City of Prince Rupert

Report On

Tenders submitted to the council of the Corporation of the City of Prince Rupert on the sale of the hydro-electric plant and distribution system.

EXPLANATORY NOTE

This report is based upon the original tenders and was made before the amendments were submitted.

CITY CLERK.

This report covers two tenders submitted to the Council of the Corporation of the City of Prince Rupert and is in accordance with a letter from his Worship the Mayor dated November 28th, 1928.

The tenders were as follows:—one from Nesbit Thomson & company of Montreal representing the Power Corporation of Canada of $375,000, which is referred to hereinafter as Tender No. 1, and one from the American States Public Service Company of Los Angeles, U.S.A. of $400,000., which is referred to hereinafter as Tender No. 2.

WATERWORKS:..In as much as a very important part of the City waterworks in affected by the proposed transaction, it is most essential that a clear understanding shall be arrived at and form part of the agreement finally, entered into. The Waterworks rights carry with them ownership in certain works which at present form part of the Hydro-Electric system and it makes no difference whether or not any reference is made to such rights in the tenders. As the tenders stand a partnership with the City in the dam, penstock and easements is proposed which if not very clearly defined, would sooner or later be productive of some contention.

Tender No. 1 makes no reference to this.

Tender No. 2 excludes "any equipment appurtenant solely to the City's water supply system," but what about the dam and penstock which is equipment partially used. Reference to the right to take water at all times is not necessary as only the water power rights are being sold.

Accordingly regardless of which tender is successful, the agreement must be clear on the ownership of the Dam, penstock and easements and provide for ingress and egress necessary in maintainance and operation.

Taking up the conditions upon which the proposed agreement is to be entered, as Tender No. 1 is more complete, its conditions will be commented upon and compared with Tender No. 2.

CONDITION (1). All existing contracts will be carried out. There is no doubt or question as to the meaning of this.

In Tender No. 2, no specific reference is made to contracts. Clause 4 clearly states that the rates for light and power shall not be revised upwards, but unless you have a schedule of power rates on which existing contracts are based, what protection is there for this class of consumers?

CONDITION (2). The continuity of present rates during the lifetime of the Franchise is indefinite because of the provision for increase to offset any tax, licence, royalty or other charge, etc. The province will levy a tax per horse power and probably assess any plant lying outside the boundaries of the Corporation. Income tax may also be levied Accordingly no guarantee is given that rates will remain as they at present are.

Tender No. 2 is clear cut on the rates for light and power for the entire period, although as stated above, indefinite on contracts.

CONDITION (3). Is quite clear on the street lighting rates as set forth in the City By-law No. 494. Contract form A is not submitted, so it will rest with your Superintendent of Utilities to advise you on this. The committment to install ornamental system is the equivalent of a considerable cash outlay. The total will depend on the extent of the area served. The stand may be taken that this expenditure in no way affects the tender of $375,000. and that it does not mean any additional cash to the City. In a measure this is correct, but it is a certainty that if this committment had been left out, in due course the City would call for this improvement and it would have to pay for it, in one way or another.

Tender No. 2 makes no reference to street lighting rates whatever, although it can be assumed that the rates under By-law No. 494 come under clause 4. Offsetting the ornamental light system of Tender No. 1 is the higher offer by $25,000 As other factors of importance come up when comparing the cash involved in each tender, this $25,000 will be dealt with hereinafter.

CONDITION (4). 5000 H.P. is to be developed within two or at the most, two years and six months, and assurance of a much larger amount if and when required. There appear to be no provisces or strings to this. It is a clear cut condition of the proposed agreement. No reference is made to the use of the steam plant, and it is not necessary as the agreement for the use of it would function until the new hydro plant was ready.

Tender No. 2 undertakes to develop ready for delivery not less than 5000 horse power, but completely negatives it in the proviso, under which the company's officers and engineers become possessed of full power in the matter. The statement that the provision is for the protection of company and consumers, etc., is of no weight, as first class power companies and operators are at all times out to establish economies and improvements. Clause 6 would appear to follow as a result of this proviso. Briefly, the tender carries no assurance of hydro electric development within two years, and leaves the way open for supply of power by steam or other means, for an indefinite period.

CONDITION (5). Exemption from taxation on all lands, buildings and equipment used in the supply of power in so far as the City has power to exempt, is a reasonable request, but the inclusion of the clause re tax or charge that cannot be legally remitted, and an increase in street lighting rates to offset it, is vague and indefinite.

Tender No. 2 is silent on this point and it may be assumed that they will pay taxes. The Franchise is however, to be "in the usual form" etc., (see clause 2) but it will be found almost without exception in transactions of this kind, that exemption is expected and provided.

CONDITION (6). The City agrees to purchase from the Company for 25 years etc. In condition 2, the life of the Franchise is referred to but not clearly set out that it is for the distribution of power within the City limits for 25 years. It might be inferred from the way the tender is worded that the company has the right to sell power within the city limits indefinitely, but at the end of 25 years the city is at liberty to buy from some other organization.

Tender No. 2 is definite on this point.

CONDITION (7). The segregation of the affairs of the Light and Power Departments from the Telephone Department is essential and important. The suggestion of the existing standard joining point agreement as used with the Bell Telephone Company is clear cut. This agreement or modification thereof is a 50-50 undertaking and is worked very satisfactorily in many places.

Tender No. 2 leaves this important matter to be agreed upon and therefore is indefinite.

CONDITION (8). Being subject to the Public Utility Commission of the Province or its equivalent if as and when formed, is important. There is every indication that such a commission will be formed in 1929 as a result of the recent litigation between the Corporation of the City of Grand Forks and the West Kootenay Power and Light Company. In the agreement proposed if the City is to have the protection of such a tribunal, it must be so stated.

Tender No. 2 is silent on this point.

CONDITION (9). Examination of title is necessary and involves water licences and easements outside of the City boundaries. The provision for further details is a mutual safeguard. It may prove that counsel for the Company would be quite satisfied that titles are sound and immediately proceed to execute the agreement upon the ratification of which by the ratepayers, the entire purchase price would be paid. If any title is questioned the City at the outset at once is informed.

Tender No. 2 makes delivery of title "to the satisfaction of counsel," a condition of payment of the balance of the purchase price, viz: 95 percent within 90 days. There is an opening here for delays, and although it is not inferred that the company behind this tender would play for time, yet delays may occur, which would be obviated by examination of titles at the outset. Again, a condition of acceptance of this tender is "permission to make an audit of the City's books relative to the hydro-electric system." But one inference can be drawn from this and it is, that the company proposes to place a bond issue to raise the money and in respect to which the underwriters must have assurance by counsel that titles are satisfactory and by auditors that gross income is ample for all purposes. If this company is of the financial strength and standing claimed, it could pay cash.

INDUSTRIAL DEVELOPMENT. On the very important question of industrial development, Tender No. 1 makes a committment of assistance. The Company maintains an industrial department which has a record that is outstanding. It is identified with the re-establishment of many Canadian and foreign concerns which were in difficulties. The offer of the services of this department cannot be overestimated. The Company is Canadian.

The Company behind Tender No. 2 is a utility organization only. They make no committment whatsoever, even on assistance. That they are successful power operators is not enough. This Company is a foreign corporation and as yet not registered to do business in British Columbia. Strictly speaking, it should be registered if its offer is to be entertained, and if so, there will be several weeks delay to satisfy Company Act requirements.

SUMMARY. Tender No. 1 is a cash offer by a Canadian firm with assurance of development of 5000 Hydro Electric horse power within two years and six months. It makes present rates for light and power subject to any tax, licence, royalty or other charge not within the contract of the City. This is put in as a result of past experiences, but as the trend of taxation is downward, there is little to fear from this source. The nature of the franchise is not clearly defined but it may be assumed that a definite period of 25 years during which they may sell and distribute power within the City limits is intended. On the whole the Tender is more definite than Tender No. 2.

Tender No. 2, while clear on franchise period, is indefinite on many points. Considerable delay may occur before payment in full may be made. The fact that the company is not registered to do business in British Columbia may mean delay at the outset in as much as the City Council may decide that strictly speaking they cannot do business with an organization that is without legal standing in the province. The possibility of this delay, coupled with the 90 days suggested for the payment of 95 percent of the price offered may mean fully four months. The inference is that once an agreement has been entered into, it would be used to raise the said 95 percent by a bond issue. The offer is apparently $25,000 higher than Tender No. 1, but this is more thas offset as follows:

Taking into account interest and sinking fund that would run for the 90 day period and interest on the $375,000 for the same period, Tender No. 1 is equivalent to about $385,000. Add to this the ornamental street lighting system offered which may be estimated at $2000 per block length of street for say 15 blocks and we have $415,000. As already stated it can be said that this light system is not an immediate cash benefit, but sooner or later, the City will call for this improvement and would then have to pay for it. It is worth the price now to have it done and remove unsightly poles which are a menace in case of fire.

It is not necessary to refer to use of poles for fire alarm purposes. The practice and arrangement is so well established and is so necessary to all parties that an agreement will be very promptly arrived at on it.

Further re establishment of a show room referred to in Tender No. 2, it will be found on enquiry that such is also a practice with the company behind Tender No. 1.

In conclusion, it is the opinion of the writer after careful consideration of all factors, that even omitting the gain to the City of the ornamental street lighting system, the cash offer of Tender No. 1 with the assurance of hydro-electric development and co-operation in furthering industrial development by a Canadian Company of the first order is preferable to Tender No. 2 by a foreign company with no assurance whatsoever on hydro-electric or industrial development.

Respectfully submitted,
WILLIAM YOUNG
Consulting Engineer.

3 December, 1928.
1301 Standard Bank Bldg.,
Vancouver, B.C.

URGES BOAT FOR PATROL

At a meeting last night of the Prince Rupert branch of the Deep Sea Fishermen's Union a resolution was passed urging the federal government to place a seaworthy boat in patrol of the halibut fishing grounds during the fishing season, particularly during the stormy weather of spring and fall. Copies of the resolution are to be transmitted to the minister of marine and fisheries and the local member.

The fate this fall of the two halibut boats Brunvol and Imperial has brought the agitation for safety patrol to a head and a similar resolution has been passed at Ketchikan.

FLU SERIOUS IN CANADA

TORONTO, Dec. 19.—The outbreak of influenza throughout Canada is regarded seriously by medical authorities. Dominion officials and the council of the Canadian Society of Hygiene conferred with officers of the department of health at Ottawa by telephone and it is announced as a result the council would issue 300,000 pamphlets in French and English describing the symptoms and outlining treatment.

ADELAIDE IS IN COLLISION

Met Freighter Hampholm in Dense Fog in English Bay

VANCOUVER, Dec. 19.—The C.P.R. steamer Princess Adelaide, outward bound for Victoria and Seattle, and the British freighter Hampholm collided in a dense fog at English Bay today. Both were damaged, but they are not thought to be in immediate danger. The passengers were removed from the Adelaide by the Hampholm's lifeboats and were transferred to the C.P.R. steamer Princess Royal, which took them to Vancouver.

SUCCESSFUL SALE HELD YESTERDAY

The sum of $50 was realized at a tea and sale of Christmas articles held yesterday afternoon by the Women's Auxiliary to St. Andrew's Anglican Cathedral at the home of Mrs. George Rorie, Fourth Avenue West. The rooms were tastily decorated for the affair, which was patronized by many ladies.

Mrs. Rorie was assisted in receiving by Mrs. Thomas Andrew, president of the auxiliary; Mrs. J. C. McLennan and Mrs. A. E. Bazett-Jones poured; and assisting in serving were Mrs. R. V. G. LePine, Mrs. C. W. Homer, Mrs. J. A. West, Mrs. W. J. Green and Mrs. W. A. McLean. The sale of sewing was in charge of Mrs. F. G. Pyle and Mrs. C. F. Kemp and Mrs. G. A. Woodland acted as cashier.

SEVENTY-TWO YEAR OLD PROSPECTOR IS DEAD IN HOSPITAL

Daniel Lyons, prospector, who has lived for years in this city and district, passed away yesterday afternoon in the Prince Rupert General Hospital, where he had been a patient for some time. He was 72 years of age and a native of Ontario. As far as can be learned, he had no relatives in this part of the country. Funeral arrangements are in the hands of the B. C. Undertakers.

Local Items

Mrs. R. C. Cochrane of Stewart, who arrived in the city from the north yesterday, left on this morning's train for a trip to Edmonton.

Miss Sorenson, who has been visiting here with Mr. and Mrs. John Lindseth, sails this afternoon on the Princess Mary for Vancouver.

Mr. and Mrs. Vic Menzie and family will sail Friday morning on the Prince Rupert for Victoria where they will visit with Mr. Menzie's parents.

Morris Blott, manager of Edward Lipsett (Prince Rupert) Ltd., returned to the city on the Prince Rupert this morning from a trip to Vancouver.

Miss Winnie Dibb R. N. has returned to the city from Queen Charlotte City where she was engaged for a while in relief duty on the hospital staff.

C.N.R. steamer Prince Rupert, Capt. D Donald, having been delayed by fog down the coast, arrived in port at 1 o'clock this afternoon from Vancouver.

Ernest Warren, well known local football player, sails this afternoon on the Princess Mary for his home in Victoria where he will spend the Christmas holidays.

Capt. Alex Ohman, local seineboat skipper, sails this afternoon on the Princess Mary for his home in New Westminster where he will spend the Christmas and New Year holiday season.

Mr. and Mrs. Weldon R. McAfee and family sailed yesterday afternoon on the Catala for Vancouver where they will spend the Christmas and New Year holiday season visiting with Mrs. McAfee's relatives.

Having been delayed through derailment at Rose Lake, the passenger train, due from the east at 8:30 yesteday afternoon, arrived at 4:15 this morning. The train had a large number of passengers, including many Christmas shoppers from interior points.

When the wheels locked, the old bus of the Central Hotel went over the side of the street on Fulton Street between Seventh and Eighth Avenues about noon yesterday, turning over on its side and damaging the mudguard. No one was hurt although there were wild reports going around last night that the driver had been killed.

Miss Bernice A. Clay R. N., graduate of the Prince Rupert General Hospital training school for nurses, arrived in the city on this morning's delayed train from Smithers, where she has been nursing on the hospital staff, and will proceed this evening on the Prince Rupert to Anyox where she will spend the Christmas and New Year holiday season with her parents, Mr. and Mrs. C. H. Clay.

DID NOT KNOW ANY NEEDY IN PRINCE RUPERT

One interesting phase of this campaign was the action of one of the donors in thanking The Daily News and the Salvation Army for bringing the need for the Christmas dinner and hampers to their attention. They said they had no idea there were people in Prince Rupert lacking funds with which to celebrate Christmas. The citizen was assured that both the News and the Army gave this service freely. The lack of funds noted was in most cases the result of sickness. Donations received since the last report are:

Diogenes	$5
Edward Kane	2
Hon. T. D. Pattullo	10
Inverness friend	2
Previously acknowledged	$100

PRICE OF WHEAT

VANCOUVER, Dec. 19.—Wheat was quoted off the exchange today at $1.18⅝.

Power Corporation of Canada

Limited

OWNED AND OPERATED BY

Nesbitt, Thomson & Company

Limited, Montreal

TO THE CITIZENS OF PRINCE RUPERT—This company has submitted for your consideration an offer to purchase the fixed assets of your municipal light and power development, and takes this opportunity of placing before you the following brief synopsis of their offer:

PRICE $375,000 CASH—Approximately $25,000.00 more than the present book value.

DOMESTIC RATES—The present schedules to remain in force, but the company is to be allowed to reduce rates if found to be advisable.

EXISTING CONTRACTS to be respected by the company in their entirety.

POWER RATES to remain as at present in force, or, if city prefers in the alternative, the company has offered to institute the same schedule of rates and conditions as have been used in their operations in the East.

FUTURE DEVELOPMENT—Company undertakes to commence immediately and complete within two years, subject to 6 months' grace for contingencies, further HYDRO-ELECTRIC development having capacity of not less than 5000 H. P. installed, and pledges itself to continue, when, and as required, until 100,000 H.P. or more has been developed for the use of industries located in the city.

STREET LIGHTING—Has undertaken to do this at rates which, on the now existing conditions, it is estimated, would save the city annually the sum of $1780.00 when compared with the existing rate.

ORNAMENTAL STREET LIGHTING—The company undertakes upon demand of the city to install at its own expense system of modern ornamental street lighting in ALL the streets of the city and operate them at the same rates.

TAXES—The company DOES NOT ASK for exemption of municipal taxes.

INDUSTRIAL DEVELOPMENT — THE COMPANY PLACES AT THE DISPOSAL OF THE CITY OR ITS BOARD OF TRADE THE SERVICES OF ITS INDUSTRIAL BUREAU, WHOSE ACTIVITIES IN OTHER SECTIONS OF THE DOMINION HAVE PRODUCED RESULTS NOT EQUALLED BY ANY OTHER ORGANIZATION.

The outstanding advantages to be derived from your acceptance of this offer would appear to be:

(1) THE COMPANY IS WHOLLY CANADIAN, with a record of accomplishment over many years second to none in the Dominion.

(2) The directors are all well and favorably known CANADIAN business men of diversified interests and WIDE INFLUENCE in Dominion affairs.

(3) The PROFITS derived from the operations of the company are almost wholly DISPERSED IN CANADA for the benefit of the FURTHER DEVELOPMENT OF CANADA.

(4) By making a FURTHER INVESTMENT in the Prince Rupert district estimated at ONE AND A HALF MILLION dollars the COMPANY will be economically COMPELLED to PROTECT the interests of its CLIENTS by FURTHER DEVELOPMENT of the city, its INDUSTRIES and RESOURCES.

(5) The alternative schedule of Eastern power rates offered are to the highest advantage. The present city rates in some cases are as much as 50 per cent higher than those being offered. The RATES OFFERED are the SAME as those operative in that section of the East where the greatest INDUSTRIAL DEVELOPMENT of the Dominion has taken place and which the company knows therefore are RIGHT.

(6) Adequate and modern street lighting is considered as being one of the best advertising mediums and full provision has been made for this without capital cost to the city.

(7) The company places at the disposal of the City of Prince Rupert, free of charge, the services of the same industrial department which has, in the past eight to ten years, located in one area alone 38 INDUSTRIES, having a total capitalization of around FORTY MILLION DOLLARS, with an ANNUAL PAYROLL of in excess of NINE MILLION DOLLARS to 9000 EMPLOYEES, bringing in a contingent population estimated at from 50,000 to 75,000 inhabitants.

EXPERIENCE IS THE BEST SCHOOL TO GRADUATE FROM

(8) Besides its activities in the hydro- electric field, the principals of the company have financed from amongst many others the following notable industrial enterprises: Bathurst Paper Co., Bathurst, New Brunswick; St. Lawrence Paper Co., Three Rivers, Quebec: Canada Paper Co., Windsor Mills, Quebec; Canadian Celanese Co., Drummondville, Que.; Eastern Dairies Co., Montreal, Toronto, Ottawa; McColl Frontenac Oil Co.; Canada Steamships Co., Montreal; Reliance Grain Co., Winnipeg.

(9) The men behind this company were the first in the Dominion to advocate and institute the principals of "employee" and "customer ownership," and can not, therefore, be looked upon as monopolistic by nature or determination.

(10) The principals behind this company are in a position to and can arrange to materially assist in the financing of any local industry of merit, or the development of the natural resources of the territory as warranted.

Your interest and vote in our favor is solicited. We are not asking for your support on patriotic or sentimental reasons, but upon our established record and proven ability, and upon which your fullest investigation is invited.

Power Corporation of Canada, Ltd.

H. E. PAWSON, Assistant Commercial Manager.