

The following, copied from the "Colonist," of October 2nd, 1912, exemplifies what a wretched business it is for the Province to subsidize railways:

## Refuses to Accept Company's Offer

### CITY COUNCIL ON TIE VOTE NEGATIVES TENTATIVE PROPOSITION OF THE VICTORIA & SIDNEY RAILWAY

"After months of negotiation following the action taken last year by the City against the Victoria & Sidney Railway Company to compel it to repay to the City, money which the City claimed had been paid under the interest guarantee on the bonds floated by the Company when the railway was constructed, an offer from the Company, backed up by the guarantee of the Great Northern Company, was submitted to the City Council last evening. After some discussion, the offer was refused on a tie vote, the Mayor and Aldermen Okell, Stewart and Porter favoring the acceptance of the offer, while Aldermen Gleason, Dilworth, Anderson and Baker were averse to it.

The Company's offer was to procure the Great Northern Railway Company to pay to the City \$36,000 in cash in full settlement and discharge of all claim by the City against the V. & S. Railway Company on account of the money paid by the City by virtue of its guarantee of interest on the bonds of the V. & S. Company, and secondly, that the Great Northern will guarantee payment by the V. & S. Company of all interest accruing on the bonds of said Company and indemnify the City and Province against any further loss or payment on account of their interest guarantee in future. Further, the V. & S. Company agrees to put the line in suitable physical condition for freight and passenger traffic. This offer, it was stated, was made only on the understanding that a settlement can be made with the Province on like basis on payment of \$24,000 to the Province on account of its claim for interest paid on bonds guaranteed by the Province.

The above offer was contained in a communication from the Victoria & Sidney Railway Company, per Mr. A. H. McNeill, President, and was implemented by an undertaking by the Great Northern Railway Company, per Mr. L. C. Gilman, to carry out its part of the arrangement, provided the offer was accepted by the City and Province.

#### City's Expenditures

The offer came before the Council in the nature of a report from the finance committee recommending its acceptance. Alderman Okell, chairman of the committee, pointed out that negotiations had been under way for some time and the City had endeavored to secure a better offer. While the Great Northern is behind the V. & S. Company's offer, the committee believed the offer to be the best that can be secured and gives the City a very favorable opportunity of getting out of a bad bargain. In 1893, the City and Province guaranteed interest upon \$300,000 bonds floated by the V. & S., the City guaranteeing \$9,000 per annum and the Province \$6,000. For the past twenty years these payments have been made by the City and Province, the Company never having been able to make receipts exceed expenditures, and until that happened the interest charges were to be paid by the guarantors. The bonds mature in 1917. The City has paid in interest charges about \$180,000, and with interest on interest a total of \$297,541, and the Province \$198,000, or a total of \$495,541; and with the \$300,000 bonds the liability of the Company is approximately \$975,000. The Company controls seventeen miles of line, in very poor condition, but the terminals at Victoria and Sidney are held by other concerns, the Victoria terminals being owned by the Victoria Terminal Railway and Ferry Company. The Company's offer of \$36,000 to the City and \$24,000 to the Government is approximately what the Company during the past three years has earned over and above operating charges, and what it should have paid towards the interest charges it allowed the City and Province to pay.

Alderman Okell believed that even if the City proceeded against the Company to recover the amounts paid and won, it would have on its hands a few miles of dilapidated railway, without terminals, and still have the bond issue of \$300,000 to meet. With the duplication of the Company's line by the B. C. Electric Company, the former's earning power will be further curtailed. Last year the City decided it would pay no further interest but would take action against the Company, but with the City seeking to float its own bonds, it would have been most unwise to have this year defaulted in payment of the interest charges on the Railway Company's bonds.