

### Objects to Offer

Alderman Gleason strongly objected to accepting the Company's offer. The City has a cash interest in the road to-day of about \$180,000 (the amount paid under the guarantee). If the City is foolish enough to continue to pay for the next five years when the Company is solvent, it can do so, but there is no occasion to do so. Last year the City decided to take action to collect from the Company for the years in which the Company had made a profit but had refused to meet its interest charges. Last year the Company admitted to having made a profit of \$22,000 in 1910, and doubtless did as well or better in 1911 and 1912. The Company is becoming more and more able to meet its obligations and the City should not accept \$36,000 as satisfaction of an obligation of \$180,000. It would be better to take action, and if the road fell into the hands of the City it could be operated at a profit. The bond holders would not have to be reckoned with for another five years, and in the meantime a large part of the City's disbursement for interest charges could be recovered. As for the contention that the Company does not own the City terminals, Alderman Gleason declared it does, that it let contracts for terminal work and paid for them.

Alderman Stewart stated the road cost \$210,000 to build, and another \$90,000 was divided among the promoters. He doubted if the City, if it met the bonds in addition to the interest already paid, would ever get its money back should it take over the road.

Alderman Porter believed the quickest way out of the tangle to be the better, and he advocated accepting the offer, declaring it absurd to suppose the City could successfully operate the 'cordwood limited.'

Mayor Beckwith doubted if the City would profit even if it won its case and took over the road. The requirements of the Government as to the physical condition of the railroad would have to be met. To fix up the road would cost a large amount which would be added to the liability to be assumed.

While no definite statement was made, it was suggested by Alderman Okell that the offer as made by the V. & S. Company is satisfactory to the Government."

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The above is a railway running through one of the most populous and fertile portions of the Province, with a terminus in the City of Victoria, but as you will observe, exempt from the operation of the Trust Deed securing the Province, just the same as the roads in question, save only that the terminal is nominally held by a distinct separate subsidiary company, though both really owned by the same great company.

Contemplate the greater probability of the railways in question making a much worse showing than the last named, at the end of thirty years, and what it will have cost the Province.

The Victoria & Sidney Railway is 15.97 miles in length, with debentures issued against it to amount to \$300,000, and a net charge for subsidies from the Province and City of Victoria of a like amount, making a total of \$600,000, and yet the Vice-President of the Company insists that the equity of the Province and City is only worth \$60,000, so that the whole concern is now only worth \$360,000—equal to \$22,600 per mile—and yet the Province is guaranteeing the principal and interest on a cost of \$35,000 per mile for thirty years on the Canadian Northern Pacific and Pacific Great Eastern.

The object in view, or the theory on which these roads are built, viz.: the development of the country through which they pass is frustrated, because the rates on through freights will have to be low, and on local freights high, whereas to develop the Province the rates should be in reverse order.

The Government with whom the theory originated, are eliminated from any control as to the policy of management, and as for control of rates, just imagine the Government on the one hand anxious to stop paying interest charges and the railway on the other hand unable to earn it because of the Government insisting on low rates.

The Mortgage and Deed of Trust, dated July 10th, 1912, clearly sets out that the terminals are expressly excepted and also shows the form of bonds with the guarantee of the Province for the payment of principal and interest.

It must be borne in mind to get a proper grasp of the serious responsibility the Province has assumed, that the repayment of any monies advanced on payment of interest or principal are subject to the working expenses of the railway, as defined by the Dominion Railway Act (so far as applicable), and that the Province has no claim whatsoever on the terminals.