelph. I know there have been those who suggest that the government, without aid, should have made up its mind without help from experts or enquiry. One member of the Legislature said that our method was useless. Why spend \$400,000 in getting expert testimony? Why not two or three members of the government get into a car and drive out over the road and come back the same night and find out whether it was feasible. Well, gentlemen, there has been two much of that thing in government. No man managing a business concern would want to make up his mind in that way. No man undertaking a great enterprise which he expected to succeed would make a success of it that way. You know and I know that every man has his limitations and if you are to get anywhere you must supplement whatever little brains the Creator has given you by the brains of other men, trained to do definite and specific things, and to give opinion on definite and specific things. And no matter how big my head might be, or how tight my hat, no matter how big my estimate of my colleagues, I do not think that men untrained to the task, with a multitude of other duties pressing on them, have either the time or the ability, to consider and decide a question which in the nature of things is specific, specialized, and very highly technical. So we did the only thing we could.

You say, why did we not depend on the estimates and plans of the Commission we already had, the hydro-electric commission? Because experience had shown, in not one case but in many cases, that there was perhaps an undue tendency toward optimism in looking at a good many problems. For the proof of it I need only direct your attention to the great hydro-electric project which we found on our hands when we came into power, and which there has been no question of building and completing in the shortest time that we could. That was the Chippawa development.

Looking at the history of that we found that scheme in 1915 launched to develop 100,000 h.p. at a cost of \$10,500,000. In 1918 to develop the first five units and to make provision for others, 275,000,000 h.p., was to cost \$25,050,000. In 1919

the scheme, full blown, to develop 500,000 h.p. was to cost ultimately—and remember the cost of construction was at the peak in 1919—\$40,000,000. Last spring we put through estimates which we were assured were final. Scarcely six months ago we were assured they were final to develop 5 units and to make the water preparations for developing the rest of the units, at a total cost of \$54,000,000 to \$55,000,000. And I am betraying no state secret when I say that since then a very serious situation has developed, that the government having made all preparations to finance, having arranged to finance the scheme at a cost of \$55,000,000, received a most unpleasant surprise when it was told some few weeks ago that it would have to provide for the financing of this scheme, submitted to the House with the assurance of the pushers of the scheme that it would finally cost \$55,000,000, that we would have to provide for the completion of the same project, to the same extent, another \$10,000,000. That is serious, very serious, and in view of our experience perhaps we can be pardoned for looking into the optimists.

Get it out of your heads at once that the government is opposed to public ownership of public utilities. We are not knockers and our record shows it. We are not destroyers. The government stands hitched to no private interests. We have never had their support and we do not expect it and we do not want it. But the worst foes of public ownership are those who launch, without due consideration, into a scheme of public ownership foredoomed before start, to failure. The worst blow that public ownership of public utilities in Canada has got is in the nationally owned railways, a thing which could have been avoided by reasonable business provision.

We appointed a Commission and oh! things were noisy for a while. I did not know how long the government would last. It looked as though we might be blown out of the water by the violence of the hurricane. But there was only one thing to do. I would rather be blown out of the water than commit the province to something that would be disastrous, because my stock in the province is just a little bit deeper than my hold on office. My stock in the province is 100 years back, and I hope will go down the future for many hundred years; as a citizen of the province I am interested in the safe conduct of the business of the province, and that is of more importance to me, because I am hitched up in a hundred ways with the people of the province, than any mere political advantage.

Now what about the commission? We appointed a commission consisting of two engineers, technical men, a judge who is used to the weighing of evidence, a farmer who could represent fairly the opinion of the out of town people, and a man from the City of Toronto, which was the center of the low pressure area. At the risk of imposing on your time I want to point out to you now some of the findings of the Commission. First, the scope of the main enquiry was as to the construction of 326 miles of the electrical railway extending from Bowmanville to Niagara Falls, and to be built at an approximate cost of \$45,000,000. If we were to magnify that cost in the proportion of Chippawa it might be very serious. The questions raised were:—

“Whether the condition and outlook of the electric railway business would justify the venture, whether the proposed railways would be self-supporting; to what extent they would compete with other Government railways; to what extent they would be affected by highway improvements and motor traffic; and whether the financial situation of the Province would warrant the undertaking.”

Now what are the findings? The findings showed as they were brought out perhaps undue optimism on the part of the proposers of the scheme. And, I may say here, that one feature of the enquiry which should be borne in mind was this, that of the total cost, by far the greater part was incurred by engineers employed by the Commission, experts employed by the Commission to give evidence in favor of the undertaking. Bear that in mind—the scheme which should have been fully considered, a scheme which should have been developed to the last detail, and a scheme which we confidently expected to be ready to be submitted to the commission appointed to consider it, required the employment of experts to the tune of nearly \$300,000,—I am speaking from memory—to be employed for the one purpose of giving evidence in favor of it. The fact that the commission enquiring into the scheme deemed it necessary to employ experts is an answer, I think, to any charge that the commission was got together for the purpose of killing the scheme. It was to weigh the evidence, and we gave the fullest scope at the province's expense to those who proposed the scheme to bring all the evidence which I submit should have been in existence without the necessity of any expenditure, to support the scheme.

In the first place the Commission found that the cost of operation was optimistic. Mr. Arnold, who was the princi-

pal advisor of the Hydro, reported an average cost of 28.7 cents per car mile as the estimated cost of operating the system. That was not borne out by comparison with other railway systems. The London & Port Stanley Railway costs 35.5; the Detroit United was 42.5; the Detroit Toledo Division, 44.5; Chicago North Shore 39.4; Indiana Service Corporation 42; and the Buffalo and Niagara Falls, 35.5 cents. In regard to this it was urged that the cost of cheap power would materially reduce the cost of operation and that the system could be operated more cheaply than any other. Well, the London & Port Stanley has cheap power, and there are others that have cheap power. But the Commission reported on that as follows:—

“As various witnesses have shown that the power costs from steam lie between 5 and 9 cents per car mile in the car operating costs this means that the saving by Hydro power in this area will be no more than about two or three cents per car mile, or say seven per cent of the car operating costs, thus indicating that the factor of cheaper power, while important, is not so vital as might at first appear.”

The Commission declared that it did not seem reasonable to expect that the Hydro Radials could operate at the exceedingly low costs they anticipate.

Then as to revenue. Again there was evidenced that undue note of optimism—perhaps the same sort of optimism that Sir Wilfred Laurier had when he said that the National Transcontinental from Moncton to the Pacific would only cost \$13,000,000, a sort of optimism that always ought to be inquired into, for I have no use for the optimist who shuts his eyes to facts. I think the proper optimist is the man who sees the worst there is to see and then takes means to overcome it. Now, the figures submitted, as I said, were optimistic. The Commission in dealing with this part of the question said this:—

“It was clearly stated in evidence by Mr. Gaby and others that the expected passenger revenue could not be secured unless such large increases in population were assumed, and Mr. Gaby admitted that if the existing population were used for computation the project would show a deficit instead of a surplus.”

It is all very well to build for the future, but perhaps it is well to let to-morrow take care of the things pertaining to itself. Perhaps it is well to be sure in a matter which might involve great losses, which, not carried out on a basis of paying its way might be the greatest of factors in deterring the

growth of population along the line where these radials exist. Because, remember, people go after all not where radials run and other things beyond a certain point, but they go in the main where it is cheapest to live, and if you burden growing municipalities with a deficit which they have to meet, by taxation or high rates or some other way, instead of encouraging growth, you will deter growth. So I have not very much use for, nor do I count upon developing population by, a scheme which would likely, on the Commission's showing, deter growth by increasing the taxation. The Commission found that the estimates of passenger revenue were too optimistic and not likely to be realized because they are based,—

"1. On populations which do not exist and hence are at least uncertain;

2. They are higher than most roads of general similar passenger type now in operation, and are second only to those operating out of very large cities where the riding habit is higher;

3. They expect passenger revenues per capita, especially on the interurban portions which are in excess of those of some of the best passenger earning roads, operating out of cities like Detroit and Cleveland; and

4. They expect to obtain these high earnings within the first year of operation compared with electric roads which have developed their business over a period of from 10 years to 20 years.

Then the estimates for freight revenue as brought out by the Commission were altogether too high. The estimates for freight revenue were also dependent upon increase in population. It was figured that the freight revenue of the Hydro Radials would equal 35.6 per cent. of the whole revenue in 1925. On this aspect the Commission found that many electric railways in the U.S. had tried to develop freight business, but had succeeded in securing only what they call despatch freight business. The Hydro Radials were expected to do a great deal more than this. They were to handle car-load freight for long hauls and the average freight returns per route mile were estimated at \$8,909. This figure was reached on a basis of a certain tonnage per capita of population. The Commission found that;

"From all the evidence submitted this appears to be a basis assumption not only novel but at variance with practice and traffic experts. Mr. Gaby and Mr. Hewson both stated that they introduced it in their computations by analogies with tonnages carried on roads in operation, and Messrs.

Arnold and Sagar followed this method and brought new figures in an attempt to justify the rates used. All other witnesses, those actually engaged in freight traffic, said this was not the practice, and that they could see no relation between freight and population on any railroad doing a mixed local and mixed freight business. In our opinion, in view of the evidence, there does not appear to be any relation which can definitely be set up."

And you know it is novel, because freight has very little to do with population. I could take you to one little town on the T. & N. O. that sends out a great deal more freight than many towns many times its size. It has to do with production. And to my mind that this population, situated on this residential road, was expected to supply so much freight per capita cast doubt on the scheme. Residential districts do not produce freight. You can see for yourself—a farming district, a pulp producing district, may produce ten times as much freight per capita as a residential district. A residential district such as the district between here and Hamilton is likely to become, would not become an immediate producer of freight per capita so far as anyone with common sense could see.

"With regard to expected freight revenues, we conclude from the foregoing that they are too speculative, and, under the conditions in which the Hydro Radial system will have to operate, cannot be expected to be realized."

Then there was again optimism in the operating ratio. That is described as "What it costs to do the work for every dollar earned." The evidence showed that in recent years the operating ratio on electric railways has steadily risen until it has arrived at a point from 65 to 70 per cent. below which the experts do not see that it can be bettered in the near future. For the sake of safety the Commission took 65 per cent. as the minimum and compared it with the estimated operating ratio on the Hydro radials. It was found that the operating ratio for the entire radial system was 55.7 per cent. Or ten per cent. below the minimum shown on other systems. There again, a little unduly optimistic, and which at least would warrant caution.

Now, in the face of such findings what could the government do? The Commission summed up its findings as follows;—

"To make the proposed electric railway system be self-supporting, it would have to pay annual carrying charges on construction costs much higher than usual and would have to

operate at annual operating charges much lower than normal, or, than other experienced managers have been able, are able to, or expect to be able to operate at. It would require to secure revenues, passenger and freight, but particularly freight which experience has shown have not been secured, and will not be realized in any territory which can be considered at all comparable."

"It appears to us in the light of all the evidence that such expectations could not be realized, and that the system if constructed could not be operated so as to be self-supporting."

What was the duty of the government? It is not a question of what is the popular thing to do. I know, after looking at it from the political point of view what would have been the popular thing to do. I do not think I can be accused of playing politics with it. As you know political exigencies exiled me from my own county, and a county was given to me to represent—one of the finest counties in Ontario. Two of those proposed radial lines ran through the riding which I have the honor to represent. If I had been playing politics, and with an eye to my constituency, I would have let the thing go on. If I had been playing politics with an eye to the whole province I would have let the thing go on because the rest of the province could very easily have been prevented from feeling the ill effects until long after the reasonable expectation of life of any government. And the government could have said, "After us, the deluge." But that is not the way to conduct business, and I believe the country has come to the time when it can take sounder methods. I do not think the responsibility of government should terminate with its expected life. I think that any government attempting to do business for the province or for the country should conduct that business on sound business principles, building for the future after any government may have been expected normally to go out of power, because that happens to every one. It is one of the comforts that no matter how much they may do, no matter who they may be, no matter how much they may endure, they are always rewarded, if they live long enough, by being kicked out.

What were we to do? The province had a responsibility to the province as a whole. That obligation had to be discharged. It having become evident that changed circumstances had made the scheme not what it was in the beginning, that the estimates were unduly optimistic, that the province had rights which must be guarded, the only thing to do was to

guard these rights and refuse to guarantee the bonds for this undertaking. We did it. I was surprised at the small amount of protest even from those most closely interested. I did get a few deputations but when I came to analyze them I found that most of the men in them owned property very very close to the proposed radial lines. I did not even get any general deputation from the County of Halton. In fact the people seemed to have backed the action of the government which, when it was taken, appeared at first to be suicidal. We refused to guarantee the bonds. We still refuse to guarantee the bonds. If the municipalities with all the findings before them care to go on with the thing they can ask for another vote and go on. Because there is a clear line of demarcation between the province's business and the municipalities' business. I have enough faith, however, in the common sense of the people of the municipalities to believe they will not commit themselves to a doubtful undertaking. I think so. I think we can trust their common sense. I do not set out to do business for all the municipalities, and I believe there is a just line of demarcation between the business of the province and that of the municipalities. It is significant that up to the present no requests have been received that the question should be reopened and the municipalities vote again on the question. If they do, and if they care to go on with it, they may do so, and we will provide the machinery by which they can control the managing power, whatever that power might be, severing it clearly from the business of the province. But the duty of the government of the province has become absolutely plain.

Now, will anybody suffer? I don't think so. What are the alternatives? What were the radials to do? You have here half a million people in the great City of Toronto. The Province of Ontario must look out for the City of Toronto, but that does not necessarily mean that the Province must adopt a policy particularly for the purpose of making the city of Toronto grow. You have got to look at the national standpoint, and frankly, I wish the City of Toronto were split up into half a dozen pieces and spread out. I think it would be better for the city and for the province. I think it would be best from the economic, from the social, or any other kind of standpoint. But is the City of Toronto suffering, or is the country proposed to be served by this radial suffering? Why, not at all.

Eastward what do we get? A series of small towns and a good farming country, but not in crying need of transporta-

tion. And we are giving them better transportation than they had. We are giving them a good road which can be depended upon. And there are three railways. I was down there the other day and I could not get out of sight of three of them—and not running to full capacity. I am told one of them runs one train a day each way—the rails are beginning to show signs of rust. Westerly, on the Toronto to Guelph, a nice farming country and two or three nice towns. But there is no great need of transportation, and the needs of that country are met by another highway. The Toronto to St. Catharines—people say before ten years that between Toronto and Hamilton it will be a continuous city; well, perhaps. But what did we find? They say the present steam road is not adequate to the needs of the case. There is no other section of the Dominion of Canada so well served by railway service as that section. And, speaking of that section with a railway expert, a traffic expert, and asking him specific questions as I did, can you put more traffic on that road? He laughed and said, "Yes, we are not within sight of establishing the block system on that road. When we do we can increase the capacity a great many times." So you see the needs do not exist. Besides we have ever growing facilities of highways. It is a strange thing, while transportation started off with highways it is coming around to highways again—not only for passenger but for freight traffic. And not only for the use of those who are wealthy enough to own their own cars from the big fellows down to the tin lizzies but bus lines are running. I talked not long since to a man operating a bus line and he said he had operated without accident for several years, had plant and equipment paid for, made an average speed of 24 miles an hour, and was making money. Which shows what can be done by highway transportation. Under these circumstances no one is going to be hurt if we hold back a little and do not go on with it unless it is quite an assured success. If, later on, the population should develop, we can deal with it as it arises. The lack of transportation is not such as in any sense should hold back the growth of population. It would be folly to think of establishing an expensive system of transportation and then expect your population to grow to it. What would happen if Toronto, through her Transportation Commission, were to set out and run lines north to the country to Davenport, for instance, and say, "We will build these lines and the population will come in." It would be an absurd thing. Population would never come there in a million years. Remember, that was practic-

ally what was proposed along this territory, when it was proposed to go ahead with the road which the commission showed conclusively could only be operated at a deficit. I do not care what you do with regard to blaming the government, but we did our duty. But was not the government, in view of the great demands which have been made upon us, justified in halting and investigating this thing, and, the finding being as it was, taking the stand it did take?