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A Review of the Railway Policy of the Government of British Columbia

COMPARED WITH THE
Railway Policy of Australia and New Zealand

SEE ADDENDUM PAGE 10.

An Open Letter to the Members of the Legislature of British Columbia
Victoria, B.C., November 23rd

1912

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An Open Letter to the Members of the Legislature of British Columbia
Victoria, B.C., November 23rd
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Dedicated to the Province of British Columbia

AN OPEN LETTER TO THE MEMBERS OF THE LEGISLATURE THEREOF, RE RAILWAY LEGISLATION, PAST, RECENT AND PROSPECTIVE

At the outset of the career of the present Government they set about straightening out the irregularities existing between the Province and Railway Corporations, insisting on surrender of claims to lands, and on payment of arrears of taxes, etc., etc., and announced a policy of dealing with Railways on a general plan, and promised to frame a Railway Bill to which all Railways were to conform, all of which met with the general approval of the electors.

This policy has been abandoned, and one of special legislation with private corporations substituted, particularly with the Canadian Northern and Pacific Great Eastern, and with reference to both the salient features are:

(1). The Province guarantees 4 per cent. interest on \$35,000 per mile for a period of not less than 30 years, for a distance in the case of the Canadian Northern Pacific Railway of approximately 600 miles (see Section 4 of the Agreement, Chap. 3, B. C. Statutes, 1910); and in the case of the Pacific Great Eastern a distance of 450 miles (see Section 9, of the Agreement, Chap. 3, 1910), a total distance of 1050 miles, involving the Province in a liability of \$1400.00 per mile per year for not less than 30 years, a total of Forty-four million one hundred thousand dollars (\$44,000,000); plus \$12,390,000 for 295 miles authorized by Chap. 28, B. C. Statutes, February 24th, 1912, to be built by Canadian Northern Railway, extending from Kamloops, 145 miles, and 150 miles on Vancouver Island, for interest alone.

(2). These guarantees shall be secured by Trust Instruments creating a Mortgage, but there shall be reserved from the operations of the said Trust Instrument and securities, any and all terminals, and any and all subsidies which may be granted to the Companies, and the said Trust Instrument and Mortgage created and securities guaranteed shall be subject to payment of the working expenses of the Companies, as defined, "so far as applicable," in the Railway Act of Canada. The terms of the Trust Instrument shall be settled between the Government and the Companies (see Section 9 of the Agreement, Chap. 3, B. C. Statutes, 1910).

(3). In the event of the Companies acquiring by purchase any section or mileage of any other railway property forming a portion of either of the two projected lines, such acquired section or mileage shall be deemed constructed lines, within the meaning and for the purpose of this Agreement and the guarantees hereunder (see Section 15 of the Agreement, Chap. 3, B. C. Statutes, 1910).

(4). The Canadian Northern Railway Company agrees that the Canadian Northern Pacific Railway Company shall not, and the Northern Company agrees that it will not, at any time apply to be declared a work for the general advantage of Canada (see Section 17 of the Agreement, Chap. 3, B. C. Statutes, 1910).

Referring to paragraph (1) herein, it is submitted: That the people of this Province might as well assume that they will have to pay every penny of the guarantee for the full term, for the following reasons:

- (a) Both roads are practically subsidiary roads.
- (b) They are designed to give the Grand Trunk and Canadian Northern, trunk lines to the Pacific Coast at the expense of the Province.
- (c) Their chief business for many years to come will be hauling through freight to and from the Coast on a pro rata basis, through a country where the local freight will be very light.
- (d) It is believed the promoters of these Companies form construction companies, who secure the contracts for the building of these roads, shutting out competition in tenders for the work; the cost is excessive, making it impossible for the railways to be a profitable investment for many years. It is submitted that the difference between the first contract cost and the actual cost under sub-contracts is enormous.

(e). As subsidiary companies, they share in the lean business of their superior owning companies, but not in their fat earnings.

(f). It is easier for these Railways to accept these subsidies than it is to earn them, and herein lies the bane of subsidizing railways; it is like the bane of Socialism, inasmuch as everyone under Socialism is guaranteed an equal share of everything—there is no inducement for anyone to make any special effort to do anything.

(g). To illustrate what these two subsidies really mean, it is only necessary to capitalize them, when it is found on a 4 per cent. basis, they have a cash surrender value of Twenty-five million four hundred and sixteen thousand three hundred dollars (\$25,416,300).

Referring to paragraph (2) herein, it is submitted that the exemption of the terminals, the most valuable portions of these roads, from the Mortgage security of the Province is very poor business indeed. Suppose they fail to reimburse the Province, and the Province has to take the railways, they would have no terminals, and would have to buy them or get new ones. This brings out one of the favorite manoeuvres of railways for jockeying the people. The exemption also applies to subsidies referred to later on.

Re paragraph (3) herein, Companies acquiring other railways, the guarantee on such mileage is to be given. By this provision the people are deprived of the benefit of the money which would otherwise be expended on construction, and in the case of the purchase of the Howe Sound and Northern, 8 miles of main line and 6 miles of spurs to logging camps, with some 500 lots at Newport, for, it is stated, over one million dollars, the people do not participate in the townsite. It is believed the main line did not cost more than \$20,000 to \$25,000 and the spurs much less.

Re paragraph (4) herein, the Railways agree that they will not apply to be declared to be for the general advantage of Canada. This appears to be abortive, for the Dominion Government can declare any Railway to be for the general advantage of Canada, vide Section 92 of the British North America Act, which says: "In each Province the Legislature may exclusively make laws in relation to matters coming within the classes of subjects next hereinafter enumerated." Sub-section 10 says: "Local works and undertakings, other than such as are of the following classes:

(a). Lines of steam or other ships, railways, canals, telegraphs, and other works and undertakings connecting the Province with any other or others of the Provinces or extending beyond the limits of the Province.

(b). Lines of steamships between the Province and any British or Foreign Country.

(c). Such works as although wholly situate within the Province are before or after their execution, declared by the Parliament of Canada to be for the general advantage of Canada or for the advantage of two or more of the Provinces.

Section 6 of the Dominion Railway Act says: "Where any railway, the construction or operation of which is authorized by a special act passed by the Legislature of any Province, is declared by any Act of the Parliament of Canada to be a work for the general advantage of Canada, this Act shall apply to such railway, and to the Company constructing or operating the same to the exclusion of such of the provisions of the said Special Act as are inconsistent with this Act, and in lieu of any general Railway Act of the Province."

In addition to the above the following Dominion Act would appear to settle it as far as the Canadian Northern Pacific Railway is concerned:

"2 G E O R G E V."
CHAP. 9

An Act to authorize the granting of a Subsidy to the Canadian Northern Pacific Railway Company in aid of the construction of the railway therein mentioned.

(Assented to 1st April, 1912.)

HIS MAJESTY, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

1. This Act may be cited as The Canadian Northern Pacific Railway Aid Act.
2. The Governor-in-Council may grant a subsidy of Twelve thousand dollars per mile to the Canadian Northern Pacific Railway Company towards the construction of a

railway from a point at Yellowhead Pass to Vancouver and the mouth of the Fraser River, not exceeding five hundred and twenty-five miles.

3. The said subsidy shall be payable out of the Consolidated Revenue Fund of Canada and may, at the option of the Governor-in-Council, on the report of the Minister of Railways and Canals, be paid as follows:

(a). Upon the completion of the work subsidized; or

(b). By instalments, on the completion of each ten-mile section of the railway, in the proportion which the cost of such completed section bears to that of the whole work undertaken; the cost for the purpose of this paragraph to be determined by the Governor-in-Council; or

(c). Upon the progress estimates on the certificate of the Chief Engineer of the Department of Railways and Canals that in his opinion, having regard to the whole work undertaken and the aid granted, the progress made justifies the payment of a sum not less than thirty thousand dollars; or

(d). With respect to (b) and (c), part one way part the other.

4. The said railway, unless already commenced, shall be commenced within two years from the first day of August, nineteen hundred and twelve, and completed within a reasonable time, not to exceed four years from the said first day of August, to be fixed by the Governor-in-Council, and shall be constructed according to descriptions, conditions and specifications approved by the Governor-in-Council on the report of the Minister of Railways and Canals, and specified in a contract between the said Company and the said Minister, which contract the Minister, with the approval of the Governor-in-Council, is hereby empowered to make. The location of the said railway shall be subject to the approval of the Governor-in-Council.

5. The said Company, its successor and assigns, and any person or company controlling or operating the said railway or portion thereof, shall each year furnish to the Government of Canada transportation for men, supplies, materials and mails over the portion of the railway in respect of which it has received such subsidy, and, whenever required, shall furnish mail cars properly equipped for such mail service; and such transportation and service shall be performed at such rates as are agreed upon between the Minister of the Department of the Government for which such service is being performed and the Company performing it, and in case of disagreement, then at such rates as are approved by the Board of Railway Commissioners for Canada; and in or towards payment for such charges the Government of Canada shall be credited by the said Company with a sum equal to three per cent. per annum on the amount of the subsidy received by the Company under this Act.

6. As respects the railway for which such subsidy is granted the Company at any time owning or operating it shall, when required, produce and exhibit to the Minister of Railways and Canals, or any person appointed by him, all books, accounts and vouchers, showing the cost of constructing the railway, the cost of operating it, and the earnings thereof.

7. The Governor-in-Council may make it a condition of the granting of the subsidy herein provided that the said Company shall lay the railway with new steel rails and fastenings made in Canada, and shall purchase all materials and supplies required for the construction of the railways and the rolling stock for the first equipment of the railway, from Canadian producers, if such rails, fastenings, materials, supplies and equipment are procurable in Canada of suitable quality and upon terms as favorable as elsewhere, of which the Minister of Railways and Canals shall be the judge.

Dominion Subsidies hitherto have ranged from \$3,200 per mile, where the cost did not exceed \$15,000 per mile, to a maximum of \$6,400 per mile.

It is submitted that the procuring of this additional subsidy effectually brings this road for the general advantage of Canada at the discretion of the Dominion Government and under the jurisdiction of the Board of Railway Commissioners, and nullifies the effect of sundry covenants in the Provincial Act. As far as the people are concerned, perhaps their interests are better protected that way, but there is another phase to this feature, namely, the fact that the people of the Province are indirectly contributing \$12,000 per mile more than was ever contemplated towards the building of this line, making a total of \$47,000 per mile, which they practically provide by cash and guarantee, minus discount

on the bonds, if any, probably more than enough to build the railway. The \$12,000 cash subsidy from the Dominion Government is part of the Province's share of the railway aid she is entitled to, out of the revenue she has helped to contribute, having contributed in Customs duties alone \$10,612,828.56 for year ending March 31st, 1912.

It is claimed that the Provincial Government received the mandate of the people for the recent railway legislation. The fact is that the Government passed the legislation first and went to the people afterwards, and it must be regretfully admitted that very few of the electorate appreciated the burden that was being imposed on the Province, or had a clear understanding of the matter, and it is certainly quite clear they had no idea of the additional \$12,000 per mile cash subsidy. There was no mandate for that. It would appear the Railway Company has outwitted the Government.

It is clear that the Province is entitled to a fair share of the Railway Aid distributed by the Dominion Government. It is also quite clear that the Provincial Government should see that it is applied for the general benefit of the Province and not for any particular railway. It is also only fair to the people that they should have known of this additional aid to the Canadian Northern Pacific Railway. One peculiarity of this last aid is that it does not apply to the Island part of the railway. Why should the Island be neglected? It is quite clear there should be co-operation between the Dominion and Provincial Governments in the distribution of railway aid on a well defined plan of which the electorate should be well informed.

It is reasonable to assume that the Dominion will allot to each Province subsidies to railways with some measure of fairness. This being so, this rush work on railways by our Province will have the effect of depriving us of our share of subsidies, for at the rate we are going at, we shall build all the railways we shall require for many years in the next five years, or at all events, all we can afford to pay interest on.

The basis of all business rests on the population. We are doubling our railways. It will take many years to double the population: it has to bear some proportion to the country's capacity to absorb it. There are many interests to encourage and advance besides railways. It is submitted that thirty year contracts are too long in this era of rapid change. Motor transportation in that time may make railways an unprofitable investment.

We can only judge of the future by the past, and applied to railways, it does not open a very bright prospect. Take for example the Kaslo and Slocan.

The Kaslo and Slocan Railway was incorporated by Chap. 52, B. C. Statutes, 23rd April, 1892, for standard gauge railway, and received a land subsidy of 10,240 acres per mile, in blocks having a frontage on the railway of six miles by a depth of sixteen miles, alternating first one side of the railway and then the other, each selected being opposite a block not selected, to be surveyed within five years, and exempt from taxation for ten years, work to be commenced within one year.

By Chap. 60, B. C. Statutes, 11th of April, 1894, they were authorized to substitute a narrow gauge in place of a standard gauge.

By Chap. 41, B. C. Statutes, 11th of April, 1894, they were empowered to select other than lands along the railway in blocks of no less than one mile square throughout West Kootenay, but only to have half the area, and not more than 60,000 acres in all, plus free right-of-way 200 feet wide, sidings, station grounds, etc.

By Chap. 36, B. C. Statutes, May 8th, 1897, the time for designating and surveying land was extended.

What happened after all this manoeuvring and finessing, and after having their choice of lands. They sacrificed their land by selling at very low prices to avoid the taxes. Lands which they sold for a few dollars per acre, shortly afterwards sold for hundreds per acre. Mining becoming depressed, the road, it is presumed, became unprofitable, and a forest fire did considerable damage by burning the railway bridges.

It was rumored the Company sold the road to private parties for \$25,000, at all events they surrendered it, for the Government has agreed with the Canadian Pacific Railway to rehabilitate it as a broad gauge railway, for which they pay them One hundred thousand dollars. Had the Great Northern Railway Company, believed to be the real owners of the Kaslo and Slocan Railway, had any faith in that portion of British Columbia, they would not have sold their lands at sacrificial prices to escape taxes. They thought they were smart, when they were only foolish; for if they had held them a little longer, they would have paid handsomely. They are only partners with the Province when they win, and quitters when they lose.

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 \$495,000; 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.

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."

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 15.57 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.

The clauses of the British Columbia Railway Act are incorporated in the Acts incorporating both companies. Under the head of Working Expenditure, Sub-section A says: "All expenses of maintenance of the railway and of the undertaking of the company," so that the companies can take the earnings and expend them on elaborate terminals on which the Government can have no claim whatever; so that if the Government has to foreclose the Mortgage, it takes a railway without terminals, and here is where, it is believed, the Canadian Northern Railway slips from under their covenant in Sub-section I of Section 6: "The Canadian Northern Railway Company agrees to indemnify the Government against all payments which it may make under the terms of this Agreement and against all loss which it may be put to so far as the same shall be repayable by the Pacific Company hereunder and against all costs to which the Government may be put in enforcing its securities hereunder as and when the same are payable, repayable, or incurred." They are not repayable until the working expenses have been paid.

It is submitted that under the conditions imposed it will not pay before there is such a load of debt for interest that it will amount to more than the road without the terminals is worth, and in order to avoid the dislocation of business, and the hopelessness of ever recovering the debt over and above the debenture claims, which come first, the latter will be allowed to take the roads and the Government will be out of it.

In reasoning out the Railway Policy, the following questions arise:

(1). Is this sudden extensive building of railways justified, having regard to their cost, and the population?

(2). Are the routes they take the best that can be secured to develop the country?

(3). Would it not have been much better for the Government to have had careful surveys made, rather than to have the route to be laid down by the promoters?

(4). Should there not be a well defined and carefully prepared itemized specification as to the character of the railways, other than the general vague definition in the Agreement; Sub-section B, Section 7, viz.: "That the line when completed and equipped shall in all respects, apart from grades and curvatures, be equal to the standard of the main line of the Canadian Northern Railway as constructed between the City of Winnipeg in the Province of Manitoba, and the City of Edmonton, in the Province of Alberta, as the condition of that line was when first completed and ready for operation."

(5). **Cost.**—It is submitted that the people have a right to know the contract cost, as well as the actual cost. The difference is thought to be enormous, especially in view of the \$35,000 per mile provided under the guarantee by the Province, and the \$12,000 cash subsidy by the Dominion Government—a total of \$47,000 per mile, for 525 miles of the Canadian Northern Pacific Railway, many miles of which should not cost more than \$25,000 to \$30,000 per mile; certainly not more than \$25,000 for a good deal of their branches into the Okanagan. It is submitted that no careful business man would ever let contracts before he knew exact location, precise and definite specifications, estimates of cost, and had competitive tenders. Neither would he give the same bonus and terms to a railway or part of a railway easily built that he would to a road difficult of construction. It is not a matter of life and death that all these railways should be constructed at once, and a year or even two spent in making careful surveys and estimates and securing competitive tenders would probably save millions. Undue haste contributes to poor work and excessive cost.

(6). How is the Dominion secured? Certainly after the Province, the Dominion's chance for reimbursement is simply hopeless, but it must be remembered after all, it is the money contributed by the Province and her share of a division.

(7). Why not have made contracts with the parent companies direct, and have made them part and parcel of their system, so they could have shared in the fat as well as the lean business.

(8). The reason advanced for making them subsidiary roads is said to be because the Province would lose control of rates. The control of rates is shown to be a fallacy, low rates will be at the expense of the Province, after "working expenses are paid," and the terminals built up.

(9). If it is estimated to be in the ultimate interest of the Province, why not the Province own the roads, for it is seen that the Province will pay for them?

Exemption from taxation cuts no figure, as they come under head of working expenses. Imagine a railway making an effort to earn money to pay taxes, when they can work them in as expenses and use any surplus on terminals.

It must be remembered, too, that all the imperfections in the Agreements with these two companies are being perpetuated in the additional branch lines, and that the subsidy remains the same.

Though the Trust Deed between the Canadian Northern and the Government has not been recorded at this writing, it will doubtless be the same as the Pacific Great Eastern, as the terms of both Agreements are practically the same.

Subsidies from the Federal Government to B. C. Railways should come to the Province, and not at the behest of a Railway Corporation be made to itself.

The only way for the public to keep even with Railway Corporations is to refuse to have anything to do with them, for their satellites, having made a special study of out-generalling Legislatures, they are too astute and adroit for the people's representatives.

Contrast Our Method with the Australian Method of Building Railways

An official of the State of Victoria, answering enquiries, says in a letter dated 31st October, 1912: "The railway system of Victoria is controlled and owned by the Government. The approximate value of the system is \$215,000,000. This includes the cost of works, rolling stock and general equipments."

The mileage constructed exceeds 3500 miles, and nearly 90,000,000 passengers are carried per annum, and 5,000,000 tons of goods and live stock.

The system is a payable concern, and the Government grants many concessions for various classes of freight for the further development of the country. A very large development is also taking place, over 200 miles being in course of construction at the present time.

Under date of Melbourne, September 21, 1912, the Dominion Trade Commissioner writes:

The Commonwealth Transcontinental Railway

At Port Augusta, South Australia, on September 11, the interesting historic ceremony of breaking the first sod in the construction of the Transcontinental Railway was performed by the Governor-General (Lord Denham). A large number of legislators and others interested in the work were present. This new line, to connect the State Railway systems of South and Western Australia, will be 1,063 miles in length, and the gauge is the standard of 4 feet 8½ inches. The highest point on the line is an elevation of 1,354 feet and the steepest gradient 1 in 80. It is estimated that the work will be finished in from three to four years, at a cost to the Commonwealth, of approximately, £4,000,000, or \$19,480,000—equal to \$18,325 per mile.

The completion of the railway will open direct communication (independent of the existing steamer services from Adelaide, S. A., to Fremantle, W. A.) from the Eastern States with Western Australia, which is the largest State in the Federation, comprising an area of 975,920 square miles, with the present limited population of about 420,000.

Herewith are transcripts taken from Australian Railway Commissioners' Reports, which speak for themselves; also Official Copy of Dominion Act, giving cash subsidy.

It will be observed in the Transcript, giving a comparison of the railway accounts for six distinct Governments in Australia, that they show net earnings of from over 4 per cent. to over 5¼ per cent. on their cost.

The crux of the matter is, is it better for the Province to pledge themselves for 30 years for payment of \$35,000 principal and interest at 4 per cent. per mile and permit a sum of \$12,000 per mile, the Province's share of Federal subsidies, to be diverted to the building of 525 miles by a Railway Corporation, with a very doubtful chance of any reimbursement and no ownership; or is it better for the Province to use its own credit and cash subsidies to build the line and own it and the future unearned increment which will attach to it, and operate it for the benefit and development of the country, as the Australians have done? or as an alternative, surely some better plan can be devised than the one adopted.

This letter is not intended to be impertinent, though it may be thought to be so at first blush. When the reader considers the pains and time spent in its preparation, he will think differently. Neither does it matter whence it emanated; but what does matter is, is it sound and logical? Does it point out any errors or mistakes which should be amended or avoided? Does it contain anything for the advantage of British Columbia? All of which is most respectfully submitted by the Author.

VICTORIA, B. C., November 23rd, 1912.

I WALES GOVERNMENT RAILWAYS AND TRAMWAYS

GENERAL BALANCE SHEET, 30th JUNE, 1912

V D D E K D E R

	Amount	Total		Amount	Total
	£ s. d.	£ s. d.	ASSETS	£ s. d.	£ s. d.
Capital paid up	53,960 120 18 2		By Cost of Way, Works, Buildings and Equipment	43,812,171 16 7	
Capital reserve	612,154 6 3		Cost of Rolling Stock	8,952,731 1 2	52,764,902 17 9
		54,572,275 4 5	*Surveys for Railways not constructed	-----	662,175 17 4
		79,287 1 4	Stores and Materials on hand	-----	1,335,027 18 8
		22,969 12 0	Unexpended Balance of Capital Funds	-----	98,686 3 3
		269,230 11 3	Balance at Credit of Special Funds	-----	19,284 16 8
		415,513 7 8	Sundry Debtors	-----	3,584 15 4
			Suspense Accounts	-----	
			Net Revenue for the year after payment of Working Expense	2,321,882 6 6	
			**Less—		
			Interest Charges on new line under construction by the Chief Commissioner	£ s. d. 5,042 19 7	
			and Interest Charges on lines open	1,906,368 18 10	
			SURPLUS		415,513 7 8
		£55,299,275 16 8			£55,299,275 16 8

* No charge is made to the Railway Department under this head. ** Interest is not charged to the Railway Department on cost of lines under construction, except in the case of new lines constructed by the Chief Commissioner, the cost of this item being shown in the detail of the total amount deducted for interest, etc.

GEO. MACOUN,
Chief Accountant.

It must be remembered, too, that all the imperfections in the Agreements with these two companies are being perpetuated in the additional branch lines, and that the subsidy remains the same.

Though the Trust Deed between the Canadian Northern and the Government has not been recorded at this writing, it will doubtless be the same as the Pacific Great Eastern, as the terms of both Agreements are practically the same.

Subsidies from the Federal Government to B. C. Railways should come to the Province, and not at the behest of a Railway Corporation be made to itself.

The only way for the public to keep even with Railway Corporations is to refuse to have anything to do with them, for their satellites, having made a special study of out-generalling Legislatures, they are too astute and adroit for the people's representatives.

Contrast Our Method with the Australian Method of Building Railways

An official of the State of Victoria, answering enquiries, says in a letter dated 31st October, 1912: "The railway system of Victoria is controlled and owned by the Government. The approximate value of the system is \$215,000,000. This includes the cost of works, rolling stock and general equipments."

The mileage constructed exceeds 3500 miles, and nearly 90,000,000 passengers are carried per annum, and 5,000,000 tons of goods and live stock.

The system is a payable concern, and the Government grants many concessions for various classes of freight for the further development of the country. A very large development is also taking place, over 200 miles being in course of construction at the present time.

Under date of Melbourne, September 21, 1912, the Dominion Trade Commissioner writes:

The Commonwealth Transcontinental Railway

At Port Augusta, South Australia, on September 14, the interesting historic ceremony of breaking the first sod in the construction of the Transcontinental Railway was performed by the Governor-General (Lord Denham). A large number of legislators and others interested in the work were present. This new line, to connect the State Railway systems of South and Western Australia, will be 1,063 miles in length, and the gauge is the standard of 4 feet 8½ inches. The highest point on the line is an elevation of 1,354 feet and the steepest gradient 1 in 80. It is estimated that the work will be finished in from three to four years, at a cost to the Commonwealth of, approximately, £4,000,000, or \$19,180,000—equal to \$18,325 per mile.

The completion of the railway will open direct communication (independent of the existing steamer services from Adelaide, S. A., to Fremantle, W. A.) from the Eastern States with Western Australia, which is the largest State in the Federation, comprising an area of 975,920 square miles, with the present limited population of about 420,000.

Herewith are transcripts taken from Australian Railway Commissioners' Reports, which speak for themselves; also Official Copy of Dominion Act, giving cash subsidy.

It will be observed in the Transcript, giving a comparison of the railway accounts for six distinct Governments in Australia, that they show net earnings of from over 4 per cent. to over 5½ per cent. on their cost.

The crux of the matter is, is it better for the Province to pledge themselves for 30

ADDENDUM.

Respectfully submitted, in the hope that it may be of some assistance in enabling New Members to get a proper grasp of Railway Legislation already enacted, and its bearing on the affairs of the Province.

Since the date hereof, by Bills 46 and 47, Session of 1914, the Provincial Government gave further guarantees:

To the Canadian Northern Pacific: \$10,000 per Mile, and
To the Pacific Great Eastern: 7,000 per Mile, and

Increased the Mileage and the rate of Interest, adding enormously to the grievous burden imposed upon the Province. By chapter 38 Session of May 31st, 1916, the Provincial Government gave further aid by way of a Loan to Pacific Great Eastern of Six Million Dollars (\$6,000,000.00) apparently secured by a third Mortgage on security, more than likely not worth the first Mortgage.

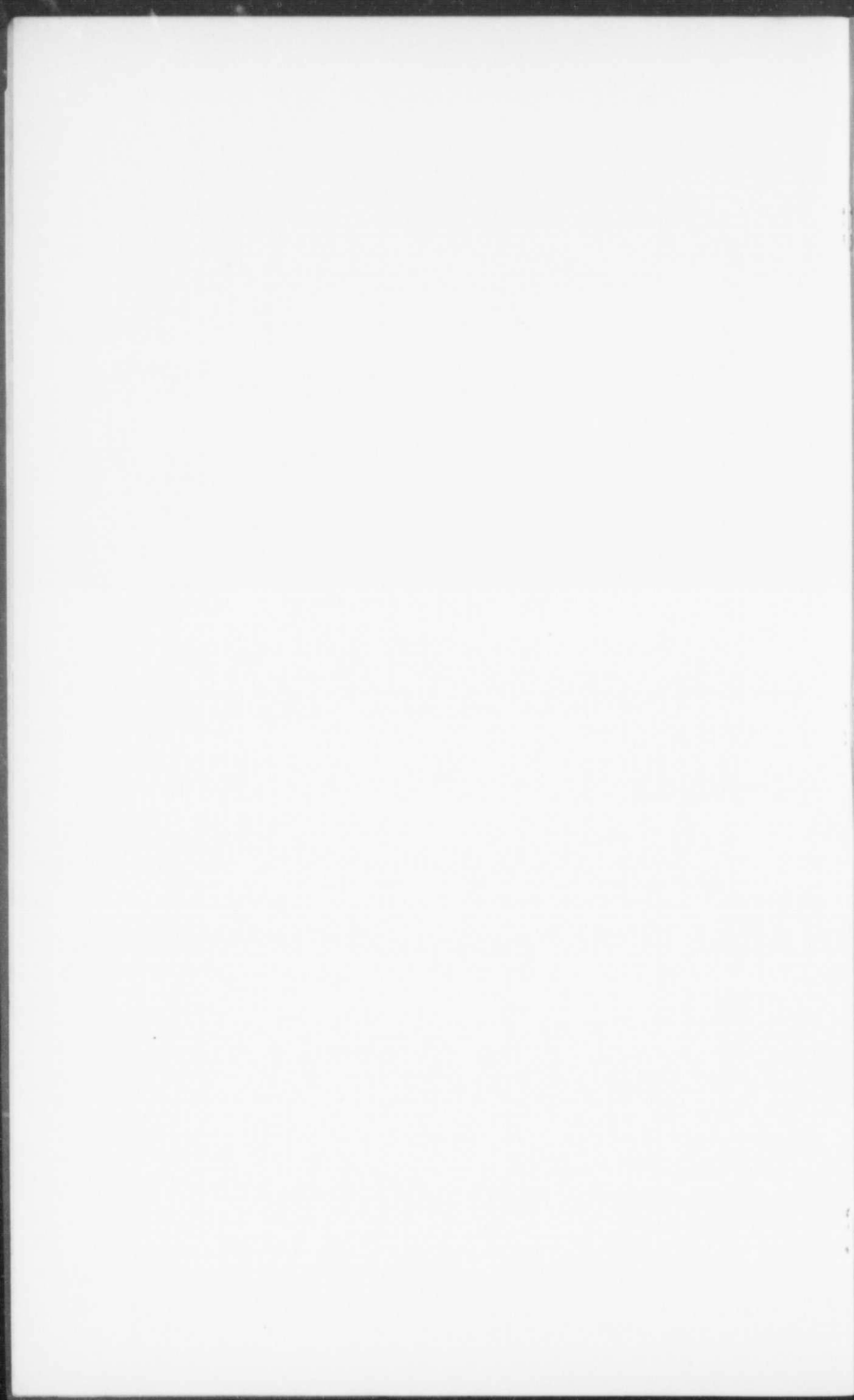
NEW SOUTH WALES GOVERNMENT RAILWAYS AND TRAMWAYS

GENERAL BALANCE SHEET, 30th JUNE, 1912

	Amount	Total		Amount	Total
LIABILITIES	£ s. d.	£ s. d.	ASSETS	£ s. d.	£ s. d.
To the Government for Capital provided for Railways, less Discounts and Flouting Charges.	53,960,120 18 2		By Cost of Way, Works, Buildings and Equipment	43,812,171 16 7	
Contributions from Revenue for Capital purposes	612,154 6 3		Cost of Rolling Stock	8,952,731 1 2	52,764,902 17 9
		54,572,275 4 5	*Surveys for Railways not constructed		
Special Funds		79,287 1 4	Stores and Materials on hand		662,175 17 4
Suspense Accounts		22,969 12 0	Unexpended Balance of Capital Funds		1,135,027 18 8
Sundry Creditors		399,230 11 3	Balance at Credit of Special Funds		98,686 3 3
Surplus		415,513 7 8	Sundry Debtors		19,384 16 8
			Suspense Accounts		3,584 15 4
			Net Revenue for the year after payment of Working Expense	2,321,882 6 6	
			**Less—		
			Interest Charges on new line under construction by the Chief Commissioner	£ s. d. 5,042 19 7	
			and Interest Charges on lines open	1,901,325 19 3	
			SURPLUS	1,906,368 18 10	415,513 7 8
		£55,299,275 16 8			£55,299,275 16 8

* No charge is made to the Railway Department under this head. ** Interest is not charged to the Railway Department on cost of lines under construction, except in the case of new lines constructed by the Chief Commissioner, the cost of this item being shown in the detail of the total amount deducted for interest, etc.

GEO. MACOUN,
Chief Accountant.



REPORT OF THE VICTORIAN RAILWAYS COMMISSIONERS FOR THE FINANCIAL YEAR ENDING 30th JUNE, 1912

Victorian Railways,
Commissioners' Office, Spencer Street,
Melbourne, 25th September, 1912

To the Honorable the Minister of Railways

Sir,

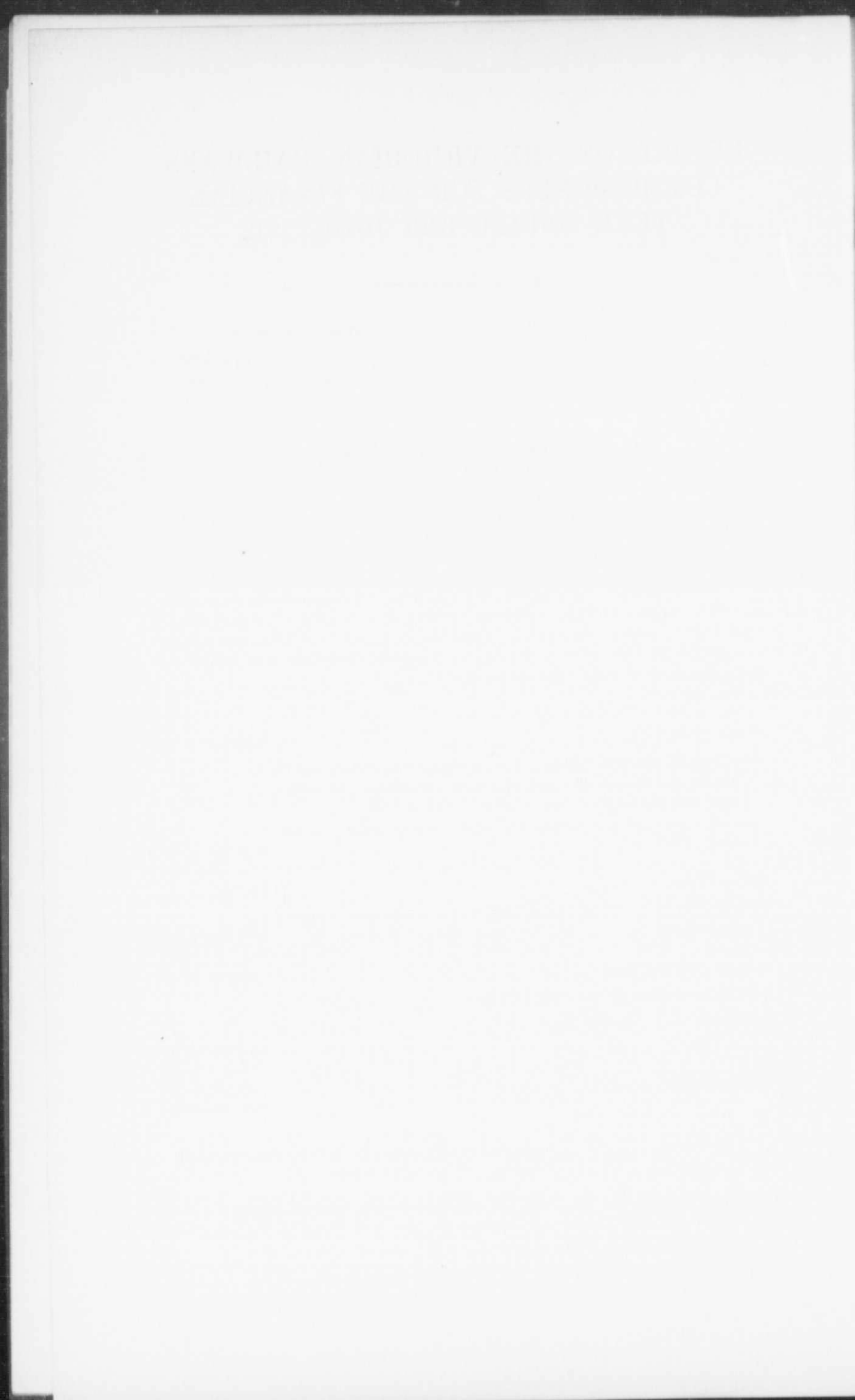
In conformity with the provisions of Section 59 of the Railways Act 1890, No. 1135, we have the honor to submit, for the information of Parliament, our Report in respect of the financial year ending 30th June, 1912.

Notwithstanding a large decrease in the grain yield as compared with the previous year, the revenue was the highest which has ever been earned in one year, owing in a large measure to the continued development of passenger traffic on both suburban and country lines, and the financial results of working the Railways, which were of a satisfactory nature, are as shown in the following statement:

	£	s.	d.
GROSS REVENUE	5,218,967	6	3
WORKING EXPENSES (including Special Payments of £25,400 into the Railway Accident and Fire Insurance Fund, £50,000 into the Rolling-Stock Replacement Fund, and £50,000 on Special Renewals for the purpose of releasing serviceable rails for the construction of new Railways)	3,310,484	8	1
NET REVENUE	1,908,482	18	2
NET REVENUE OF ST. KILDA & BRIGHTON ELECTRIC STREET RAILWAY	1,729	6	0
TOTAL NET REVENUE	1,910,212	4	2
INTEREST CHARGES AND EXPENSES	1,513,101	17	6
PENSIONS AND GRATUITIES	131,319	0	6
	1,644,420	18	0
SURPLUS	265,791	6	2

The Net Revenue after payment of Working Expenses and of Pensions and Gratuities was equivalent to 4.03 per cent. of the Railway Debt of the State.

Route Mileage, June 30th, 1912, was 3,622 miles, plus 340 forming double tracks, plus 651 miles of sidings. Total charged to Expenditure Account in Pounds sterling, £45,897,163, equal to \$223,519,183.



Queensland Railways

GENERAL BALANCE SHEET FOR THE YEAR ENDED 30th JUNE, 1912

LIABILITIES	£ s. d.	ASSETS	£ s. d.	£ s. d.
*To Loans allocated to Railways under various Loan Acts	37,213,205 0 0	By Cost of Way, Works, Buildings and Equipment.....	23,598,329 3 11	
" Suspense Accounts	42,313 2 8	" Cost of Rolling Stock	4,152,897 8 11	
" Sundry Creditors	5,919 13 10			37,751,226 12 10
" Surplus	59,499 10 5	" Cost of Surveys for Lines not yet constructed; also Lines under Construction, but not yet opened for Traffic		1,513,451 9 8
		" Stores and Material on hand		751,425 18 6
		" Unexpended Balance of Loans authorized		7,153,414 8 0
		" Suspense Accounts		24,733 6 10
		" Sundry Debtors		67,286 0 8
		" Railway District Debts ("The Railways Act of 1906")		13,738 3 0
		" Gross Earnings	3,032,858 9 0	
		Less Working Expenses	1,917,266 9 9	
		Net Revenue for the Year after payment of Working Expenses	£1,115,591 19 3	
		Less Interest Charges on Capital Expended (including Discounts and Loan Floating Charges) on Open Lines	1,069,839 11 10	
		SURPLUS		45,752 7 5
	<u>£37,321,028 6 11</u>			<u>£37,321,028 6 11</u>

Note.—Interest is not charged to the Railway Department on Cost of Lines under Construction.

* Loans have not yet been floated to the full amount authorized.

W. A. BROWN, Chief Accountant.



Comparative Analysis of Railway Accounts

IN THE

STATES OF QUEENSLAND, NEW SOUTH WALES, VICTORIA, SOUTH AUSTRALIA, WESTERN AUSTRALIA, AND THE DOMINION OF NEW ZEALAND

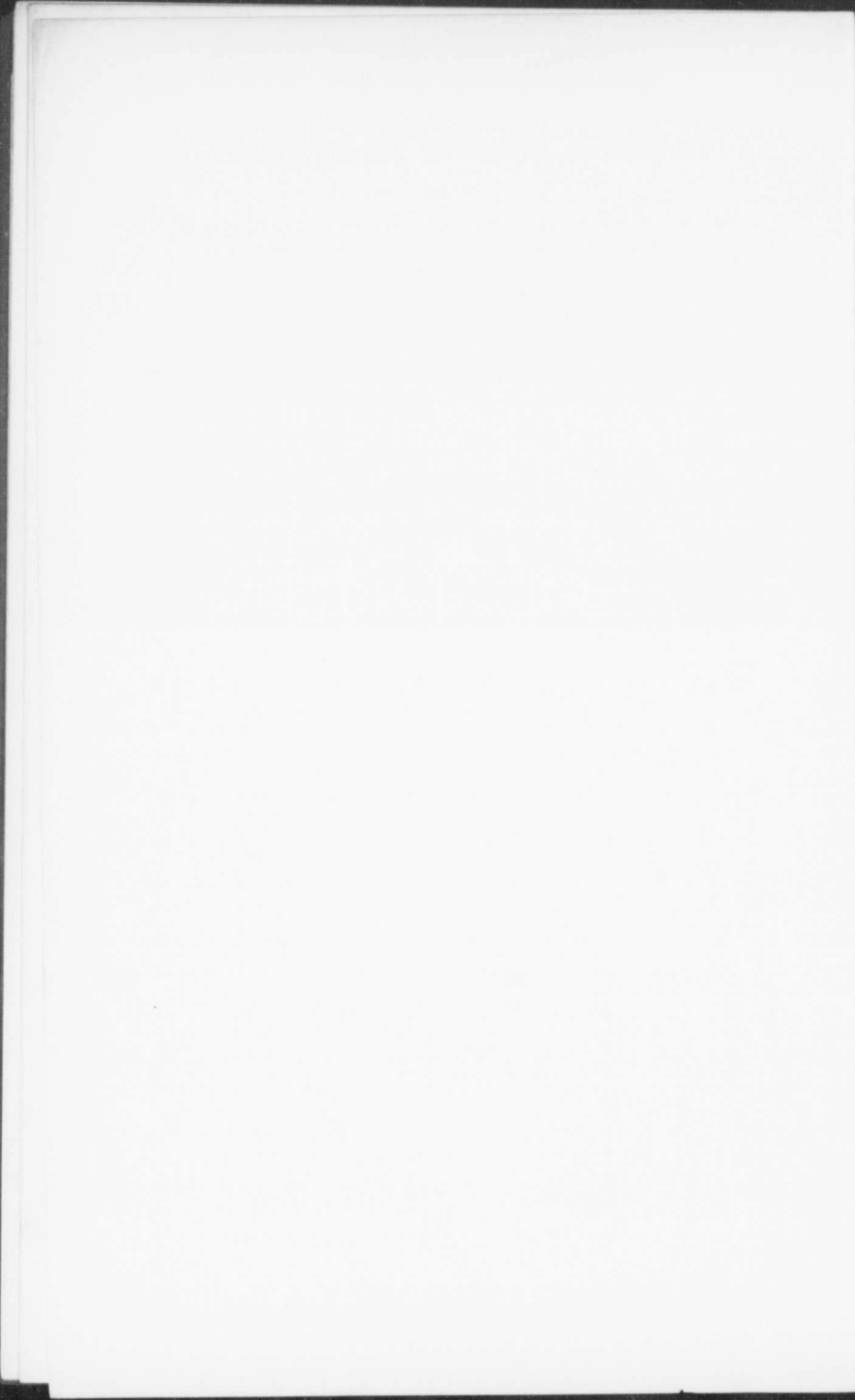
(Taken from the Latest Official Records)

Particulars.	QUEENSLAND.	NEW SOUTH WALES.	VICTORIA.	SOUTH AUSTRALIA.	WESTERN AUSTRALIA.	NEW ZEALAND
	Year ended 30th June, 1912	Year ended 30th June, 1912	Year ended 30th June, 1911.	Year ended 30th June, 1911.	Year ended 30th June, 1911.	Year ended 31st March, 1911
Area in square miles	668,224	309,175	87,884	903,690	975,876	104,471
Population	622,129	1,672,783	1,362,794	418,172	289,466	1,055,640
Miles open	4,296½	3,831½	3,523	1,457½	2,376	2,761
Gauge	3 ft. 6 in.	4 ft. 8½ in.	5 ft. 3 in.	3 ft. 6 in. and 5 ft. 3 in.	3 ft. 6 in.	3 ft. 6 in.
Capital expended on open lines	£27,751,227	£53,514,903	£44,180,774	£12,676,240	£12,019,927	£29,606,546
Average cost per mile open.....	£6,505	£13,967	£12,541	£8,697	£5,258	£10,723
Population per mile of railway.....	146	437	387	287	122	382
Cost per head of population.....	£44 12s 2d	£31 10s 10d	£32 8s 5d	£30 6s 3d	£42 0s 0d	£28 1s 0d
Gross earnings	£3,032,858	£6,491,473	£4,896,210	£2,015,182	£1,844,419	£3,494,182
Working expenses	£1,917,266	£4,169,591	£2,991,673	£1,222,439	£1,216,477	£2,303,272
Profit on working (after paying working expenses)	£1,115,592	£2,321,882	£1,904,537	£792,743	£627,942	£1,190,910
Percentage of net earnings to capital expended on open lines	£4 0s 5d	£4 8s 2d	£4 4s 9½d	£5 16s 2d	£5 4s 5d	£4 1s 2d
Percentage of working expenses to earnings—						
Maintenance	18.53	13.96	16.41	16.11	14.74	19.89
Locomotive	26.18	30.58	25.81	28.57	32.18	25.10
Traffic	17.04	17.46	15.66	14.73	17.19	18.10
General	1.47	2.23	3.22	1.25	1.84	2.83
Total	63.22	64.23	61.10	60.66	65.95	65.92
Earnings per average mile open	£732	£1,706	£1,297	£1,202	£807	£1,275
Working expenses per average mile open—						
Maintenance	£135.65	£238.5	£229.29	£160.65	£118.92	£253.58
Locomotive	£191.58	£522.5	£360.58	£243.47	£259.63	£319.21
Traffic	£124.73	£298.4	£218.77	£177.14	£138.70	£230.26
General	£10.74	£38.1	£44.90	£15.01	£14.89	£36.95
Total	£462.70	£1,097.5	£853.54	£729.27	£532.14	£840.00
Earnings per train mile.....	£0 5s 10½d	£0 7s 0d	£0 7s 6½d	£0 6s 10½d	£0 7s 5½d	£0 8s 6½d
Working expenses per train mile						
Maintenance	£0 1s 1d	£0 0s 11½d	£0 1s 2½d	£0 1s 1½d	£0 1s 1d	£0 1s 8½d
Locomotive	£0 1s 6½d	£0 2s 1½d	£0 1s 11½d	£0 1s 11½d	£0 2s 4½d	£0 2s 1½d
Traffic	£0 1s 0d	£0 1s 2½d	£0 1s 2½d	£0 1s 0½d	£0 1s 3½d	£0 1s 6½d
General	£0 0s 1d	£0 0s 1½d	£0 0s 3d	£0 0s 1d	£0 0s 1½d	£0 0s 3d
Total	£0 3s 8½d	£0 4s 6d	£0 4s 7½d	£0 4s 2d	£0 4s 10½d	£0 5s 7½d
Earnings per engine	£5,668.89	£6,891.16	£8,951.02	£5,774.16	£5,710.28	£7,310.00
Earnings per carriage (coaching)	£1,470.07	£1,672.15	£1,813.03	£1,356.52	£1,491.48	£1,215.44
Earnings per wagon (goods).....	£179.04	£222.46	£194.69	£179.84	£161.99	£108.73
Earnings per head of population.....	£4 17s 6d	£3 17s 7d	£3 11s 1d	£4 16s 5d	£6 7s 5d	£3 6s 2d
Number of passenger journeys.....	*17,080,756	*70,706,728	*93,795,806	*16,619,953	*14,828,663	*11,200,613
Goods tonnage	3,214,006	10,375,072	4,586,904	2,638,580	2,426,791	5,555,292
Live stock tonnage	279,721	535,481	380,723	92,777	62,053	308,382
Average number of passengers per mile of railway	4,904	18,453	20,624	11,403	6,241	4,057
Train mileage	10,327,237	18,521,320	12,972,723	5,855,967	4,963,107	8,141,075
Average train miles per mile of railway	2,421	4,834	3,682	4,018	2,089	2,949

*Including season tickets.

*Exclusive of season tickets.

S. DAVIS, Chief Railway Auditor,
Queensland Railways.



Australian Government Railways

COMPARATIVE STATEMENT

PERCENTAGE OF WORKING EXPENSES TO EARNINGS, 1907 to 1912

QUEENSLAND—

Year	
1907	49.88
1908	54.01
1909	58.35
1910	60.48
1911	57.25
1912	63.22

NEW SOUTH WALES—

1907	53.08
1908	54.91
1909	58.72
1910	59.73
1911	61.09
1912	64.23

VICTORIA—

1907	51.75
1908	59.02
1909	57.67
1910	61.02
1911	61.10
1912	—

SOUTH AUSTRALIA—

1907	55.10
1908	55.68
1909	57.39
1910	58.09
1911	60.66
1912	63.00

WESTERN AUSTRALIA—

1907	73.89
1908	67.10
1909	64.56
1910	66.99
1911	65.95
1912	71.31

TASMANIA—

1907	71.83
1908	72.69
1909	72.89
1910	74.51
1911	77.55
1912	70.71

NEW ZEALAND—

1907	69.06
1908	70.59
1909	72.19
1910	66.76
1911	65.92
1912	67.07

The Proportion of Operating Expenses to Gross Earnings on the average for all Canadian Railways for year 1911 was 72.11