

The Pacific Great Eastern Railway Settlement in British Columbia.

The long drawn out differences between the British Columbia Government and the promoters of the Pacific Great Eastern Ry., were settled, when an agreement between the parties was signed Feb. 22. The history of the project in brief is:—An agreement was entered into in 1911, under which Foley, Welch and Stewart were to build a railway from Vancouver to Prince George, for which D'Arcy Tate had secured a traffic agreement with the Grand Trunk Pacific Ry., upon a guarantee of bonds by the B.C. Government. The Pacific Great Eastern Ry. was incorporated in 1912 to carry the agreement into effect, the members of the company being Timothy Foley, P. Welch, J. W. Stewart, members of the firm of contractors, and F. Wilson, D'Arcy Tate, and others nominated by them. The company acquired Howe Sound & Northern Ry., a short line running from Squamish, in the direction of Pemberton Meadows, which was overhauled, and extended towards Prince George. Construction was also started on a line from North Vancouver to Squamish, it being intended that this should be the last section of the line to be finished. Some years later the company got into financial difficulties, and obtained further assistance from the government. In 1916 additional assistance was asked for, which was granted, but owing to a political revolution in the province, the new government, instead of carrying out the provisions of the act, held an investigation into the company's affairs, which resulted in a finding, that overpayments in contravention of the statutes estimated at \$5,705,316.50 had been made to the contractors, altogether apart from overpayments from excessive profits, or upon wrong classification, and that it would take \$12,000,000 more to complete the line, which the contractors had undertaken to build upon a guarantee of \$20,160,000 of bonds. Certain of the directors and officers declined to answer questions asked by the commission, and were reported to the legislature. One was placed in the custody of the Sergeant-at-Arms, and some of the others went to the United States, from which they returned only recently.

As a result of the commission's report, the government, in May, 1917, issued writs against the P.G.E. Ry., its subsidiaries, the contractors, and against the individual directors, for an accounting; for an injunction restraining them from proceeding further with the work; for specific performance of the original agreement, and for damages for breach of the agreement. Since the date of issue of the writs, negotiations have been in progress for a settlement, which was only reached Feb. 22.

The agreement signed on Feb. 22, is between the B.C. Minister of Railways, who has since become also Premier, T. Foley, P. Welch and J. W. Stewart, doing business as Foley, Welch & Stewart; F. Wilson, D'Arcy Tate, and E. F. White, who together form the Pacific Great Eastern Ry. Co. and its subsidiary companies. The agreement provides that there shall be transferred to the province all shares not held by the province in the Pacific Great Eastern Ry., the Pacific Great Eastern Equipment Co., and the Pacific Great Eastern Development Co.; that the province shall be put in possession of the entire railway, and of all other properties and credits of the three several companies; that all lands and right of way contracted to be sold by the Development

Co. to the railway, and all land at Squamish, including the wharf, at present occupied as a terminal, shall be forthwith conveyed to the province; that a note for \$800,000 given by the railway to the Development Co. shall be delivered to the government for cancellation; that there shall be paid to the government, inclusive of money lying in the Union Bank, \$500,000 at once, \$250,000 additional in four months, and a further sum, subject to an option, of \$350,000; that all claims by the several parties named against either of the companies shall be released to the government forthwith; that upon the performance of these terms the government will release the other parties from their engagements; that the province, at any time during the continuance of the war, and for two years thereafter, may elect to retain all the shares of the Development Co. and all its assets, in which case the several parties will be released from the payment of the \$350,000 in cash mentioned above; that the several parties shall during the continuance of the war, and for five years thereafter, have the right to pay the province \$150,000 and surrender their rights to all the shares of Development Co. and its lands and assets, whereupon they shall be released from the payment of the \$350,000; no interest shall accrue on the \$150,000 if the option is exercised at any time up to within two years after the war, but 6% interest shall accrue if the option is exercised during the last three years of the option. If the province fails to exercise its option, the other parties to the agreement may, upon payment of the \$350,000 without interest, or with 6% interest, at any time within three years thereafter, elect to take over from the province all the Development Co.'s lands, except those specifically deeded to the province as above provided. If at the expiration of five years after the ceasing of the war, none of the options have been exercised by either party, all the shares of the Development Co. shall be retransferred, and all the lands, except certain ones specified, reconveyed to the parties of the second part, who shall then pay to the province \$350,000 with interest from the expiration of two years after the war; as security for the performance of the agreement, a bond of \$150,000 shall be furnished to the province. The several parties bind themselves to execute all documents necessary to carry the various terms into effect. All the rolling stock, equipment, plant and machinery now on the line, or adjacent thereto, or used for construction or operation of the line, or contracted for to be used on the line, are to be transferred to the government. The agreement is not to become operative until ratified by the legislature. The several parties agree, on request of the province, to apply for the necessary legislation. The parties of the second part declare that they have not encumbered the property in any way except as set out in a trust deed to which the province is a part; and it is agreed that the terms are binding upon the successors of the parties of the second part.

Upon the signing of this document, R. T. Elliott, solicitor for the parties of the second part, notified R. S. Thomas, Secretary of the P.G.E. Ry., to assign and deliver to the province the shares of the three companies named, to place the government's representative in possession of these companies' properties, and to advise the directors and employees of the same

companies, that all directions of the government were to be strictly attended to.

The legislature, on Mar. 15, passed a resolution confirming the terms of the agreement given above, and the legislation necessary to give full effect to it is now before the house. In dealing with the matter, Premier Oliver, after detailing the facts surrounding the formation of the company, the course of events during construction, and attending the investigation, and stoppage of the work, said: "In the agreement before you is contained the very best settlement, which after many weary months of effort, I was able to obtain. I do not claim that it is what the province is entitled to. I simply claim that, in my opinion, it is a little the better of the only two courses open to us. This agreement was unanimously concurred in by my colleagues, and was approved by our late Premier by a telegram from Winnipeg when he was on his way home."

As to the working out of the terms of the agreement, Mr. Oliver estimated that the value of the equipment under the agreement was \$722,736; the lands in townsite as worth \$1,608,000; the interest paid on the bonds was \$382,000; the amount paid on the capital stock was \$40,000; the loss in connection with the operation and maintenance of the road was \$441,000; the sum owing to P. Welch for construction was \$1,892,563. These values totalled \$5,087,702, all of which was released to the government. In addition to this, the government was to receive \$750,000 in cash. As the total profit for P. Welch was \$5,705,000, it would be seen that the whole of these profits were wiped out under the agreement and the government was receiving in addition a balance of about \$120,000, which sum P. Welch would lose, without making a cent of profit in any way in connection with the railway.

In conclusion, the Premier outlined the plans which the government had decided upon working out for the future of the railway. The first section of the line from North Vancouver to Whytecliffe, 13 miles, will be placed in good operating condition as speedily as possible, and connected with the North Vancouver lines of the British Columbia Electric Ry. The line will either be electrified or operated by gas-electric engines, and the government will advise the abandonment of the West Vancouver ferry service. He said there is at present no justification whatever for the construction of the section of the line from Whytecliffe to Squamish. The completed line from Squamish to Clinton, 167.7 miles, will have to be put into good condition. A good lift of ballast is necessary, as well as considerable other work. The line from Clinton to Prince George, 185 miles, will be completed as speedily and as economically as possible. An effort will be made to bring the line to the river level at the old town of Quesnel, in order to connect there with the river steamboats; and the pusher grade north of Kelly Lake will be eliminated if possible. If this can be done, it will be advisable to bring the standard of the line up to that of the transcontinental lines. Once Prince George is reached, the line should be carried through to the Peace River as soon as possible. A connection should be made with either the C.P.R. or the Canadian Northern Pacific Ry. near Ashcroft, by a cut off from Clinton. A reconnaissance survey has been made for this cut off. With regard to the future