

that circumstances will permit, an arrangement has been made under an agreement with John Brown & Co., the Fairfield Shipping and Engineering Co., and Harland & Wolff, Ltd., for the building, on a cost and percentage basis, of two steamships 605 ft. long between perpendiculars with a speed of 20 knots an hour, and two steamships 546 ft. long between perpendiculars with a speed of 16 knots an hour.

Connaught tunnel, at the summit of the Selkirk Mountains, has been completed and is now in successful operation. Your directors are satisfied that increased safety and economy in the operation of that portion of your railway will more expenditure involved in the work. The estimated value of 15 miles of railway abandoned by reason of the construction of the tunnel, viz., \$1,665,000, has been charged against revenue, thus reducing the capital account by that amount.

The yield of the harvest last autumn and the general business of the country, substantially exceeded anticipations, and the result is reflected in your gross and

net income during the half year.

Anticipating your approval, capital expenditure has been authorized in the current year to the amount of \$4,178,775. Of this, additional wharf accommodation and other facilities at Vancouver will absorb \$841,000; shops, stations and other buildings, \$397,000; transfer tracks, crossing sidings and enlargement of yards, \$792,000; craft for coastal service, \$134,000; telegraph lines, \$82,000; and the balance is required for a variety of additions and improvements over the whole system.

Your directors regret to announce the death in December last of their esteemed colleague and friend, Hon. Robert MacKay, who had been a member of the Board since 1903. Hon. F. L. Beique, K.C., senator, of Montreal, has been elected a director to fill the vacancy in the board. The undermentioned directors will retire from office at the approaching annual meeting. They are eligible for re-election: E. W. Beatty, K.C., Hon. F. L. Beique, K.C., Jas. Dunsmuir, C. R. Hosmer.

\$115,000 which had been used for campaign purposes, but he declined to say to whom the money went, and on persisting in refusing the matter was reported to the legislature, which on April 18, summoned him to the bar of the House. He there reaffirmed his decision not to answer further question on the matter, and was committed to the custody of the Sergeant-at-arms, during the pleasure of the house. On April 20, R. J. Cromie, of the P. G. E. Ry office, told the committee that all J. W. Stewart's private check books, etc., relating to a fund of \$763,000 had disappeared from the company's offices. Other witnesses who were to have been examined were not present, and the committee is considering what to do in the matter. E. P. Davis, K.C., on behalf of the Foley, Welch and Stewart interests, said that his clients were prepared to hand over all their holdings in the P. G. E. Ry. and the subsidiary companies, and were also prepared, if the government wished, to undertake completion of the line under Government management. They would be willing to do this if the government would release the company and its members from their obligation and personal covenant to complete the line.

Mr. Hanes, the North Vancouver member of the committee, gave notice that he would move a resolution which will probably form the basis of the recommendations of the committee to the legislature. He proposes that the government take immediate steps to cancel the 24,950,000 shares of capital stock in the company, that the government cancel the contract with the company for the construction of the line; that suits be entered against the Pacific Great Eastern Ry. and Foley, Welch & Stewart for the return of the guarantees alleged to have been overpaid; that the P. G. E. Ry. be sued for directors' profits and subscriptions; that P. Welch be sued for excess payments made under wrongful classification; that legislation be enacted to take over the construction and ownership of the railway as a government line; and that tenders be advertised for its completion. The possibility of criminal prosecutions in connection with the matter will, it is said, be taken up by the committee later.

United States Railway Organization for the War.

Representatives of the American Railway Association, including the presidents of the leading roads in the United States, met in New York, April 12, at the call of the Council of National Defence and named a board of five to direct the operation of U. S. railways throughout the war. The members of the board are Fairfax Harrison, of the Southern Ry., chairman; Howard Elliott, of the New York, New Haven and Hartford; Samuel Rea, of the Pennsylvania; Hale Holden, of the Chicago, Burlington & Quincy; and Julius Kruttschnitt, of the Southern Pacific. Daniel Willard, of the Baltimore & Ohio, who is also chairman of the Defense Council's Advisory Commission, will be an ex-officio member of the board. The interstate Commerce Commission will be asked to name another member.

Mr. Harrison announces that the general committee will be divided into six departments, each to correspond with one of the military departments of the army. The six subcommittees will include 28 railway executives, whose work will be supervised by the central executive committee of five.

Investigation Into Pacific Great Eastern Railway Affairs.

A special committee appointed by the British Columbia Legislature to make an investigation into all matters connected with the financing of the Pacific Great Eastern Ry. commenced its sittings Mar. 15, when J. W. de B. Ferris, of Vancouver, was appointed chairman. The taking of evidence was begun Mar. 20, and the sittings have been continued regularly. On Mar. 27 the first report of 478 pages of evidence was submitted, which the Legislature ordered to be printed.

In brief, the story of the company is that on Feb. 10, 1912, an agreement was entered into between the then British Columbia Government and the international contracting firm of Foley, Welch and Stewart to build a railway from Vancouver to a junction with the Grand Trunk Pacific Ry at Prince George, the railway bonds to be guaranteed by the province. The Pacific Great Eastern Ry. Co. was incorporated by the B. C. Legislature, T. Foley, St. Paul, Minn; P. Welch, Spokane, Wash., J. W. Stewart, D'Arcy Tate, D. McLeod, and V. W. Smith, Vancouver, being incorporators. Foley, Welch and Stewart subsequently sold their contract with the government to the P. G. E. Ry. Co. for \$1 and the company entered into a general contract with P. Welch, to build the line on a cost plus 15% basis, the constructor having certain privileges as to keeping stores, hauling and transporting freight, etc. Smith and McLeod retired from the directorate, their places being taken by F. Wilson and E. White, and P. Welch also retired before the contract was let to him. The original capital of \$25,000,000, of which 100 shares were subscribed for and on which \$40,000 was paid up in cash, was divided as follows: 31,865 shares each to Foley, Welch, Stewart and D'Arcy Tate; 20 shares each to White and Wilson to qualify them as directors; 102,500 pledged to a bank, and 20,000 pledged to the B.C. Government as part security for the \$6,000,000 loan of 1916. The capital of the company was subsequently raised to \$40,000,000 by an order in council, and at the 1914 session of the legislature the guarantee of the company's bonds, which had

originally been at the rate of \$35,000 a unit, was increased by an additional \$7,000 a mile, for 480 miles. In the same year authority was given to the government to enter into an agreement with the company to build a line from Prince George to Peace River, 330 miles, on a guarantee of bonds for \$35,000 a mile. In 1916 the government agreed to lend the company \$6,000,000 to enable it to complete the line to Prince George.

Engineers, auditors, and others gave evidence as to general facts about the company, the specifications used in connection with the construction, the quantity of materials used, and the quantities paid for, the alleged over charging, etc. It was not until April 13, however, that the evidence began to develop somewhat sensational tendencies. On that day D'Arcy Tate, Vice President and General Counsel, stated that he had received \$500,000 in cash for his services in connection with negotiation with the Grand Trunk Pacific Ry., and the government, out of which he was to take care of the campaign funds so far as the government party was concerned. Mr. Tate is reported to have added: "We all know that these contributions are customary. I have made contributions to campaign funds for the past 15 years." Mr. Tate was asked by the Committee to give details of how he had expended this money, but he declined to do so on the ground that it was a payment to him by Stewart out of his own private funds, and had nothing to do with the funds of the P.G.E. Ry. The committee having considered the matter, decided to ask the legislature for authority to compel Mr. Tate to answer any questions that might be put to him upon the subject. This resolution was passed by the Legislature April 16, and when the committee resumed its sittings, April 17, it was stated that Mr. Tate declined to appear further before the committee and had gone to Seattle, Wash. It was also stated that P. Welch had left Vancouver, to Spokane, Wash. On resuming the hearing of evidence R. S. Thomas, Secretary of the Company, stated that he knew of three cheques amounting to