

# Annual Report of Pacific Great Eastern Railway

## Report of Directors Gives Balance Sheet and a Resume and Exposition of Its Position

The report of the directors of the Pacific Great Eastern Railway Company, presented at the sixth annual meeting of the shareholders held on Wednesday, September 19, 1917, at Belmont House, Victoria, is at hand. The directors present a balance sheet and the troubled history of the company through the legislative activities of the last session. The balance sheet follows, with excerpts from the report.

### BALANCE SHEET AS AT JUNE 30, 1917

Liabilities	
To Share Capital Issued (authorized \$40,000,000.00) .....	\$25,000,000.00
" 1st Mortgage 4½% Guaranteed Debenture Stock .....	16,800,000.00
" 4½% Guaranteed Debenture Stock 2nd Charge .....	3,360,000.00
" Loans and Bills Payable .....	7,305,023.99
" Audited Vouchers and Accounts (Retentions from Contractor's Estimates) .....	1,647,563.02
" Wages and Salaries .....	4,568.12
" Miscellaneous (Interest accrued to June 30, 1917) .....	2,007,048.41
	<u>\$56,124,203.54</u>
Assets	
By Cash .....	\$ 277,191.99
" Amounts due from Solvent Companies and Individuals .....	15,844.06
" Debenture Stock pledged (par value) .....	5,925,195.00
" Property Investment—Cost of Road .....	24,404,408.99
" Premiums and Discounts, Unextinguished .....	541,563.50
" Foley, Welch & Stewart's Grant and Guarantees—Unextinguished .....	24,960,000.00
	<u>\$56,124,203.54</u>

After reviewing the progress of the war and finance for the year, the report narrates its experience with the new government of British Columbia and concludes with the following defense and exposition of its position:

On the 10th of May last, upon instructions of the Attorney-General, a writ was filed in the Supreme Court of British Columbia against the firm of Foley, Welch & Stewart and your directors, asking judgment for many millions of dollars and for a declaration that several of the acts and deeds of your directors have been illegal, notably the issue of stock as fully paid up for considerations other than cash. No date has been set for the trial, which cannot take place before the autumn sittings of the court. If no more useful result may be secured from the trial, a great benefit will be derived by a writ-surfeited public in obtaining exact knowledge in regard to the Pacific Great Eastern undertaking, the chief interest in which is contained in the desire of everyone to see the line finished to Fort George and extended without unnecessary delay into the Peace River country.

In view of the adverse presentation of our enterprise to the people of British Columbia by political clap-trap oratory and biased newspaper comment, rendering an intelligent conception impossible, it is desirable that the maze into which the case has been involved should be cleared away, and that you may be accurately informed upon all points affecting your interests as members of this company, to have a clear statement of facts presented to you.

You will recall that early in the year 1912, the firm of Foley, Welch & Stewart obtained from the Government of British Columbia a charter to build the Pacific Great

Eastern Railway. In the agreement then made between the firm and the Government among other things it was provided that when the company was incorporated the firm would assign to it its agreement with the Government, excepting in three important respects, viz: The firm agreed (1) to indemnify the Government against all payments which it might make under the terms of the agreement, having particular reference to securities of the company to be guaranteed by the Government; the firm also agreed (2) that the rates to be charged upon the line of railway of the company would be subject to the approval of the Minister of Railways of the province; and further agreed (3) that the company would not at any time apply to be declared a work for the general advantage of Canada.

The agreement above referred to was duly ratified by the legislature and forms Schedule "A" to Chapter 34 of the Statutes of British Columbia for the year 1912. Forming Schedule "B" to the same act is an agreement entered into between the firm and the Grand Trunk Pacific Railway Company and its subsidiary, the Grand Trunk Pacific Branch Lines Company, containing on the part of the firm covenants on behalf of the company.

To insure the carrying out of any one of their covenants it was essential that the firm control the direction of the policy of the company. In fact the agreement predicated this relationship. The control of every company is secured through proprietorship of its capital stock. An agreement was duly entered into between the company and the firm whereby in consideration of the grants, guarantees, assistance to be rendered and other promised benefits by the firm the company issued to them as fully paid up and non-assessable stock practically the entire authorized share capital of the company.

Further, to insure the efficient and economical construction of the line, a contract was made between P. Welch on behalf of the firm and the company calling for the building of the entire line at unit prices based upon those paid the firm for similar work between Prince Rupert and Copper River on the line of the Grand Trunk Pacific Railway, it being estimated that the cost of construction would be about the same on each line, excepting as to the item of transportation for material and supplies, which on the Pacific Great Eastern Railway where highway and steamboat transportation were largely non-existent, roads having to be built and boats purchased to provide access to the line, was consequently much more expensive than on the Grand Trunk Pacific Railway, where advantage was derived from the close proximity of the Skeena River, navigable along the entire length of that portion of the line built upon its right bank. This contract has been the subject of much abusive criticism.

By acts of the legislature the Government guaranteed securities of the company to the extent of \$42,000 per mile for 480 miles of line, which was the then ascertained length of the line. Resurveys, however, reduced this mileage to 476.1, a difference of 3.9 miles. An interim certificate of mileage of 480 miles was given by the Minister of Finance and securities guaranteed for the total amount of this mileage. Of these securities \$14,234,805 have been sold and the balance of \$5,925,195 pledged to secure a loan of \$4,800,000. When the difference in mileage was ascertained, the Government was advised that it was the intention of the company when the securities pledged were redeemed to apply for a final certificate of mileage and re-issue the securities in accordance therewith. The Government is now asking for the payment into the treasury of \$163,800, but this is probably through a misconception of the situation. If the securities now pledged when sold realize more than the amount of the loan, the difference will be paid to the credit of the company into a special account in the name of the Minister of Finance. If sold today, the securities would realize less than the amount of the loan and the