

Hon. Mr. Reilly Spoke on the The Budget Yesterday Afternoon

Gave the House Some Interesting Information Regarding the Hydro Plant at Musquash—Business Like Methods Adopted by the Present Hydro Commission Have Resulted in a Large Saving to the Province.

Hon. E. A. Reilly, member of the government without portfolio and Chairman of the Hydro Commission, was the only speaker on the budget in the Legislature yesterday. His speech was not lengthy but it was most illuminating and was followed by members on both sides with the closest attention. After a brief reference to the financial condition of the province he launched out into a discussion of hydro matters, dealing particularly with Musquash development. He was able to show that the new Hydro Commission by employing business methods was able to affect a large saving to the province in salaries, etc. He pointed out that the Commission itself was costing the province \$5,500 a year less than the Commission which functioned under the old administration. Hon. Mr. Reilly was armed with all the facts and presented them to the House in a clear concise manner.

Premier Baxter has the floor for this afternoon and will bring the debate to a close. It is expected that some items of supply will be passed before the House takes recess at six o'clock.

It is five weeks today since the House met and it is just possibly that prorogation may take place by the end of next week. So far fifty-seven bills have been introduced, forty-four of which have been given the royal assent. His Honor the Lieutenant Governor entered the Chamber at 5.30 o'clock yesterday afternoon and gave his assent to thirty bills.

Assembly Chamber,
April 14th, 1926.
The House met at three o'clock.
The following bills were given a third reading: An Act relating to the town of Woodstock, an Act incorporating the Nepisiguit Storage Company, Limited; an Act to incorporate the

Nepisiguit Power Company, Limited. MR. DICKSON gave notice of inquiry for Monday next.

MR. VENIOT gave notice of inquiry for Monday next.

MR. DICKSON submitted the report of the Agricultural Committee.

Hon. Mr. Reilly.

HON. MR. REILLY, continuing the debate, said it was in order to congratulate the Speaker upon the happy position he at the present time occupied in this House. It was a credit, not only personally, but to the constituency he represented, and likewise to the province.

He deemed it a duty that each and every one should express regret at the death of the late Queen Alexandra. Her position and character had set an example for the people of the British Nation.

He also felt it a duty not to let pass unnoticed the splendid record contributed to this House in the Address to the Speech from the Throne, as participated in by the mover and second, a young man, his friend from Kings county, who so well expressed and so minutely defined the policies of that speech. It was admirably delivered, the treatment of it fair and reasonable, and on the whole, was worthy of a man with much more experience in Parliamentary life.

He would mention also the second, who spoke both in French and English. The material used in seconding the address was most fitting. His language, as well as the subject matter was one of the outstanding features of this session, and likewise had done credit to his compatriots.

Provincial Finances.

Before touching on the main features of his observations he would first take a brief inventory of the financial condition of the province. We had before us the capital and ordinary liabilities of this province as being nearly \$35,385,569.83. It required each year \$1,602,122.98 out of the revenue to meet the interest. In other words, it would take about one-third of the full ordinary revenue of the province to meet the interest on our indebtedness. The deficit for the year ending October 31st, 1925, was \$812,094.61. In addition to this, we also had the deficit of the Power Commission. The total

deficits for the years 1924 and 1925 were \$1,141,953.65.

This was the legacy which we must deal with and find a revenue from the people to meet. It was wrong in principle to have bonds issue to cover these several deficits, yet what were they to do.

Having in view the capital debt of this province, as well as the population, it was found that each man, woman and child in the province would owe \$95.00 per head. Taking a family, say, of five, which was the average family, such family would bear \$475.00 as its proportion of the capital debt.

Some Statistics.

For a moment let the receipts and expenditures of the province for the past two years 1924 and 1925, be considered. We find in 1924 the expenditure on—

Ordinary Account	\$3,827,960.29
Valley Railway deficit	258,252.89
Capital Expenditure	1,814,280.23
Dominion Subsidy for Agriculture	32,531.82
Municipal Road Tax	93,992.39

Receipts of Revenues	\$3,838,083.97
By cash from Dominion Govt. on Agriculture	32,531.82
Municipal Road Tax paid in	93,992.30

6,027,017.62

3,964,608.18

Deficit difference 1924 .. \$2,062,409.44

Ordinary Expenditure to 1st November, '25	\$4,154,750.45
Valley Railway deficit	269,470.05
Capital Expenditure	2,250,139.53
Cash received from Municipal Taxes	50,188.78

6,724,528.81

Revenues Ordinary Account .. \$3,667,610.99

Municipal Road Taxes 1925 .. 50,188.78

3,717,799.77

Deficit difference 1925 .. \$3,006,729.04

Thus, increase of Provincial Debt in 1924-1925 is \$5,069,138.48.

This, necessarily was added to the capital bonded indebtedness. No medium had been shown how the province could meet this enormous debt.

Having the financial position of the province in mind, he would briefly deal with the hydro development under the late government.

Hydro Development.

The first meetings of the present Commission were held on October 16th and 17th, 1925. The old Commission was composed of seven members, three of whom received salaries: The Chairman, \$3,500; the Vice-Chairman, \$3,000; and the third member, \$2,500; or a total of \$9,000 per year and expenses. The late government in addition to these three members of the Board, appointed a Consulting Membership of four at \$20 per day and expenses while in session. The former Commission had a membership of seven.

A Big Saving.

The present Commission was composed of five members, of which only one was paid a salary, namely, \$3,500. The other members, while sitting perhaps one day a month, received \$20 a day when in session and expenses. The Province there made a saving of \$5,500 and upwards in reduction of salaries.

Since taking office their employees had been reduced by 64. Not one of these vacancies had been filled, yet the service had been good. The monthly payroll had been reduced by \$5,886. In addition the expenses of these employees retired from the service was about \$2,614, thus making a monthly saving to the province of \$8,500. The rental of the Hydro Offices in Saint John also was reduced from \$3,600 to \$1,100 per year. This, with the reduction of salaries to the members of the Commission, gives a monthly saving to the province of \$8,500 on account of the reduction of staff plus an annual reduction of \$8,000 on account of salaries and rent.

Musquash Power.

The Saint John Hydro Electric system was started some time in 1921, at an estimated cost of two million dollars, as was then submitted by Hon. W. E. Foster, the father of Musquash. This statement was made in the Provincial Legislature.

H. G. Acres, one of the late Government's Engineers, on April 23rd, 1925, speaking before this Legislature, of Musquash, said: "As a natural power site Musquash is not a water power in the usual sense, on the usual basis upon which such projects are appraised, it has been made an instrument for the production of power by the expenditure of money and its record today indicates that."

What it Cost.

In 1925, this development only produced 15,500,000 K. W. H. general average current, which means that only 2,360 continuous h. p. was developed. This development, including transmission to the city of St. John from Musquash, cost the province of New Brunswick \$3,656,328.58. Your capital cost of hydro at St. John is \$1,545.00 per continuous h. p. The cost of operating the Musquash plant last year was \$265,936.02.

The cost per h. p. at St. John was \$44.31.

The cost of operating the power development itself, without any transmission line, was \$232,939.23, therefore the cost per h. p. at Musquash was \$38.82. He would congratulate the St. John City Council on getting such favorable terms from the Commission.

When this development was ready to deliver power, the then Commission after some negotiations on the 23rd day of November, 1922, executed a 15-year contract with the then Council of St. John for delivery to the consumers of Saint John, power, minimum, 10 million k. w. h., with the option of increasing to 15 million k. w. h., with the further option of renewal for another 15 years. This same power, delivered at Saint John at 1.2 cost the province to produce it, 2 cents per k. w. h., or a loss to the province of \$80,000 per year, if all the power contracted for were taken. As the power taken increased, so did the loss.

Ten million k. w. h. taken at 1.2 amounts to \$120,000.00, while it would cost to produce ten million k. w. h. at 2 cents, \$200,000.00, or a loss of \$80,000.00 to New Brunswick.

St. John Agreement.

It might be argued that St. John was not consuming the 10 million k. w. h. yet the city was paying for 10 million while it was only consuming seven million k. w. h. The Hydro Commission must always have on hand sufficient hydro supply, so that if St. John should demand the 10 million the Commission must deliver it at such rate, and at a loss of \$80,000.00 per year. If Saint John demanded its full contract on the same basis, the Commission would lose \$120,000.

It might be stated in this House that Musquash was now developing power over its necessary demands sufficient to supply the New Brunswick Power Company. In explanation of this he would remind the House that it was only temporary during the high-water season, and as soon as the spring flowage subsided, the development of this power would be down to normal.

Weakness of System.

The weakness of the Musquash system was further illustrated by the old government, as they were obliged as an auxiliary to purchase from the New Brunswick Power Company, 2,000 h. p. to supply their customers in case of an emergency or a shortage on the part of Musquash.

The contract to purchase 2,000 h. p. was entered into with the Power Company on August 8th, 1925. This power was to be taken by the Commission as required and was ready-to-serve charge, payable in monthly instalments of \$2,333.33 each. There was a minimum charge of \$28,000 per year even if the Commission did not take any of the 2,000 h. p.

In addition, any power actually taken by the Commission was to be paid for at the rate of 134 cents per k. w. h. for the first three million k. w. h. per year, and 144 for all over three million k. w. h. per year. The Com-

mission had contracted to purchase power from the New Brunswick Power Company at the rate of about 2 cents per k. w. h., while they were selling to the city of Saint John for 1.2 per k. w. h.

This was a loss to the Commission. If Musquash had sufficient capacity to supply the needs of the lines already established, why purchase 2,000 h. p. of the New Brunswick Power Company for a price in excess of what they had contracted to sell under the agreement to St. John.

The Right of Way.

After the new Commission assumed the business management and looked into the affairs they found a large number of rights-of-way still unsettled. They adopted the policy of settlement by consent and agreement of both parties, if possible. Up to the present time, they had been successful in those they had undertaken. There still remained some thirty-three unsettled rights-of-way. Among these was the rightwood property, so-called in which the Commission tendered \$590,000, but the Company claimed some \$840,000. This settlement at present is under arbitration in pursuance of the Act.

The Musquash system went behind in 1925 some \$55,505.10. This same system since its inception cost some \$163,000.00.

On July 16th, 1921, the Commission proceeded to Bathurst and purchased from the Bathurst Company under a one-year contract, without option of renewal, hydro current at \$35.00 a h. p. sufficient to supply Newcastle with about 400,000 k. w. h.

The Commission then executed a five-year contract, on the 6th day of September, 1921, with Newcastle, for the sale of current at 3 cents a k. w. h. or about what they were paying Bathurst.

Increased Cost.

The Commission then built a transmission line from Bathurst to Newcastle, which cost \$123,591.78. In the latter part of 1922, the Bathurst Company terminated their one-year contract. The New Brunswick Commission was then obliged to insure the transmission of current for Newcastle under the five-year contract to renew the Bathurst contract to supply current to Newcastle at \$75.00 a h. p. for which they were paying only \$35.00 a h. p. under the original contract.

This transmission line appears to be a part of the Musquash development, since it was paid out of Musquash bond issue. This was confirmed by the Hon. W. E. Foster in the Provincial Legislature in 1922 when he said this amount of money was paid for by Musquash.

The result of this blunder in purchasing power at a low rate under a one-year contract and selling to Newcastle under a five-year contract has shown losses to:

1923 .. \$ 9,842.28

1924 .. 16,894.35

1925 .. 11,890.29

Making a total loss in the Bathurst system to the present time of \$38,626.92. This loss means about 32 percent of the nire original cost.

The old Commission, on June 9th, 1922, entered into a 15-year contract with the city of Moncton for delivery of power from five to seven million k. w. h. at 2.25 per k. w. h. This power cost the province 3 cents per k. w. h. to deliver at the Moncton station. The annual loss to the province and which the people must pay was: In 1924 \$50,182.52; in 1925 \$44,637.68 or a total of two years of \$94,820.20. The Commission was selling electricity at Moncton at 2 1/2 cents per k. w. h. which cost it 3 cents to produce and deliver.

Pre-Election Surveys.

Surveys executed immediately preceding the last election were carried out in the northern section of this province. These surveys were supposed to map out certain intended transmission lines from Grand Falls to Campbellton and Bathurst. These lines were started notwithstanding the development at Grand Falls had not commenced.

No. 4 survey under Engineer McKay commenced at the Bathurst-Campbellton line on August 6th, 1925, just four days before the election.

Survey No. 3 under L. P. Roy was sent out to St. Quentin on August 4th, 1925, six days before election.

Survey party No. 2 under J. A. McDougall was sent out to the line east of Grand Falls on July 30th, 1925, eleven days previous to the election.

E. C. Akerley was despatched on July 20th, 1925, to survey the line from Grand Falls to Fredericton, just twelve days before the election.

This was one of the accomplishments of the late government on the even of the date they were hurried from power. These four parties making these surveys cost the province \$20,790.60. These surveys are still in existence, but there are neither current lines or any execution or movement towards carrying out the object for which the surveys were made.

That Contract.

On the 11th of June, 1925, just prior to last general Provincial election, four agreements, one of which, called "B", was entered into between the International Paper Company and the New Brunswick Government whereby the province was obliged to carry out the following obligations: 1. Pay the International Paper Company \$1,200,000 for any rights they might have in the Grand Falls property.

On April 13th, 1923, the Ex-Premier in this legislature said that the Grand Falls Power Company or the International Paper Company as the two seemed interwoven, claimed that they had expended one million dollars in securing property rights at Grand Falls. This matter had been discussed. In fact P. T. Dodge, President of the International Paper Company had conferred with him. These companies had been told that they would have to submit their claims to arbitration before a Judge of the Supreme Court unless they would reduce the amount of their claim to a figure which would be considered reasonable. They had been informed that their own figures were considered out of the question.

What Might Have Been.

2. Supply five thousand h. p. for the province of Quebec.

3. Supply two thousand h. p. to the International Paper Company for

flowage along the international boundary.

4. Supply an estimated or probable quantity of 14,000 h. p. as claimed by Mr. Graustein for flowage and storage rights demanded by the State of Maine.

5. To develop Grand Falls at a cost to the people of the province of between nine and fifteen millions of dollars, for which the province must necessarily be bonded.

(There was also some provision whereby the State of Maine would be compensated for its inland flowage and right of storage.)

6. To reserve up to 14,000 h. p. for the Bathurst Company, Limited.

7. To reserve up to 14,000 h. p. for the International Paper Company for eighteen months.

8. To give that Power Company the further conditional right or option exercisable anytime within two years, to take any additional primary power in amounts not less than 5,000 h. p. or 7,000 h. p. or multiples thereof for wood grinding purposes. (In 1925 the late government had sold no power from Grand Falls, notwithstanding what was said in this House to the contrary.)

This agreement further provided that immediately an offer was made to the Paper Company, an option became operative whereby the Paper Co was entitled at any time within two years thereafter to demand from the Commission all or any part of the power developed. This was on the assumption that the contract was binding on both parties. As had been said by the Premier, how far it was binding was very vague and uncertain. The price at which the power was to be sold, the terms of supply and the rights of renewal, as well as other provisions of the contract, were left to be determined by future agreement between the parties.

Protecting the People.

The policy of the present government had been, on the contrary, a complete protection of the people, both as to costs, industrial development and the availability of power for distribution. Summarized as follows:—

1. To eliminate the four original contracts (including contract "B") which gave the International Paper Company practically full and complete control of Grand Falls power, save only, a small quantity for the Bathurst Company.

2. To release the province from the expenditure of nearly fifteen million dollars in this development.

3. To lease the province from \$1,200,000 pledged by the old contract to be paid to the International Paper Company.

4. To secure the return of \$325,000 incurred by the old government in preparing data, plans, and information in connection with Grand Falls.

5. To lease the province from all flowage claims on the International boundary.

6. To release the province from any claim by the province of Quebec.

7. To ensure that the whole development of the Grand Falls is to be at the cost of the International Paper Company, while New Brunswick is not to have one single cent of liability.

8. To secure 20,000 h. p. for Frasers. Limited for the production of newsprint.

9. To secure 27,200,000 k. w. h. of dependable power for distribution to purchasers within the province.

10. To secure in consequence of this development the construction of a newsprint mill at or near Campbellton, with a capacity of 200 tons per day.

11. To secure the construction by the International Paper Company in the centre of the province of another paper mill with a minimum capacity of 200,000 tons per day, the capacity to be increased as power is available to 700 tons per day.

To Start at Once.

12. To have this construction work commence in the month of May, 1926 and continue until completed in the latter part of 1928.

13. To fix the price of power at Grand Falls at \$20 per continuous h. p. (Frasers, Limited, composed of two of the most outstanding and astute business men within our province, have agreed to buy at this price.)

The ex-Premier in this House said (Continued on Page Six)

Where An American Hangs His Hat

Once a hat was not just a hat; it was also a badge of sectionalism. That was when the broad-brimmed Stetson and the nobby derby seldom met. When South, East, North, West lived differently, dressed differently, and thought differently. When a traveling American could feel like a stranger in his own land.

Before advertising—

But now Mrs. Green of Boston and Mrs. Brown of El Paso use the same vacuum cleaner, face powder, soap; Adams of Boston and Sims of Seattle are alike in the cut of their clothes. And where an American hangs his hat, within the borders of these United States, he feels at home. Advertising did that.

Advertising is still at work helping to make these states united. Here is a better bed, a handsomer shoe, a more delicious food. Let it be known from Maine to California, from Washington State to Florida! Here's a healthier way to live, another safeguard for your family, a new service of self-improvement. Spread the news everywhere!

Advertisements.

Read them. They are Couriers of Progress and Unity. Without them you'd lack half the comforts you now have. Ignore them and you'll miss many a good thing to come.

TO KEEP PACE WITH THE TIMES, READ THE
ADVERTISEMENTS EVERY DAY

Free

Borden's ST. CHARLES

EVAPORATED MILK

Send a card or letter to The Borden Co. Limited, Montreal for free copy of St. Charles Recipe Book. Simple recipes for dozens of delicious and satisfying dishes from soups to ice cream and candy.

STC-11-25

"Let the Maritime Provinces Flourish by Their Industries."

BORDEN FACTORY-TRURO, N.S.