

ing consolidated debenture stock, and respecting preference stock.

The retiring directors, E. W. Beatty, K.C., Hon. F. L. Beique, K.C., Jas. Duns-muir, and C. R. Hosmer were unanimous-ly re-elected.

The special general meeting of share-holders to consider the issue of collateral

trust bonds was adjourned to Aug. 13.

The board then met and re-elected of-ficers, etc., as follows: President, Lord Shaughnessy; Vice Presidents, George Bury and E. W. Beatty; Executive Com-mittee, R. B. Angus, E. W. Beatty, K.C., George Bury, Sir Herbert S. Holt, Sir Edmund B. Osler, Lord Shaughnessy.

straining them from further proceeding with the work of the railway; for a re-vision of the agreement; for specific per-formance of the contract; and for dam-ages. The points upon which judgment is asked cover practically all the facts found by the committee in the report quoted above.

A motion was introduced in the B.C. Legislature, May 14, directing the gov-ernment to have the necessary legislation passed to take over the company's prop-erty and assets and to take such action as may be necessary against the company or any other company, and the individuals forming the company to obtain restitu-tion of funds wrongfully obtained; to amend the loan act so as to allow the \$5,000,000 remaining to be used towards the completion of the line; to give the Minister of Railways power to operate the line; and to apply to the Dominion Government for a bonus of \$12,000 a mile, equal to that granted the Canadian Northern Pacific Ry.

On May 15 notice of motion was given in the Legislature with a view to the appointment of a commission with power to call W. J. Bowser, R. D. Thomas, D'Arcy Tate, P. Welch, D. McLeod, E. White and any other person and to com-pel them to answer as to their knowledge of the payments of any money whatso-ever, whether mentioned above or not, and to whom any part of said amounts were paid and for what purpose, with power to commit to gaol any person for contempt until such times as they answer any or all questions, and that R. D. Thomas and W. J. Bowser, or any other per-sons who refuses or refused to answer the questions put to him by the P. G. E. committee be turned over to the commis-sion before the prorogation of the legis-lature; and that warrants or subpoenas issued by the speaker be continued until the parties are produced before the com-mission. The purpose of this investiga-tion seems to be to ascertain what funds were used for campaign purposes, rather than to deal with the construction end of the affair.

**Fortnightly Pay Day for Railway Em-ployes.**—The Dominion Parliament has under consideration a bill to amend the Railway Act by adding the following as subsect. 3 of sec. 259: "The salary or wages of every person employed in the operation, maintenance or equipment of any railway company to which the Parlia-ment of Canada has granted aid by means of subsidy or guarantee, shall be paid not less frequently than once in each two weeks during the term of employ-ment of such person." The bill was in-troduced by Senator Robertson and is on the Senate order paper for second reading on June 5.

**Rails for Canadian Railways.**—Ar-rangements have been made whereby the Imperial Munitions Board has agreed to release sufficient shell steel to enable the Algoma Steel Corporation, Sault Ste. Marie, Ont., to roll 10,000 tons of steel rails for the C.P.R.; 5,000 tons for the G.T.R., and 500 tons for the Timiskaming & Northern Ontario Ry. It is also said that sufficient shell steel will be released to enable the Dominion Iron & Steel Co. to roll 10,000 tons of steel rails for the Canadian Government Railways.

**Sir Henry Drayton**, Chief Railway Commissioner, and one of the Comimis-sioners to inquire into the railway situa-tion, addressed the Canadian Club in To-ronto, May 10, in support of the majority report made by himself and W. M. Ac-worth.

## Investigation into Pacific Great Eastern Railway Affairs.

The committee appointed by the British Columbia Legislature to make an inves-tigation into Pacific Great Eastern Ry affairs presented its report May 1. After recapitulating at length the main facts as to the formation of the company, which were given in detail in Canadian Railway and Marine World for May, pg. 191, the committee presented findings upon 15 distinct points, giving reasons for each finding in considerable detail. Following is a summary of the findings:—

The promotion of the company was brought about by an arrangement made in 1911 between D'Arcy Tate, K.C., and J. W. Stewart, whereby it was agreed that the former should secure the charter and guarantees from the Provincial Gov-ernment, and a traffic arrangement with the Grand Trunk Pacific Ry. For this he was to receive a commission of one-fourth of the capital stock of the com-pany and \$500,000 in cash, out of which he was to pay incidental expenses and provide campaign funds for the Conser-vative party. D'Arcy Tate and ex-Premier Bowser refused to give the commit-tee any information as to the money pro-vided for campaign purposes.

The total share capital of \$24,960,000 was issued to the promoters, Foley, Welch, Stewart and Tate, the remaining \$40,000 of stock being fully paid up in cash. The committee consider that this issue of shares was illegal and improper.

The contract for the construction of the line made with P. Welch, was in fact a contract made with the firm of Foley, Welch and Stewart, and was made with Welch to conceal the real nature of the transaction. The committee holds that the contract is invalid, and that Stewart and Foley are disqualified from acting as directors of the company. E. F. White and F. Wilson, two of the other directors, were interested in subcontracts out of which they made considerable sums with-out giving any apparent value therefor.

The prices fixed in the contract were excessive, which is shown by the fact that on an expenditure by the province of \$18,-314,825 P. Welch appears by his own fig-ures, made a profit of over \$5,000,000.

The government has paid out the full amount of its trust funds without proper supervision or inspection of the work. The extent to which advantage was taken of the lack of proper supervision and in-spection the committee is not able to fully ascertain. Five specific matters are men-tioned in respect of which the committee finds there had been over payments of approximately \$405,000.

The provincially guaranteed bonds of the company amounting to \$20,160,000 were sold for \$18,314,825, which was paid into the bank in the name of the Minister of Finance as a trust fund to be paid in accordance with Schedule A of the com-pany's act. The total proceeds have been paid over to the company, which the com-mittee says "was illegal and improper," as the full subsidy has been paid on a mileage of 480 miles, or 3.09 miles in ex-

cess of the actual total mileage, an over-payment of \$160,800; the full subsidy has been paid on 284 miles on which no track has been laid or bridges built and the full subsidy has been paid upon 51 miles on which no construction work whatever has been done. The over payments in contravention of statute are estimated at \$5,705,316.50 altogether, apart from over-payments for excessive profits or upon wrong classification. It is estimated it will require \$13,000,000 more to complete the line.

The bond of \$250,000 furnished by Foley, Welch and Stewart as a guarantee for the completion of the work was al-lowed to lapse by the late government.

There is due to the government \$85,-524.93 balance of the money deducted by the company's fiscal agent in England on the sale of the guaranteed bonds.

Foley, Welch, and Stewart have de-faulted in their covenant to pay interest on the bonds, upon which the Government has already paid \$1,053,827 interest. The contractors the committee state, "have defaulted in their covenant to complete the road and state their inability to com-plete their contract."

The province has no security for its bonded guarantee against the company's terminals or against the lands held in the Development Co.'s name.

P. Welch's contention that the contrac-tors had lost money is not well founded, as upon the basis of their own figures they made a net profit of \$5,170,177.

The Legislature in 1916 provided a loan of \$6,000,000 to the company without pro-vision for taking further guarantees from the contractors.

A. H. B. Macgowan, a member of the Legislature, was given a share in a sub-contract by P. Welch, receiving therefor \$9,000 in cash, for which he gave no con-sideration either in time, money or other-wise."

The committee found its investigations hampered by its inability to secure cer-tain private ledgers of P. Welch kept in connection with the P.G.E.R. D. McLeod, confidential representative of J. W. Stew-art, also by the refusal to testify and dis-appearance of D'Arcy Tate, and the refu-sals to testify of R. D. Thomas and W. J. Bowser, M.L.A. The departure of Welch, White, and Tate was in defiance of the committee's orders. The committee feels that in view of the absence of material witnesses and its inability to act after the expiry of the session, further investi-gations should be by another form of tri-bunal.

A resolution was passed receiving the report. Warrants have been issued by the Legislature for the arrest of D'Arcy Tate, P. Welch, and E. F. White for con-tempt.

The B.C. Government, on May 11, filed a writ against the P. G. E. Ry., its sub-sidiary companies, the contractors, and the individual directors for an accounting of the sums realized from the sale of guaranteed bonds; for an injunction re-