THE BRITISH COLUMBIA ELECTRIC RAILWAY COMPANY, 1897-1928;
A BRITISH COMPANY IN BRITISH COLUMBIA

by

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Date February 25, 1978
In the two decades prior to World War I, London was the centre of the most extensive financial empire in the world. Canada was particularly popular among British investors. In 1897, a group of British capitalists led by R.M. Horne-Payne, a successful financier, acquired the electric street railways and electric power facilities which local entrepreneurs had initiated in Vancouver, New Westminster and Victoria. The British capitalists then organized the British Columbia Electric Railway Company.

The creation of the B.C.E.R. inaugurated a thirty-one year long symbiotic relationship between British capitalists and the British Columbia public. Unlike their local predecessors, British capitalists had access to the large amounts of capital necessary to rescue an infant enterprise from the embarrassment of depressed times and to expand its operations as southwestern British Columbia grew rapidly during the prosperous years of the Klondike gold rush and the prairie
wheat boom. During these years, the B.C.E.R. completed an urban street railway network, built major interurban railways in the Fraser Valley and on the Saanich Peninsula and introduced hydro-electric power to southwestern British Columbia. Thus, the B.C.E.R. provided its customers with modern and efficient conveniences.

The B.C.E.R. was unique among Canadian transportation and utility companies of its time. Many of these firms also raised capital in Britain but none seems to have been as closely controlled by a British Board of Directors. The company's general manager in Vancouver, for example, was only an agent who could make no significant decision without the consent of the Board in England.

A superficial survey of other Canadian utility companies suggests that British Columbians were better off with a British company than they would have been with a Canadian one. In good times, the B.C.E.R. took lower profits out of its operation than did comparable Canadian firms; in bad times, it had greater financial stability than many of its Canadian counterparts. A conclusive answer to this hypothesis, however, must await detailed studies of other Canadian
utility companies.

The basic concern of the directors of the B.C.E.R. was the security of the investment. They would not undertake new expenditures without being certain of the availability of the necessary capital; they set aside generous sums for depreciation, renewals and reserves; they avoided speculative ventures such as real estate developments; they built few railway or power facilities in advance of actual demand and they actively worked to thwart real and imaginary competition from other private companies or from municipal or provincial governments.

These conservative policies succeeded. In spite of occasional anxious times, particularly during World War I, the B.C.E.R. always met its financial obligations. By the 1920's the company could finance most of its expansion itself. Usually, it also earned a respectable -- but not exploitive -- dividend for its shareholders. Ultimately, in 1928, the shareholders were able to sell their holdings to the Canadian-controlled Power Corporation of Canada for a handsome profit.

Because it was a public utility, the B.C.E.R. was never able to act without considering possible consequences of public antagonism and subsequent government action. Thus, it assidu-
ously cultivated goodwill generally and lobbied governments with specific requests.

Good relations with governments were essential to the success of the company. The municipalities regulated fares and controlled the franchises without which the company could not operate. Through their control of such matters as water rights and regulating agencies, the provincial and federal governments could also affect the company. The B.C.E.R. was beholden to the voters who were also its customers. In sum, the company, though profiting from British Columbia, could not impose its will on British Columbians.
Errata

p. 101, paragraph 2, line 8. For "July 28" read "July 25."
p. 144. There should be a footnote no. 63, "Sperling to Kidd, December 9, 1910, Box 549."
p. 150, footnote no. 93. For "Sserling" read "Sperling."
P. 276, line 16. For "stopped work" read "voted to stop work."

PP. 282-3. There is a numbering error in the footnotes. Footnote no. 21 does not exist.

p. 327, line 2. For "five years" read "three years."
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P.E.R.
January 26, 1970.
CHAPTER I

THE PREDECESSORS OF THE B.C.E.R.

In the eighteen eighties and nineties, when the electric light and the electric street railway were very new, Victoria and Vancouver, small towns with aspirations, were distant from the centres of technological development. Yet, in 1887, Victoria had the first, and Vancouver the second, incandescent electric light station in Canada. Furthermore, by 1891 Vancouver and New Westminster shared the longest electric interurban railway system in Canada. All three cities had electric street railways two years before older Canadian cities such as Toronto. Part of the reason for the ability of British Columbia cities to claim "firsts" was, of course, their lack of commitment to older methods of illumination and local transportation. The major reason for their modernity was the faith of local promoters that the cities would develop rapidly after the completion of the Canadian Pacific Railway.

This optimism was felt mainly within the cities themselves.
The chief believers were the promoters of the various companies and real estate agents. Sometimes the promoters and the agents were one and the same men. Real estate speculation explains the construction of some street railway lines such as the Oak Bay line in Victoria, the Fairview line in Vancouver and the Westminster and Vancouver Tramway. The lighting system and the initial street railways in both cities, however, cannot be explained as simple real estate promotions; they were constructed in anticipation of the growth of the cities as a whole.

The sources of capital raised by the early companies reveals that Victoria as an older city and as the established trading centre for British Columbia had considerable local capital. Vancouver utility companies, on the other hand, had to depend on credit obtained from American suppliers of equipment, loans from the London-based Bank of British Columbia, and the sale of bonds or debentures in eastern Canada and in England. Vancouver "capitalists", with the possible exception of David Oppenheimer, who was active in several companies, seem to have

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2 The Vancouver Electric Illuminating Company, the Vancouver Electric Railway and Lighting Company and the Westminster and Vancouver Tramway.
put little of what money they had into local utilities. Because Victoria utility companies were financed mainly by the sale of stocks locally, they were initially spared many of the financial agonies which beset the Mainland firms as soon as the immediate post-railway boom waned.

The depression which followed several years of rapid expansion was especially hard on the street railway companies. It was no longer possible for them to raise capital locally; it was also difficult to find outside assistance. The urban rate of population growth also levelled off. The street railways, unfortunately, had invested a substantial portion of their limited capital and credit on extensions into sparsely settled suburban areas such as Fairview and Oak Bay in anticipation of continued population growth. When prosperity returned these lines permitted the easy dispersal of settlement; in the interim, they were a severe drain on the limited capital resources of their builders.

In an effort to strengthen their financial positions the early electric lighting and street railway companies went through a series of amalgamations and re-organizations. Such changes were common at this time among similar enterprises elsewhere in North America.3 In both Victoria and Vancouver the

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electric light and street railway companies began as separate entities, emerged as light and railway companies, and ultimately became part of the Consolidated Railway and Lighting Company, the immediate predecessor of the B.C.E.R. 4

It is probable that if the electric lighting operations had remained independent of the street railways, they might have survived as locally-owned companies. Unfortunately, the early companies did not practice cost accounting. Although they were able to determine that lighting sales brought in slightly more revenue than street railways, they did not have an accurate breakdown of costs between the two branches of their businesses. The same coal-powered steam generators served both parts of the enterprises. Once this capital cost was covered, the lighting division had only to install poles and wires before it could serve customers. The street railways, on the other hand, had to make heavy investments in tracks and rolling stock and had to hire motormen and conductors before they could earn any revenue. Even in the depths of the depression, there was never a shortage of lighting customers. The street railways, however, suffered from "unused capacity" particularly on their suburban lines. The companies could not suspend any services without risking the loss of their franchises. Another handicap of street railways was the limitation imposed on their

4 See Charts 1 and 2.
fares by franchise agreements. The determination of a reasonable charge for electric lighting was such a complex matter that no public authority -- at least in the early years -- attempted to regulate lighting rates.

Concern for public regulation of the activities of public utility companies in British Columbia can be traced back to the opposition of Amor De Cosmos in 1859 to the monopoly of the Victoria Gas Company. Public regulation -- or the possibility of it -- remained a fact of public utility life in British Columbia. The cities imposed regulations such as maximum street railway fares and speed limits as conditions of street railway franchises. Some franchise agreements also included clauses giving the city the opportunity to purchase the enterprise after a certain number of years.

There was, however, no consistent opposition to private ownership of public utilities. The cities had already undertaken heavy obligations for the construction of other public services such as roads. In New Westminster, however, the city established its own electrical distribution system before any private enterprise came into being. Only in Victoria did the city take over the street lighting system. In Vancouver, several companies which were in financial difficulties tried to sell out to the city but the ratepayers refused to rescue the companies by approving such purchases.
Because both Victoria and Vancouver were small towns and because the early utilities were locally promoted, it is not surprising to discover mayors and aldermen, Members of the Legislative Assembly and Members of Parliament among those listed as directors of the various companies. This participation by politicians in the control of public utilities caused only minor criticism; it seems to have been accepted as a part of small town life. Political influence, particularly at the municipal level, was often useful to the companies when they negotiated franchises. On the other hand, when the Vancouver Electric Railway and Lighting Company asked for civic financial assistance, the voters rejected such aid. "Friends" on Council were useful; but the ratepayers had the final say. The utility companies from their earliest days in British Columbia were more dependent on the good will of the public than the public was dependent on them.

As early as 1862 gas lit the main streets, many commercial buildings and some homes in Victoria. The Victoria Gas Company, a locally-owned firm, earned handsome dividends of twelve to fifteen percent. Customers, however, frequently complained of high rates. During a prolonged dispute with the city over street lighting rates, the company temporarily cut off the street lamps. Although the electric arc light had been perfected
only two years earlier, the Victoria City Council in 1881 advertised for tenders "for the exclusive privilege of lighting the City of Victoria with the Electric Light." Two local groups submitted offers to build street lighting towers; the ratepayers agreed to borrow the necessary funds. When the city ascertained that the cost would be greater than anticipated, it abandoned the idea of electric street lights.

Two years later, in 1883, R.B. McMicking independently installed three lighting towers. When the City Council was satisfied with the degree of illumination provided by the towers, it terminated its contract with the Gas Company and ratified a contract with McMicking. Within the year, the Council, realizing that McMicking was making a $3,000. annual profit, exercised its option to purchase the lighting system. The City tried to improve the street lighting by installing three additional towers based on the Sperry system. Because the Sperry lights blinked, were expensive to operate and were frequently out of order, the City Council, on the advice of its electrician, R.B. McMicking, installed the Ball system of lighting in 1889. It is more than coincidental that McMicking was also a representative of the Ball Electric Light Company.

5 Victoria Colonist, May 14, 1881, p. 2.  
6 Colonist, June 26, 1884, p.3. See also, Annual Report of Chas. E. Redfern, Mayor of Victoria, 1883. Victoria, 1883, p.10.
of Canada. 7

Technically, the Ball system combined with the existing lights gave Victoria "in proportion to its population the most complete and finest" electric light system on the Pacific Coast. The lights, however, really left much to be desired. Rapidly expanding suburbs were ill-served, new high buildings in the downtown area obscured much of the light and the lighting engineer consulted the almanac rather than the skies when deciding whether or not to turn on the lights. The Council wanted to improve the system but the ratepayers were unwilling to approve the necessary expenditures. Victoria had the satisfaction of enjoying electric street lighting at a remarkably early date but she had to pay a penalty in the form of obsolete equipment. 8

The Sperry Company which installed the "improved" street lighting system in 1886 also demonstrated incandescent lighting for indoor use. The Sperry representatives then canvassed Victoria for customers. Apparently they were responsible for the organization of the Victoria Electric Illuminating Company. This unincorporated private company lacked exclusive or monopoly privileges. The details of its formation are obscure but it can be surmised that McMullen, an agent for the Sperry Company, and

7 See McMicking to the Ball Company, February 16, 1889, McMicking Correspondence, Outward, 1888-1890, p. 100 (PABC).

8 Colonist, July 7, 1889, p. 4; Report of the Electric Light Committee in City of Victoria, Annual Report, 1890, p. 53.
S.Z. Mitchell, a Seattle electrician, promoted the scheme, built a plant and then turned it over to local capitalists led by R.P. Rithet, a leading merchant, and McMicking.

In the fall of 1886 the Sperry electricians began to work on the incandescent installation. On January 29, 1887, they turned the lights on at the first incandescent electric light station in Canada. The plant had capacity for 400 sixteen candle power lamps; the company claimed to have customers for all the lamps. The Victoria Electric Illuminating Company, however, remained a small firm serving only the central business area.

Lighting was not the only use of electricity which interested Victorians. Electric street railway technology was advancing rapidly in the late 1880's. In September 1888, two Victorians, Capt. J.D. Warren, a steamboat owner active in the sealing industry who claimed to represent eastern and local interests and $100,000 capital, and H.F. Heisterman, an insurance and land agent, submitted separate applications to the City Council for permission to construct and operate an electric street railway through the streets of Victoria. A majority of.


10 See Passer, Electrical Manufacturers, ch. XV-XVII.
the street and electric light committee of the Council favoured Warren's scheme because he had not asked for a monopoly. The Council then granted the street railway franchise to Warren and his associates who in turn assigned it to the National Electric Tramway and Lighting Company (N.E.T. & L.) which they and three other Victorians had incorporated. 11

Under its provincial charter, the N.E.T. & L. had an authorized capital of $250,000. The shares were sold in ten dollar units and widely distributed locally, probably as a means of courting support. Within a short time the N.E.T. & L. applied to the city for financial aid in the form of a guarantee of 5% interest for twenty years on a $40,000 loan. In return for this guarantee, the company proposed that the city have a representative on the Board of Directors.

The social and economic advantages of the electric street railway appealed to Victorians. According to the Colonist, the street car would permit workingmen and mechanics to "build themselves pleasant homes in localities where land is plentiful and low-priced, and where they may grow their own vegetables and raise their own poultry and drink in the pure and health-giving ozone." 12

11 Colonist, November 1, 1888, p.4; British Columbia, Statutes, 52 Vic., c. 39.

12 Colonist, May 2, 1889, p.2.
Once the civic voters approved the scheme, the company let the construction contract and ordered four cars. After an official opening of the street railway system with champagne toasts, the cars began regular service on February 22, 1890. Four cars offered a fifteen minute service on Fort Street almost to the Jubilee Hospital, on Douglas Street, to the foundry and through James Bay to the Outer Wharf. From the first day's receipts the cars seemed an instant success. Although the fare was only five cents, the cars collected $350. The shareholders unanimously re-elected the Board of Directors, issued another $15,000 worth of stock and began construction of the Beacon Hill Park line.

The public soon demanded more frequent service and more lines. The company complied by ordering more cars and by announcing plans to build up Pandora Street to Fernwood Road, an area which was sparsely settled, and to the naval base at Esquimalt. The company also indicated that it was contemplating the construction of lines to Cadboro Bay and to the end of the Saanich Peninsula. Both areas were sparsely settled but had agricultural and recreational potential. These lines were not built but, after the Esquimalt line was completed, the company announced plans to double track existing lines and to extend the Fort Street line one and a half miles to Oak Bay beach and to the Driving Park and Agricultural Hall, and to
extend the Douglas Street line half a mile.

Victoria land owners were quick to appreciate the effect of street railways on land values. When the company first announced the construction of the Esquimalt line, the news "at once took every saleable lot on the route off the market." The Oak Bay Land and Improvement Company, a real estate firm which included C.T. Dupont of the tram company among its members, promoted the idea of the Oak Bay line although there were no more than three households in Oak Bay at the time. Residents of Oaklands and of Cedar Hill in Saanich subscribed $11,000 in ten minutes to assist in the construction of a link between their areas and the existing car lines. Mount Tolmie residents subscribed $15,000 towards extension of the line from Douglas Street. But none of the Oaklands, Cedar Hill or Mount Tolmie lines was built at the time.

As its name suggests, the N.E.T. & L. did not confine itself to street railway operations. Although the preamble of its Act of Incorporation only mentions objects relating to transportation,

13 Colonist, April 8, 1890, p.1

14 R.M. Horne-Payne, Chairman's Report to the Shareholders of the B.C.E.R., February 1902, p.8

* See map, p. 404
a clause in the act empowered the N.E.T. & L. to sell electricity for lighting and power purposes. There were, however, three lighting systems already operating in Victoria; the Gas Company, the city-owned street lights, and the Victoria Electric Illuminating Company. Electricity had now shown its superiority to gas; the street lighting system did not compete in commercial and residential lighting; and the V.E.I. which had reached its capacity did not enjoy monopoly protection. Since the residential and commercial fields were still open, the N.E.T. & L., in the fall of 1890, announced that it had signed a contract with F.H. Osgood of the Thompson-Houston Company of Lynn, Massachusetts to construct an incandescent lighting plant to produce the cheapest illuminant in the city.15

In the early 1890’s, when Victoria was growing steadily, the N.E. T. & L. soon found customers for its 1300 lights. By the fall of 1891 the company had to install additional equipment and add a new wing to the power house in order to cope with increased demand. In 1893 the company purchased a $50,000 lighting plant which it promised, would treble, with the aid of the proposed Goldstream waterpower plant, its lighting capacity.

The general depression which began in 1893 did not im-

15 Colonist, October 12, 1890, p. 5. The evidence is not clear but the lighting operations may have been conducted by a separate syndicate which used the N.E.T. & L.'s power house.
mediately affect the N.E.T. & L. At the annual general meeting early in 1894 the chairman described a satisfactory state of affairs. A few days later, he reported that all £100,000 worth of five percent debenture bonds had been taken by Messrs. Sperling & Co., English stock brokers. With the proceeds of these bonds the company proposed to redeem its current debt, add to its rolling stock and trackage and expand its power plant. A year later, in February 1895, the company, which had changed its name to the Victoria Electric Railway and Lighting Company reported a surplus of $16,791.92 "despite the general complaint of hard times and the disposition of everyone toward rigid economy."

The surplus, however, was not profit; interest had not been included in operating expenses. Three and a half months later, Robt. Dunsmuir and Sons and the Union Colliery secured judgments aggregating some $9,000 against the V.E.R. & L. while the Sayward Lumber Company and others attached amounts owing to the lighting department of the company. A county court judge immediately placed the V.E.R. & L. in receivership.

In April 1896 the "property, business and franchise" of the V.E.R. & L. Company were auctioned on behalf of the English bondholders. Although the company's assets — thirteen miles


17 British Columbia, Statutes, 57 Vic., c. 63.

18 Colonist, February 13, 1895, p. 5.
of track, seventeen cars, two trailers and facilities for operating 4650 sixteen candle power lamps and small power sales -- were valued at $497,000, they yielded only $340,000 which was about $35,000 less than the total debentures outstanding.\(^\text{19}\) The purchaser was F.S. Barnard M.P. of Victoria, a member of an English firm, the Consolidated Railway Company which was active on the mainland.

iii

Until the Canadian Pacific Railway decided in 1884 to extend its transcontinental line twelve miles westward from Port Moody to the Granville townsite, only a few hundred people lived in the three lumbering communities along the shores of Burrard Inlet. After the railway decided to extend its line, the City of Vancouver was incorporated in 1886. Its future seemed assured. The city, however, did not grow at a uniformly rapid rate through its first decade. For five years it grew very quickly; then it almost stagnated. The 1891 census recorded a population of 13,685; by 1896, the population was only 19,000.\(^\text{20}\) Although Vancouver had immediately developed trading connections with Australasia and the Orient, her merchants were frustrated in their attempts to wrest the trade of their more immediate hinterland away from older centres such as Victoria and Spokane. The city also failed to attract many new

\(^{19}\) Colonist, April 12, 1896, p. 5.

industries. A substantial part of Vancouver's growth was based on faith in its future, particularly faith in the appreciation of real estate values. The city was a mecca for real estate and financial agents who promoted a wide variety of enterprises, especially railways and mines. The boom growth of Vancouver's first five years followed by five years of depression and a lack of local capital resources explains in large measure why Vancouver had functioning electric utilities so early in her history and why those companies failed.

One of the utilities which did not fail -- possibly because its capital needs were relatively small and its profits high -- was the Vancouver Gas Company which had been chartered by several Victoria residents even before the city was incorporated. Delays in the completion of the gas works opened the way for the introduction of electric lighting in Vancouver and for a repetition of the debate which had taken place in Victoria over the relative merits of gas and electricity. As in Victoria, the street lights were the centre of attention. Early in November 1886 the Vancouver City Council called for tenders for twelve street lights but was unable to choose between the two methods of illumination.

21 A.A. Green, C.D. Rand and Dr. G.L. Milne.

22 British Columbia, Statutes, 39 Vic., c.27; Vancouver Gas Company, Minute Book, p. 5; Vancouver News, November 27, 1887.
While the Gas Company made construction plans and sought customers, an electric company promoted by R.R. Giltner of Tacoma proceeded with basic organizational work. Giltner secured the city’s permission to erect poles and string wires, transferred this franchise to the Vancouver Electric Illuminating Company and sold thirty-six percent of the shares in this company in small lots to forty-three different Vancouver businessmen. Giltner then obtained the contract to construct the works. On August 5, 1887, part of the circuit was turned on and "the lights burned bright and steady and expressions of surprise and gratification were heard on all sides." The favorable comment on the electric lights, the growing dissatisfaction with makeshift oil lamps, and the slow construction of the gas system convinced the City Council of the desirability of accepting the Illuminating Company’s proposed one year contract for street lighting. On New Year’s Day, 1888 the News-Advertiser boasted that "Vancouver is better lighted than any other city of her size in the world." A visitor noted that "no one would think of putting up a house without a telephone and electric light." When a civic by-law required hotel and saloon keepers to provide a minimum standard of lighting, many of them, however, installed coal oil lamps which were cheaper

23 Once the lights were functioning, Giltner withdrew from the company. He had probably intended to make his profit as a promoter and contractor.

24 Vancouver Daily News-Advertiser, August 6, 1887.

Dissatisfaction with the quality of the street lights also developed. The controversy over the street lights reveals the role of early civic politicians in public utilities and illustrates attitudes towards municipal ownership. During his inaugural address in January 1888, Mayor David Oppenheimer, a wholesale grocer, noting general displeasure with the degree of illumination provided by the street lights, urged the Board of Works to investigate the cause and either increase the candle power of the lamps or substitute gas.26 During council discussions of the street lighting contract, Oppenheimer readily admitted that he was a shareholder in the Vancouver Electric Illuminating Company, as did Alderman R.H. Alexander. Alexander, however, claimed he would be pleased to sell his thirty shares — if he could find a buyer.27 Then, in November, 1888, Mayor Oppenheimer suggested that the city should take over the electric lighting system. This seems to be the first suggestion of municipal ownership of public utilities in Vancouver. The council hired an expert, A.J. Lawson of Montreal, to investigate the possibility of generating hydro-electric power.

26 News-Advertiser, January 5, 1888.

27 News-Advertiser, August 28, 1888; November 5, 1888; Vancouver World, October 1, 1888; October 3, 1888.
The whole idea of municipal ownership of the lighting system was purely pragmatic; it was not based on any philosophic foundations of socialism. David Oppenheimer suggested that the city take over the system simply because the company was in financial difficulties; a municipal takeover would free him and his associates from a financial burden. The idea of the company itself suggesting public ownership of utilities recurs in the history of the successors of the Vancouver Electric Illuminating Company but only when they are in financially embarrassing positions.

The Vancouver Electric Illuminating Company was in difficulty. It could not borrow money easily, expenditures were rising, profits were falling and consumers were complaining about the ineffectiveness of the light. Nevertheless, through the influence of Alderman Isaac Oppenheimer, the brother of David Oppenheimer, the Vancouver Electric Illuminating Company, by promising to install the efficient and effective Thompson-Houston lighting system, won the street lighting contract over two other tenderers. The decision to install the Thompson-Houston system was of ultimate significance for the Vancouver Electric Illuminating Company; the financial nego-

28 World, November 5, 1888; News-Advertiser, November 29, 1888, August 22, 1889. Lawson's report was unfavourable because of the cost and the rights of the Water Works Company.
tations necessary to introduce the system led to the forma-
tion of the Vancouver Electric Railway and Lighting Company
by the amalgamation of the Vancouver Electric Illuminating
Company and the Vancouver Street Railway Company.

The idea of constructing a street railway in Vancouver
was as old as the city itself. The original Vancouver Street
Railway Company, incorporated in 1886, was unable to raise
sufficient capital before its charter expired in the spring
of 1888. The expiration of this charter opened the way for
other local businessmen\(^\text{29}\) to organize another Vancouver Street
Railway Company. The appearance of street railway projects so
early in the development of street railway technology in a
city with a population of less than 13,000 is indicative of
the optimism present in the young city.

In its provincial charter, the second Vancouver Street
Railway Company received permission to construct a railway
within the city of Vancouver and to carry passengers on it "by
the force or power of animals, or such other motive power as
the ... Company may deem expedient ...." In November 1888 the
Vancouver City Council granted a thirty year franchise. This

\(^{29}\) A.G. Ferguson, "a capitalist" and H. Abbott of the
C.P.R.
permitted the company to use certain streets but outlined a construction schedule and specified operating rules including a speed limit of six miles per hour and a maximum fare of five cents. The city also retained the option to purchase the system at the end of the thirty years or to renew the contract for additional five year periods. Another feature of the agreement was a requirement that local investment be encouraged. The people of Vancouver, however, were either unwilling or unable to subscribe; only thirteen took advantage of the investment opportunity.

Originally, the Vancouver Street Railway planned to use horses rather than electricity as motive power. In choosing their motive power, the directors of the Street Railway were concerned with financing as well as with technology. During the early fall of 1889 they wrote to seven different electrical firms in the United States and to A.J. Lawson of Montreal requesting estimates of equipment costs. After outlining the prospects of the Vancouver Street Railway, they asked potential suppliers to "please state terms, and how much stock at par you would take in payment." Finally, in December, 1889, the company decided to install the Thompson-Houston electrical system in the four cars which were already on order. Through

30 British Columbia, Statutes, 49 Vic., c. 31; News-Advertiser, November 6, 1888.
its agent, F.H. Osgood of Seattle, the Thompson-Houston Company was prepared to take $5,000 worth of stock in part payment. This policy of selling electrical equipment for part cash and part securities had been devised by the Thompson-Houston Company as a means of obtaining customers.

The decision of both the Vancouver Street Railway and the Vancouver Electric Illuminating Company to adopt the Thompson-Houston system provided the motive for their amalgamation. The merger of the firms was a logical move. Both would be generating electricity and could benefit by co-ordinating their activities. Specifically, they could use the same power house to provide electricity for the lighting system and the street railway. Both companies were financially weak; economies in operation might ease their situation.31

The new company, the third electric utility company to operate in Vancouver, was the Vancouver Electric Railway and Light Company. Its directors re-organized the old companies financially and improved the system physically. They built a new power station, they introduced new arc lights for street lighting and they installed a new alternating incandescent system. By the end of 1890 they were lighting most of the principal buildings in Vancouver, were actively soliciting

31 The Thompson-Houston Company probably encouraged the merger.
new customers and were contemplating extensions to the power plant. Although the lighting plant was expanded, by 1892 the V.E.R. & L. Company was having to refuse requests for additional incandescent lights. The lighting business was the most rewarding of the Company's operations. In 1891, for example, fifty-three per cent of the total receipts came from the lighting division.

On June 26, 1890, the V.E.R. & L. Company also began operating Vancouver's first street railway. This three and a half mile long line ran from the power house, through the commercial districts of the city to the north end of the Granville Street bridge. Within a few weeks the company began building a belt line through Fairview on the south side of False Creek. By the time the Fairview line was formally opened on November 13, 1891, the Company was also undertaking preliminary negotiations to build along Hastings Street East and in the West End along Robson Street to English Bay and Stanley Park.

The street railway, unlike the lighting business, was hard hit by the problem of "unused capacity." Though the completion of the Fairview line doubled the Company's mileage, there were only 186 households in Fairview and the adjacent Mount Pleasant district. It is obvious that such

32 Williams' British Columbia Directory, 1891, pp.126-166.
a small group could not support an electric railway. Yet, the Company hoped it would share in the experience of other street railway companies in North America: settlers would follow the railway. The V.E.R.& L. Company hoped to pay for the Fairview line by the sale of sixty-eight lots it would receive from the C.P.R., the chief landowner in Vancouver, in return for a promise to run a regular twenty minute service over the route. The C.P.R., which had "a very cast iron agreement," refused to surrender the lots until the V.E.R. & L. Company posted a bond to insure continuation of the service. The V.E.R. & L. Company's financial situation was so poor, it could not obtain a bond. The approximately $150,000 cost of the Fairview line -- five times the original estimate -- had put the V.E.R. & L. Company deeply into debt.

The Fairview line was completed just about the time that the effects of economic depression were first being felt in Vancouver; settlers did not follow the street car tracks. The directors blamed the Fairview line, with its average monthly operating losses of $1,000 for the $9,000 loss on railway operations during 1892. This loss cancelled two-thirds of the profits earned by the lighting part of the business which even at this early date was much more profitable than the street railway.
The chief concern of the V.E.R. & L. Company was to ease its shaky financial position. It resorted to a variety of means to raise funds. Through the Bank of British Columbia it obtained money from ordinary bank loans, overdrafts and bonds. It tried to place bonds with financial houses in London, Boston and Montreal but the poor money markets in the fall and winter of 1890-1891 prevented the Company from placing a $250,000 bond issue. Finally, the directors accepted an offer of the Yorkshire Guarantee and Loan Corporation to take the bonds at a six per cent discount on the condition that the Yorkshire Corporation would nominate a director.  

The V.E.R. & L. Company also agreed to issue an additional $138,000 worth of treasury stock but, in spite of assurances that "the position and prospects of the Company are in every way satisfactory and justify the shareholders in subscribing" none of the shareholders applied for additional stock.  

One of the means proposed to extricate the V.E.R. & L. Company from its financial difficulties was the sale of its assets to the city. During the 1890 civic election campaign, David Oppenheimer, a candidate for mayor and a minor share-

33 The Yorkshire Corporation was a British firm organized in 1889 to deal in mortgages particularly in British Columbia.  

34 H.T. Ceperley to shareholders, November 11, 1890, V.E.R.&L. Company, Minutes of Board of Directors, 1891-1894, p.11.
holder in the Company again suggested that the street railway and other public utilities should be municipally owned. This idea of municipal ownership was scarcely discussed during the campaign. In his inaugural address, however, Oppenheimer revived the idea. In the summer of 1891 the City Council wrote to the V.E.R. & L. Company "re purchase of railway plant and franchise." The Company, whose creditors were pressing, was interested in selling -- at a price. Negotiations between the Company and the city on the price and methods of payment followed but were delayed by a civic election in which the street railways were a live issue. When Fred Cope, who was supported by Oppenheimer, was elected mayor, the V.E.R. & L. Company was so confident of selling out to the city, it raised its price to $555,000. The new Council could not make up its mind. The idea of the city purchasing the Company apparently faded away. Then, in December 1892, the V.E.R. & L. Company suggested that the City Council guarantee the interest on an issue of V.E.R. & L. bonds. In return, the Company would give the city an option to purchase the street railway and lighting system. The Council which included several V.E.R. & L. shareholders submitted the proposal to the electors. The rate-

payers, however, rejected the idea by a substantial majority. 36

During the discussions with the city, the company's financial situation had worsened. In April 1893 the Bank of British Columbia refused to extend further credit without the security of the personal endorsement of the directors. Suppliers were also pressing for payment. The Company could only offer notes at seven per cent or stock in whole or part payment. On June 1, 1893, the V.E.R.& I. Company informed its shareholders that the trustees for the debenture holders had taken over the Company. At this time, the Company's assets were worth $383,167.06; its liabilities were $531,859.44, 37

The City Council again debated taking over the Company. As the City seemed to be the only possible buyer, the Yorkshire Corporation offered to re-negotiate the terms of the bonds at a more favourable rate if the City took over. The Council, however, could not agree on an offer. Thus, the moribund Company remained in the hands of its creditors who continued to operate it, double tracked part of the original line through the downtown area and extended incandescent lighting to additional areas of the city.


During the City Council's discussions of the V.E.R. & L., David Oppenheimer suggested that his Westminster and Vancouver Tramway Company would be willing to rent the facilities of the V.E.R. & L. Company at a rate which would cover bond interest. The Tramway operated an electric interurban between New Westminster and Vancouver. Its original promoters were three New Westminster men, and David Oppenheimer. The interurban provided a short direct route between the cities in comparison with the circuitous twenty-five mile rail route via Port Moody and the C.P.R.

The promoters of the W. & V.T. had been more interested in the real estate potential of the district between the cities than in the construction and operation of an electric railway. Before undertaking construction of the line they solicited land grants from private owners and the provincial government. The province granted a free right of way but would only provide an additional grant equal to the land donated by private owners. This request for a land grant appears to be the only request for direct financial assistance by any of the early electric utility companies.

38 H.V.Edmonds and S.T.MacKintosh, real estate and insurance agents, and Benjamin Douglas, "a capitalist."

Although the W. & V.T. easily obtained a right of way through provincial government lands, it encountered considerable hostility when it sought a franchise to build three miles of track from the city limits to the centre of downtown Vancouver. The editor of the News-Advertiser, for example, objected to private ownership of a valuable franchise and control of the streets by Mayor Oppenheimer. With its good friends on City Council, the Tramway, however, was able to work out an arrangement with the V.E.R. & L. Company and the City. The City received the right to buy the Tramway line within the City on two months' notice at a price to be fixed by arbitration.

Like the V.E.R. & L. Company, the W. & V.T. sought to finance itself with loans obtained from the Bank of British Columbia on the personal notes of the directors and by direct calls on the shareholders. The latter method, however, provided only a small part of the Company's capital. The W.&V.T. also depended on credit from its suppliers chiefly the Edison Electric Company.

When the twelve mile long W. & V.T. was opened early in October 1891, the intercity electric railway mileage of Canada was doubled. The event, however, was noticed only

by real estate agents who advertised small holdings of a half acre or more on or near the tramline. Settlement of the area was slow. Most of the track ran through forest. The initial traffic came almost exclusively from the two cities at either end of the line and to a limited extent from arrangements made with the Great Northern Railway to carry passengers and express from New Westminster to Vancouver.

Operating revenue came in slowly. On the first eight months of operation, the balance sheet showed a deficit of $8,500. P.N. Smith, the Secretary-Treasurer of the Company optimistically believed that after making adjustments in the accounts, the receipts would "more than cover the cost of operating and interest on overdraft and notes." 41

Finances, however, were a major problem; interest accumulated on interest. By the summer of 1892 the Edison Company asked for payment or better security and the Bank of British Columbia began to remind the Company of its overdrawn account. The shareholders, though eager to apply for additional shares, were reluctant to pay assessments. The Company managed to get the Montreal Safe Deposit Company to act as trustee for a $500,000 issue of First Mortgage bonds. These bonds, however, did not produce any immediate income. Throughout 1893, notes

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41 P.N. Smith to D. Oppenheimer, June 24, 1892, W. & V.T. Letter Book.
continued to fall due, the Bank and suppliers continued to press for payment. In 1893 the Tramway reduced wages and laid off men as an economy measure. Heavy interest payments made it impossible for the Company to break even. The situation worsened. In June 1894, the Bank of British Columbia which had secured a judgment against the W. & V.T. advised it would not pay the interest on the Tramway bonds when they fell due in July.

It seemed likely that the bondholders would have to take over. The Yorkshire Corporation began to negotiate with the City as a potential purchaser of the Tramway. In the meantime, P.N. Smith tried desperately to prevent the bondholders from taking over. He wrote to Montreal capitalists such as the Hanson Brothers and H.S. Holt and to the Toronto railway promoter, William MacKenzie. He tried to form a new syndicate to amalgamate the W. & V.T. and the V.E.R. & L. Company and to purchase preferred stock in the new company. Eastern investors were not interested. Vancouver voters rejected a proposal that the City take over the Tramway. On August 10, 1894, the W. & V.T. went into receivership. Smith, acting as trustee, continued his attempts to refinance the Company. Finally, the Bank of British Columbia and the Yorkshire Company agreed to take $700,000 worth of bonds at 95 if an additional $150,000 worth of capital were put into the Company.
In spite of Smith's efforts, the refinancing scheme failed. In January 1895, interest of $1,740 was due on bonds held by the Montreal Safe Deposit Company. The directors, who claimed to have sufficient funds on hand to pay off the sinking fund and the interest in arrears, were soon overthrown by the shareholders.

Even before the corporate revolution, the end of the W. & V.T. had been imminent. On January 18, 1895, the Montreal Safe Deposit Company advertised that the assets of the W. & V.T. would be auctioned on April 13, 1895 at Trapp's Auction Room in New Westminster. The purchaser -- for $280,000 -- was F.S. Barnard of Victoria, acting for the Consolidated Railway and Light Company which had close connections with British capital. The day of the local promoter of electric utilities was over. Local entrepreneurs had provided modern urban transportation and lighting but lacked the capital necessary to sustain their infant enterprises through hard times.

These hard times resulted from the international financial crises which followed the American banking panic of 1893. British Columbia, with her economy based primarily on the production of staples such as lumber and minerals, was particularly vulnerable to fluctuations in the economy. A decline in the American and Australian demand for lumber had preceded the general depression. The repeal of the Sherman Silver
Purchase Act by the American government in 1893 severely limited the markets for the mines of the British Columbia interior. Over ninety per cent of the mining companies promoted by coastal "capitalists" in the Kootenay and Boundary districts between 1890 and 1900 failed. The decision of the Behring Sea Sealing Arbitration Tribunal in 1893 to limit Canadian access to Behring Sea seals effectively ended Victoria's once profitable sealing industry and caused a direct capital loss originally estimated to be $1,289,008. The general economic decline also depressed real estate values. Small local "capitalists" who had speculated in real estate, especially in Vancouver, lost heavily. And, the international financial crises also restricted the availability of outside capital on which Vancouver, and to a lesser extent, Victoria, had depended for their development.

The shortage of capital and the general depression were responsible for the failure of the local electric light and

42 J.S. Church, "Mining Companies in the West Kootenay and Boundary Regions of British Columbia: Capital Formation and Financial Operations," U.B.C., M.A. Thesis, 1961, pp.204-5. Coastal investors were the least successful of any mine owners.


44 For further details on the depression in Vancouver, see my "Railways, Politicians and the Development of the City of Vancouver as a Metropolitan Centre, 1886-1929," University of Toronto, M.A. Thesis, 1963, chapter II, passim.
street railway companies. By 1895 the Victoria Electric Railway and Lighting Company, the Vancouver Electric Railway and Lighting Company, and the Westminster and Vancouver Tramway were in receivership. As a result of the initiative of the Bank of British Columbia and the Yorkshire Corporation, the major creditors of the Vancouver Electric Railway and Lighting Company and the Westminster and Vancouver Tramway, the mainland utility companies were amalgamated and reorganized in 1895 as the Consolidated Railway and Lighting Company.

The Consolidated Railway and Lighting Company which eventually gained control of the two mainland companies and the Victoria Electric Railway and Lighting Company, marks a transitional stage between the early companies which were promoted and managed locally using capital from wherever it could be obtained and the B.C.E.R. which was promoted and controlled in England using British capital almost exclusively. The Consolidated Company -- the name is appropriate -- was promoted partly in British Columbia and partly in England. It was managed locally but used British capital.

Once they had incorporated the Consolidated Railway and Lighting Company, the Bank of B.C. and the Yorkshire Corporation approached F.S. Barnard, a prominent Victoria businessman
and Member of Parliament. They asked him to endeavour to interest R.M. Horne-Payne of Sperling & Company, the London stock brokers who had acquired the bonds of the Victoria Electric Railway and Lighting Company early in 1894, in amalgamating the Victoria firm with the recently chartered Consolidated Railway and Lighting Company. In 1894, Horne-Payne was visiting British Columbia as the guest of Sir William Van Horne of the Canadian Pacific Railway and investigating the investment potential of Kootenay mines. Horne-Payne, interested in Barnard's proposal, asked for further information. Barnard then obtained an option from the Bank and the Yorkshire Corporation. Both financial houses agreed to take Consolidated Railway and Lighting Company debentures to satisfy their claims against the old companies if Barnard could raise £100,000 of new capital to be used solely

45 Barnard also interested Horne-Payne in investing in a Kootenay mining venture, the Lanark Consolidated Mining and Smelting Company, which Barnard and several other Victorians owned. In 1895 the Lanark became the Lillooet, Fraser River and Cariboo Gold Fields Ltd. in which Horne-Payne and R.K. Sperling were among the original subscribers. (Church, "Mining Companies," pp 29, 93-94, 294.) Barnard was the managing director of the L.F.R.&C.G.F. Ltd. In May, 1897 Barnard appeared with Thomas Dunn, a Vancouver hardware merchant, Wm. Farrell, J.H. Payne, R.M. Horne-Payne, R.N. Laurie and F.G. Vernon as directors of the Sunshine Mine which was registered in London. (B.C. Review, vol. 1, May 29, 1897, p.63). For details of Barnard's meetings with Horne-Payne see F.R. Glover, "Birth of the B.C.E.R. Company," B.C. Electric Employees' Magazine, vol. XI (October 1928), pp. 5-7.
for improvements. After the 1895 Parliamentary Session Barnard went to London, met Horne-Payne and arranged the formation of the Railway Amalgamation Syndicate. This syndicate, composed of Horne-Payne's associates, was prepared to advance the £100,000 necessary to satisfy the creditors.

Barnard's main role was to act as an intermediary between the C.R. & L. Company and the British capitalists represented by Horne-Payne. In April 1895 Barnard had become receiver of the W. & V.T. In August, while in London, he became receiver of the Vancouver E.R. & L. Company. As receiver and general manager, Barnard also concerned himself with the organization of the new Company and with such routine matters as improving the system, developing traffic and negotiating with the cities. With the promise of funds from the Railway Amalgamation Syndicate and a slight improvement in the economy, the C.R. & L. Company improved the lighting and railway systems and made plans for the future including the development of water power at Seymour Creek.46

46 Barnard used the prospect of cheap water power in an argument with the City of Vancouver over the renewal of the street lighting contract. The City was unhappy about the C.R.C.'s high rates. Before the contract expired in 1895, the City called for tenders. Barnard bought out a potentially serious rival, the Western Electric Light, Heating and Power Company, but was forced to offer a substantial reduction in order to get the contract. After reducing the price from an average of 33¢ per light per night to 27½¢, Barnard was still able to report that street lighting returned "a remunerative figure." Barnard to Shareholders, August 24, 1896, Box 334.
By 1895, the depression was slowly lifting. There were fewer business failures than in previous years, some new industries were established, the real estate business was reviving and building was advancing quietly. These slight improvements in the economy were reflected in increased net earnings and in the ability of the Consolidated Company to earn enough to pay interest. Economic growth was also demonstrated by the fact that the Vancouver lighting plant was nearing capacity. In addition, the Company was preparing to build a new street car line on Robson Street, a main thoroughfare through the fashionable residential district of the West End, to Stanley Park; to double track some existing downtown lines; and to reactivate the Powell Street line. The Company wanted a long term arrangement for the use of these streets but the Vancouver City Council successfully insisted that the City should have the option to purchase any of the street railway lines after five years.

The Consolidated Company was also interested in developing traffic for the interurban. In order to encourage settlement, the Tramway granted reduced fares to bona fide settlers. The Company also asked the Provincial Government to offer more


48 Vancouver Daily News-Advertiser, April 9, 1895. This paper supported the city's contention.
reasonable terms to buyers of government land and to cancel stumpage fees for settlers who made cedar shingle bolts as they cleared their land. Settlement, however, was slow. Only after the turn of the century did farming replace logging as a major industry along the tramline.49

When the Bank of B.C. and the Yorkshire Corporation originally invited Horne-Payne and Sperling & Co. to participate in the Consolidated Company, they hoped to amalgamate the mainland companies with the Victoria E.R. & L. Company. Horne-Payne was anxious to bring this about. When Sperling & Co. foreclosed in November 1895 on the Victoria company and then auctioned its assets in April, 1896, F.S. Barnard, acting for the C.R. & L. Company, was the highest bidder. On May 1, 1896 the Victoria Electric Railway and Light Company officially became part of the Consolidated Railway Company.

In the spring of 1896 Horne-Payne and six of his associates visited Vancouver to look over the street railway and their interior mining investments. On May 2, 1896, the Consolidated Railway Company (it had recently shortened its name) held its

first meeting of provisional directors - nominees of the Yorkshire and the Bank - and elected permanent officials with myself /Barnard/ as President, Mr. Horne-Payne, Vice-President, Messrs. Farrell, Tatlow and Loewen the other directors." The choice of provisional directors indicates the limits of local control in the Company.50

At this first meeting the directors consolidated the various debentures into one charge of £250,000 at 4½%. Half of this was exchanged for existing first mortgage bonds; one quarter was used to pay for the Victoria Electric Railway and Lighting Company, part of the remainder was sold at 95 and another part was used as security on advances from London. 51

The future seemed promising; the new Company was complete, the economy was improving and the Company had promises of adequate capital from the Railway Amalgamation syndicate and was able to plan extensions and the construction of water power plants on Seymour Creek near Vancouver and at Goldstream near Victoria.

Then disaster struck. On May 24, 1895, a streetcar crowded with passengers en route to Esquimalt to see a military and

50 F.S. Barnard, "Early History of the Formation of British Columbia Electric Railway Company Limited, Preceded by the Consolidated Railway Company," typescript, July, 1921, Box 65. C.J. Loewen, a Vancouver financial, real estate, loan and insurance agent was Barnard's brother-in-law. R.G. Tatlow, a future provincial cabinet minister was a Vancouver broker. Of the 6,469 shares issued in the C.R.C., 4,838 were taken by Barnard; 680 went to David Oppenheimer and 469 to Horne-Payne and H.M. Hubbard in Trust. Qualifying shares were also issued to the directors. J. Buntzen to E.A. Bennett, March 10, 1899, Box 73.

51 Barnard to Shareholders, August 24, 1896, Box 334.
naval display fell into Victoria's harbour when the Point Ellice bridge collapsed. Fifty-four passengers lost their lives, many others were injured. The coroner's jury found the Consolidated Company directly responsible for the accident because of the overcrowding of the car. The jury also decided that the City was guilty of contributory negligence because the bridge had not been constructed according to the original specifications. As a result of the accident, several law suits were launched against the Company. The Company's legal counsel was certain that the Company would not be held responsible since the bridge belonged to the City. Barnard claimed that any successful action against the Company would be covered by insurance. The Railway Amalgamation Syndicate, however, withdrew its financial support. With heavy damage claims pending, the Consolidated Company could not offer any security for further advances. Other potential sources of capital such as the Bank of B.C. thought the same way. Any form of second mortgage, apparently the only possible security, was open to the objection that if any of the litigants obtained a judgment, the liability would exceed the Company's resources and "the first mortgagees would, under their deed, be entitled to take possession, and the prospect of those holding second mortgages

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or charges getting their money would be exceedingly doubtful."\(^53\)

Until the Railway Amalgamation Syndicate definitely decided early in August that it would no longer advance funds, the Consolidated Company had proceeded with extensions and improvements worth $19,000 more than the authorized loan of $100,000. The Railway Amalgamation Syndicate and other creditors expected the Company would use loans to pay capital costs and reserve operating revenues to pay debenture interest. Barnard, however, had used operating revenue for capital costs. When the Syndicate refused to provide funds beyond the original loan, the Consolidated Company had no money to pay overdue debenture interest. On Horne-Payne's advice, Barnard appealed to the Bank of B.C. for an advance. The Bank replied that it was taking steps to collect interest past due on the debentures it held.\(^54\)

As a result of the Point Ellice bridge disaster and the overconfidence of the Managing Director, Barnard, the debenture holders once more foreclosed. On October 13, 1896, William

\(^{53}\) A.C. Mitchell-Innes to Barnard, August 3, 1896, Box 334; Barnard to Shareholders, August 24, 1896, Box 334.

Farrell of the Yorkshire Corporation became the receiver of the Company. He advertised an auction of its assets. There were no buyers.  

During the next six months the street railways and electric lights continued to operate in Vancouver and Victoria. In London, the ownership went through several changes of hand.  

In December 1896 the Yorkshire Corporation agreed to sell the assets of the Consolidated Company to a new firm, the Colonial Railway and Investment Company. This new company, in turn, sold the property for £462,000 to a second new firm, the British Columbia Electric Railway Company. This company, registered in London on April 3, 1897, held its first Board meeting on April 8, 1897. Several of the directors of the new company had been members of the Railway Amalgamation Syndicate.


56 Because the financial control of the Company now lay in England, the local records of the Consolidated Company reveal only the barest sketch of these transactions.

57 Harold G. Brown, a director of the B.C.E.R., claimed the C.R. & L. Co. made a profit of almost £50,000 on the sale to the B.C.E.R. Brown to Davidson, June 27, 1921, Box 65.

Both the capital and the control of the new firm came from London. Within the year, Barnard, the only director normally resident in British Columbia, had "arranged to resign" as managing director.

Local capitalists, with more optimism than capital, had been able to provide modern electric lighting and urban transportation in southwestern British Columbia; they lacked the financial resources necessary to sustain their enterprises through hard times or to wait for the cities to grow sufficiently to use the street railway to advantage. The formation of the British Columbia Electric Railway Company marked the final passing of control to London from the hands of local would-be capitalists. The major electric utilities in Vancouver, Victoria and New Westminster were now owned and administered by a British company operating in British Columbia.
In contrast to its predecessors, the B.C.E.R. was a soundly financed company functioning in a prosperous British Columbia. Being subject to the vicissitudes of the stock and bond markets, it did not enjoy an unlimited supply of funds. The soundness of the company was largely the result of the reluctance of the directors to spend capital before actually raising it, their refusal, except in emergencies, to raise capital other than by the sale of stocks and long term debentures, and their general unwillingness to expand their operations without convincing evidence of immediate returns from additional investments. Between 1897 and 1905, the shortage of capital was a greater problem than finding profitable new opportunities for investment in British Columbia.

The basic difficulty of the B.C.E.R. was reconciling the availability of capital with the desires of British Colombians for more street railways and additional electric lights and power. This difficulty -- most clearly expressed in the tension
between the London Board of Directors, who had to raise the capital, and the management in Vancouver, who had to develop the company's physical facilities, earn a profit and establish good will -- was particularly acute between 1897 and 1905. This conflict between the caution of the B.C.E.R.'s London financiers and the enthusiasm of the Vancouver management for expansion is a major theme of the first period of the B.C.E.R.'s history. Nevertheless, in spite of this conflict, or perhaps because of it, the B.C.E.R. succeeded in establishing a solid foundation -- financially and physically -- between 1897 and 1905.

In the two decades prior to World War I, London was the centre of the most extensive financial empire in the world. The English money markets were deeply involved in overseas investment. From these markets, particularly from that of London, capital flowed to all parts of the world. Canada was especially popular among British investors. By 1913 there were more British funds in Canada than in any other overseas country save the United States.¹ British investors could choose from a great variety of Canadian issues which were quoted on the London and, to a lesser extent, on the provincial stock exchanges. Government and railway securities were the most popular invest-

merits but British money went into public utility companies, mining endeavours and real estate speculations.

Both domestic and overseas companies catered to the differing needs of investors by offering various kinds of ordinary and preference shares as well as debentures to the investing public. Ordinary shares did not promise a dividend every year but offered the highest rate of dividend in times of prosperity. Preference shares, of which there were several varieties, had first claim on dividend payments and promised the investor a reasonably secure though modest return. Debenture holders normally received the lowest rate of return but had the greatest security of investment. If the company failed to pay interest, the debenture holders had first claim on its assets. The B.C.E.R., like most other companies, followed the custom of issuing different forms of securities.

Between 1897 and 1913, the B.C.E.R. raised over £9,000,000 at comparatively cheap rates in Britain for use in British Columbia. About sixty per cent of this capital was raised by the sale of debentures, an increasingly popular form of issue since it permitted existing shareholders to retain control of the company. Eighty per cent of these debentures were issued at 4½%. In the years between 1897 and 1913 when the company raised most of its capital, the average English bank rate
fluctuated between 3.00% and 4.93%. The government of Canada paid bond interest at rates between 3.43% and 3.68%, and Canadian industrial bond issues, the kind of investment with which the B.C.E.R. can be most closely compared, paid between 4.94% and 5.33%.

The remaining forty per cent of the B.C.E.R.'s capital was raised by the issuing of shares. These were readily sold. Not only was their usual denomination of $1 attractive to the small investor, but the B.C.E.R. was a "safe" investment. The limited evidence available about stockholders suggests that the B.C.E.R. was indeed a "widows' and orphans' stock." Such a reputation for safety was justifiable. Except during the war years, all shareholders received regular dividends, and even during those anxious years, past prudence permitted the company to pay 5% dividends to holders of Cumulative Perpetual Preference Stock.


3 Jacob Viner, Canada's Balance of International Indebtedness, 1900-1913, Cambridge, Harvard University Press, 1924, p.98.

4 Cumulative Perpetual Preference stock was a relatively new form of preferred share designed to overcome objections to ordinary preference shares which, in the case of many companies, had little security. Cumulative Perpetual Preference shareholders had first right to dividends. The company was obliged to pay any arrears on these shares before paying dividends on any other shares.
During prosperous periods there were only two limitations on the company's ability to pay handsome dividends to the holders of Deferred and Preferred Ordinary shares. When the company was establishing itself and while it was expanding rapidly it used much of its profits for new capital projects or for the creation of generous reserve funds. Later, the main limitation on dividends was the fear of angering customers and their political leaders or of stimulating employee demands for higher wages. Preferred shares usually paid only 5% to 6%. The 8% paid to holders of Deferred Ordinary Stock -- the stock which had the least preference in time of adversity -- was not extraordinarily high. The C.P.R., a gilt-edge industrial stock, was paying 10% on its ordinary shares while the B.C.E.R. was paying 8%. In 1912, the last full year of prosperity before the war, other Canadian tramway companies and lighting enterprises were paying dividends of 6% to 12%.

The B.C.E.R. enjoyed its cheap capital because its financial agent and the chairman of its Board, R.M. Horne-Payne, being carefully tuned to the state of the money markets,

5 Canadian Pacific Railway, Annual Reports, 1912-1918, passim.
delayed issues whenever conditions were unfavourable. These delays, which in the long run contributed to the success of the company, were largely responsible for the tension between the Board in London and the management in Vancouver.

Horne-Payne, a precocious "financial genius" had a shrewd understanding of British investors. He claimed responsibility for investing $500,000,000 of British capital in Canadian projects including the B.C.E.R. and the Canadian Northern Railways. Throughout his relationship with the B.C.E.R. he periodically threatened to use his financial influence in London against the provincial government or municipalities if they interfered with the well-being of the B.C.E.R. Although local governments did not always heed these warnings, Horne-Payne never gave a real demonstration of the extent of his financial power.

7 D.B. Hanna, Trains of Recollection, Toronto, Macmillan, 1924, pp. 243-245. Horne-Payne was in his late twenties when he organized the B.C.E.R.

8 Horne-Payne was the only member of the Canadian Northern Board not normally resident in Toronto. His work in raising capital was vital for the success of the C.N.R.; however, his role in forming Canadian Northern policy does not seem to have been an influential one. He kept the interests of the B.C.E.R. and the C.N.R. quite separate. The two railways competed in the Fraser Valley and on the Saanich Peninsula. In the purchase of the Vancouver Gas Company and the building of the Millside extension to the Canadian Western Lumber Company mill and townsite, Mackenzie and Mann and the B.C.E.R. co-operated as businessmen, not as close associates or friends.
Horne-Payne's long career with the B.C.E.R. -- he was chairman of the Board from 1897 until 1928 when the company was sold to the Nesbitt, Thomson interests -- is indicative of the continuity in the personnel of the B.C.E.R.'s Board. Two other original directors, F.S. Barnard and G.P. Norton had equally long service. Many other directors served for more than ten years.\(^9\) The records in Vancouver do not fully reveal the extent of each director's personal holdings in the company. Some directors held only their £500 worth of qualifying shares; only one, R.K. Sperling, was listed, in 1909, among the ten largest shareholders. In the same year (the only year for which the evidence is available), Horne-Payne held £25,250 worth of Deferred Ordinary Stock in his own name or about 4% of the issued stock of that class. The evidence indicates that the directors did not separately or collectively hold anywhere near a majority of the shares. It was, however, to their personal pecuniary advantage to ensure that the company earned a profit. It was customary to allow the directors to divide 10% of the profits among themselves after 5% had been paid on the issued capital.\(^{10}\)

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\(^9\) See Appendix 9.

\(^{10}\) *Stock Exchange Year Book*, 1901, p. 741. Of all the tramway and omnibus companies listed in the *Stock Exchange Year Book* in 1901, the B.C.E.R. was the only one with this provision. The B.C.E.R. retained this custom of giving directors a special share in the profits until 1928.
Horne-Payne had first become interested in British Columbia through his work with Sperling & Co., the London stock brokers who originally floated the B.C.E.R. In 1903, the British Empire Trust Company which had been formed a year earlier to carry on a financial business and to act as trustees, agents, registrars and secretaries for colonial and other companies took over the task of making financial arrangements for the B.C.E.R. For many years the B.C.E.R. and the British Empire Trust Company shared offices on St. Nicholas Lane off Lombard Street. Horne-Payne acted as chairman of the Board for both companies and there was some overlapping in the directorships of the two firms. Without reference to the records of the British Empire Trust Company or lists of shareholders of the B.C.E.R., it is impossible to determine the extent to which the Trust Company itself invested in the B.C.E.R. If it was typical of its kind -- and there is no reason to think that it was not -- it probably directly and indirectly placed the savings of many small and medium British investors in the B.C.E.R. and other Canadian enterprises in which it had an interest. ¹¹ This close relationship with the British Empire Trust Company gave the B.C.E.R. entrée to British markets; it did not, however, guarantee a steady and unlimited flow of British capital to British Columbia.

¹¹ These included the Canadian Northern Railways and its many associated companies, the Winnipeg Electric Railway and the Canadian Western Natural Gas, Light, Heat and Power Company of Calgary.
Raising its capital in England, the B.C.E.R. was not unique among companies operating in Canada at the time. Most British investors in Canada, however, permitted Canadians to manage their businesses themselves. What was unusual about the B.C.E.R. was the close control which the Board of Directors, and particularly Horne-Payne, exercised over the company. As the company developed and prospered, the Board gave the local management greater freedom of action in making decisions on routine matters but no major decision was ever made without lengthy discussions by cable and letter between the management in Vancouver and the Board in London. The manager in Vancouver was only an official of the company. His task was to interpret the needs of British Columbia to the directors as best he could and to execute the decisions of the London Board. Unlike the directors of modern corporations who are often the tools of management, the management of the B.C.E.R. was very much the servant of the directors.

When the B.C.E.R. was organized in 1897, the directors retained F.S. Barnard as managing director. Barnard found it

difficult to be merely a manager. Without the sanction of
the Board, he incorporated the Vancouver Power Company and spent
money on capital account before the Board appropriated these
sums. Within a year, Barnard "arranged to resign" his mana-
gerial post. He continued to serve on the Board but, as his
usual residence was Victoria, he did not attend the Board meet-
ings which were held in London.

Barnard's successor as manager was Johannes Buntzen, a
Dane who had migrated to Vancouver in 1890 and who had become
bookkeeper of the V.E.R. & L. Company and later, business.
manager of the Consolidated Railway and Lighting Company.
Though graced with the title, "manager," Buntzen had little
more than the authority of a supervisor. Indeed, the directors
wished to designate him "General Superintendent," a title which
he rejected on the grounds that in North American usage such a
name implied an expert electrician.

13 A.E. Knos to Buntzen, May 25, 1898, Box 687; Hiram Williams
to Barnard, November 24, 1897, Box 687; Minutes of the Board of
Directors, February 21, 1898, Box 687.

1922), pp. 4-5. Buntzen's salary is indicative of the company's
appreciation of his services. In 1898 it was raised from $200
to $250 per month. Later, it was raised to $5,000 per year and
on April 1, 1902 to $6,000. From time to time Buntzen received
additional bonuses. In 1898 he was given 75 shares of fully
paid-up shares valued at £10 each. In 1903 he had a six months'
holiday and was given $2,000 for travel expenses. For compar-
ative purposes, in 1904, motormen and conductors earned 20-27¢
per hour.

15 Buntzen to Francis Williams, January 27, 1898, GLB, #1.
Throughout this early period, the organization of the company in British Columbia was uncomplicated. Buntzen acted as general manager over all operations in British Columbia with A.T. Goward as local manager in Victoria and a succession of local managers in New Westminster. Under the managers were various superintendents and operating personnel.

The career of one of the first superintendents illustrates the close connection which the company maintained with its Board. R.H. Sperling, the son of R.K. Sperling, a director, was an electrical engineer by profession. He came to British Columbia with Horne-Payne in 1896, remained to work for the C.R. & L. Company and became the B.C.E.R.'s first superintendent in Victoria. In 1902 Sperling moved to Vancouver as chief engineer and general superintendent. On Buntzen's retirement in 1905, he became general manager, a position he ably held until his return to England in 1914. Sperling probably got his first job with the company because of his family connections; he rose to the general managership on his own merits. The directors would not sacrifice the safety of the investment in order to practice nepotism.

Goward, of Welsh birth, began as a junior oiler in the Rock Bay steam plant in 1890 and served briefly as a conductor with the N.E.T. & L. Company. He retired in 1945 as vice-president of the B.C.E.R. after having spent his entire career with the company in Victoria.
In London, the company operated from a small office with a secretary as the chief employee. The main function of the secretary, who was an officer of the company, was to transmit information from British Columbia to the Board and vice versa. As he was in an excellent position to gain an overall view of the company, the secretary's position was used as a training ground for management. Francis Hope, who acted as secretary from 1898 to 1905, moved to Vancouver as assistant general manager. Later, George Kidd, a chartered accountant, served three years as secretary before moving to Vancouver as assistant general manager to replace Hope who returned to England because of poor health.

Buntzen and his successors kept the Board well-informed of operations in British Columbia. Routinely, they submitted weekly reports on street railway traffic receipts, monthly reports on the number of lighting and power connections and frequent reports on accidents and matters of general interest to the company. These reports were not merely filed in London: the chairman of the Board read every letter the company received in London and spent some time each morning on the B.C.E.R.'s affairs before attending to his other business interests.

Because of their responsibility for the company's capital, the Board insisted on authorizing all but very routine operating expenditures and expected to be informed of current operating
costs. The Board, however, did not always keep Buntzen well-informed of developments affecting the company. He did not always receive reports of the company's annual meeting. Except for the Canadian shareholders whose dividends were paid through his office, he knew only vaguely that "the Company's property is owned by a large number of people of different ranks in life at home and in British Columbia. Many of whom are entirely dependent on their investments for their income...." 17

Ordinary communications were via letter which took about two weeks each way. Cables were used with increasing frequency as the company grew, mainly to send monthly reports to London. Letters were used mainly for matters of finance and appropriations. Buntzen, however, objected that appropriations were as important as operating results and persuaded the Board to use the cable more often. The availability of rapid communication by cable strengthened the control of the directors over day to day decisions as well as over long term policies.

Unfortunately, neither letters nor cables could convey to the Board the rapid growth of British Columbia at the turn of the century. On several occasions, Buntzen asked for the establishment of a local advisory committee to assist him in making

17 Buntzen to Hope, August 9, 1901, LFGM, 1901; Hope to Buntzen, February 9, 1900, Box 688.
recommendations to the Board. This request, the Board denied, claiming that there was "a very strong feeling" among British investors in favour of direct management through an English Board of Directors.\footnote{Buntzen to Hope, February 24, 1900, GLB, #5; Horne-Payne to Buntzen, January 10, 1900, Box 73; Buntzen to Hope, September 14, 1898, LFGM, 1898; Buntzen to Norton, February 5, 1904, Box 73; Buntzen to Norton, April 27, 1904, Box 73.}

Buntzen also suggested that the sale of some shares in the province would pay handsome rewards in goodwill:

> The very nature of our business compels us to appeal to the general public for support, and it is absolutely necessary for us to be on good terms with the public...\footnote{Buntzen to Horne-Payne, May 17, 1898, Box 73.}...the Company is considered an outsider, all its money goes to England. Of course, you cannot explain to everybody, that all the profits and even more, are expended on this side of the Atlantic, the cry of "Monopolists," and "English Bondholders" is always in the air and you have no shareholders or investors present to take the Company's part.

Buntzen probably exaggerated the extent of the agitation against the company's English ownership. Nevertheless, Horne-Payne reluctantly set aside £20,000 of a £120,000 issue of Preferred Ordinary Stock to be underwritten in British Columbia and sent six hundred copies of the prospectus to the province. The issue was advertised locally and the prospectus circulated. Only £1,810 of shares were taken up in British Columbia and, of these, £1,190 were purchased by company officials. Buntzen's hope of
having many local shareholders to lend him moral support in negotiations with the city and the provincial government failed. The issue had been sold at a twenty per cent premium, that is, a £10 share cost £11, and English income tax had to be paid on dividends since the company was registered in England. In 1900 the B.C.E.R. arranged to have its shares quoted on the Toronto and Montreal Stock Exchanges. The problem of English income taxes and losses on currency exchange, however, made B.C.E.R. shares unattractive to Canadian investors. The B.C.E.R. had made a token gesture to get local shareholders; it continued to be a British company operating in British Columbia with its local manager acting only as the agent of the directors in England.

iii

Between 1898 and 1901 while Vancouver and Victoria were rapidly recovering from the doldrums of the mid-nineties, the supply of capital in the London money markets was limited. The United Kingdom itself "was experiencing an investment boom on a scale that provided ample domestic opportunities for capital

20 Horne-Payne to Buntzen, September 28, 1898, Box 687; Hope to Buntzen, May 6, 1899, Box 688; Barnard to Buntzen, November 3, 1898, Box 470; Buntzen to Horne-Payne, February 11, 1903, Box 73; Victoria Colonist, November 17, 1898, pp.2, 5.

Horne-Payne also feared that shares might get into the hands of creditors of the predecessor companies who had interests contrary to those of the ordinary shareholders. (Horne-Payne to Buntzen, August 13, 1898, Box 687). Montreal and Toronto interests took up £3,660 worth of shares. (Hope to Buntzen, May 6, 1899, Box 688).
and labour. "21 About this time, a series of international and imperial crises: the Spanish-American War, the Anglo-Boer War, the Russo-Japanese War and rumours of wars with France and in China, periodically affected capital markets. Prosperity in British Columbia and tight money in London caused a series of disagreements between Buntzen and the Board. These differences illustrate the difficulty of administration by remote control.

The immediate financial needs of the B.C.E.R. were great. The predecessor companies had neither maintained the street railway and lighting systems in first class condition nor installed the newest and most efficient equipment. Indeed, so poor was some of the track and road-bed that residents of some parts of Vancouver complained that they had to move because of the vibrations caused by the street cars. The company had to make large expenditures on new road-beds and on rolling stock as well as on the development of the Goldstream power plant, and on additional lighting capacity in Vancouver. In April, 1898, the capital funds of the company were exhausted. The prospects of raising more money were uncertain. By summer, a successful stock issue seemed likely, but without cash in hand the Board approved few capital expenditures and even placed management in the position of having to violate

instructions by paying for capital expenditures from current earnings which were supposed to be reserved to meet interest and dividend payments.\textsuperscript{22}

For Buntzen, the increasing demand for service, particularly for electric lighting in Vancouver, made the situation desperate. As early as January 1898 he had reported that the demand for light in Vancouver would soon exceed the supply. The Board gave him no comfort. Finally, in November 1898, he wrote to the directors, described Vancouver's rapid growth and explained that lack of power had forced the extinction of street lights on four occasions and produced a poor quality incandescent light for commercial and industrial use. He warned:

People will not stand any longer, dark and dismal streets, or stores where the lamps are little better than candles. I know it may be said that the Company cannot erect a new Station without the necessary funds, but in that case one of two things must occur; either the money must be borrowed for the purpose, or the Company must be content to accept competition.\textsuperscript{23}

\textsuperscript{22} B.C.E.R., Chairman's Report, February 1902, p.5; Hope to Buntzen, April 27, 1898, Box 687; Minutes of the Board of Directors, October 28, 1898, Box 687.

The grossly exaggerated reports of the New Westminster fire, September 10, 1898, which reached London temporarily interfered with the B.C.E.R.'s usual ability to borrow short term funds from London banks. (Horne-Payne to Buntzen, September 14, 1898, Box 687).

\textsuperscript{23} Buntzen to Hope, November 1, 1898, GLB #1.
The problem was so pressing that Buntzen spent $6,500 for a new boiler and incandescent dynamo without waiting for the usual approval of appropriations by the Board. Fortunately, the Board had just succeeded in issuing £120,000 of Preferred Ordinary Stock and was able to cover the expenditure.

In spite of the apparently improving financial picture, the Board continued to follow a conservative policy. A sum of $94,000 was allotted for new expenditures, particularly improvements in the lighting systems in Vancouver and Victoria, but $122,240 of earlier appropriations, mainly for the rebuilding of street railway tracks and the extension of the New Westminster car line to Sapperton were cancelled. Although a gross profit of £30,189 seemed to justify a larger dividend than 4% on ordinary shares, the surplus was transferred to reserves. Despite this careful husbanding of resources, the Board was again "entirely without funds for expenditure." Once more Buntzen made his plaintive cry of the need to increase the power supply in Vancouver and to double track the car lines. He repeated his warning, "these things are absolutely necessary, and if we cannot do them, others will come forward who can."

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24 Minutes of the Board of Directors, May 5, 1899, Box 688; Hope to Buntzen, October 19, 1899, Box 688; Buntzen to Hope, November 13, 1899, LFGM, 1899.
Horne-Payne could not offer additional funds. Indeed, he suggested that because of the Anglo-Boer War, the money markets were so tight that the Company had to "look to Vancouver with the assistance of the Imperial Bank to supply us with money for the dividends on Debentures and Preference and Ordinary Shares." Although it was not essential to do so, the Board was anxious to pay dividends on its ordinary shares. By paying ordinary dividends for three consecutive years, the Company could make its preference shares eligible as trust investments under English law. In the meantime, the only consolation Horne-Payne offered to his manager was the observation that capital would be equally unavailable to any possible rival.25

Buntzen reiterated the need for more funds. He asked for a clear-cut policy statement:

> Are we to follow up the growth of British Columbia cities and extend our lighting system as the city extends and run new car service where such service, in our judgment here, is required? Or will the Company be satisfied to do the business they are now doing and leave it to others to take up the new business with the knowledge that any new company coming in will not be satisfied with such new ground only, but will also cut into our present business as soon as they have a firm footing in the City.

The Board was willing to risk the possibility of competition. They informed Buntzen that once the Imperial Bank loan of

25 Horne-Payne to Buntzen, January 10, 1900, Box 73.
$75,000 was expended, and until a new preference issue could be successfully floated, "no matter how much or how profitable business may be offered you, if it involves further capital outlay it must be refused...[because]...the Board prefer running all the risks of competition...to the risks they would run by borrowing money on capital account repayable at fixed dates." Privately, Horne-Payne advised that "floating debt is the great enemy of Joint Stock enterprise and has brought more good concerns to bankruptcy than any other cause."26 Buntzen now had a clear-cut policy statement: the Board did not want to experience the financial agonies of their predecessors, they would follow a prudent course. Buntzen would have to do likewise. The directors were prepared to ignore public pressure for improved service until the whole financial picture was more favourable. The risk, however, was not that great. The Board knew that any potential rival, private or public, would also have great difficulty in raising funds.

The Board sympathized with Buntzen's continual calls for more capital for necessary expansion; they simply did not always have the funds available to meet his requirements.

26 Buntzen to Hope, February 24, 1900, GLB, #5; Hope to Buntzen, March 20, 1900, Box 688; Horne-Payne to Buntzen, March 21, 1900, Box 73.
The company successfully issued £64,000 worth of Preferred Ordinary stock in 1901 but, after allowing for the payment of existing debts, dividends and reserves, less than a quarter was available for new expenditures. And the directors did not expect to be able to issue additional preference capital for two years. They warned shareholders of the possibility of having to set aside a large portion of earnings to meet expenditures. Two years later, the shareholders authorized the Board to issue an additional £220,000 worth of debentures to purchase shares in the Vancouver Power Company "or in any manner the directors may consider conducive for the prosperity of the company." This increase in capitalization, however, provided funds for a specific major project, the development of Coquitlam water power. To supply funds for ordinary needs, the company issued £75,000 worth of 5% Cumulative Perpetual Preference Stock. Again, less than half was available for capital expenditure. The shortage of capital also meant that the ordinary dividend for the fifteen months had to be paid in stock rather than in cash and that a substantial part of new appropriations had to be met from current earnings. 27

27 Hope to Buntzen, August 7, 1901, Box 689; Horne-Payne to Buntzen, January 17, 1903, Box 73; Hope to Buntzen, January 23, 1903, Box 690; B.C.Review, vol.8 (August 17,1901), p. 395; vol.11 (September 13,1902), p.139; vol.11 (October 4,1902), p.177. During 1901-1902 the fiscal year was changed to conform with Canadian government requirements for annual returns. As part of the transition from one year end date to another, the B.C.E.R. had a fifteen month year.
During most of 1903 and part of 1904 the London capital market continued to be difficult; even the Canadian government and the Canadian Northern and Grand Trunk Railways had difficulty in getting loans. The B.C.E.R. did not make a planned issue of £50,000 preference shares which would have eased the company's "very tight position as regards money." So serious was the capital situation that the directors had to resort to borrowing £100,000 on the basis of two year promissory notes bearing 6% interest. 28

The directors advised Buntzen that in spite of his "splendid returns" he would have to cut down as far as possible on existing appropriations and on further capital expenditures. This meant shelving a proposed one and a half mile extension of the street railway line through a rapidly developing residential area of Vancouver to the cemetery and curtailing plans for new rolling stock and machinery. The growth of Vancouver was outpacing the company's capital resources.

Because of the Board's inability to keep up with the needs of Vancouver, disagreements periodically developed be-

28 Norton to Buntzen, March 16, 1904, Box 73; Clifford Sifton to Wilfrid Laurier, October 10, 1903, Laurier Papers, No. 77742 (Microfilm in the Library of the University of British Columbia); Hope to Buntzen, February 12, 1904, Box 691; Hope to Buntzen, January 20, 1904, Box 73; B.C.E.R. Annual Report and Balance Sheet, 1904 and 1905. The B.C.E.R. paid 4½% on its debentures.
tween the Board and Buntzen. The manager complained that "the Board, without local knowledge, and without being in touch with British Columbia people, cannot possibly form an independent opinion of our business here. With the Board it must be a case of full trust in their local officials, or else replacing these officials...." This was not the first occasion on which Buntzen had threatened to resign if the Board did not provide more capital. He also repeated his requests for the appointment of a local advisory committee and for a visit of the directors to British Columbia. Three years earlier, in 1901, Horne-Payne's visit to Vancouver and realization of the growth of the area had eased the difficult relations which then existed between the Board and management. Finally, Buntzen suggested that there would be no difficulty "in finding all the money we want for new construction in Canada." In view of the fact that the Canadian government, banks and railways were attempting to borrow money in London, Buntzen's idea of the Canadian capital market seems surprisingly naive.29

29 Buntzen to Hope, February 3, 1904, LFGM, 1904; Buntzen to Norton, February 6, 1904, Box 73; Norton to Buntzen, March 16, 1904, Box 73.

At this time Buntzen and the Board had another slight misunderstanding in connection with the company's contributions to provincial political parties. The directors mildly censured Buntzen for such donations. This annoyed Buntzen who complained that he disliked having "to attend to the lobbying
The Board could only counsel patience. They agreed that essential works must continue, they recognized that the company needed to keep pace with the growth of the cities, but they admonished, "if money cannot be got at a given moment, and just at a time when demands are somewhat larger than usual, the Directors feel that a little caution on their part is not out of place." Fortunately, for both the Board and Buntzen, and wire pulling which in this country is considered necessary in order to get a favorable hearing from the ruling bodies." (Buntzen to Hope, December 12, 1903, GMLB, 1903). To assuage Buntzen, G.P. Norton, a director, explained that the Board placed absolute confidence in Buntzen's discretion and his understanding "of the tenor of our formal replies to you through the Secretary." (Norton to Buntzen, January 20, 1904, Box 73).

This incident in 1903 is one of the two direct records in the B.C.E.R. papers of the company making a political donation. The original letter (Buntzen to Hope, October 29, 1903) explains the method of political donations and is quoted extensively below:

When you get the September transcripts you will find a cash payment of $1200 to me for 'special service', one half of the amount charged to the B.C.E.R. & the other half to the Power Co. The amount represents our contribution to the Campaign Funds of the two parties in the recent Provincial Elections, $1000 to the Conservative Party that won, $200 to the Liberals who lost. We must be on good terms with both parties. Our contribution was the same as made by other local Corporations with large interests. There was no time to submit the matter to London, but I discussed with Mr. R.H. Sperling who agreed with me. I may say that we are asking the Government constantly for great favors and we are getting them. Please drop me a 'personal' line approving of the payment that I may show the auditors.

The only other record is of a $50 donation made by A.T. Goward to the Victoria Conservative Association in 1913 on behalf of the B.C.E.R. (Sperling to Goward, May 19, 1913, Box 714).
trade in Britain was beginning to revive after the post-Boer War depression. The amount of capital available for overseas investment increased rapidly. By the spring of 1904 the Board was able to raise some funds among its friends and larger shareholders. During the year it succeeded in issuing £140,000 worth of various categories of stock. Money was again easier. The capital demands of the B.C.E.R. however, kept pace with the capital supply.

Despite periodic shortages of capital, the B.C.E.R. invested $6,771,990 in British Columbia between 1897 and 1905. With these funds it built on the work of its predecessors and undertook a number of new projects. Old street railway lines were improved, settlement was encouraged along the interurban route, the lighting system was extended and old franchises were revised. Of the new projects, the most important were the development of hydro-electric power facilities to serve Vancouver and Victoria.

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30 Hope to Buntzen, March 5, 1904, Box 691; Hope to Buntzen, April 23, 1904, Box 681; Report of Norton & Slade, auditors, July 9, 1917, Box 89.

31 Chairman's Address to the Annual Meeting, 1912, Box 105-1424.
the purchase of the Vancouver Gas Company and the electrification of the Vancouver and Lulu Island Railway. The development of earlier endeavours, the creation of new ones and a general expansion of business in British Columbia made the years between 1897 and 1905 a period of solid development and laid the foundation for future growth.

It was in the transportation department that the B.C.E.R. was clearly able to build on the work of its predecessors and to profit from British Columbia's rapid growth after the Klondike boom. Vancouver's Fairview line provides the best example of the B.C.E.R. profiting from the efforts of its predecessors. In 1898, Buntzen regarded this line to "a far distant suburb" as "the worst legacy left the Company from the real estate speculations of former years" and suggested closing it down. Fortunately, Buntzen did not carry out his idea. Within the year, Vancouver's population began to grow rapidly. Although lots in Fairview were selling for little more than half the price listed in 1891, they were selling. Buntzen obtained the title to the sixty-eight lots which the C.P.R. had promised the V.E.R. & L. Company by agreeing to run a twenty minute service between Fairview and the downtown area. 32 Fairview developed quickly in spite of

32 Buntzen's Report, October 12, 1897, Box 73; Buntzen to Hope, July 23, 1898, LFGM, 1898; Minutes of the Board of Directors, February 13, 1900, Box 688; Buntzen to Hope, January 27, 1900, LFGM, 1900; VDP, April 10, 1900, p.1.
its muddy streets and bad sidewalks. During 1900 and the first few months of 1901, the city issued building permits for $164,000 worth of houses in Fairview. The land prices were reasonable; the terms, attractive to clerks and artisans; and assessments for city taxes, low. Improving the Fairview service had required some precious capital; the Fairview line, however, contributed handsomely to street railway profits.33

A second example of the B.C.E.R. benefiting from the work of its predecessors was the interurban line. Prior to 1900 this line, which relied almost exclusively on intercity traffic for business, produced comparatively little revenue. After the turn of the century, the area between New Westminster and Vancouver came into its own. Settlers, many of whom had come from the North West Territories and Manitoba in search of a milder climate, moved into the area, cleared the land, built homes and planted gardens and orchards. To attract settlers, the B.C.E.R. advertised the area and, in cooperation with real estate agents who subdivided the land into one and two acre plots, offered special inducements such as

33 The B.C.E.R. lots sold for prices ranging from $340 to $475 each depending on location. The terms were 1/5th cash and four years to pay the balance at 6% interest. The B.C.E.R. also offered one year's free transportation to one member of each settler's family. VDP, June 1, 1904, p.1.
as "free" transportation and easy terms to new settlers. Even though many new settlers established themselves along the Westminster Wagon road rather than along the tram line, the interurban freight cars carried their eggs, poultry and vegetables to market. By 1903, the B.C.E.R. put on a "Strawberry Special" to handle part of the fruit crop and obtained new and larger freight cars to handle general freight. Not all the settlers were full time farmers. Many workingmen settled in the area to enjoy cheap land and low taxes. In 1904, the B.C.E.R. inaugurated a half hourly service and used larger cars on the "Settlers' Specials" — the 4:30, 5:30, and 6:30 trains. The interurban had become a viable enterprise serving both the intercity traffic and the new settlers between the cities.

Within New Westminster, the B.C.E.R. also concentrated on developing traffic for an existing line. The city line, completed by the Westminster Street Railway Company in 1891, had never paid. In 1900, its average monthly receipts of $420 covered only slightly more than half its monthly operating expenses. To provide revenue, Buntzen proposed to ex-

34 The B.C.E.R. contributed $50 for a special write-up on Burnaby which appeared in The Farmers' Advocate (Winnipeg), January 4, 1905, pp. 22-24, Copy in Box 519. In the case of lots at Collingwood, the B.C.E.R. sold passes to Mahon, McFarland and Mahon, real estate agents, who then added the cost of the pass to the price of the land.
tend the line to Sapperton, a district of sawmills and working class homes. The Sapperton line, the cost of which was estimated to be $12,000 was not a pressing necessity and was delayed several times because of shortages of capital. After the line was opened in 1900, it earned a steady revenue. Three years later, the B.C.E.R. constructed a special line in New Westminster to serve a brickyard near Queen's Park. This freight spur provided an average of two cars per day for the interurban and thus contributed to the general well-being of the company.35

In Victoria, as in New Westminster, the B.C.E.R. followed a policy of developing traffic for existing routes rather than undertaking the construction of major new lines. Though Victoria had benefited from the Klondike boom and its aftermath, her population grew relatively more slowly than Vancouver's. The younger city had gradually taken over Victoria's role as the leading commercial centre of the province. In spite of her relative decline, Victoria still retained many of her ties with the interior of the province. The presence of a number of "old" families gave the city an air of wealth. Summer tourists, winter visitors and the navy

35 Buntzen to F.R. Glover (New Westminster City Clerk), July 11, 1900, GLB #6.

36 See Appendix 1.
also played an important role in Victoria's economy. Unfortunately, this trade was of a seasonal nature. Thus, street railway revenues tended to fluctuate with the weather and with special events such as the visit of a fleet to Esquimalt, a baseball game at Oak Bay or a concert in one of the parks. The local manager in Victoria, A.T. Goward, worked hard to develop this special business. He changed the overhead signs on the street cars to make the routes more attractive to tourists. The "Esquimalt" car, for example, became the "Esquimalt Harbour and Naval Yard" car and the "Oak Bay" car was re-labelled "Oak Bay Beach." In 1905 the Company added an open observation car to Victoria's rolling stock and distributed flyers advertising sightseeing trips to passengers arriving at the C.P.R. dock.

A unique feature of the street railway business in Victoria was the tendency for permanent residents to settle beyond the city limits around Esquimalt Road, Saanich Road and Oak Bay. This trend towards dispersed settlement which was particularly evident after 1897 benefited traffic returns but was insufficient to make it feasible to revive service on the Douglas Street line from Burnside to the city limits at Tolmie Avenue. Indeed, no extensions were made to the 13.5

37 Goward to Buntzen, August 29, 1904, Box 483.
miles of track the B.C.E.R. had acquired in 1897 until 1905 when the Gorge Extension was completed. This line, partly subsidized by land owners along its route, served a seasonal trade to the Gorge Park which the B.C.E.R. developed as a public picnic site.

In Vancouver, which was rapidly emerging as the metropolis of the province, the B.C.E.R. was slightly more active in building new lines. Because of the shortage of capital, however, new lines were built or operated only when they required little direct capital outlay.

To a very limited extent, the B.C.E.R. was prepared to venture into new areas. The C.P.R. which owned the land at Greer's Beach, as Kitsilano was then known, wanted to build a railway line to develop the area for recreational and residential purposes. The C.P.R. proposed to have the B.C.E.R. operate the line. Buntzen was interested; if the C.P.R. would agree to erect the overhead wiring as well as lay the track. Horne-Payne, who was in Vancouver at the time, rejected the proposal since he did not believe that revenues would meet the estimated ten dollars per day operating expenses. Three years later, in 1904, the C.P.R. offered the B.C.E.R. twelve acres of land, worth an estimated $30,000 in return for adapting the line for electrical operation and
providing a minimal service. By this time the West End was almost completely filled; the Kitsilano area seemed to be the next district to be opened for middle and high class residential use. The arrangement between the C.P.R. and the B.C.E.R. was made as part of the Vancouver and Lulu Island Railway Agreement. Both the electrified V. & L.I. and the Kitsilano street car began service on July 4, 1905.

The C.P.R. which had incorporated the V. & L.I. in 1891 planned to operate it as an electric railway between downtown Vancouver and the North Arm of the Fraser River. The depression of the mid-nineties and some uncertainty as to whether a line to Lulu Island should be built from Vancouver or New Westminster delayed construction. With the dramatic revival in the local economy in the late nineties, the C.P.R. renewed its plans and completed surveys which indicated it would be cheaper to build to Lulu Island from Vancouver rather than from New Westminster. The C.P.R. then suggested that the B.C.E.R. lease and operate the line. Buntzen was doubtful; the traffic might be remunerative only during the salmon canning season and the V. & L.I. might draw traffic away from the interurban line through Burnaby. Therefore he did not pursue the matter. In 1900, after the C.P.R.

38 Buntzen to Hope, July 23, 1898, LFGM, 1898; Buntzen to Hope, March 10, 1904, GMLB, 1904.
had started construction, Harry Abbott, the president of the V. & L.I., again suggested that the B.C.E.R. should operate the line. Buntzen submitted a proposition to the C.P.R. subject to the approval of the B.C.E.R.'s Board. The matter, however, seems to have been dropped until December 1901 when Buntzen suggested resuming negotiations. The completion of the Lake Buntzen water power project would provide the B.C.E.R. with a surplus of power which could be used to electrify the V. & L.I. The C.P.R., however, decided to use steam power when it began service on the V. & L.I. on July 14, 1902. The B.C.E.R. and the C.P.R. did not resume negotiations until late in 1904.

Buntzen was anxious to lease and electrify the line which ran from the south end of the Granville Street bridge at False Creek to the sawmilling centre of Eburne (Marpole) and across the North Arm of the Fraser River through the rich agricultural land of Lulu Island to the fishing and canning centre of Steveston at the mouth of the Fraser River. Buntzen estimated the cost of electrification to be about $100,000 and anticipated an annual profit of $20,000. Summertime, when

39 B.C., Statutes, 54 Vic., c. 60; H. Abbott to D. Oppenheimer, February 13, 1894, Box 324; Knos to Buntzen, June 18, 1898, Box 687; Buntzen to Hope, July 23, 1898, GMLB, 1898; H. Abbott to Buntzen, May 1, 1900, Box 324; Buntzen to R. Marpole, December 17, 1901, Box 339.
the canneries attracted workers and tourists, was the busy season for the line. The canneries, the Eburne mill and farm produce provided the main revenue. There was little settlement between False Creek and Eburne but the C.P.R. which owned the land planned to develop it as a high class residential area.

The agreement between the B.C.E.R. and the C.P.R. for the operation of the V. & L.I. included an arrangement for the handling of each others' freight. This arrangement marked the real beginning of the B.C.E.R.'s role as a terminal railway in the Lower Fraser Valley. The B.C.E.R. undertook to do the C.P.R.'s switching for the sawmills south of False Creek; in return, the C.P.R. agreed to switch B.C.E.R. Lulu Island freight cars from Granville Street to the Carrall Street terminus of the B.C.E.R. if the city objected to the running of freight cars on the streets. The B.C.E.R. also agreed to handle C.P.R. freight cars between Steveston and the Granville Street Bridge at a fixed charge per car and to run no other railway company's cars over the road. 40

40 Buntzen to B.C.E.R. (London), December 12, 1904, Box 324; Buntzen to Wm. Whyte, Second Vice-President, C.P.R., September 26, 1904, Box 323; VDP, January 21, 1905, p.1
The immediate operating results of the V. & L.I. were less satisfactory than anticipated. The salmon canners were reluctant to use the rail line extensively since rail freight required more handling than water-borne shipments. Freight receipts became dependent on agricultural products for which the B.C.E.R. offered special commodity rates. The future of the V. & L.I., however, lay in passenger traffic which developed quickly after the C.P.R. subdivided its land between the city limits at 16th Avenue and Magee (49th Avenue). After the B.C.E.R.'s Fraser Valley line was completed in 1910, the V. & L.I. carried a great deal of general freight. The V. & L.I. agreement, therefore, was another solid achievement which laid a foundation for future growth.

Two very important but unspectacular street railway achievements also helped to lay a solid foundation. These achievements were the consolidation of the Vancouver street railway franchises and the arrangement of the "protective clause" in the Vancouver City Charter.

41 H. Hemlow, Manager, Lulu Island Branch, to Sperling, August 26, 1905, Box 324; "Freight Rates for Lulu Island Railway," Box 4-42.
Although the basic franchise which the B.C.E.R. inherited from its predecessors did not expire until 1918, the Vancouver Street Railway and the Vancouver E.R. & L. Company had negotiated separate leases for each street railway line. The terms of these leases varied but on the lines to Stanley Park and English Bay the lease was renewable every five years. It was due for first renewal in 1900. These short term leases meant "that every 5 years the City could take over...the best paying parts...or buy them and transfer them to some competing company." Though not expecting the city to take over the system in the immediate future, Buntzen feared the possibility of a City Council "where a majority of the members were faddists or demagogues whose only object was to pander to the anti-corporation and anti-monopoly ideas."\(^{42}\)

Buntzen was anxious to consolidate the various short term franchises. He recommended that the company negotiate an agreement with the city so that all the agreements would expire in 1919 when the latest of the original agreements was due to expire. In return for this time extension, 

\(^{42}\) Memo by Buntzen, August 1, 1914, London letters, Inward, #1; Buntzen to Hope, February 27, 1901, LFGM, 1901; Buntzen to Hope, August 3, 1899, Box 73.
Buntzen suggested that the B.C.E.R. increase the percentage of earnings it paid for the use of the city streets. In principle, the Board approved but advised Buntzen to try to get the percentage based on net rather than gross earnings and to extend the franchise to thirty years. With this apparent approval, Buntzen proceeded to negotiate with the city by offering to increase the company's payments. He suggested that a consolidated agreement would eliminate many clashes between the city and the company as each lease came up for renewal and would assist the company in raising funds for expansion. The unwillingness of the Council to relinquish its rights to purchase the B.C.E.R. lines brought these early negotiations to an end.

Buntzen still desired to consolidate the franchises. When the city requested a half-mile extension of the Westminster Avenue line to the city limits, and a mile extension of the Powell Street line from Campbell Avenue to Cedar Cove, Buntzen offered to build the extensions in return for

43 Buntzen to Hope, August 3, 1899, Box 73. The B.C.E.R. had been paying a percentage sliding from 3 to 12% based on one-ninth of the gross receipts, i.e. a maximum of 1-1/3% of the total gross. Buntzen proposed a scale of 1 to 10% based on total gross receipts. (Minutes of Board of Directors, August 22, 1899, Box 688).

44 VDP, July 7, 1900, p. 6; July 28, 1900, p. 6; October 15, 1900, p. 7.
franchise consolidation. The Council was willing to accept this proposal. In spite of Buntzen's insistence on the need to work in harmony with the city and his assurance that the extensions would only cost $15,000 to $20,000, the Board was not. Once again, the Board, ever cautious about its financial statements, failed to understand the situation in British Columbia described by their manager.

Though accepting the sliding scale in principle, the Board thought the company could get the city to agree to a lower percentage based only on excess earnings rather than on gross earnings. In this, the Board depended on the advice of un-named "friends", (probably Mackenzie and Mann) who had large electric railway interests, rather than on Buntzen who claimed that, under the excess earnings arrangement, the street railways of Toronto, Montreal and Hamilton paid more to the city than did the B.C.E.R. This near censure of Buntzen's policy, coupled with continuing difficulties in getting funds for necessary extensions and improvements, led Buntzen to suggest that he might resign. His threat convinced the Board of the seriousness of the situation. They promptly advised him to go ahead immediately, if delay would be dangerous, but asked him, if possible, to wait until Horne-Payne's planned visit to Vancouver. The delay was possible. While Horne-Payne was in Vancouver, he approved the scheme.
In October, 1901, the City Council agreed to consolidate the franchises in return for the B.C.E.R.'s proposed scale of payments, the extension of the Westminster Avenue and Powell Street lines and the acceptance of certain regulations such as a maximum five cent fare, free passes for civic officials, a specified schedule of minimum service, and a speed limit of 8-10 miles per hour. 45

The settlement of the franchise question did not end the company's problems with the city. Early in 1904 the Vancouver City Council began to discuss an amendment to the city charter removing the "protective clause" insofar as it related to commercial lighting. When the B.C.E.R. objected, the Council agreed to abandon the idea. 46

The "protective clause" had been added to the Vancouver City Charter in 1901 as a result of Buntzen's lobbying for provincial legislation to reduce the likelihood of municipal

45 Buntzen to Hope, February 27, 1901, GMLB, 1901; Buntzen to T.F. McGuigan, February 11, 1901, GMLB, 1901; Horne-Payne to Buntzen, April 3, 1901, Box 73; Buntzen to Horne-Payne, April 23, 1901, GMLB, 1901; B.C.E.R. (London) to Buntzen, May 17, 1901 quoted in Buntzen to Hope, May 18, 1901, GMLB; McGuigan to Buntzen, October 15, 1901, Box 637. Copies of the agreement may be found in Box 73. A useful short summary is included in Adam Shortt, Report of Commissioner Appointed to Investigate the Economic Conditions and Operations of the British Columbia Electric Railway Company and Subsidiary Companies, Victoria, King's Printer, 1918, pp. 8-9.

46 McGuigan to Buntzen, January 5, 1904, Box 637.
or private competition. The "protective clause" protected
the B.C.E.R. against newcomers by making "it compulsory on
the part of the City to buy out our Company, but not any
other Company that might wish to come in and compete" with
the B.C.E.R. When raising new capital, the B.C.E.R. used this
clause to assure investors of the unlikelihood of competition.
And, whenever the Vancouver City Council began to discuss amend­
ments to the city charter which might interfere with the clause,
the B.C.E.R. referred to the "protective clause" as the basis
of its fund raising. 43

Buntzen's fear of municipal competition had considerable
justification. The idea of public ownership of railways
and municipal utilities was being discussed with increasing
frequency throughout Canada. 44 Such talk was particularly

43 VDP, January 8, 1900, p.5. The 1895 clause referred to
gas, water and telegraphs as well. B.C., Statutes, 58 Vic.,
c. 68, sec. 16, s.s. 6A; VDP, January 16, 1900, p.8;January
30, 1900, p.2; Buntzen to Hope, September 7, 1900, LFGM, 1900;
B.C., Statutes, 64 Vic., c.54, sec. 125, s.s. 4-9; Buntzen
to T.F. McGuigan, January 4, 1904, Box 637:

44 For examples see J. Castell Hopkins, comp., Canadian Annual
1904, pp.59-66; 1905, pp. 130-137. The best example of a pub­
licly-owned utility created during this period is the Hydro­
Electric Power Commission of Ontario. Some specific examples
of agitation for public ownership in Vancouver include a 1901
resolution of the Trades and Labor Council calling for the pur­
chase of either the whole of the B.C.E.R. system or the light­
ing plant alone; a petition signed by 1100 Vancouver residents
favouring government ownership of railways and the endorsement
by the Board of Trade of a resolution favouring national owner­
ship of telegraph lines.
distressing to the English directors who were familiar with the effects of municipal competition on privately-owned companies in English cities. This English experience probably explains the directors' almost paranoid fear of municipal competition.

Once the franchises were consolidated and the "protective clause" achieved, the B.C.E.R. could make plans with a fair degree of certainty that it would own the city lines and have no direct street railway competition at least until 1919. These agreements provided the basis on which the company made plans for suburban expansion. They were part of the solid foundation laid between 1897 and 1905.

By 1905, the B.C.E.R., through the work of its British Board of Directors and its local manager, Johannes Buntzen, had established a solid foundation for future growth. It had reduced the possibility of competition through the "protective clause." It had strengthened the position of the street railways without great expenditures of capital by promoting traffic, by arranging to operate the V. & L.I. for the C.P.R. and by judicious extensions to existing lines such as the Sapperton branch in New Westminster.

The cautious approach of the directors to expansion seems to be only partly the result of their innate conservatism. It was also the consequence of their inability to raise funds at a uniformly steady rate or to have capital always available in sufficiently large quantities to meet local demands. From time to time, this lack of capital created tension between the Board and the manager in Vancouver. The basic reasons for this tension, however, were the distance between London and British Columbia, the limitations of communication by letter and cable, and the wise reluctance of the Board to give their manager unlimited authority even though they recognized his ability and his understanding of the local situation.

When capital was available it was spent on projects such as hydro-electric plants, lighting extensions and street railway improvements which yielded immediate profits through efficiency and gave the prospect of long-run gain. They were projects, in short, which laid a solid foundation. This prudent expansion, the Board's careful supervision, and sound financing meant that the B.C.E.R. was well-prepared to meet the boom conditions of the years between 1905 and 1913.
CHAPTER III

THE ERA OF EXPANSION, 1905-1913

Between 1897 and 1905 the directors and management of the B.C.E.R. laid a solid foundation for the company; between 1905 and 1913 they extended and built upon this base to create one of the largest electrical enterprises in the British Empire. Many new projects were undertaken between 1905 and 1913. Four interurban railway lines were built, city lines were improved, service was increased, new city and suburban lines were constructed and the B.C.E.R. entered new territory such as the Fraser Valley and the Saanich Peninsula. To provide power to operate the enlarged system and to meet increasing demands for light and power, the company expanded the Lake Buntzen-Lake Coquitlam development, built a new hydro-electric plant at Jordan River and purchased power from the Stave Lake Power Company.

This expansion was possible because of the continued

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1 Horne-Payne to the Annual General Meeting of the B.C.E.R., December 10, 1912. Copy in 105-1424.
growth of British Columbia and because of the comparative availability of British capital during these years. The flow of British capital overseas began to increase sharply late in 1904, reached a peak in 1907, and then, after a decline in 1908 and 1909, advanced towards new records. The Financial Times estimated that between 1906 and 1913 British investment in Canada increased by £246,778,200. During these years the B.C.E.R. issued £6,500,000 worth of shares and debentures and frequently obtained a premium on its stock.

The amount of capital directly invested in the B.C.E.R. increased without interruption from £118,795 in 1905-1906 to £1,035,549 in 1912-1913. In every year too, large sums were invested in subsidiary companies which were often designed to earn good will in the community as well as profits. The investment paid well; net earnings showed a steady and impressive increase from $98,097 in 1905-1906 to $401,836 in 1912-1913 and the invested capital usually earned between

2 See Appendix 1.

3 Cited in Merrill Denison, Canada’s First Bank, Toronto, McClelland & Stewart, 1967, vol. II, p.294. According to A.K. Cairncross, Home and Foreign Investment, 1870-1913, Cambridge University Press, 1953, pp.41-42, approximately $2,500,000,000 was borrowed abroad by Canadians between 1900 and 1913. By 1913, Canada had received the largest share of any colony or overseas country of British investment abroad. Herbert Feis, Europe; the World’s Banker, 1870-1914, New Haven, Yale University Press (Published for the Council on Foreign Relations), p. 23.

4 See Appendix 10. 5. See Appendices 2 and 3.
four and five per cent each year.\textsuperscript{5}

There was only one real check on the B.C.E.R.'s expansion during these years. That check was the directors' fear of municipal ownership. They were still acutely aware of the effects of municipal ownership in England and they knew of the difficulty of raising money in England for projects threatened by nationalization.\textsuperscript{6} In British Columbia, municipal politicians frequently spoke of the desirability of public ownership. In 1906, Vancouver property owners approved a plan for a municipally owned electric lighting system.\textsuperscript{7} Six years later, in 1912, the Vancouver City Council secured an amendment to the city charter authorizing the city to reserve $500,000 of its borrowing power each year in order to establish a fund enabling it to purchase the street railway lines in 1919.\textsuperscript{8} Fears of public ownership conditioned almost every decision the directors made about expanding their facilities. This fear also explains their sustained interest in "protective clauses."


\textsuperscript{7} VDP, January 12, 1906, p.1.

\textsuperscript{8} B.C.E.R. (Vancouver) to B.C.E.R. (London), February 10, 1912, Box 42A-696.
In order to reduce the likelihood of municipal ownership and in order to create a harmonious environment for the company, the B.C.E.R. carefully cultivated good will. The company experimented with a Local Advisory Committee consisting of three leading British Columbians: F.S. Barnard who had many business interests in the province, R.G. Tatlow, a Vancouver M.L.A. and Minister of Finance, and Mayor W.H. Keary of New Westminster. These advisors were expected to advise on all matters referred to them by the management, and to use their influence in the company's favour. At the municipal level, the B.C.E.R. also actively participated in election campaigns whenever its interests were directly concerned.

To win local support, the Board also briefly -- and reluctantly -- agreed to give British Columbians an opportunity to invest in the B.C.E.R. When few British Columbians took advantage of this because of English income tax regulations and more alluring investment prospects closer to home, the Board discontinued its practice of allotting part of new issues to British Columbia. The Board found that having to wait for the response of British Columbians to new issues restricted their flexibility in the timing of new issues. The

9 Sperling to Kidd, January 26, 1909, LFGM, 1909; Kidd to Sperling, February 17, 1909, Box 11A-180. See also the Minute Book of the Local Advisory Committee. In 1913 the Board decided to dispense with the Committee. There had been criticism of Tatlow's dual position prior to his death in 1909 and of possible conflict of interest for Keary who was defeated in the 1909 mayoralty election.
directors also feared that the circulation of financial information designed to attract new investors might cause agitation among customers and politicians who thought the B.C.E.R. was overcharging.  

The setting of dividend rates also required a delicate balancing of the interests of potential investors and the possibility of local agitation. In 1907, for example, the directors recommended that high earnings justified the payment of an 8 per cent dividend on Deferred Ordinary Stock rather than 6 per cent as in previous years. Sperling however, feared that an 8 per cent dividend would lead to agitation for municipal ownership and lower rates, and would reduce the likelihood of bonuses and land grants from the federal and provincial governments. On this occasion, a compromise, a dividend of 7½ per cent rather than the 7 per cent recommended by Sperling was adopted. Such adjustments in bookkeeping were the result of the need to present a picture of modest profits to the consumer in British Columbia in order to prevent public agitation against the B.C.E.R.  

10 Binder to Sperling, February 26, 1907, Box 694; Kidd to Sperling, February 16, 1910, Box 41-631; Sperling to Urwin, March 15, 1912, LFGM, 1912.  

11 Sperling to Secretary, B.C.E.R. (London), November 1, 1907, LFGM, 1907.
The directors, particularly Horne-Payne, continued their generally cautious policy. Whenever Horne-Payne sensed the possibility of difficulty in raising new capital, as in early 1907 and in 1909, he warned Sperling to husband cash resources, to postpone non-essential projects such as new office buildings, and to develop only one project at a time. The directors also demanded that they be kept well informed of capital expenditures as far in advance "as possible."\(^\text{12}\)

Partly because of this cautious policy and partly because of the buoyancy of the Canadian economy, the company not only withstood the financial stress of 1907 without difficulty, but took advantage of low prices of supplies for ordinary use and for future extensions. Serious financial stringencies were the exception rather than the rule throughout this period. Although the management was occasionally in straitened circumstances, these difficult periods passed quickly. Generally, the company was in the fortunate position of being able to borrow money when even large municipalities were unable to do so. This happy financial situation also contributed to a more harmonious

\(^{12}\) Kidd to Sperling, November 18, 1908, Box 696; B.C.E.R. (London) to Sperling, November 18, 1907, LFGM, 1907; Kidd to Sperling, January 7, 1909, Box 29A-397; Binder to Sperling, December 1, 1906, Box 694; Kidd to Sperling, June 26, 1909, Box 700.
relationship between the Board and management than had ex-
isted earlier. This happier relationship was also
strengthened by family ties, by regular visits of Board
members to British Columbia, and by the fact that the B.C.E.R.
was earning sufficient revenue to pay increased dividends and
justify new expenditures for street railway expansion and
hydro-electric power development.

Between 1905 and 1913 the B.C.E.R. increased its street
railway mileage seven-fold from 51.75 miles to 357.82 miles
of single track. With one major exception, that of the
Saanich interurban, each decision to build new street rail-
way lines was preceded by careful consideration of the pro-
ject in the light of the two basic ideas which underlay the
company's expansion policy. The first, and more general idea,
was to concentrate on areas where there was likely to be im-
mediate traffic as in South Vancouver, and to construct some
suburban lines to develop new areas and possibly profit from
real estate transactions, as in Point Grey. The second basic

13 Binder to Sperling, November 16, 1907, Box 696; B.C.E.R.,
Annual Report, 1908, p. 5; VDP, October 2, 1907, p. 1.

14 R.H. Sperling, the general manager, 1905-1914, was the
son of a member of the Board. Although the elder Sperling
died in 1909, the family continued to be major shareholders.
policy applied only in greater Vancouver. It was the con-
struction of a system of trunk lines on private rights of
way into the city in order to protect the company if the
city exercised its option to purchase the street railway in
1919.15

Vancouver, as the largest city in the province, was the
most important centre in the B.C.E.R.'s plans for British
Columbia. Indeed, the company believed that the phenomenal
four-fold growth of Vancouver during the first decade of the
century would continue and that by 1921 there would be
500,000 people in the Vancouver area.16 This growth would
also mean expansion in the suburbs. The B.C.E.R.'s major in-
terest was shifting away from the city itself towards suburban
development. By building lines connecting the suburbs with
the city centre, the B.C.E.R. provided the physical means
which permitted families of modest means to enjoy the west
cost ideal of a single family dwelling on its own plot of
land.

This social consideration was not the major motive for
the B.C.E.R.'s decision to build suburban lines. The B.C.E.R.'s
primary consideration in building new lines in greater Van-

15 Sperling to Kidd, June 9, 1909, LFGM, 1909.

16 Minutes of Meeting of Management, September 11, 1912,
Box 192.
couver was to reduce the likelihood of municipal competition or take-over and to prepare for any such eventuality. In 1909, R.H. Sperling, the general manager of the B.C.E.R., drew up a plan for transporting suburban passengers into the city centre in case the city of Vancouver exercised its option to purchase the street railway lines within the city in 1919. Sperling proposed to use the existing V. & L.I. and Central Park lines and to build two new lines on private rights of way under a federal charter. When the programme was complete, the B.C.E.R. would have four trunk routes from the suburbs into the city and all four would be independent of the Vancouver city franchise.

The Board, confident of raising at least £700,000 during the following two years, approved Sperling's proposals and encouraged him to act quickly. The directors believed that as long as the land boom continued, residents of suburban districts would make considerable concessions to get street railways. The latter idea was a miscalculation; the Board

17 The V. & L.I. would be connected to the Point Grey suburban line; the interurban would serve the western half of Burnaby and parts of South Vancouver. New trunk lines would be built from the North Arm of the Fraser River to Fairview, from New Westminster to Hastings Townsite via Burnaby Lake and a private right of way would be used from Hastings Townsite to Venables Street; the interurban would carry the cars into the city.

18 Sperling to Kidd, February 16, 1909, LFGM, 1909.

19 Kidd to Sperling, March 26, 1909, Box 700.
had been misled by the relative ease with which it negotiated a franchise in North Vancouver where residents, eager for the electric light and street railways to serve speculative subdivisions, granted a perpetual lighting franchise and a fifty year street railway franchise. 20

In the suburbs immediately adjacent to Vancouver there was some settlement and promise of future growth. In all of them, however, there was opposition to the long-term franchises desired by the company. The franchise question was complicated by discussions of annexation by the city of Vancouver and by negotiations for the consolidation of the suburban franchise.

Of the suburban municipalities, South Vancouver, which was being rapidly settled by workingmen and artisans, offered the best immediate prospects. The B.C.E.R. already had a line along Westminster Avenue (Main Street) to the cemetery at Bodwell Road (33rd Avenue). When South Vancouver asked for the extension of this line and for the construction of others, Sperling used the opportunity to seek a favourable franchise. The company, anxious to have a long-term franchise which would be "of great assistance" in dealing with

the city in 1919, insisted on a forty year term. A municipal
election, however, delayed negotiations.\textsuperscript{21}

Behind the scenes, the B.C.E.R. won over a recalcitrant councilor, added the names of nearly one hundred "friendly" ratepayers to the voters' list and eventually got the new council to submit the tramway agreement to the ratepayers. This "very advantageous" agreement gave the company a forty year renewable franchise and a ten year exemption from municipal taxation on most of its property in South Vancouver in return for the construction of street railways on designated streets. The ratepayers, anxious for improved transportation, approved by a handsome majority of 881 to 151.\textsuperscript{22}

The expectations of the ratepayers that the street railway would raise real estate values were fully realized. In two years, 1909-1911, assessments increased twenty-fold and on the streets where the rails would be laid, the price of lots rose from $200-$500 to $500-$2,000. By 1911, South Vancouver, a paradise for real estate speculators, had a population of 16,126 and claimed to be the third largest "city"

\textsuperscript{21} Sperling to Secretary, B.C.E.R. (London), December 14, 1907, Box 23A-331; Kidd to Sperling, July 29, 1908, Box 692; Glover's Diary, January 21, 1909, Box 23A-331; Sperling to Kidd, January 30, 1909, London Letter Book, #5; Kidd to Sperling February 26, 1909, Box 699.

\textsuperscript{22} Sperling to Kidd, March 25, 1909; Sperling to Kidd, May 19, 1909; Sperling to Kidd, June 5, 1909; London Letter Book, #6.
in the province.23

The B.C.E.R. was slow to honour all its commitments to build street railways in South Vancouver. Not until 1912 did the B.C.E.R. undertake to construct all of the promised lines. By that time, South Vancouver was growing by 200 new families per month. The B.C.E.R., in 1912, wanted a gas franchise and was anxious to secure its position in greater Vancouver before the city annexed the adjacent municipalities. The Board was also prepared to fulfill its promises and to build additional lines in South Vancouver in order "to emphasize the difference between our relations with them and Point Grey and Burnaby."24

Dealing with Point Grey was more difficult25 since many


24 Sperling to Urwin, January 19, 1912, LFGM, 1912; B.C.E.R. (London) to B.C.E.R. (Vancouver), August 19, 1912, Box 709; Sperling to Urwin, July 27, 1912, Box 23A-331.

25 In 1904, the B.C.E.R. had suggested that it would build a street railway into Point Grey which was then an undeveloped area owned by the provincial government, if the province would grant 250 acres of land in alternate blocks along the tram line. Two years later, in 1906, the government offered a bonus of 30 acres per mile, a total of 150 acres. Because land prices were soaring—land which was valued at $40-50 an acre in 1904 was valued at $1,500 per acre in 1907—the government changed its mind. It decided that a land bonus should be governed by value rather than acreage and that $10,000 per mile would be a suitable bonus for a line which would cost $13,000 per mile to construct. The government feared that a generous grant to the B.C.E.R. would provide the opposition with useful ammunition in the general election of 1907.
of the ratepayers, especially in the Eburne area, were staunch advocates of municipal ownership. When the B.C.E.R., acting on the advice of its directors, offered to make an agreement based on a forty year franchise, the Point Grey Ratepayers' Association began discussing a plan to construct a municipally-owned tram line or to negotiate with the Stave Lake Power Company to build such a line. Then, late in 1908, Point Grey suggested a fifteen year franchise with compensation to the B.C.E.R. for any losses during the first five years of operation. The B.C.E.R. insisted on a forty year term but offered to make some fare adjustments on the V. & L. I. line. M

When the B.C.E.R. refused to build for less than $15,000 per mile, land values fell. After the provincial election, the B.C.E.R. resumed its negotiations with the provincial government. McBride indicated that if some M.L.A.'s and Point Grey land owners asked, his government would provide the B.C.E.R. with a suitable land bonus before the next land sale. Local newspapers and Point Grey landowners asked for the early construction of the tram line. Finally, in 1910, the B.C.E.R. began to build. The premier refused to honour his commitment because of the long delay -- caused mainly by disagreements over the municipal franchise -- in starting construction.

(Buntzen to R.F. Green, Chief Commissioner of Lands and Works, February 13, 1904, General Letter Book, #11; McBride to Buntzen, August 15, 1906, Box 1-2; Sperling to Binder, January 26, 1907, London Letter Book, #4; Sperling to Binder, December 8, 1906, Box 1-2; Sperling to McBride, March 13, 1907, McBride Papers, Premier's Official Correspondence, 32/07; McBride to Sperling, September 7, 1910, McBride Papers, Premier's Official Correspondence, 511/10.

26 Buntzen to McBride, April 16, 1908, London Letter Book, #5; Glover to Kidd, July 12, 1908, LFGM, 1908; VDP, July 24, 1908, p.1; Sperling to Kidd, January 6, 1909, LFGM, 1909. The B.C.E.R. called on McBride and Tatlow for assistance. Tatlow organized a campaign for the B.C.E.R. but reported that a thirty year term was the longest franchise which Point Grey would accept. (Glover to Kidd, June 20, 1908, London Letter Book, #5.)
Sperling hoped that fare reductions would pacify the residents of Eburne and promote settlement.

The announcement of the fare reductions caused serious controversy between Sperling and his Board. He advised the Board of his intentions but announced the reductions before getting their approval. The directors, who opposed such reductions, chided Sperling for acting without permission and warned of the dangers of setting equal rates for equal distances when circumstances such as the length of the franchise, bonuses, and construction costs varied. The Board argued that fares could be adjusted to promote development in particular areas, to bargain for bonuses, and "with a little dexterity to prove the evil results of short franchises which compelled companies to get higher rates during the short life of the franchise, instead of enabling them to stand temporary losses in expectation of being recouped in the long run under longer franchises." The Board accepted Sperling's decision to lower fares as a fait accompli but insisted that future policies on fares should be decided upon "by the Board with the assistance of management." 27

The agreement as a whole was equally displeasing to the

27 Kidd to Sperling, January 21, 1909, Box 26-368.
Board. They disliked its short term, the lack of a permanent right-of-way and the absence of any arrangement on Point Grey fares if the city purchased the street railway in 1919. Sperling, finding the council showing "a disposition to be reasonable," continued to negotiate. The Board, however, refused to consider giving Point Grey the same opportunity to purchase the lines in 1919 as the city already had. Horne-Payne insisted that, since the B.C.E.R.'s only reason for building in Point Grey was to get a franchise and a firm ring of outside franchises to use as a bargaining tool in negotiating with the city in 1919, he could not build on anything less than a forty year franchise. He expected that, if the company left Point Grey alone while building in South Vancouver and Burnaby, the Point Grey landowners would "very soon come to their senses and agree to our terms." The district was sparsely settled; Horne-Payne could wait.28

His wait was short. In the municipal election of January, 1910, the B.C.E.R. and the C.P.R. aided the election of Frank Bowser (the brother of the Attorney-General) as well as several councilors who opposed annexation and favoured a forty year franchise. The new Council and the B.C.E.R. resumed discussions and drafted an agreement for a forty year franchise generally and a ninety-nine year franchise on one con- 28 Kidd to Sperling, February 4, 1909, Box 699; Kidd to Sperling, April 1, 1909, Box 23-331.
tinuous line on a street to be selected by the company. In return, the B.C.E.R. agreed to build sixteen miles of street railway desired by the municipality and to reduce settlers' fares gradually in order to provide a five cent fare throughout the municipality by 1913.29

Although the directors feared that fare reductions might set a precedent and promote settlement in the outer suburbs rather than in the inner areas, they agreed to accept what Sperling thought best. In order to complete "the circling of the city" with long term franchises, the B.C.E.R. was prepared to bear temporary losses in revenue. In April, 1910, the final agreement between Point Grey and the B.C.E.R. was completed. On July 28, the ratepayers approved; on July 30, 1910, the B.C.E.R. began construction in Point Grey.30

Not all of the ratepayers in Point Grey were happy with the agreement. Some complained of irregularities in the voters' lists. A new by-law and an appeal to the courts followed. When the Court of Appeal ruled against the B.C.E.R. on December 15, 1911, the company immediately suspended ser-


30 Kidd to Sperling, March 30, 1910, Box 702; B.C.E.R. (London) to B.C.E.R. (Vancouver), April 5, 1910, Box 23-331.
vice on all lines in Point Grey other than the V. & L.I. and the Eburne-New Westminster line, cancelled settlers' fares, stopped all construction work in the municipality and had its legal advisors prepare an appeal to the Privy Council. In the meantime, the Point Grey Council presented a new by-law at the 1912 municipal election. During the election campaign both the B.C.E.R. and the dissidents organized their supporters. By a narrow margin, the ratepayers rejected the by-law.31

Some bilateral negotiations continued between the company and the Council but most of the discussions took place as part of the more general question of franchise consolidation with greater Vancouver. Eventually, Point Grey residents tired of walking. They prepared petitions. By June 1912 the Point Grey representative on the franchise consolidation committee accused the city of Vancouver of being narrow-minded. Point Grey approached the B.C.E.R. independently asking for some minor concessions in fares and in the terms of the single route on a ninety-nine year franchise. The B.C.E.R. agreed. In September, a new by-law, very similar to

31 J.A. Paton, "The Story of Point Grey," British Columbia Magazine, vol. VII (July 1911), p. 735; Both the B.C.E.R. and its opponents (supported by the Vancouver City Council, the Vancouver Board of Trade, the Point Grey Board of Trade and H.H. Stevens, M.P.) canvassed votes, held meetings and arranged transportation for voters. (Sperling to Urwin, January 17, 1912, Box 23-331). The final vote was 897 against; 859 for.
the original one, was accepted by an overwhelming majority of the ratepayers. Within a few days, the B.C.E.R. resumed service and construction in Point Grey. By its willingness and ability to wait, the B.C.E.R. achieved its goal of a long term franchise in Point Grey.

One of the lengthiest and most complex disputes the B.C.E.R. had on franchise matters concerned two of the smallest areas in greater Vancouver. The dispute over the franchise in Hastings Townsite and D.L. 301 is significant because it also reveals the Board's concern for long-term franchises, their belief that they could influence British investment in the province and their dependence on the good will of the provincial government.

In 1908 the friendly McBride government which administered Hastings Townsite and D.L. 301 had given the B.C.E.R. a perpetual -- though not exclusive -- street railway franchise in these unorganized districts on the borders of Vancouver. Shortly thereafter, the residents of D.L. 301 approached the City of Vancouver. The city, however, refused to annex any area in which the B.C.E.R. franchise would not

32 VDP, June 14, 1912, p.20; VDP, June 29, 1912, p.5; B.C.E.R. (Vancouver) to B.C.E.R. (London), September 8, 1912, Box 23-331. The final vote was 817 to 80.
expire simultaneously with the city franchise, that is, in 1919. Sperling was willing to consider a forty year franchise as a compromise; the Board opposed any interference with their plan to surround the city with a series of lines on private rights-of-way or any surrender which might act as a precedent. After Sperling advised the Board of doubt about the strength of the company's legal position and of the desirability of making a compromise to please the provincial cabinet, the Board reluctantly agreed to a forty year franchise if necessary. The Board urged Sperling to try to retain one main line of entry into the city through both Hastings Townsite and D.L. 301 on a perpetual franchise or a ninety-nine year lease.33

Since the provincial government was responsible for the Hastings Townsite and D.L. 301 franchises, even after the city annexed the districts in 1911, the company negotiated directly with the provincial cabinet. Sperling emphasized what was becoming a B.C.E.R. theme: the importance of the government maintaining good relations with the company in order to preserve the credit of the province and its industries on the London money market. Sperling reminded the

33 Sperling to Kidd, August 7, 1909, Box 23B-331; Kidd to Sperling, October 6, 1909, Box 701; E.V. Bodwell to Sperling, February 17, 1910, Box 23B-331; B.C.E.R. (Vancouver) to B.C.E.R. (London), January 21, 1910, Box 23B-331; B.C.E.R. (London) to B.C.E.R. (Vancouver), March 15, 1910, Box 23B-331.
cabinet of the harmful effects on the credit of Ontario of Premier Whitney's virtual cancellation of the rights of the Ontario Electrical Development Company. Through Tatlow, the company got McBride's assurance that he would do nothing to "disturb the excellent relations which have always subsisted" between the company and the province. McBride, however, found no similarities between the Ontario case and the situation in D.L. 301 and Hastings Townsite. The premier also had to consider pressure from the city of Vancouver which wanted all the street railway franchises within its boundaries to have similar conditions and expiry dates. McBride therefore accepted a cabinet recommendation to replace the original perpetual franchise with one expiring twenty-one years from the original date. (i.e. December 16, 1929).  

The B.C.E.R., unable to do anything about this "breach of contractual rights" refused to return its copy of the original agreement for revision. Sperling, recognizing McBride's problems, urged the Board to accept the twenty-

34 McBride to Sperling, March 31, 1910, Box 717; Sperling to McBride, March 24, 1910, McBride Papers, Premier's Private Correspondence, 571/10; Sperling's Diary, March 30, 31, 1910, Box 23B-331; McBride to Sperling, April 29, 1910, Box 717 (handwritten by McBride); Report of a Committee of the Executive Council appointed by the Lieutenant-Governor, April 27, 1910, Box 23B-331; Wm. McQueen, City Clerk, Vancouver, to Provincial Secretary, December 9, 1911, McBride Papers, "B.C.E.R."; VDP, February 3, 1912, p.5.
one year agreement. The Board refused; such a concession would endanger the company's legal rights on which every appeal for capital had been made. The directors advised Sperling to warn the government and the leading men of Vancouver that "confiscatory legislation in these matters means absolutely not a penny of British capital for all Vancouver enterprises for four or five years and this is not in the power of the directors either to avert or affect." Through William Mackenzie of the Canadian Northern Railway and by direct appeals to McBride during the premier's visit to London in the spring of 1912, the B.C.E.R. convinced the premier of the need to retain the perpetual franchises pending "a friendly adjustment." Such an "adjustment", the Board hinted, might include a compromise on the franchise question as part of a general consolidation agreement.35

Neither the company nor the government took any definite action until Sperling interviewed McBride in January 1913. By this time, the B.C.E.R. had several other requests. It desired a relaxation of the stringent tramways regulations

which Sperling suspected were designed to force the company into accepting a revised franchise. The B.C.E.R. also wanted certain concessions for the Vancouver Gas Company. On behalf of the B.C.E.R., Sperling offered to accept a twenty-one year franchise in return for concessions to the Gas Company. At the same time, he repeated the warning of the effects of mistreatment of the B.C.E.R. on British investments in British Columbia and threatened to reduce expenditures if the government passed hostile legislation.

Premier McBride was still sympathetic. Urging the B.C.E.R. to get the good will of the Vancouver City Council, he delayed introducing the act necessary to limit the B.C.E.R. franchises in Hastings Townsite and D.L. 301. The question faded into insignificance. The B.C.E.R., with its ready access to the premier, had preserved its franchises and surrounded the east side of the original city limits with long term arrangements.

While the B.C.E.R. was arranging individual franchises with the suburban areas, it was also engaged in tedious negotiations leading towards a consolidated franchise agreement in greater Vancouver. For the company, the ultimate object of this agreement was also reducing the likelihood of the city of Vancouver exercising its option to purchase the street railway in 1919. The franchise consolidation
negotiations were the source of conflict between the company and the city and within the company itself. The city which hoped to annex its neighbours realized that under the existing franchises it could purchase only the street railway lines within the 1901 city limits. Since the suburban franchises did not expire until 1949 and 1950 in the case of South Vancouver and Point Grey respectively, it would be impractical for the city to exercise its option in 1919. Indeed, if annexation were accomplished, residents of the annexed areas would probably defeat any bid to take over the city lines in 1919 since the existence of two systems would subject them to double fares.

Sperling, aware that the city lines were more profitable than the suburban ones, knew that an extension of the city franchise would assist in financing the company. He hoped to arrange a compromise whereby all the franchises would expire in 1935. The Board, doubting the wisdom of this policy, sent Buntzen to investigate. Buntzen recommended adopting the twenty-five year franchise; the City

36 No precise breakdown on earnings was available. To determine the percentage of earnings from suburban lines would have required checking each and every suburban fare and calculating the number of suburban passengers who continued their journey into the city.
Council demanded a twenty year agreement. As a compromise, Sperling suggested twenty-three years and some concessions such as uniform light and power rates throughout the area. These concessions, offered without consulting the Board, annoyed the directors. The City Council prepared to present the twenty-three year franchise to the ratepayers as part of an annexation package but was defeated at the polls before being able to do so.37

After the civic election in January 1911, the new Franchise Consolidation Committee headed by Alderman H.H. Stevens requested further concessions such as an arbitration clause covering extension policies and frequency of service, a larger percentage payment and more stringent rules about the maintenance of the streets. The Board, believing it could afford no more extensions, instructed Sperling to inform the Committee that, since these demands were unreasonable, the company was withdrawing from negotiations.38 The company bided its time for several months until the city asked for reductions in lighting rates and street railway fares in

37 Sperling to Kidd, July 7, 1910, Box 42A-696; Sperling to Kidd, December 20, 1910, Box 42A-696; H. Williams to Sperling, February 25, 1911, Box 192.

38 Williams to Glover, April 13, 1911, Box 192. The negotiations had already been delayed by the unexplained failure of the provincial government to introduce a bill enabling the city to annex South Vancouver.
Hastings Townsite and, for the relief of congestion on city lines. The B.C.E.R., acting through G.P. Norton, a visiting director, refused to negotiate on a piecemeal basis. Norton, however, suggested a new consolidated franchise agreement with a one per cent increase in the percentage of street railway earnings paid to the city, five million dollars worth of improvements and the extension of city fares and rates to the suburbs. In return, the B.C.E.R. demanded a uniform twenty-five year franchise except for one through route in Point Grey on a ninety-nine year franchise. These negotiations, however, broke down because of difficulties with running schedules and the percentage arrangement.\(^3\)\(^9\)

Anticipating the failure of the negotiations, the Board had advised Sperling to reduce expenditures as much as possible and to blame any refusal to extend lines on the franchise question. The directors also asked management to consider measures to protect the company's interests and "to make it exceedingly difficult, if not impracticable, for the city in 1919 to operate the city lines should they acquire them." The main object, if it were not too costly, "would be to occupy all the convenient outlets and all of those which are likely to be main thoroughfares...if by so doing, the company's

\(^{39}\) Norton to Mayor L.D. Taylor, July 10, 1911, Box 23B-331.
position will be strengthened with the city.”  

Early in 1912, the Greater Vancouver Transportation Committee which had succeeded the Franchise Consolidation Committee presented a memorandum of suggested conditions to the B.C.E.R. Because these conditions were unacceptable, the Board urged management to state that it had no authority to negotiate but would relay any proposal as a whole to London. The Board was not dictating management’s policy — indeed, it wanted Sperling to have "a very free hand" — but rather, was providing Sperling with an excuse not to deal with the municipalities on a piecemeal, point by point discussion — a system which the Board regarded as a game of "squeeze" by the municipalities. The Board was, however, unwilling to cut off negotiations before all avenues of compromise had been tried. Privately, Horne-Payne suggested to Premier McBride, a new scheme based on the division of net profits.

40 Urwin to Sperling, November 22, 1911, Box 713.

41 H.H. Stevens who had seemed to be a stumbling block to the B.C.E.R., resigned from the Franchise Consolidation Committee after his election to Parliament in 1911. The Greater Vancouver Transportation Committee included representatives of the Vancouver City Council and of the suburbs including Burnaby.

In Vancouver, the company met the municipalities in May 1912. After two hours of fruitless argument, the meeting broke up in "calm disorder" over questions of fares, especially commuters' tickets, extension policies and the percentage to be paid to the city. When the premier returned from London, however, he told the municipalities:

you cannot agree to anything that involves the discontinuance of these commutation tickets and on the other hand the company cannot agree to their continuance, so there at present seems to be nothing to do except to fight out your battles on the present line and continue the old franchises. I am going to do my level best to see if there cannot be a friendly adjustment so as to avoid any extraordinary act on the part of the Legislature. I may succeed or I may not.43

The residents of Point Grey and South Vancouver who had the most to gain from franchise consolidation unofficially presented a new proposal for an eighteen year agreement with a municipal guarantee of operating expenses and five per cent interest on capital. Sperling regarded this as a promising idea; the Board, however, did not agree. The directors now demanded, subject to consultation with McBride, a thirty year franchise and a guarantee of 5½ per cent interest. The municipalities rejected this plan.44

43 VDP, May 9, 1912, p.24; VDP, June 19, 1912, p.1.

44 B.C.E.R. (Vancouver) to B.C.E.R. (London), July 1, 1912 Box 713; B.C.E.R. (London) to Sperling, July 9, 1912, Box 713.
Public interest in franchise consolidation was increasing. The Vancouver Board of Trade and the Progress Club suggested striking a new negotiating committee including street railway experts and lawyers. The idea of arbitration appealed to the management. Horne-Payne, temporarily upset by the "feeling of insecurity" created by the Premier's actions in Hastings Townsite and D.L. 301 feared that McBride might legislate a new committee into existence. Horne-Payne still insisted on thirty years and 5% per cent. Nevertheless, after Alderman W.S. Cameron of Vancouver told a public meeting that a consolidation agreement could be reached on the basis of a twenty-three year franchise, the Board permitted the local management to suggest a twenty-seven year agreement provided other conditions were favourable. If an agreement were not reached quickly, however, the Board advised G.R.G. Conway, who was acting as general manager while Sperling visited London, to abolish cheap tickets and to blame the need for increased revenue in part on the provincial government.

45 B.C.E.R.(Vancouver) to B.C.E.R. (London), July 27, 1912 Box 713; B.C.E.R. (London) to B.C.E.R. (Vancouver) July 31, 1912, Box 713; B.C.E.R. (Vancouver) to B.C.E.R. (London), August 8, 1912, Box 23-331. When Sperling saw McBride, the premier indicated that he liked the Board of Trade proposal but would not legislate unless both parties asked him to do so. McBride also advised that the Board's proposal of a 30 year franchise and a 5½% guarantee would only antagonize the Franchise Consolidation Committee.
government's new tramway regulations.\footnote{46}

The local management feared that such an announcement would "mean open war" with the provincial government and lead to legislative interference with the B.C.E.R.'s activities in the municipalities and with required water

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46 In November 1909, a flat car loaded with lumber broke loose from a freight train and slammed into an interurban passenger train killing fifteen and injuring nine others. The tragedy stimulated the public, led by the Trades and Labor Council, to agitate for some supervision of tramways. The company, recognizing the inevitability of such supervision, preferred to have it under the auspices of the provincial government rather than under the municipalities since the province was more likely to be fair and reasonable than any municipal body. In 1911, the Legislature passed the Tramways Inspection Act. In due course, the government appointed William Rae as inspector of tramways. Rae, an extremely conscientious man, carefully checked both freight and passenger cars and rejected as unfit for service those which did not meet his exacting standards. His main concern was the overcrowding of street cars. When the company objected to installing gates on the cars and to limiting the number of passengers carried on each car, Rae got Attorney-General Bowser and the cabinet to pass regulations prescribing the equipment for the operation of street railways in the province.

When the B.C.E.R. complained that these regulations would force it to reduce service by half, the premier promised to do nothing to injure the company's position or ability to handle the traffic and hinted he would allow ample time for change. Attorney-General Bowser, who was not as well disposed to the B.C.E.R. insisted that overcrowding must stop. After the B.C.E.R. explained the impossibility of meeting the requirements by January 1, 1913, Bowser agreed to refrain from prosecution if the B.C.E.R. showed due diligence in attempting to meet the new regulations.

In the meantime, the B.C.E.R. Board agreed with the management on the need to co-operate with the tramway regulations as far as possible in order to preserve good will which would be essential in more important matters such as franchise consolidation and water power rights. (See correspondence in Box 55-103).
powers, the destruction of good will which was being gradually
developed and the end of any possibility of consolidating the
franchises. The Board did not share this worry; it knew that
McBride realized the financial implications of retaliatory
action. The directors, however, agreed to postpone the aboli-
tion of tickets and to accept a twenty-five year franchise if
the other terms were satisfactory. 47

The Greater Vancouver Transportation Committee then made
a satisfactory offer to the company. The Vancouver City
Council, unwilling to make sacrifices for the benefit of
Point Grey and South Vancouver rejected the proposal "with
a thump which could be heard all over town." Although the
municipalities and the B.C.E.R. still wanted franchise
consolidation, the scheme slowly faded into oblivion. Too
many divergent interests had to be satisfied to make fran-
chise consolidation succeed. 48 As far as the company was
concerned this was not really a failure; it had accomplished
its object of surrounding the city proper with a series of
long term franchises.

47 B.C.E.R. (Vancouver) to B.C.E.R. (London), September 11,
1912, Box 713; Minutes of Meeting of Management, September
11, 1912, Box 192.

48 VDP, November 9, 1912, p.2; VDP, November 11, 1912,
p.2.
In outlying areas, with a limited exception in Burnaby, franchises were not a significant question. In New Westminster, the chief centre of the Fraser Valley, the B.C.E.R. had inherited a perpetual franchise; the Fraser Valley municipalities were so anxious for electric light and the electric railway that they passed "blanket franchises"; in Burnaby, the old Westminster and Vancouver Tramway had a perpetual franchise and the Burnaby Lake line was built on a private right-of-way under a federal charter.

The outlying areas were also the scene of population growth and economic expansion. The pivotal point for the B.C.E.R. was New Westminster. This city, sixteen miles upstream from the mouth of the Fraser River, was a distributing centre for the Fraser Valley as well as an important lumbering centre. Between 1901 and 1911 its population doubled, but even the most sanguine residents of the Royal City had long abandoned any hope that New Westminster would be the metropolis of British Columbia. New Westminster, however, was extremely well placed to serve as a pivotal point for the B.C.E.R.'s interurban lines. All of these lines had a terminus in New Westminster.

The only conflict between the B.C.E.R. and the city arose.
from their competing claims to the water of Coquitlam Lake. This problem only indirectly affected the street railway but the company used the water dispute as an excuse for not improving service in New Westminster and threatened to run Fraser Valley trains through from Vancouver without making a major stop in New Westminster.

Usually, however, the B.C.E.R. actively courted the good will of New Westminster. The appointment of Mayor W.H. Keary to the local advisory committee was one step in this direction. The B.C.E.R. also arranged through the Gas Investment Company and the British Empire Trust Company to give financial assistance to various New Westminster enterprises such as a new hotel; the Vanstone Heating and Plumbing Company which was operated by the alderman who chaired the city's electric lighting committee; the Schaake Machine Works, a major employer; and the Columbian, the main newspaper in the city.49

From its main Columbia Street line, the B.C.E.R. built several lines into residential areas and constructed eastern and western extensions to serve industrial areas. As early as 1905 there was talk of a two mile eastward extension to

49 The sums involved were substantial: in 1907, a $30,000 mortgage on the hotel; in 1908, $120,000 worth of debentures yielding $109,000 cash in the machine works; in 1906, an $11,000 mortgage and in 1913, a $60,000 mortgage on the Columbian.
Millside where the Fraser River Sawmills employed eighty-five men. By 1909, almost seven hundred men worked at Millside. The New Westminster Board of Trade, the City Council and the sawmill management periodically asked the B.C.E.R. to construct the Millside extension. The B.C.E.R. Board, however, refused to build unless the mill guaranteed sufficient traffic to cover operating expenses and arranged for free poles, ties and a right-of-way. When the Fraser River Sawmills Company was re-organized as the Canadian Western Lumber Company with William Mackenzie, D.D. Mann and R.M. Horne-Payne as directors, the B.C.E.R. was only slightly more amenable to building the Millside extension. Horne-Payne would not sacrifice one business interest for the benefit of another. The B.C.E.R. did not build the Millside extension until it received its free ties, poles and right-of-way, arranged a satisfactory freight rate schedule and was convinced that the replacement of Oriental labourers by French Canadians would insure good passenger business. The line opened in June 1912.

The westward industrial extension, the Queensborough

50 B.C.E.R. (London) to B.C.E.R. (Vancouver), November 12, 1909, LFGM, 1909; Sperling to Urwin, April 11, 1913, Box 36A-554. For a general history of Fraser Mills see John Stewart, "Early Days at Fraser Mills, B.C. from 1889 to 1912" typescript in Special Collections, Library, University of British Columbia.
branch, was constructed to serve a variety of industrial concerns including saw and shingle mills, shipyards and a wire works. When New Westminster businessmen suggested building this line, the B.C.E.R. canvassed the major industrial property owners on Lulu Island. The company ascertained that it could expect to receive sufficient land bonuses to cover approximately half the construction costs. At the last moment the property owners withdrew their offers. Sperling was so convinced of the value of perpetual rights to an entrance to Lulu Island from New Westminster and the likelihood of remunerative business that he built the line anyway. Although one passenger car operated on this line after its completion in 1911, the Queensborough branch was really little more than an industrial spur.51

Of great interest to New Westminster merchants was the possibility of building an electric railway from New Westminster across Lulu Island to Steveston and then possibly across the Fraser River to Ladner. This idea was mentioned as early as 1896; it was revived when the completion of the V & L.I. threatened to end New Westminster's domination of the trade of the lower river. In 1910 Vancouver interests

began discussing the building of a bridge from Steveston to Ladner. Almost immediately, the New Westminster City Council and Board of Trade began working with the Delta Board of Trade to convince the B.C.E.R. of the need for a tram line from New Westminster to Ladner along the south side of the river. The B.C.E.R., which had considered supporting the idea of a bridge to Ladner as a means of convincing New Westminster of its dependency on the B.C.E.R. rejected the idea of building on the south side of the river before the main Fraser Valley line to Chilliwack was on a paying basis.\textsuperscript{52}

In 1909 the B.C.E.R. began operating a line which gave New Westminster direct connections with the V. & L.I. This Eburne-New Westminster branch was built by the C.P.R. and electrified by the B.C.E.R. under the V. & L.I. agreement. The immediate effect of the C.P.R.'s decision to build this line was a sharp increase in real estate activity in South Vancouver, an area which lent itself to agriculture and residential development. Several wealthy Vancouver residents bought land along the route and erected large and comparatively expensive homes. The B.C.E.R. expected that some industries would be established in the area but the main traffic

\textsuperscript{52} Sperling to Kidd, August 31, 1910, Box 43-599; Sperling's Diary, March 26, 1912, Box 43-699.
came from dairy farms and market gardens. The line did not pay its way because of heavy maintenance costs on the muskeg and unfavourable switching charges with the C.P.R.\textsuperscript{53} The B.C.E.R. also expected the Eburne-New Westminster line to "make an excellent continuation of the Chilliwack Railway" and to give the B.C.E.R. "entrance to Vancouver on a roadbed free from heavy grades" over which it would be possible to run heavy freight and passenger trains.\textsuperscript{54} The line was also used to carry C.P.R. freight originating on the V. & L.I. lines to the C.P.R. in New Westminster. Thus, C.P.R. traffic originating on the V. & L.I. did not have to pass through downtown Vancouver. Under the agreement between the B.C.E.R. and the C.P.R., the B.C.E.R. could not carry freight of any other railway without the C.P.R.'s permission. This restriction severely limited the effectiveness of this line between Vancouver and New Westminster.

The B.C.E.R. already had direct connections between the two cities via the original Westminster and Vancouver Tramway line (the Central Park line). Most residents of Burnaby had settled along the axis provided by the tramway making.

\textsuperscript{53} VDP, January 24, 1907, p.2; Sperling to Williams, April 8, 1911, Box 318.

\textsuperscript{54} Sperling to Binder, January 31, 1907, LFGM, 1907.
by 1909, "a continuous city." Dealers in suburban real estate reported brisk business and rapidly advancing prices. It is not surprising that real estate agents and Burnaby property owners began to ask the B.C.E.R. to construct an interurban line in the vicinity of Burnaby Lake. They offered land bonuses as inducements to build. The 1909 municipal council, also anxious to have the electric railway, gave the B.C.E.R. a forty year franchise but did not submit the by-law to the ratepayers. 55

Residents of North Burnaby were anxious to have street railway access to Vancouver via an extension of the Hastings Street line from Vancouver. When the Burnaby Council, in 1911, presented the franchise agreement to the ratepayers for ratification, the residents were divided on the issue. Alderman E.B. McMaster of Vancouver, who sought to defeat the Burnaby franchise in order to set an example for Vancouver, found considerable support in the southern part of the municipality which was served by the Central Park line. Residents of this area wanted to express dissatisfaction with B.C.E.R. service and fares. In the East Hastings area, real estate promoters and residents favoured the franchise because they wanted the street railway. When the votes were counted, a

55 Glover's Diary, April 23, 1909, Box 30A-423.
majority favoured the by-law but the necessary three-fifths majority had not been obtained. The ratepayers agreed to let the courts decide on the validity of the original franchise. The Supreme Court of British Columbia dismissed the action brought by Burnaby. This was, in effect, a victory for the B.C.E.R. 56

In the meantime, the B.C.E.R. built no lines in Burnaby. The residents of Hastings East succeeded in presenting the franchise question to the voters two years later. After considerable debate and agitation against "monopolistic tolls," Burnaby ratepayers, as the result of a large turnout in Hastings East, confirmed the 1909 arrangement. On December 22, 1913, the B.C.E.R. opened a two mile extension east of Boundary Road on Hastings Street to Capitol Hill. This was the first and last street railway line built by the B.C.E.R. on a public thoroughfare in Burnaby. 57

The Hastings Street line was only a minor one in the


57 A.G. Moore, Clerk, Municipal Council of Burnaby to Sperling, April 28, 1913, Box 30A-423. The B.C.E.R. also agreed to extend the Sapperton line along the North Road (the border between Burnaby and Coquitlam) to Austin Road as soon as a high level bridge was built over Brunette Creek. This line would also give some satisfaction to residents of Port Moody who had long agitated for a tramway to New Westminster. By 1913, however, there was little likelihood that the municipal-
company's plans. Of much greater importance was the Burnaby Lake interurban which was built on a private right-of-way under the Dominion charter of the Vancouver, Fraser Valley and Southern Railway, a B.C.E.R. subsidiary. To the B.C.E.R. the use of a private-right-of-way was important. It meant that the company did not have to depend on a Burnaby franchise and, more significantly, it meant that the company would have another route into downtown Vancouver independent of the Vancouver city franchise.

The Burnaby Lake line was primarily a real estate promotion. Sperling had three lines surveyed through the general area and then planned to hire a good real estate agent to "canvass owners along the routes for bonuses and free rights-of-way, with a view to constructing a route where the largest bonuses and the most rights-of-way are offered." Even while surveys were in progress, anxious real estate promoters offered land bonuses. Eventually, a route which skirted the southern side of the Lake was chosen. The district between Deer Lake and Burnaby Lake became a popular site for summer homes. Burnaby Valley, with three hundred residents and modern conveniences, became "just an

ities would be able to build a high level bridge. The B.C.E.R.'s offer was a gratuitous one.

57a Sperling to Kidd, May 12, 1909, LFGM, 1909.
English village taken bodily up from the borders of the new forest and planted amidst the grandeur of British Columbia's scenery." Land values soared. Land which had been selling for as little as $150 per acre commanded $500 to $1,000 per acre. Waterfrontage on Deer Lake sold for over $2,000 per acre. Along the route of the railway, however, there were only a few small pockets of settlement.

The B.C.E.R. was promised bonus land worth an estimated $111,166 to build the Burnaby Lake line. The company intended to use this and other land for speculative purposes. A subsidiary, the St. Nicholas Estate Company, purchased 736 acres of land on the north side of the Lake. Of this land, 100 acres were for T. Blundell Brown, a director, and 200 acres for Sperling and some friends. This land was at some distance from the line. Nevertheless, Sperling conservatively estimated it to be worth at least $500 per acre since other land in the vicinity was selling for $1,000 per acre. Sperling recommended that the land be surveyed and sold.


59 V. Laursen to Sperling, September 1, 1910, Box 33A-485; Sperling to Kidd, September 25, 1909, Box 33A-485; Sperling to Kidd, February 10, 1910, Box 33A-485.
As soon as the line was open for regular service (June 12, 1911) there was a major real estate boom. Property owners subdivided acreage into residential lots. This boom however, did not last. Although the area seemed "a delightful suburban district," much of the land immediately adjacent to the lake was bog. Few people actually built homes near Burnaby Lake. The company tried to arrange time tables to suit workingmen but the district did not attract settlers. In 1916 the B.C.E.R. still held 114 acres and 98 lots in Burnaby and was anxious to sell.

The Burnaby Lake line was also unsuitable as a freight line. Its only connection with the Fraser Valley line was via New Westminster's street railway lines. The New Westminster City Council refused to permit freight traffic on city streets. The Burnaby Lake line also had two short, very steep grades at either end. The company actually had to discourage the development of industry. When the B.C.E.R. began reducing interurban service on the mainland after World War II, the Burnaby Lake line was the only route completely abandoned.


62 Purvis to Glover, May 25, 1913, Box 30-423.
The most important line based on New Westminster, indeed the largest electric railway project ever undertaken by the B.C.E.R., was the Chilliwack line or Fraser Valley branch. Unlike other major projects of the time, such as the Burnaby Lake line and the Eburne-New Westminster branch, this line was built mainly to serve existing traffic. The population of the valley was increasing as new settlers, particularly from the old North West Territories, moved to the milder climate of British Columbia. The population of Chilliwack, for example, rose by 498 per cent between 1901 and 1911. Only a lack of adequate transportation seemed to be preventing greater growth. In the course of arranging the construction of the Fraser Valley line, the B.C.E.R. obtained blanket franchises and invested in real estate. The franchises and real estate opportunities, however, were clearly fringe benefits; the Fraser Valley line was built primarily for traffic.

The idea of building a railway line through the southern side of the Fraser Valley dated back to the time of the original C.P.R. survey in the late 1870's. The C.P.R., however, had built on the north side of the river. The scattered settlers on the south side at centres such as Chilliwack and Fort

63 Canada, Census, 1911, vol. 1, p. 537.
Langley continued to depend on the river for transportation. During the 1890's and early 1900's a number of schemes were proposed to link the coast with the Kootenay district by rail. Any one of them would have provided the southern side of the valley with rail transportation. The coast to Kootenay railway projects received much popular support, but none of them came to fruition until 1916.\(^64\)

Within the valley, the most important form of transportation was the river steamer. This was true even on the northern side of the river because the C.P.R. was not particularly interested in purely local traffic. The steamers which called at points between Chilliwack and Ladner usually operated from New Westminster. The carriage of upriver freight between New Westminster and Vancouver provided the bulk of the B.C.E.R.'s New Westminster freight business. To insure continuation of the steamer service and to keep it out of the hands of the C.P.R., the B.C.E.R. invested an initial $500 in the steamer, Ramona.\(^65\) Completion of the B.C.E.R.'s Fraser Valley branch virtually doomed the river steamers.

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\(^{64}\) For details of these schemes, see my Master's Thesis, "Railways, Politicians and the Development of the City of Vancouver as a Metropolitan Centre, 1886-1929," University of Toronto, 1963, chapter II.

\(^{65}\) Glover to Buntzen, March 1, 1903, Box 305; Glover to Sperling, May 12, 1903, General Manager's Letter Book, 1903.
Acting on requests from valley residents, the B.C.E.R. in 1904 considered constructing a line to Chilliwack but dismissed the idea because of the small population except in Delta and Chilliwack. Eighteen months later, however, Buntzen told the press that he would attempt to interest the Board in building a "tramway extension from Steveston up the river and possibly from New Westminster south if sufficient inducements be offered." During the following winter, the B.C.E.R.'s traffic manager toured the valley in search of business and found the residents of the Chilliwack area anxious to have the B.C.E.R. When Buntzen visited British Columbia in the spring of 1906 he investigated the willingness of the municipalities and the provincial government to assist the company. By the fall of 1906 the B.C.E.R. had F.R. Glover canvassing the municipalities asking for power, light and railway franchises. Glover experienced comparatively little difficulty in getting the municipalities from Surrey to Chilliwack to grant generous "blanket" franchises which gave the B.C.E.R. exclusive rights to provide electric railways, light and power for ninety-nine years.66

Once the franchises were obtained, the Board authorized

66 Glover to Buntzen, January 27, 1904, Box 319; Chilliwack Progress, July 19, 1905; Shiles to Glover, March 17, 1906, Box 315; Glover to Sperling, October 7, 1906, Box 672.
the management to make construction plans for the railway and for a light and power system. Sperling delayed making a formal announcement of the company's plans in order to negotiate land bonuses. In the meantime, he authorized three different surveys of possible routes. Although the coming of a railway usually raises land values, many Fraser Valley farmers were reluctant to have the line cut through their property. Instead of offering a free right-of-way as the company expected, some farmers demanded compensation. In many cases, the B.C.E.R. had to purchase its right-of-way. In spite of the reluctance of some landowners, the B.C.E.R. received over 600 acres of bonus land. Real estate brokers knew the value of a railway. The Grand Valley Land Company, for example, donated 400 acres in Langley and Matsqui. The B.C.E.R. also purchased several hundred acres of land in Surrey and Delta and at Sumas, Washington with the idea of subdividing and selling it later.67

When the B.C.E.R. Board was planning the Fraser Valley line, it considered the possibility of seeking a federal subsidy and of building under the dominion charter of the

67 Sperling to Binder, December 7, 1906, Box 671; Binder to Sperling, December 12, 1906, Box 653; C.M. Moss (surveyor) to Glover, January 31, 1907, Box 571; D.M. Robertson (Tynehead Nurseries) to Glover, February 3, 1907, Box 577; A.E. Beck to Glover, September 24, 1909, Box 665; Sperling to Columbia Estate Company, August 5, 1912, Box 51A-948-F1.
recently acquired Vancouver, Fraser Valley and Southern Railway. On the advice of its lawyers, particularly Z.A. Lash (the chief legal adviser of the Canadian Northern Railway), the B.C.E.R. decided to build under a provincial charter. Nevertheless, the company applied for the standard Dominion subsidy of $3200 per mile for the sixty-three miles between New Westminster and Chilliwack. This application was made too late in the Session to get attention. The B.C.E.R. went ahead and built the Fraser Valley branch without government assistance of any kind. 68

As a railway and not as a real estate developer, the B.C.E.R. wanted to promote settlement in the valley. The company advertised the fruit and dairy farming possibilities of the valley in English journals. In London, the B.C.E.R. circulated leaflets prepared by local real estate developers such as F.J. Hart of New Westminster and co-operated with the provincial government in distributing biograph pictures of Fraser Valley scenes throughout England. In 1907, a supplement to the company’s Annual Report was a letter from Professor Robert Wallace of the Chair of Agricultural and Rural Economy at the University of Edinburgh. This letter sang the praises of the Chilliwack district and urged that

68 B.C.E.R. (Vancouver) to B.C.E.R. (London), March 28, 1907, Box 11B-185; Sperling to Secretary (London), January 29, 1908, Box 11B-185; Col. A.T. Thompson to Glover, July 21, 1908, Box 3-24.
"people who think of going out to settle or invest should
do so without delay before all the moderate priced land is
taken up, as the Americans, always alive to a good bargain,
are coming in great numbers and picking up desirable places.
After the tramway opens Chilliwack,...will fill up in a very
short space of time." As a result of these efforts, the
London office of the B.C.E.R. was swamped by inquiries from
prospective settlers. For a time the Board considered es­
tablishing a special department to answer such inquiries.
F.R. Glover, the B.C.E.R.'s expert on the Fraser Valley,
suggested that rather than selling land directly to in­
quirers in England, the company should advise prospective
settlers to consult a reputable real estate firm or the
clerks of the valley municipalities after arriving in
British Columbia. 69

The official announcement that work on the Fraser Valley
line would soon start and the likelihood of improved dykes
stimulated general interest in Fraser Valley land. Vancouver
newspapers carried advertisements promoting Cloverdale,
Langley and Milner. Many farmers, particularly in Langley
Prairie, found that selling land to speculators was more

69 Robert Wallace to Hon.Maurice R.Gifford,November 1,1909,
planned to spend £400-£500 on advertising in Britain. M.R.
Gifford to McBride,August 20,1909,McBride Papers,Premier's
Private Correspondence,631/09;Kidd to Sperling,January 28,
1911,Box 704;Glover to Kidd,February 17,1911,Box 704.
profitable than farming. This resulted in the withdrawal of a large acreage from cultivation. The prices demanded by speculators discouraged new settlers. High labour costs also made it difficult for valley farmers to obtain help.70

Freight is the backbone of the revenue of most railways; the B.C.E.R.'s Fraser Valley line was no exception. Much of the valley was heavily timbered; lumber and logs were the major source of traffic. Within eighteen months of the completion of the line at least fifteen logging camps, shingle and saw mills were in operation along the route. There were already a number of farms in the area; the completion of the railway made it possible for farmers to go into the poultry business on a large scale and to ship fluid milk regularly and efficiently to the Vancouver market. Fresh fluid milk yielded a higher return than milk delivered to the creameries and cheese factories in the valley. By the spring of 1911, the B.C.E.R. was carrying 5,200 gallons of milk to Vancouver daily and had a special milk and vegetable train.71

70 Purvis to Sperling, May 25, 1912, Box 51A-948-F1; British Columbia, Report of the Royal Commission on Agriculture, Victoria, King's Printer, 1913, p.9.

71 Sperling's Diary, May 31, 1911, Box 343.
Valley residents were not wholly satisfied with the B.C.E.R.; their chief complaint was the old question of freight rates. The B.C.E.R. offered lower rates on some commodities such as potatoes than did the river steamers. Merchants in Chilliwack, however, complained that less-than-carload rates were almost prohibitive. In actual fact, the B.C.E.R.'s l.c.l. rates of $4.00 per ton were exactly the same as the old steamer rates! The steamers had reduced their charges to compete with the new railway. A short-lived price war ensued. By reducing its rates slightly and by offering better service, the B.C.E.R. easily won this war. 72

The initial results of opening the line were most rewarding. The freight business rose steadily and a third passenger train had to be added in the spring of 1911. There were also many inquiries about new industries such as a sugar beet plant, a cement works, a fruit cannery and a brick plant. Many promoters of new industries wanted financial assistance. Though the B.C.E.R. was anxious for new business it was unwilling to build branch lines and spurs without a minimum guarantee of business. The Kilgard brick plant which Glover estimated would yield about $20,000 in freight

72 Chilliwack Progress, November 2, 1910; November 30, 1910; Purvis to Glover, December 28, 1910, Box 671.
earnings annually is a good example. The B.C.E.R. offered to build the line which would cost $15,000 exclusive of poles, rails, and ties if the Kilgard company paid the interest on the cost of the spur, guaranteed a minimum of $20,000 worth of freight per annum for ten years and purchased its electric power from the B.C.E.R. The Kilgard company decided the B.C.E.R.'s price was too high and turned to the Great Northern Railway which was building the Vancouver, Victoria and Eastern Railway in the area.73

The Board of the B.C.E.R. was prepared to make "safe" investments in the valley when such investments would also reap rewards of good will. Such an instance arose when property owners in Surrey organized a dyking commission to reclaim almost 12,000 acres of lowland in the Serpentine and Nickomekl river valleys. The commission proposed to finance the project by issuing $135,000 worth of 5% first mortgage bonds on the land. The area was tributary to the B.C.E.R. and the McBride government favoured the scheme. The B.C.E.R. agreed to purchase 270 debentures at $93 after receiving favourable engineering reports and making satisfactory arrangements for guaranteeing the bonds. On August 23, 1913,

73 See Box 53-982 for details.
the dyking scheme was completed.  

Late in 1910 the B.C.E.R. began considering the extension of its line about eight miles eastward to Rosedale in the most fertile part of the Chilliwack Valley. The knowledge that the Canadian Northern Railway would probably build through this area and the possibility of a cement plant at Elk Creek added to the attractiveness of an extension which would be easy to construct. The idea did not go further than the level of local management. Two years later, in 1912, Alan Purvis, the Fraser Valley branch manager raised the matter. He observed that the Canadian Northern was already taking freight which otherwise would have been routed over the B.C.E.R. Sperling personally recommended the construction of the line and had statistics prepared to show that it would be profitable. By 1913, the boom was over; the idea of an extension to Rosedale was dropped.

Early in 1912 the B.C.E.R. had noticed a decline in revenue on the Fraser Valley line more serious than the normal seasonal variation. The directors, realizing that

74 Fifty of these debentures were later redeemed. In 1923 the remainder were sold to Pemberton and Co., a Vancouver real estate and financial house. See Box 60-1126.

75 Purvis to Glover, December 8, 1910, Box 47B-845.
the problem resulted from inflated real estate values, suggested subdividing B.C.E.R. land and selling it to genuine settlers on very favourable terms. Local officials who were still optimistic about the future blamed the traffic decline on J.A. Roosevelt, the former traffic and transportation manager, who had allowed other lines to take B.C.E.R. business. They also noted temporary problems such as the failure of the fruit crop and a shortage of cars. In this instance, however, the perspective of distance provided a clearer picture. Revenue continued to be disappointing. The Fraser Valley line, however, was a profitable and worthwhile investment which had been built to serve existing traffic.

iv

The construction of the main electric railway project on Vancouver Island is an aberration of company policy. On the Island as well as in greater Vancouver, the company's concern for "protection" against municipal competition was one of the major considerations in making decisions about expansion programmes. On the Island, however, this concern for "protection" overshadowed traffic potential as a motive for expansion. In Victoria, the B.C.E.R. violated its pru- 76 Urwin to Sperling, March 9, 1912, Box 657; Sperling to Urwin, June 3, 1912, Box 51A-948-F1; Purvis to Sperling, May 25, 1912, Box 51A-948-F1.
dent traditions, permitted a breakdown in communications between the Board and management, allowed itself to get involved in land speculation and blundered into the construction of the Saanich interurban line.

By 1900 it was clear that Vancouver had surpassed Victoria as the leading commercial centre of the province. Victoria, which already had a network of street railway lines, grew rather slowly. The only new line built within the city between 1897 and 1905 was a line passing through the Fairfield residential district to the Ross Bay cemetery. The company planned to use the construction of this line as a lever to get the city to add a "protective clause" to its charter. Neither Premier McBride nor the city council was willing to bargain. For fear of losing provincial land bonuses which would cover most of the construction costs, and because of certainty that the line would earn substantial profits, the B.C.E.R. went ahead with the construction of the Ross Bay line without insisting on the "protective clause".

The company, however, did not abandon concern for "protection". By 1908 it was in desperate need of additional hydro-electric power facilities because of the limited supply of water available at Goldstream and because of an increasing demand for power. The directors, however, were unwilling to
spend large sums of money on the development of water power at Jordan River without a firm guarantee that the city would not attempt to compete in the light and power business without offering to buy out the B.C.E.R. Such a guarantee was particularly important since both Mayor A.G. Morley and his successor, Dr. Lewis Hall, advocated municipal ownership and had plans for amending the city charter to allow the city to produce and distribute electricity. When Dr. Hall indicated in 1908 that the city had no intentions of competing in the power business in the immediate future, the matter of the "protective clause" seemed in abeyance.77

In the meantime, A.T. Goward, the local manager in Victoria, quietly campaigned among members of the City Council and placed extra advertising in local newspapers in order to get support for the company in its quest for the "protective clause". Goward, however, carefully avoided having the "protective clause" becoming an issue in the 1909 civic election campaign.78 Privately and individually, the new councilors expressed their sympathy for the B.C.E.R.; as a group, they were reluctant to commit themselves publicly.

77 Goward to Sperling, January 6, 1906, Box 472; Sperling to Secretary (London), January 20, 1908, LFGM, 1908; E.V. Bodwell to McBride, March 3, 1908, Box 465; Goward to Sperling, March 5, 1908, Box 465.

78 Glover to Kidd, May 29, 1908, London Letter Book, #5; Goward to Sperling, November 18, 1908, Box 29A-408.
After Goward outlined certain concessions: the construction of the Jordan River plant, the reduction of rates and the spending of $250,000 on extending the B.C.E.R.'s operations in the Victoria area within three years, the Council consented to the idea of a "protective clause". Then, the Council dallied. Finally, the local management threatened to back down on the promised concessions. The threat worked; the Council placed the question of the "protective clause" before the ratepayers.

As in some municipal elections on the mainland, the B.C.E.R. played a discreet but active role in the by-law campaign. The company financially supported a citizens' committee which sent out circulars -- even a special one to lady voters -- citing the advantages of the agreement, sponsored public meetings, canvassed voters and arranged transportation to the polls. Banners supporting the by-law were stretched across the principal streets and a favourable press was secured; even the Victoria Times, which normally favoured public ownership, supported the by-law. After the heaviest poll ever for a by-law, the agreement was accepted by a majority of voters, 2,341 to 740.79

79 Goward to Sperling, August 26, 1909, Box 29A-408; Goward to Sperling, August 3, 1909, Box 29A-408.
During the course of the campaign, Mr. Blakemore, the publisher of The Week, told the Victoria Board of Trade that two directors of the B.C.E.R. had assured him that the construction of the Saanich line would be one of the consequences of the passage of the by-law. Neither the directors nor the management contradicted Blakemore's statement. Their failure to do so had expensive results.

The people of Victoria firmly believed that the B.C.E.R. would build in Saanich; the B.C.E.R. did not deny this rumour. Although the B.C.E.R. had promised to spend $250,000 on extensions, the need for new construction in Victoria was questionable. The city and the adjacent municipalities of Oak Bay and Esquimalt were already well served by street railway lines. Saanich, on the other hand, was an area of fertile farms, extensive timber resources and had a population of about 6,000. The Victoria and Sidney Railway, a Great Northern subsidiary, provided very inadequate transportation facilities.

As early as 1906, Goward had suggested building an electric railway through the Saanich Peninsula. When the Hon. Maurice Gifford, a director, visited Victoria, he and Sperling toured the peninsula. They gained the impression ---

80 Sperling to Secretary, B.C.E.R. (London), April 8, 1911, LFGM, 1911.
that Saanich property owners would welcome an electric line with substantial land bonuses. If the B.C.E.R. decided to build, Sperling and Gifford proposed to survey three lines and then canvass the landowners. Nothing was done until early 1910 when Sperling, acting on the prompting of Goward and Arthur Lineham, a real estate agent, urged the Board to take preliminary steps towards the construction of an electric railway on the Saanich Peninsula. Sperling argued that, if surveying and canvassing were undertaken, it might be possible to get sufficient land bonuses to cover construction costs. He also noted that the development of Saanich would provide a market for the surplus power to be produced by the Jordan River plant. Even before the Board approved, Goward and Lineham arranged a public meeting as the first stage in the campaign for land bonuses. They proposed that the company take advantage of opportunities to buy Saanich land at favourable prices. Sperling agreed. The Board, true to one of its basic policies, refused to get involved in land speculation.

The Board was having second thoughts about the wisdom of the Saanich line. They doubted the validity of the Saanich

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line to fulfill the obligation to spend $250,000 in Victoria and district -- no one in the B.C.E.R. seems to have considered how that sum would be spent before the promise to spend it was made. The directors were also worried about the heavy capital requirements to build the Jordan River project simultaneously with the expansion of the Lake Coquitlam project on the mainland. The Board also feared that traffic might not develop. In future, they suggested they would not "build any new line unless there is traffic enough in sight to pay, say 7% of the reasonable cost of construction". Land bonuses, as usual, were to be regarded only as a "supplemental advantage". Henceforth, and until the company's hydro-electric projects were complete, the B.C.E.R. would build only to serve remunerative traffic unless new construction were necessary to preserve prestige or the company's tactical position. 82

The surveys and canvasses continued but Saanich landowners were not particularly eager to donate land. Goward, Glover and C.E. Cartwright, an engineer, investigated the economic feasibility and engineering problems of the line. They disagreed on construction costs but estimated that, by serving new homes, fruit farms, market gardens and the Gulf

82 Kidd to Sperling, July 7, 1910, Box 549.
Islands, the Saanich line would earn at least $100,000 annually. Sperling, convinced that the line would be a financial success, argued that Saanich was the only area in greater Victoria where "several million dollars could be spent in adding to the system with any hope of an adequate return". 83

Goward, the man on the spot, was anxious to start construction; Sperling accepted his recommendations; the Board still had reservations. The Board, whose London lawyers advised that some expenditures already made in Victoria could be included in the promised expenditure of $250,000, suspected that estimates of costs and revenues were "very sanguine". The directors, uncertain of the prospects of buying land cheaply and subdividing it to promote settlement, wanted to know if they could construct only a part of the line without jeopardizing land bonuses. At the same time, they denied that they had supported the construction of the Saanich line to satisfy the people of Victoria.

To this imputation, Sperling reacted quickly. He refuted the Board's claim that it had discouraged the construction of the Saanich line and quoted specific letters and cables authorizing him to continue preparations for its
Both the Board and Sperling were partly correct. The Board had never expressed any great enthusiasm for the scheme but had taken no positive steps to discourage it. Though Sperling had some doubts about the project, only the Board's definite disapproval would have made him abandon it. In any case, Sperling now indicated that there would be no difficulty in selling land; he warned that the land bonuses would soon expire; he advised that the construction of the Saanich line was much simpler than that of the Fraser Valley line and he suggested that only a line to the north end of the peninsula would yield maximum results.

It was still possible that the Board might have postponed the Saanich project indefinitely. Then, a rumour that the line might not be built circulated in Victoria. The Board of Trade and the City Council sought assurances while the Council complained that the B.C.E.R. was sacrificing the interests of Victoria in order to concentrate on developments on the mainland. Premier McBride confidentially advised Horne-Payne that if the rumours were true, there would be

A most disastrous effect on the standing of your corporation in British Columbia. You have undoubtedly secured large and generous concessions from the local Parliament as well as several most important

84 Kidd to Sperling, January 4, 1911, Box 549; Sperling to Kidd, January 25, 1911, Box 549.
municipal organizations and should it now occur that there is a disposition on the part of the corporation to avoid the responsibility which should be looked upon as a moral as well as a legal one, it would be impossible at this time to forecast what pressure may be brought upon the government and what action as a result we may eventually have to determine on. 85

Clearly both prestige and the company's "tactical position" were at stake. The Board approved the construction of the Saanich line and, in a change of policy, authorized the expenditure of up to $150,000 on the purchase of land for later subdivision. 86

The Board's concern for its financial position is a plausible explanation for a delay in starting construction of the Saanich line. Horne-Payne and the British Empire Trust Company were also interested in another railway enterprise, Mackenzie and Mann's Canadian Northern Railway. Premier McBride was also deeply involved with Mackenzie and Mann who were anxious to build on Vancouver Island in order to control the routing of island products to their main line. 87

In spite of the close relationship between Mackenzie and Mann, Horne-Payne and McBride, three-way communication was not very

85 McBride to Horne-Payne, January 27, 1911, Box 40-629.

86 B.C.E.R. (London) to B.C.E.R. (Vancouver), February 18, 1911, Box 549.

87 Donald Mann to McBride, July 15, 1909, McBride Papers, Premier's Private Correspondence, 704/09.
efficient. Horne-Payne excused the delay in building the Saanich line as "deference to McBride's personal wishes".

He informed the premier:

When Sir William Mackenzie was last in British Columbia, he cabled to me asking me to defer a definite decision in the matter of the Saanich line until we had the opportunity of discussing matters, and he subsequently explained that he had done this because you had asked him to take up with me the whole question of railways in the Saanich peninsula with special reference to the Victoria and Sydney [sic] Railway. The delay has been inconvenient as you can imagine, and must be attributed entirely to the respect that I have desired to yourself and to your colleagues.

Sir William Mackenzie...was much amused at this episode of cross purposes.... 88

McBride, claiming to want the C.N.P.R. to purchase and electrify the Victoria and Sidney, denied any intention of delaying the B.C.E.R.'s plans. 89

As far as the Board of the B.C.E.R. was concerned, the question was not of the C.N.P.R. and the V. & S.R. but of the C.N.P.R. and the B.C.E.R. reaching a working agreement. In London, the directors were negotiating with Mackenzie about the possible routing of C.N.P.R. traffic from the mainland to Victoria over the B.C.E.R.'s Saanich line. The Board advised Sperling to lay out the track in such a way that it

88 Horne-Payne to McBride, March 4, 1911, McBride Papers, Premier's Private Correspondence, 397/11.

89 McBride to Horne-Payne, March 25, 1911, McBride Papers, Premier's Private Correspondence, 397/11.
could carry heavy freight but did not authorize additional expenditures for heavier tracks and road bed. In any case, the C.N.P.R.'s engineer questioned the suitability of the B.C.E.R.'s grades for heavy traffic. The negotiations between the B.C.E.R. and the C.N.P.R. were not too promising. Indeed, there is no further mention of the C.N.P.R. in the B.C.E.R. papers until the fall of 1912 when the C.N.P.R. began surveying its own line on the east side of the peninsula.

The real reason for the construction of a third railway line on the Saanich peninsula seems to have been the insistence of the provincial government that the C.N.P.R. respect its original agreement to provide a fast ferry service between the island and the mainland to replace the rail-ferry service virtually abandoned by the Great Northern. The fast ferry was one of McBride's planks in the 1912 provincial election. After consulting McBride and Tom Holt, the C.N.P.R. engineer, Sperling was satisfied:

that Sir Richard McBride, as an astute politician, in order to make his railway policy as popular as possible with all communities in British Columbia, endeavoured to arrange the proposed C.N.R. line to serve as many districts as possible. Sir Richard also knows that the people of Victoria for the past twenty-five years have desired a fast ferry service with the main-
land which would land transcontinental freight and passenger cars in Victoria City.\textsuperscript{91}

The political explanation is in accord with McBride's programme of railways for every voter. Had the C.N.P.R. been anxious, or able, to co-operate with the B.C.E.R., a suitable grade could have been selected and an agreement on the model of the Vancouver and Lulu Island Railway arrangement could have been negotiated to the mutual advantage of the railways and the residents of Saanich.

The B.C.E.R., not really expecting that such an arrangement would be made, began negotiating with the C.P.R. to handle that company's Gulf Island freight. The B.C.E.R. also planned to develop Saanich. It made a power contract with the new cement plant and sold fifty acres of land as a site for a Dominion Experimental Station.

During the planning of the Saanich line, the directors, reversing their earlier decision not to engage in land speculation, concluded that the best prospects for profit from the Saanich line were in real estate. Recognizing the suitability of the district for small holdings, they authorized

\textsuperscript{91} Sperling to Horne-Payne, March 3, 1914, Box 40-629.

1966, pp. 48ff. The B.C.E.R. had earlier rejected an offer to buy the Victoria and Sidney. (Sperling to Kidd, October 4, 1910, Box 16-241).
spending $150,000 to purchase acreage for subdivision into 5 acre lots which would be sold on easy terms to settlers. Goward and Lineham wasted no time in buying Saanich land. In fact, they exceeded their authority and purchased 1,019 acres at a total cost of $210,092. In addition to land already bought for right-of-way purposes. Included in these purchases was a 352 acre tract known as Meadlands at Union Bay which the B.C.E.R. hoped to turn into a choice residential district.

Union Bay, which was 2-3/4 miles short of the northern tip of the peninsula, had not been the company's first choice as a terminus. In order to claim land bonuses worth over $200,000, the company had to build a spur line to Deep Cove at the northern end of the peninsula. The need to build such a line in order to avoid jeopardizing land bonuses was typical of the blunders and mismanagement which led to the construction of the Saanich line.

Premier McBride, who was at least partly responsible for

92 Sperling to Kidd, May 30, 1910, LFGM, 1910; B.C.E.R. (London) to B.C.E.R. (Vancouver), February 18, 1911, Box 549; Goward to J.V. Armstrong, August 8, 1911, Box 33A-485. For Meadlands, see Box 51A-948M3. In 1915 the B.C.E.R. was happy to rent Meadlands as farmland at a price which covered taxes.

93 Goward to Sperling, November 27, 1911, Box 40A-629.
the need to build the Saanich line drove the symbolic last spike on June 18, 1913. The first traffic reports were satisfactory; revenues met operating expenses and depreciation and left a substantial balance to pay interest on the capital invested. And, of course, the B.C.E.R. had ample land to sell to settlers. Unfortunately, these early reports were the only favourable ones ever produced by the Saanich line. About the same time as the Saanich line started to operate, a general economic depression began. The anticipated settlement of the peninsula did not materialize. Throughout its eleven year history -- it was abandoned in 1924 -- the Saanich line ran at a loss. The whole history of the Saanich line was the exception to the company's usual conservative and careful policies of expanding only when revenue was assured, of avoiding pressures by politicians, of keeping away from land speculation and of the directors exercising firm control over all the company's activities in British Columbia. The dismal results of the Saanich line demonstrate the basic

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94 Setting fares on the line was a complicated matter in which McBride, as acting Minister of Railways, played a role. The B.C.E.R. applied to the Provincial Department of Railways for a 4¢ per mile fare -- the same as charged by the Esquimalt and Nanaimo Railway -- but a penny per mile more than the B.C.E.R. charged on the Fraser Valley line. McBride, objecting to discrimination against the island, refused to approve the 4¢ fare. The B.C.E.R. threatened to eliminate discrimination by raising the Mainland fare. Eventually, a fare schedule averaging slightly more than 3¢ per mile was adopted.

95 Sperling to Urwin, July 18, 1913, Box 40-629.
wisdom of the B.C.E.R.'s usual policies.

The years between 1905 and 1913 had been marked by expansion throughout the B.C.E.R.'s whole system. They were, on balance, very good years. Capital for new projects was usually raised with little difficulty. Net earnings increased four-fold; the number of lamps connected, five-fold; and the number of passengers carried, six-fold. The cities of Vancouver, New Westminster and Victoria were adequately served by a network of city and suburban street railways. Interurban lines stretching out into the rural areas of Lulu Island, the Fraser Valley and the Saanich Peninsula aided the development of market gardens and dairy farms. In spite of rapid expansion, the Board of Directors generally maintained their basically prudent policies and usually refused to build without secure franchises and without almost certain demand for new services. In some cases, the B.C.E.R. acquired land bonuses in return for building new lines. With the exception of some short extensions to existing lines, land bonuses were never the primary factor in the company's decision to build new lines. Land bonuses were just that -- a bonus.

The B.C.E.R.'s relationships with the various levels of government -- federal, provincial and municipal -- varied from time to time. The company worked assiduously to promote
good will in order to ease these relations. It participated in election campaigns, it organized a local advisory committee, it invested in ancilliary enterprises when such investments would yield good will as well as profits and it took great care in publishing financial information and in setting dividend rates. Generally, the B.C.E.R. got a sympathetic hearing from leading figures in the federal and provincial governments. At the municipal level, it was less fortunate. Nevertheless, although the franchises in greater Vancouver were not consolidated and the possibility of public ownership remained, the franchise arrangements with the individual municipalities were at least tolerable and the threat of public ownership had been forestalled. On the whole, the B.C.E.R.'s position by 1913 was an enviable one: its relationship with governments was satisfactory, it had no financial problems, the street railway system was virtually complete, and the hydro-electric power system on both the mainland and the island was well-established.
CHAPTER IV

HYDRO-ELECTRIC POWER DEVELOPMENTS, 1897-1913

In developing street railway facilities, the B.C.E.R. was clearly building on the work of its predecessors. In constructing hydro-electric power facilities to serve the street railways and the increasing demands for light and power, the B.C.E.R. entered a new field of endeavour. The development of water power created problems of potential competition from the Stave Lake Power Company, of securing water rights from three different levels of government, of obtaining financial support and of re-organizing the corporate structure.

As in the case of street railway developments, the directors of the B.C.E.R. first looked to the capital supply and then to the need for expanded facilities in British Columbia. In developing hydro-electric power, the B.C.E.R. faced the same difficulties in raising capital as it did in constructing the street railways. In fact, except for the
issue of Vancouver Power Company debentures, the company made no distinction between capital for hydro-electric power and capital for the street railways. Such a distinction was almost meaningless. Throughout the pre-war years, the main consumer of power was the company's own electric railways. The production of hydro-electric power, or water power as it was usually called in British Columbia, ultimately became the most important part of the B.C.E.R.'s business. The foundations for this hydro-electric power development were laid between 1897 and 1905 and expanded between 1905 and 1913.

The predecessor companies such as the W. & V.T. and the C. R. & L. Company had contemplated the development of one of the many potential water power sites in the Vancouver area. These companies, however, had lacked the necessary financial resources to undertake such a project.

In 1898 Barnard incorporated the Vancouver Power Company for the B.C.E.R. The directors did not think there was sufficient business in view to justify the half million dollar investment necessary to develop hydro-electric power. They decided to construct a new steam plant to serve Vancouver and the New Westminster street railways. They designed the plant in such a way, however, that it could later be adapted for
use in conjunction with hydro-electric power.¹

As traffic developed on the street railway and the number of electric lights doubled between 1898 and 1900, the load on the steam plant increased sharply. The B.C.E.R. hired three separate groups of American engineers to do independent studies of the feasibility of developing water power at Lake Coquitlam. The engineers reported that Coquitlam was an excellent source of power. The B.C.E.R. expected that an expenditure of £146,710 would construct a complete plant capable of producing 6,000 horse power initially, with provision for expansion to a production of 15,000 horse power. The new plant could generate 6,000 horse power at less cost than the old plant could produce 2,000 horse power for an estimated annual saving of almost $60,000. Not only was the Coquitlam project feasible; it offered increased profits.²

Obtaining the water rights necessary to develop the project was difficult. The City of New Westminster claimed that the power development would interfere with its domestic

¹ W.D. Burdis to Buntzen, April 27, 1905, Box 319; British Columbia, Gazette, January 27, 1898, p.248; Hope to Buntzen, April 16, 1898, Box 687; Buntzen to Barnard, May 27, 1898, Box 73; J.M. Campbell (engineer) to Buntzen, June 28, 1898, GMLB, 1898; Buntzen to Hope, May 18, 1900, GMLB, 1900.

water supply. The recently organized Stave Lake Power Company, desiring to prevent the development of the Coquitlam by the B.C.E.R. in order to increase the likelihood of the B.C.E.R. making a deal with the S.L.P., led the opposition to the B.C.E.R.'s application for Coquitlam water.

The B.C.E.R. was prepared to exert various pressures to get these rights. The use of such pressures when the occasion demanded was a characteristic of B.C.E.R. dealings with the local community. The B.C.E.R. persuaded New Westminster to withdraw its opposition by promising not to interfere with the water supply, by offering to provide the city with power and light at two-thirds its present cost and by announcing a plan to erect its new car shops in New Westminster. Horne-Payne also planned to apply pressure on the financial backers of the S.L.P. He hinted that, if John Hendry, a substantial shareholder, did not arrange to withdraw the S.L.P.'s opposition, he would exert pressure on another of Hendry's enterprises, the Vancouver, Westminster and Yukon Railway. 3

If necessary, Horne-Payne would also exert political

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3 Buntzen to F.R. Glover (New Westminster City Clerk), October 12, 1901, GLB, #8; VDP, October 15, 1901, p. 5; November 1, 1901;
The City of New Westminster had a city-owned light and power system which generated power in part by burning sawmill waste.
Hendry held 75 of the 5,850 shares issued by the S.L.P., S.L.R. Minute Book, #1.
pressure to get water rights. He claimed sufficient influence at Ottawa to get quick action on the application. Provincially, he suggested that the company might get the support of Richard McBride, the M.L.A. for Dewdney, by offering him an option on one hundred $10 shares in the B.C.E.R. at $6.10.0. The records do not reveal whether these pressures were actually applied. Nevertheless, the federal government decided that the Coquitlam water rights were a provincial matter; the provincial cabinet removed the question from the jurisdiction of the Water Rights Commissioner, dealt with the matter itself and gave the Vancouver Power Company permission to use 5,000 inches of water from the Coquitlam River plus all the power that could be obtained from nearby Lake Beautiful (Lake Buntzen). The New Westminster Council, late in 1901, consented to the acquisition of land by the Vancouver Power Company at Coquitlam Lake for the dam site and tunnel right-of-way. Later the company discovered that this arrangement was not a permanent solution to the question of Coquitlam water rights.

4 Until September 3, 1901, McBride was Minister of Mines in the Dunsmuir government. His resignation from the cabinet over the appointment of J.C. Brown as Minister of Finance would have reduced his influence in the government.

5 J.A. Gemmill (Ottawa lawyer) to McPhillips, Wooton and Barnard, October 28, 1901, Box 665. The federal government later passed an order-in-council confirming the decision of the provincial government. Buntzen to Horne-Payne, April 25, 1902,
The other immediate problem was raising the necessary capital and organizing the Vancouver Power Company. The shareholders and the B.C.E.R. agreed to guarantee the principal and interest on a £220,000 issue of Vancouver Power Company 4½% debentures. £175,000 worth of these were issued. The British capital market early in 1904 was sluggish; the Vancouver Power Company had to depend on short-term Canadian capital. The debentures were poorly received at first. Before cash began to flow in from the underwriters, the Central Canada Loan and Savings Company, the Vancouver Power Company financed itself with a $100,000 overdraft obtained from the Imperial Bank of Canada on the guarantee of the B.C.E.R. Within eighteen months, however, almost all the bonds were absorbed in England. As work on the power plant progressed, further capital was raised by issuing the remaining £45,000 worth of debentures and by using revenue from the railway company.  

The organization of the new company and the establishment of its relationship to the B.C.E.R. also caused difficulties. The question arose as to whether or not the com-

VPC, Letter Book, #1. W.A. Duncan (New Westminster City Clerk) to B.C.E.R., December 16, 1901, Box 656.

panies should merge or remain separate entities with the
Vancouver Power Company as a subsidiary of the B.C.E.R.
One point of view was to merge the two so that the united
enterprise would be so large that the City of Vancouver
could not afford to buy out the B.C.E.R.'s Vancouver opera-
tions in 1919. The argument against merger was based on the
belief that the water power plant would make the B.C.E.R.
more attractive to the city in 1919. The main reason govern-
ing the decision to keep the two companies separate, however,
was financial. If the companies were merged, "any new prop-
erty acquired such as Water Power Plant, etc. would automat-
ically become security for the new money. Second Mortgage
bonds are always most difficult commodities to sell, and in
the present instance would ...be absolutely unsaleable". A
merger would also upset recently completed financial arrange-
ments for the water power plant. 7

As a result of the decision not to merge, the Van-
couver Power Company remained a separate organization with
its own nominal officers. It sold its entire output to the
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7 Buntzen to Horne-Payne, January 20, 1902; Box 73; Horne-
Payne to Buntzen, January 20, 1902, Box 656. For the legal
dispute see McPhillips to McPhillips, February 15, 1902,
Box 656.

8 A.E. McPhillips, President; F.S. Barnard, Vice-President
and J. Buntzen, Secretary-Treasurer.
B.C.E.R. at a price which covered expenses, depreciation and interest. The interest on Vancouver Power debentures was, of course, guaranteed by the B.C.E.R. The B.C.E.R. in Vancouver loaned the power company some of the funds necessary to meet current expenses even though this created periodic drains on the B.C.E.R.'s own resources.  

Because the B.C.E.R. was ultimately responsible for the expenditures of the Vancouver Power Company, the directors of the railway company soon decided to take full charge of the power company in much the same way as they carefully controlled the B.C.E.R. Indeed, they wanted the directorates of the Vancouver Power Company and the B.C.E.R. to be identical. They desired that the Power Company's meetings be held in London rather than in Victoria. A.E. McPhillips, the President of the Power Company disagreed with this proposal. He stressed the value of a sympathetic local influence in preventing any inroads on the franchise and privileges of the companies. As usual, the directors of the B.C.E.R. made the decision. In 1904, they took over the direct control of


10 Minutes of Board of Directors, May 29, 1903, Box 690; F. Hope to the General Manager, Vancouver, May 30, 1903, Box 626; Hope to Buntzen, August 12, 1903, Box 626; A.E. McPhillips to Buntzen, February 5, 1904, Box 630. It might be possible to explain McPhillips' objections as a defence of a sinecure
the Vancouver Power Company explaining that, as "practically the whole capital has been found here, and by the Railway as a matter of fact, the Directors cannot divert themselves of the whole responsibility to the holders of the Bonds and Shares, and they naturally wish to keep in touch with everything".\footnote{Hope to Buntzen, March 5, 1904, Box 630. The amount of share capital in the Vancouver Power Company was a subject of conflict between British capital and British Columbia practice. Horne-Payne wanted to keep the share capital small -- less than $100,000. But, according to the B.C. Water Clauses Act, a company could not issue debentures for a larger amount than its share capital. Since the V.P.C. expected to issue over $700,000 worth of debentures, it had to issue $1,000,000 worth of share capital to cover this sum and provide for future debenture issues. There was no intention that all the share capital would be subscribed immediately. Buntzen to Horne-Payne, April 25, 1902, VPC, Letter Book, #1.}

Once the funds were on hand, the B.C.E.R. proceeded vigorously with the construction of the project. As the additional expense of about £60,000 seemed justified by increased demands,\footnote{B.C.E.R., Sixth Annual Report of the Directors, 1903, p.5. In 1903, B.C. had the highest percentage increase (297%) of incandescent lights of any province. Labour Gazette, vol. IV (February 1904), pp. 795-796.} it enlarged the scheme in order to have an initial supply of 9,000 horse-power and to provide for expansion to 30,000 horse-power. In December 1903 the but the presidency of the Vancouver Power Company brought him no legal business he would not have had as the company's solicitor. There does not seem to have been a pay scale for Vancouver Power Company officers. Later, directors' fees were set at £50 per annum. (Binder to Buntzen, April 8, 1905, Box 655.)
first power from Lake Beautiful (renamed Lake Buntzen) was received in Vancouver to service the incandescent lighting system. As the weeks passed, more and more hydro-electric power was used in the different branches of the B.C.E.R.'s operations in the Vancouver area. In December 1904, the old steam plant was finally closed except for emergency use.

In Vancouver, the new water power was greeted as the presage of industrial growth. An average reduction of twenty per cent in lighting rates was particularly welcomed. This rate reduction, which had been promised earlier, also "took away the sting" produced by the B.C.E.R.'s purchase from Mackenzie and Mann of the Vancouver Gas Company.\(^{13}\)

\(^{13}\) Mackenzie and Mann had owned the Vancouver Gas Company since 1897. Though rate wars were apparently initiated solely by the local manager of the Gas Company, Horne-Payne considered Mackenzie and Mann to be ultimately responsible. In his work with Sperling & Co., Horne-Payne, who counted the two men among his friends, expended considerable effort on the financing of the Canadian Northern Railways and other Mackenzie and Mann enterprises. To Horne-Payne, business came before friendship. He warned Mackenzie and Mann that if the Gas Company did not stop offering special inducements to new customers, he would cut off their money supply. If this threat did not succeed, Horne-Payne believed the B.C.E.R. was in a better position than the Gas Company to withstand a price war. At the peak of the price war, Mackenzie and Mann were in England. They saw Horne-Payne and negotiated the sale of the Gas Company to the B.C.E.R.

As far as Buntzen was concerned, the timing was inopportune. The Legislature was due to consider amendments to the Vancouver City Charter affecting the B.C.E.R. The amalgamation of the B.C.E.R. and the Gas Company, Buntzen feared, would "give our opponents renewed strength. The Government is weak
Publicly, the B.C.E.R. advertised that its lighting rates were now among the cheapest in Canada. Privately, it admitted that its published rates were much higher than in other Pacific Coast cities. Many consumers, however, were on special rates because of price wars and competition with the Gas Company. By acquiring the Gas Company, the B.C.E.R. strengthened its position by limiting competition.

Far more formidable and lasting as a competitor than the Gas Company was the Stave Lake Power Company. This firm, in spite of its own financial problems was always a latent threat to the B.C.E.R. and a positive nuisance when the B.C.E.R. was seeking water rights.

and would not dare to make our Company's interests a cabinet question, when the City of Vancouver could bring forward as an argument the necessity of competition, now that the existing companies are joining hands". (Buntzen to Hope, November 5, 1903, GMLB, 1903).

The news of the sale, however, was accompanied by an announcement of reduced rates for gas and electricity and a promise to extend gas mains into additional residential districts.

14E.g. VDP, December 22, 1903, p.6; June 18, 1904, p.1; Buntzen to Hope, June 22, 1904, GMLB, 1904; Buntzen to Hope, July 18, 1904, GMLB, 1904.

The B.C.E.R. had earlier informed contract electricity customers that contracts would not be renewed and that meters would be installed. Buntzen reasoned that if customers did not want meters, they would use gas. (Buntzen to Hope, October 27, 1903, GMLB, 1903).
The Stave Lake Power Company was organized in 1901 by some Vancouver businessmen who obtained subscriptions from almost one hundred investors in Vancouver and vicinity. The S.L.P. proposed to develop Stave Falls and to sell cheap power to industrial users in the Vancouver area. The aims of the S.L.P. were a direct challenge to the B.C.E.R. which claimed there was little unfulfilled demand for industrial power in Vancouver. This claim had some validity. Lumbering was the most important industry in Vancouver. The sawmills usually produced their own power by burning waste. Then, as later, the B.C.E.R. lacked the initiative and the abundance of capital necessary to develop demand by making ample power available at reasonable rates and then by seeking markets for it.

At first, the directors of the B.C.E.R. were not worried about the S.L.P.; there seemed little likelihood of the newcomer being able to raise funds to carry out the undertaking. Buntzen, however, feared that if the S.L.P. succeeded, it would disorganize business and cut rates. He suggested that if the S.L.P. tried to raise capital in London, the directors of the B.C.E.R. should have one of the financial papers show it up as "a wild cat scheme".

15 Buntzen to Hope, June 2, 1900, GMLB, 1900.
There is no record of this being done; indeed, at the same

time as Horne-Payne received Buntzen's recommendation, a

representative of the S.L.P. approached him with a proposal

that the B.C.E.R. should buy out the S.L.P.  

In Vancouver there was considerable support for the

S.L.P. as a competitor of the B.C.E.R. The Vancouver Province,

for example, published a number of editorials favouring the

S.L.P. and, by implication, opposing the absentee ownership

and high rates of the B.C.E.R. On March 15, 1901, the editor

wrote:

The company is purely a Vancouver enterprise.

Sixty of the most prominent people in the city are its

stockholders. Every man and woman in the city will

benefit directly or indirectly in its operations. It

is a permanent benefit. . . . The sooner we have cheap

power and light the better it will be for the city.

Cheap power, argued the Province, would lead to the establish­

ment of many new industries in Vancouver and the creation of

large payrolls. In spite of widespread public support for

the S.L.P., there was a reluctance to grant it any special

favours such as a franchise extending beyond 1919.

16 Buntzen to Hope, May 18, 1900, GMLB, 1900; Buntzen to Hope,

July 5, 1900, Box 73; VDP, March 22, 1901.

17 VDP, March 13, 1901, p. 4; March 15, 1901, p. 4; March 18, 1901, p. 4.
When seeking a civic franchise, the S.L.P. promised it would not associate with the B.C.E.R. Nevertheless, J.B. Ferguson, one of the chief promoters of the S.L.P., suggested to Buntzen that if the B.C.E.R. would purchase S.L.P. power, the S.L.P. would not compete for established B.C.E.R. business. The B.C.E.R. showed only a slight interest in buying S.L.P. power or amalgamating with the S.L.P.; the S.L.P., in spite of its serious financial problems, kept the negotiations alive.¹⁸

The B.C.E.R. kept careful watch on its rival. They hoped that the S.L.P.'s lack of financial stability would force it to come to the B.C.E.R. In the meantime, the B.C.E.R. feared the correctness of the Dun and Bradstreet prognosis that the S.L.P. was basically a good proposition which might "meet with considerable success" if the owners raised sufficient capital.

In 1908, the B.C.E.R. had an opportunity to buy out the S.L.P. The discussions on the matter reveal that the local management of the B.C.E.R. was more fearful of com-

¹⁸ J.B. Ferguson to Buntzen, May 9, 1901, Box 493; Horne-Payne to Buntzen, January 20, 1902, Box 656; B.C.E.R. (London) to B.C.E.R. (Vancouver), June 20; 1902, Box 656.
petition than the directors whose main concern was the allocation of the B.C.E.R.'s capital resources. When Sperling learned that Hendry, who had personal business problems, was having to sell his shares in the S.L.P., he advised his directors to offer cost price plus an additional $50,000 to $100,000 for the assets of the S.L.P. Such a purchase would finally eliminate a competitor and would provide the B.C.E.R. with additional power which it would soon need to meet the normal growth of demand.19 The directors were not impressed. They considered Hendry's franchises useless; they were not satisfied that Stave Lake was the best power source in the area; they were reluctant to tie up half a million dollars in unproductive capital and they thought the price too high. Nevertheless, the matter was too important to ignore.20 After considering the matter carefully, the Board decided that their only interest in the S.L.P. was in warding off competition. Therefore, they decided to wait until the S.L.P. was actually operating before buying it out.

In the course of reaching this conclusion, the Board formed a major policy for power development in the greater

19 Sperling to Kidd, November 6, 1908, LFGM, 1908.
20 Kidd to Sperling, December 9, 1909, Box 11A-180.
Vancouver area. They decided that greater Vancouver's population would not be more than 150,000 in 1910 and would be no more than 300,000 in 1920. On the basis of 18 horsepower per 100 people, they would need 54,000 horsepower by 1920. This could be achieved simply by raising the Coquitlam dam. The Board also decided that the money necessary to purchase the S.L.P. could be better used in operating in outlying areas at a loss until these suburbs developed. But, they did not shut the door on a possible purchase of the S.L.P. -- if the price was right.\textsuperscript{21}

A few months later, the B.C.E.R. had another opportunity to consider the purchase of the S.L.P. The Bank of Montreal, which had acquired a large interest in the S.L.P., asked if the B.C.E.R. were interested in acquiring S.L.P. shares. The directors who did not like the idea of negotiating with the S.L.P. were prepared to discuss either an outright purchase, or the buying of power from the S.L.P. in 10,000 horsepower units.\textsuperscript{22} Sperling favoured an outright purchase as did Buntzen and Blundell Brown but Horne-Payne wanted to purchase power only. When the B.C.E.R. ascertained

\textsuperscript{21} Kidd to Sperling, January 14, 1909, Box 11A-180.

\textsuperscript{22} Buntzen to Sperling, May 16, 1909, Box 719.
that the Bank of Montreal had probably loaned money on S.L.P. shares and was trying to dispose of them, the B.C.E.R. ended the negotiations.

The Bank of Montreal was re-organizing the S.L.P. into a new firm, the Western Canada Power Company, in which the Bank had a one-third interest and the Royal Securities Corporation, another third. Through Premier McBride, the new company which had raised about three million dollars made overtures about a possible purchase of the B.C.E.R. This proposal was stillborn, but the newly organized W.C.P. began to cause greater concern for the B.C.E.R. than the S.L.P. had ever done. The B.C.E.R. was particularly fearful of the relationship between the W.C.P. and the C.P.R. Sir Thomas Shaughnessy of the C.P.R. and C.R. Hosmer of the Bank of Montreal held W.C.P. shares. The B.C.E.R. also knew that the W.C.P. had attempted to buy the old Vancouver Electric Light Company charter from the C.P.R. and had heard C.H. Cahan say that the C.P.R. would buy its power from the W.C.P. E.C.E.R. officials in Vancouver believed that the C.P.R. was friendly but the Board was not so certain. At the time, the B.C.E.R. was having difficulty in negotiating a renewal of the V. & L.I. lease.

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More concrete evidence of the threat of the W.C.P. was that company's application for a revision of its charter to allow it to build tramways along highways in all municipalities other than incorporated cities or towns without seeking municipal or other consent. The B.C.E.R. quickly lobbied the municipalities affected and got its friends in the government to secure an amendment limiting the new power of the W.C.P. to building a railway between Stave Falls and Ruskin, a distance of six miles, a line which was clearly designed to serve only the W.C.P. and its employees.

In the fall of 1910, the W.C.P. once more approached the B.C.E.R. about a possible sale of Stave Lake power. Sperling was interested; Hugh L. Cooper, an engineer hired by the B.C.E.R. to investigate power facilities, had reported that the W.C.P. would be able to deliver power to Vancouver within four years. Sperling also knew that the B.C.E.R. could wait and that the W.C.P. would have trouble getting business away from the B.C.E.R. Sperling agreed with the Board's decision to take no initiative in the matter.

Meanwhile, rumours circulated in eastern Canada that a deal between the companies was being arranged. A month after

24 British Columbia, Legislative Assembly, Bill 86, 9-10 Edward VII.
these rumours began, the W.C.P. made a firm offer quoting prices in detail for the sale of power to the B.C.E.R. The B.C.E.R. was interested — if the price were reasonable — since the purchase of power would permit it to abandon plans to develop Jones Lake and defer expensive development at Lake Buntzen. The negotiations, however, did not continue. By developing its plant, the W.C.P. forced the management of the B.C.E.R. to contemplate the reduction of lighting rates in outlying areas where the W.C.P. competed directly with the B.C.E.R. 25

The situation gradually clarified itself. Both the B.C.E.R. and W.C.P. wanted to consolidate the enterprises in one way or another. The W.C.P. hoped that, by cutting rates, it could force the B.C.E.R. to buy out the W.C.P. at a high price. The B.C.E.R. — in spite of its shortage of power and limited distribution system — prepared to meet the challenge, confident that the S.L.P. could not afford a sustained price war. 26

The W.C.P. was anxious to make an agreement with the B.C.E.R. In February, 1912, Cahan suggested that the W.C.P.

25 B.C.E.R. (Vancouver) to B.C.E.R. (London), April 16, 1911, LFGM, 1911; Sperling to Williams, September 30, 1911, Box 42A-696.

26 Urwin to Sperling, December 13, 1911, Box 649.
would sell a temporary supply of power at a lower price than the B.C.E.R. could produce power in its steam plant. At the time, a lack of rainfall and delays in completing a new storage dam at Coquitlam threatened a severe shortage of power. Independently, Sperling asked the Board to consider buying power or the whole of the W.C.P. plant. The power shortage forced the directors to permit Sperling to negotiate directly with the W.C.P.27

As happens in British Columbia, the rains eventually came. Sperling delayed discussions with the W.C.P. Nevertheless, the Board instructed him to seek a permanent agreement and to make certain that the B.C.E.R. was free of competition in the light and railway business.28 The rains continued to fall. Sperling delayed negotiations and referred the question back to London where the principals of both companies were also negotiating. The Vancouver managers of the B.C.E.R. and the W.C.P. discussed temporary arrangements pending the signing of the contract. The negotiations

27 Urwin to Sperling, January 24, 1912, Box 717; Cahan to Horne-Payne, February 23, 1912, Box 713; Sperling to Urwin, March 5, 1912, LFGM, 1912; B.C.E.R. (Vancouver) to B.C.E.R. (London), March 23, 1912, Box 713; Urwin to Sperling, March 26, 1912, Box 713.

28 B.C.E.R. (London) to B.C.E.R. (Vancouver), April 3, 1912, Box 713.
which began in July 1912 were finally completed in February 1913. Under the agreement, the B.C.E.R. promised to purchase a minimum of 5,000 kilowatts of power from the W.C.P. and to take a gradually increasing load over the following twenty years. The companies also agreed that the B.C.E.R. should retain all lighting, heating and elevator business and all sales where the power load was less than 120 kilowatts. The W.C.P. would apparently have a monopoly of power sales where the load was more than 150 kilowatts. The companies would compete freely for intermediate loads.

The B.C.E.R. formally abandoned a field which it had made little effort to develop, the sale of power in large quantities to industrial concerns. The agreement also gave the B.C.E.R. adequate power reserves without the immediate development of Jones Lake and promised the opportunity of developing Alouette Lake in connection with Stave Lake. Most significantly, the agreement spared the B.C.E.R. from making heavy capital expenditures either for its own developments or for the purchase of the W.C.P. plant. The agreement between the B.C.E.R. and the W.C.P. possibly violated recent anti-combines legislation. The Combines Investigation Act of 1910, however, could not be easily applied and the B.C.E.R. was undoubtedly aware of this.

29 Mackenzie King's plan "was to permit anyone who felt aggrieved on account of the business practices of an alleged
The conservative policies of the directors, particularly their willingness to wait, had again paid off for the B.C.E.R. The company had simultaneously accomplished its ends of limiting competition and of providing for future demand without using any of its own capital resources.

Before the B.C.E.R. made its arrangement with the W.C.P. it had continued to expand its Lake Buntzen-Lake Coquitlam hydro-electric facilities. Such expansion was necessary to keep up with the demand for more power from the street railways and from lighting customers. In 1904-1905, for example, the B.C.E.R. carried 10,353,451 passengers; eight years later, the figure was 71,973,822. The number of lamps connected showed a similar increase rising from 136,512 to 920,916. The number of commercial power customers had an even greater proportional increase from 246 in 1906 to 2,555 in 1912. The largest single power customers after the street railway were the sawmills. Power was also used for freight combine or monopoly to apply to the courts for the establishment of a board of investigation. If the applicant could make out a prima facie case the court would order the establishment of a board..." to investigate. H.S. Ferns and B. Ostry, The Age of Mackenzie King, London, Heinemann, 1955, p. 104.

30 See Appendix 5.
elevators, woodworking shops, machine shops, foundries, printers, bottling works, and so forth. In 1910, the B.C.E.R. had to delay introduction of passenger service between New Westminster and Langley because of a shortage of power.

The shortage of power meant that the B.C.E.R. made relatively little effort to promote power sales. Company records suggest that the B.C.E.R. made almost no effort to integrate power and freight sales by offering special concessions in one part of its business, for example, railway sidings, in order to get power business. The only positive action which the B.C.E.R. took to encourage power sales was the promotion of the sale and use of small household appliances such as irons and toasters which were used in off peak hours.

Although the B.C.E.R. had not developed power facilities in advance of demand, it had made provision to cope with a gradually increasing demand. The Lake Buntzen-Lake Coquitlam plant had been designed to permit easy expansion. After the original 9,000 horse-power plant came into operation in 1905, the B.C.E.R. continually increased its capacity. By October, 1913, the combined plants at Lake Buntzen-Lake Coquitlam were capable of producing 64,000 horse-power.31

The expansion of these facilities created major engineering problems including the enlargement of the original 12,650 foot tunnel between the two lakes and the construction of a 100 foot high dam on Lake Coquitlam. The engineering problems were solvable; the financing even of expensive projects was relatively easy in buoyant times; the difficult question was obtaining additional water rights. It was this question of water rights which at one point had brought the B.C.E.R. and the W.C.P. into direct competition.

The question of Lake Coquitlam water rights was unusually complicated because of the uncertainty of the jurisdiction of the federal and provincial governments; the interest of the City of New Westminster in protecting its domestic water supply; the concern of the Municipality of Coquitlam to prevent flooding; and the continuing endeavours of the S.L.P. Company to thwart the B.C.E.R.'s developmental plans in such a way as to make the B.C.E.R. a supplicant at the hands of the S.L.P.

In 1901 the federal government had seemingly surrendered any claim to its control of water rights within the railway belt.32 Six years later, arguing that its control of navig-
able waters superceded any provincial claims to water rights. Ottawa asserted that the Coquitlam was a navigable river and that the proposed B.C.E.R. dam would keep salmon from their spawning grounds. In the meantime, the federal government had granted the use of Coquitlam water to the City of New Westminster for its domestic water supply.  

The negotiations between the B.C.E.R. and the different levels of government over this matter of the Coquitlam water rights shed considerable light on the relationship between a large company dependent on favours from government, and the politicians who could grant such favours. Through the work of Col. A.T. Thompson, a professional lobbyist; F.R. Glover, the B.C.E.R.'s executive trouble shooter; and Ralph Smith, M.P., the B.C.E.R. secured Orders in Council canceling the land grant around Lake Coquitlam to New Westminster and authorizing the Minister of the Interior, Frank Oliver, to lease these lands to the Vancouver Power Company. After the Minister visited Lake Coquitlam in October 1909, he confidentially informed Glover that as soon as the Public Works Department approved the dam plans, he would approve the leasing of the lands to the Vancouver Power Company. All fight which ended in 1910 when the Judicial Committee of the Privy Council ruled that ungranted land in the railway belt was Dominion Crown land. See Robert E. Cail, "Disposal of Crown Lands in British Columbia, 1871-1913," University of British Columbia, M.A. Thesis, 1954, pp. 225-235.

33 Sperling to Horne-Payne, March 2, 1909, Box 719.
seemed well. Then, the City of New Westminster, its Board of Trade and the Municipalities of Coquitlam and Richmond -- possibly encouraged by J.J. Hendry of the S.L.P. who was present -- met Oliver at a three and one quarter hour meeting and outlined their objections to the dam. Oliver, who did not find their arguments convincing, agreed to let them have until December 1, 1909 to present a case to a cabinet committee in Ottawa.  

The S.L.P., re-organized in 1909 as the Western Canada Power Company, was anxious to prevent Lake Coquitlam from falling into the hands of the B.C.E.R. since possession of Coquitlam water rights would make the B.C.E.R. less anxious to negotiate with the W.C.P. Hendry told several federal Liberals that his company would spend up to $100,000 to prevent further development of the lake by the B.C.E.R. Through its Montreal financial backers, the W.C.P. also seemed to have influence with the Hon. William Pugsley, Minister of Public Works.

34 Glover to Sperling, September 8, 1909, Box 719; B.C.E.R. (Vancouver) to B.C.E.R. (London), October 18, 1909, Box 719.

35 Glover to Sperling, January 7, 1910, Box 717; Glover to Sperling, January 3, 1910, Box 717; Glover to Sperling, January 5, 1910, Box 717. Hendry had spoken to Senator Hewitt Bostock, Hon. William Templeman (Comox-Atlin) and Ralph Smith (Nanaimo).
In the meantime, Hugh Guthrie, M.P. (Conservative - Wellington South) acting for the City of New Westminster, submitted evidence suggesting that the cancellation of the land grant to the city was illegal. Most members of the government, including Sir Wilfrid Laurier, seemed sympathetic to Oliver and the B.C.E.R. Pugsley, however, tended to agree with Guthrie's interpretation of the law. As time passed, the Prime Minister appeared less sympathetic. Glover, Smith and Robert Kelly interviewed influential members of the House and pressed their case. They told several members that if the Liberal party were to make any progress in British Columbia -- it held only two of the province's seven seats -- "it would have to stand by its friends". This is rather convincing evidence that the B.C.E.R. conferred favours on the Liberals at federal election time.

Certainly the British Columbia Liberals expected favours from the B.C.E.R. The lobbying tactics outlined below illustrate the need of the company to gain the favour of the government and the government's use of the company for partisan political purposes. It is well to remember too that the B.C.E.R., like Canadian voters, could simultaneously

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36 Glover to Sperling, December 3, 1909, Box 719; Glover to Sperling, January 3, 1910, Box 717; Glover to Sperling, January 5, 1910, Box 717.
support opposing political parties at the federal and provincial levels. At the same time as the B.C.E.R. was courting the Liberal government in Ottawa for favours in matters of federal concern such as water rights within the railway belt, it was working with the Conservative government in Victoria on matters of provincial concern such as the relationships with the municipalities.

One of the continuing problems of the Liberals in British Columbia was the lack of a party newspaper in Vancouver. Laurier refused to provide financial backing for such an organ from national funds. William Templeman, the senior Liberal in the province and the major shareholder of the Victoria Times, decided to start a new Liberal daily in Vancouver with himself as managing editor. Robert Kelly, the Vancouver Liberal who assisted Glover in lobbying the cabinet, reported that if some of the B.C.E.R.'s friends would take $25,000 worth of stock in the new paper, Templeman would go with Glover and get the matter settled "at once". "In other words," Glover explained, "the Prime Minister who was anxious to see his party strengthened in B.C. would set aside his scruples regarding the cancellation of the Coquitlam Lake land grant, and for the good of the Liberal cause accept the way out of the difficulty which the Justice Department has furnished". Sperling favoured
the proposition; the Board, after several days deliberation, reluctantly decided that if participation in the newspaper were "absolutely essential", they would consent if the government also granted the B.C.E.R.'s rights on the Chilliwack River and on the foreshore of False Creek.37

Laurier, however, expressed greater concern for justice than for the political situation; he could not uphold an illegal cancellation of the land grant to New Westminster. Expressing a desire to find a solution, he promised to refer the matter to the Cabinet. In the Cabinet, only Laurier and Pugsley opposed the B.C.E.R.'s case. After reviewing the evidence, they agreed to reconsider. Glover and his friends put direct pressure on Pugsley. The next day, Templeman and Kelly interviewed Pugsley but got little satisfaction. Ralph Smith then saw Pugsley, told him the B.C.E.R.'s case was just and presented an ultimatum: he would fight to the finish and, if necessary, "change his attitude on certain matters which Pugsley was having some difficulty in getting through the Public Accounts Committee..." Smith also

arranged for Pugsley's chief supporter in New Brunswick
to convey the same ultimatum. Glover had two interviews
with Pugsley's son, a Montreal lawyer and "an exceedingly
nice young chap", and offered him "either a good fee or a
position on our legal staff at $1500 per annum, if he could
induce his father to see our case through". 38

Pressure on Laurier and Pugsley and the promise of aid
to a Liberal newspaper finally convinced the Cabinet to ap­
prove the B.C.E.R.'s application for access to land around
Coquitlam Lake and to confirm the cancellation of the grant
to New Westminster. 39 As part of the same negotiations,
members of the government assured the B.C.E.R. of favourable
consideration of its application for water rights at Jones
and Chilliwack Lakes.

Although the B.C.E.R. had gained access to the land
around Lake Coquitlam, the City of New Westminster still had
a claim to part of the water for its domestic water supply.
The City argued that it required 5,000 inches to supply its
own needs and those of adjacent areas such as Richmond

38 Glover to Sperling, January 11, 1910, Box 717; Glover to
Sperling, January 13, 1910, Box 717; Glover to Sperling,
January 17, 1910, Box 717.

39 There is no evidence of aid being given to such a news­
paper. Glover to Sperling, February 7, 1910, Box 717.
and Port Mann and parts of Burnaby and Coquitlam. Such a large demand would make serious inroads on the B.C.E.R.'s supply. In order to get the city to reduce its claim and to withdraw its objections to the Federal Order in Council, the B.C.E.R. voluntarily proposed to improve the city's street railway service and to reduce interurban fares slightly.\textsuperscript{40} The negotiations with the city dragged on intermittently over several years -- the B.C.E.R. saw itself as a useful political whipping boy for Mayor John A. Lee. Nevertheless, the company proceeded with the development of the Coquitlam dam without making final arrangements with the city for the sharing of water.

Because of the need for long range planning of hydro-electric power facilities, the B.C.E.R. Board authorized engineering studies of such potential water sites as the Lillooet (Alouette) River, Pitt Lake, the Chilliwack River, the Indian River and the purchase or staking of rights on any other suitable sites. Not all of the power sites were suitable; the most promising was the Lillooet River which was controlled by the Burrard Power Company.\textsuperscript{41}

\textsuperscript{40} Glover to Secretary (London), February 25, 1911, LFGM, 1911; VDP, February 21, 1911, p.2.

\textsuperscript{41} The Burrard Power Company was organized in 1906 by Hermon and Burwell, a Vancouver engineering firm, which received a
The B.C.E.R. was interested in the Lillooet water power for its own sake either as a bargaining tool with the S.L.P. or as a possible site for future development on its own in conjunction with Stave Lake. The Board decided to purchase the Burrard Power Company to prevent any promoters from attempting to blackmail the B.C.E.R. into buying water rights on other streams at inflated prices and to "checkmate the Stave Lake and prevent their expanding into a really large proposition". Under its long range plans, the B.C.E.R. did not expect to develop Lillooet until 1916 but the Board agreed to spend a small sum to secure the rights. As demands for power increased and after the completion of further engineering studies, the management recommended that, for economic reasons, the Lillooet should be developed to 12,000 horse-power. The management also advised early action to prevent the City of Vancouver from claiming the Alouette as a source of domestic water. The B.C.E.R. did not want a repetition of the grant of 25,000 miners' inches of water on the Lillooet River from the federal government. The Burrard Power Company received its greatest prominence as the principal in a test case to determine whether the federal or provincial government owned the water rights in the railway belt. Hermon and Burwell were anxious to sell the Burrard Power Co., but their original price of $150,000 was too high. Eventually, Robert Kelly who was assisting the B.C.E.R. as a lobbyist in Ottawa purchased an option in the Burrard Company which he then sold to the Vancouver Power Company for $1.00.

42 Kidd to Sperling, May 4, 1910, Box 17-257; Sperling to Kidd, October 11, 1910, London Letter Book, #7; Williams to
problems it had had with New Westminster. The conclusion of the agreement with the W.C.P., however, delayed the need to develop any new power source on the Mainland.

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On Vancouver Island, the B.C.E.R. had developed hydro-electric power at an earlier date than on the mainland and had encountered fewer complications. In Victoria, operations were on a much smaller scale; the capital requirements were considerably less. Thus, in 1898, the B.C.E.R. inaugurated a 720 kilowatt hydro-electric plant at Goldstream, twelve miles from downtown Victoria. Over the next few years the Goldstream plant was gradually expanded to supply the demand for the highly profitable domestic and commercial light. Limitations on the availability of water from the Esquimalt Water Works Company prevented the B.C.E.R. from enlarging its facilities to serve new industries such as Butchart’s proposed cement works.

By 1905, B.C.E.R. engineers were investigating potential water power sites on southern Vancouver Island. The company also began to canvass favourable public opinion in Victoria by promising to reduce rates as soon as a new hydro-electric project could be completed. The power situation continued to

Glover, April 6, 1911, Box 17-257.
deteriorate. A prolonged dry spell in 1908 interrupted street railway service, cut off electric lighting during certain hours and forced the use of the expensive steam auxiliary plant. The Victoria branch had "reached the point when the maximum of revenue was received out of the expense of running the water power to the limit". 43

The desperate need for power to keep pace with the growth of Victoria and favourable engineering reports encouraged the B.C.E.R. to develop the Jordan River. Abandoning its policy of having only one major project underway at a time, the Board authorized Sperling to proceed with the development of the Jordan River simultaneously with the construction of the Fraser Valley branch, "provided satisfactory arrangements can be made with [The] municipality for our protection". 44

The Victoria City Council was slow to act on the introduction of a "protective clause" in its charter. In the meantime, the demand for power increased; the margin between supply and demand diminished. Finally, early in June 1909 the Local Advisory Committee and management decided that to provide for peak loads by October 1910 it was essential to begin construction

43 Goward to Sperling, December 22, 1908, Box 463.
44 Kidd to Sperling, January 28, 1909, Box 699.
immediately. Local officials of the B.C.E.R. did not consider the "protective clause" to be worth the promised concessions. The Board, however, repudiated the idea of proceeding without a "protective clause" advising that "until such protection is received, we must increase steam plant to meet absolute necessities, and Victoria must be satisfied with limited service".45 Before a confrontation between the Board and management occurred, the city made definite plans to introduce a "protective clause".46 Work on the Jordan River plant began in the fall of 1909; the first stage of development was completed in 1912. The opening of the Jordan River plant permitted the B.C.E.R. to service heavy industries such as Butchart's cement plant. The company, however, had not strayed far from its policy of developing large scale power only when it had an assured market; Butchart had signed a contract agreeing to take a minimum amount of power annually.

Throughout the era of expansion the B.C.E.R. had followed a cautious programme in the development of hydro-electric power. It developed its facilities at a rate which usually kept pace with demand but did little to create that demand. During these years, the street railway was the leading customer

45 Sperling to Goward, June 2, 1909, Box 29A-408; B.C.E.R. (London) to B.C.E.R. (Vancouver), June 30, 1909, Box 29A-408.
46 See supra., pp.137-140
for hydro-electric power. Although the public frequently requested street railway extensions, there was no concerted public demand for large scale expansion of hydro-electric power facilities. The public, as well as the company, lacked the imagination to realize the variety of industrial uses for which hydro-electric power could be used. Because there was no outstanding potential power source within proximity of Vancouver or Victoria -- there was no equivalent of Niagara Falls in British Columbia -- there was no natural stimulation to the imagination of either the public or the B.C.E.R.

In developing hydro-electric power, as in the construction of street railways, the B.C.E.R. had close relations with government. In Victoria, it used the promise of new power development with limited success as a lever in securing favours from the city. On the mainland, the B.C.E.R. was utterly dependent on the co-operation of all three levels of government in its efforts to develop hydro-electric power. On the mainland, of course, the B.C.E.R.'s interests were challenged by the presence of an active competitor, the S.L.P. which was the only company of any kind ever to pose a serious threat to the B.C.E.R.'s practical monopoly of street railways and hydro-electric power. The B.C.E.R.'s
greater capital resources, however, gave it a superior position to the S.L.P. and any other potential rival. These capital resources and the careful use of them by the directors were the key to the B.C.E.R.'s success.
CHAPTER V

ANXIOUS TIMES, 1913-1919

In 1912 new records were set in British Columbia bank clearings, population statistics and building permits. The previous fifteen years had been a period of great expansion of economic activity. Two new transcontinental railways and numerous branch lines were being built with borrowed money. Rapidly growing western municipalities had readily financed the construction of public works largely by the sale of bonds. Even though barometers of economic activity suggested prosperity, there were faint signs of financial difficulties. The City of Vancouver, for example, was unable to float a bond issue on the London market.\(^1\) These faint signs were the portents of grave problems.

The outbreak of war in the Balkans in 1912 began a period

\(^1\) B.C.E.R. (London) to B.C.E.R. (Vancouver), March 8, 1912, Box 192.
of international financial stringency. Canada was particularly hard hit. By early 1913 there was a glut of Canadian provincial and municipal bonds in London. Since British Columbia was dependent on overseas investment, the collapse of the financial markets triggered the end of real estate speculation which had provided a highly artificial base for much of her boom. The decline in real estate interest affected the construction industry and in turn, the lumber business. In 1913, British Columbia was definitely in a depression. The outbreak of the European war in August 1914 was a further complication.

Locally, the B.C.E.R. first noticed the depression when receipts began to level off rather than rise as new lines came

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2 In 1913 Horne-Payne advised British investors to boycott Canadian municipal shares. He argued that borrowing by Canadian cities had been forced and badly regulated. Because of Horne-Payne's position as Chairman of the British Empire Trust Company and a director of the Canadian Northern Railway and the B.C.E.R., his remarks were given considerable publicity in London and in Canadian newspapers. The general Canadian reaction was critical of Horne-Payne's warning until he explained that he had really meant that investors should have no fear of Canadian issues as the general loss of confidence in Canadian investment was the result of unwise municipal borrowings rather than a fundamental weakness in Canada. The fact that Horne-Payne's initial statement led to widespread Canadian reaction is indicative of the influence Canadians believed him to have. The Financial Post, however, noted that there was little interest in Horne-Payne's speech in England. (Horne-Payne to Sperling, June 22, 1913, Box 106-1435; VDP, June 25, 1913, p.1; The Financial Post, June 28, 1913).
into operation. Receipts per car mile fell sharply; the receipts for September 1913, for example, were fourteen per cent less than those for the corresponding month a year earlier. On Vancouver Island, business on the Saanich line simply did not develop. Many workingmen who had settled in Saanich were now unemployed, they no longer commuted into the city and complained that the 15¢ fair made it impossible for them to travel. During its first four months of operation, the Saanich line earned less than $4,000 above expenses and depreciation to pay interest on the capital investment of almost $800,000. Fraser Valley traffic also failed to reach expectations. During the real estate boom much land had been withdrawn from cultivation, subdivided and held for speculation. Along the Burnaby Lake line there were few new settlers. In North Vancouver, financial stringency was the "principal topic of conversation", as traffic steadily decreased. On Lulu Island, the introduction of a motor bus from Woodward's Landing took away the profitable long haul passengers. In Queensborough, service was discontinued. In other suburbs, similar stories could be told.  

3 Sperling to B.C.E.R. (London), October 31, 1913, Box 727; "Petition from property owners along line to Deep Cove" to McBride, August 19, 1913, McBride Papers; E.F. Adams (B.C.E.R. accountant, Victoria) to G.M. Tripp (superintendent), November 21, 1913, Box 40–269; Purvis’ Report for year ending June 30, 1914 (Fraser Valley Branch), Box 438; British Columbia, Royal
When the financial depression began, the B.C.E.R. was more fortunate than many Canadian enterprises. Early in 1913 it succeeded in having an issue of £750,000 worth of 4\% debenture stock oversubscribed. This, however, was the last occasion on which the B.C.E.R. was able to raise new funds easily. As the financial situation deteriorated, the company had to restrict expenditures. In May 1913, the Board advised the management "to drastically cut down all capital expenditures not immediately remunerative as it is very probable that it will be impossible to raise further new capital this year". Less than a month later, the Board postponed all capital expenditures except those necessary to complete the Jordan River and Lake Buntzen power projects. At the same time, the management began to reduce office staff and service as economy measures. In October 1913, the underwriters had to take up seventy per cent of a B.C.E.R. debenture issue and the debentures sold at ten points lower than previously. The directors saw "no prospect of raising funds for a long time". The stockholders, who were particularly upset by the fact that shares which had sold as high as 148 were now only worth 113.

Commission on Agriculture, Report, Victoria, King's Printer, 1913, p. 9; A.G. Perry (manager, North Vancouver) to Sperling, March 3, 1913, Box 330.
opposed any increase in the company's authorized capital. When war broke out, the directors advised a further curtailment of expenditure. With the exception of some paving and track work in South Vancouver, there was little new in the way of economies that could easily be introduced.\(^4\)

In order to compensate for declining returns, the B.C.E.R. had to seek methods of increasing its revenue. This could be accomplished most readily by raising fares on the street railway which was subject to a relatively inelastic demand or by increasing sales of electric power.

One of the first steps taken to increase revenue was to raise street railway fares. Under the 1901 agreement with the city, the B.C.E.R. could charge a maximum five cent fare within the city. Over the years, the introduction of various kinds of tickets had reduced fares considerably below this sum. Early in 1913, the Board urged management to consider raising fares to counteract declining revenues, increased costs and special expenses resulting from the provincial government

\(^4\) B.C.E.R. (London) to B.C.E.R. (Vancouver), January 9, 1913, Box 187-1243; B.C.E.R. (London) to Sperling, February 3, 1913, Box 648; B.C.E.R. (London) to B.C.E.R. (Vancouver), May 21, 1913, Box 76-1202; B.C.E.R. (London) to B.C.E.R. (Vancouver), June 9, 1913, Box 76-1206; B.C.E.R. (London) to Sperling, October 14, 1913, Box 716; Sperling to McBride, January 8, 1914, Box 105-1424.
tramway regulations. Sperling advised delaying this action until the conclusion of the legislative session and until the announcement of increased fares could coincide with an announcement of increased wages for employees. Thus it was not until September that the B.C.E.R. advised the public that, effective September 18, 1913, all but children's and workingmen's tickets would be replaced by a straight five cent fare.

In order to soften the blow of higher street railway fares, the B.C.E.R. simultaneously announced that it would reduce lighting rates in South Vancouver and Point Grey at the beginning of 1914. Because of the response of light and power costs to the economies of large scale production, the company could well afford these reductions. Since 1897 the B.C.E.R. had gradually reduced domestic lighting rates as cheaper hydro-electricity replaced costly steam-generated power. In 1897, the average Vancouver consumer of 30 k.w.h. per month paid $5.40 for light; in 1914, he paid only $2.64, the rate set in 1909.5 In suburban areas where settlement

5 See table in Box 26-368. In New Westminster where the city owned the distribution system, the rate for 30 k.w.h. was also $2.64. Reductions in the costs of lighting were general throughout Canada. According to statistics prepared by Jacob Viner, the price of electric light = 100 in 1900 and 70.7 in 1913. Viner attributed the fall in price to the fact that electric lights were supplied by municipal plants or by
was less and distribution costs correspondingly greater, the rates were higher.

Early in 1913 the directors had decided to reduce rates in the suburban areas. The Board believed that any loss in immediate revenue would be more than offset by the increased use of the light. They also hoped that the equalization of city and suburban rates would encourage settlement in the suburbs and hence increase railway earnings. Rate reductions in suburban areas might also forestall criticism of the B.C.E.R.'s arrangement with the W.C.P. Company. The W.C.P. had been a serious potential rival to the B.C.E.R. in suburban areas such as Point Grey.

The main concern of the B.C.E.R., however, was to allay the public which was beginning to agitate for the appointment of a Public Service Commission. Because almost all of the company's profits had been earned by the lighting division, 

private companies under public regulations, to improvements in production methods and to increases in population which reduced unit costs. (Jacob Viner, Canada's Balance of International Indebtedness, 1900-1913, Cambridge, Harvard University Press, 1924, p. 245).

The fall in B.C.E.R. rates was relatively greater than average. These reductions must be attributed to reduced production and distribution costs. The B.C.E.R. was privately-owned and was not subject to any formal public regulations. The company, however, was aware of public opinion and good will and occasionally made voluntary reductions in order to retain public support.
the B.C.E.R. did not want any outside agency to investigate lighting rates. The B.C.E.R. which quoted rates as low as two cents per k.w.h. to large commercial users well knew that its average charge of seven cents per k.w.h. was the highest average rate for light and power of any company on the Pacific Coast and, with the exception of Halifax, Quebec City and some small communities, the highest rate in Canada.  

The announcement of reductions in suburban lighting rates did not prevent the development of agitation against the increased street railway fares. These reductions did not assist city residents. In any event, to most consumers the monthly electric light bill was a normal household expense and perhaps even represented a slight touch of luxury. Increased street railway fares, however, were a twice daily reminder of the B.C.E.R.'s high charges. Ratepayer and labour organizations condemned the B.C.E.R.'s decision to restore the full five cent fare, advocated the establishment of a public service commission, called on municipal councils to act and advised a boycott of the B.C.E.R. Mayor T.F. Baxter of Vancouver asked the B.C.E.R. to make some concessions and suggested  

6 Urwin to Sperling, August 22, 1913, Box 711. Minutes of Management Meeting, February 14, 1913, Box 105-1430.
that if these were impossible, the Council would like to discuss the immediate purchase of the B.C.E.R. The Board, realizing that this proposal was a "red herring," agreed to such a discussion. The idea of purchase, however, seems to have died in Council Committee. Gradually, agitation against the fare increase declined. The five cent fare remained in effect.

Raising the charges for its services was only one of the ways in which the B.C.E.R. could increase revenues. It could also promote the sale of electric power. This was something new for the B.C.E.R. In spite of its past conservative policies towards new developments, the B.C.E.R. by 1914 had a surplus of power as a result of the expansion of its own plant and its agreement with the W.C.P. The decision to enlarge the tunnel and dam at Lake Buntzen-Lake Coquitlam had been made in 1911 when rates of growth of power demand had been averaging about twenty-five per cent per year and had gone as high as fifty-three and a half per cent. In 1913, the peak year for power production on the mainland, 173,335,646 k.w.h. were produced. Management then estimated that the average annual increase would be fifteen per cent over the next five years.
years. Instead, in 1914 and 1915 there was an average annual decrease in power demand of ten per cent. At that time, many power-using industries were closing. In spite of a decline in total consumption, the peak load remained almost constant. In a sense then, the B.C.E.R. had not over-developed its power capacity but it had plenty of surplus power in off-peak hours. Because fixed costs loom large in hydro-electric power production and variable charges are comparatively minor, the sale of surplus power would represent pure profit even if the price were unusually low.

To sell all its surplus, the B.C.E.R. reversed its apparent policy of sitting back and waiting for customers to come to it. Its activity in seeking customers, however, was limited by the agreement with the W.C.P. which reserved large power sales for the latter company. It was possible, of course, that this contract might be revised if the W.C.P. were unable to deliver promised power on time. In the meantime, the B.C.E.R. promoted the sale of electric Toasters, irons and coffee percolators. As in the case of the Campbell River Lumber Company of White Rock which purchased electric motors

from the B.C.E.R., the company also assisted new industries to a limited extent by helping them with financing. As a matter of policy, however, the Board decided that the "financing of industries for the purposes of selling power was a dangerous expedient unless very wisely controlled".  

In seeking markets for surplus power, Kidd, who had succeeded Sperling as general manager in the summer of 1914, began to grasp at any straw in the wind. He even considered going into the business of manufacturing nitric acid by extracting nitrogen from the air through a process which required large quantities of cheap power. Unfortunately, the man who held the patent on the process, a Dr. Halas of Portland, Oregon, was a native of Austria and, under wartime regulations, an enemy alien. The scheme fell through. A more likely prospect for large power sales was the Britannia Mining and Smelting Company. After investigation, however, the B.C.E.R. concluded that there was little likelihood of a market there. Kidd continued to examine a variety of reports of mining companies and timber firms proposing to operate at such points as Pitt Lake and Indian River. He also asked the

9 Horne-Payne to Kidd, May 7, 1917, Box 68; See Box 75-1194 for examples.
provincial Minister of Mines to keep the company informed of any mining operations proposed for the mainland. The B.C.E.R. quoted low rates to the promoter of an electric smelter for Vancouver; they surveyed the possibility of using electric furnaces in local foundries and offered to quote on the electrification of the Great Northern Railway. None of these projects came to fruition.¹⁰

Kidd recommended that the directors participate in a campaign for the establishment of new industries and shipping facilities in Vancouver. He suggested asking B.C.E.R. shareholders to use whatever influence they could to advertise British Columbia and the large quantity of cheap power available "with a view to the establishment of industrial concerns". In a patriotic appeal he warned that if English investment did not continue, the development of the province might be left to Americans. The directors, however, rejected Kidd's suggestions because of the unfavourable attitudes of the provincial and municipal governments towards the company.¹¹


¹¹ Kidd to Urwin, September 11, 1914, London Letter Book #1; Kidd to Urwin, November 15, 1915, LFGM, 1915; Urwin to Kidd, December 17, 1915, Box 94.
In spite of its many problems: a shortage of new capital, declining revenues, the threat of difficulties with local governments and a critical public, the B.C.E.R. was better off than many other companies. Having just completed a major expansion programme, the B.C.E.R. did not need developmental capital for street railways and was able to postpone consideration of future hydro-electric power developments. The conservative fund-raising policies of the past also meant that the company did not have a heavy burden of debt. Although the company did have to suspend dividend payments during several of the anxious years it was able to meet interest payments either from current revenues or from reserves. These reserves -- in 1918 the B.C.E.R. had six million dollars worth of liquid assets -- were embarrassingly high. The reserves meant that although the company did have many anxious moments, its position was basically sound.

In explaining its situation to the British Columbia public, the B.C.E.R. habitually stressed the dismal side of the picture. This was a deliberate measure designed to justify company requests for increased fares, for government regulation of competition in the form of jitneys, and for wage reductions for employees. On occasion, the B.C.E.R. even risked depressing the market value of its shares by publishing
accounts of its difficulties in the British financial press. It hoped that pressure from shareholders would influence the provincial government into passing legislation designed to protect the B.C.E.R. from competition which threatened to undermine the value of most of its street railway investment.

Late in November 1914 jitneys began to operate in Victoria, offering a five cent fare on prime passenger routes. A few days later, similar vehicles appeared in Vancouver. The jitneys were a Los Angeles invention; the idea had quickly travelled up the coast. The jitneys were usually ordinary passenger automobiles whose driver-owners cruised along major thoroughfares seeking passengers. The jitney had many advantages over the street railway. It had no fixed routes or schedules -- most jitney drivers travelled along the main street car lines a few minutes ahead of the street car in order to pick up the cream of the passenger business. Not being subjected to any public regulations, the jitneys usually did not operate in sparsely settled areas or during slack hours. Often, they transported more than the five to seven passengers they could safely carry. The jitneys offered faster service -- twenty-five to thirty minutes through the
Fairview belt line as opposed to forty-two minutes on the street car -- and because of the crowding and speed, a cheap thrill. The jitney driver who did not have to construct or maintain a right-of-way or carry any kind of accident insurance also had a low overhead.

By mid-January 1915 there were sixty-eight jitneys operating in Victoria causing an average daily loss of $450. to the B.C.E.R. In Vancouver, there were over one hundred jitneys. By the end of January there were more than two hundred and fifty jitneys active in Vancouver causing an average daily loss of $2,000. to the B.C.E.R.12 The jitney was a major cause of the drastic decline in the number of passengers carried from 63,429,023 in 1914 to 46,330,096 in 1915 and in revenues from $7,188,346. in 1914 to $5,873,594. in 1915.13

Kidd's first reaction to the appearance of the jitney was to send W.G. Murrin, F.R. Glover and Geoffrey Porter, three of his senior officials, to the United States to ascertain the methods of American street railway companies in combatting jitney competition.


13 See Appendix 5.
With the Board, Kidd also reconsidered an idea first
discussed in 1912, that the B.C.E.R. operate motor buses it­
self. Sperling, who was now in England as assistant to
Horne-Payne on B.C.E.R. matters, investigated motor buses
and reported in favour of a company-owned motor bus service.
After contemplating the state of the roads in Vancouver, pos­
sible franchise complications and difficulties in securing
equipment, Kidd and the directors rejected the idea of having
their own motorbuses.

The coming of the jitney also forced the management to
review the fare question and to examine the possibility of
reducing fares to as little as eight tickets for twenty-five
cents as a means of winning passengers back from the jitneys
and possibly driving the jitneys completely out of business.

14 In 1912, Joseph Martin, a former premier of the province,
had presented a scheme to introduce motor buses within the city
of Vancouver but failed to get a franchise or raise the nec­
essary capital.

Motor buses had appeared in England in 1903-1904. By 1907
there were nine hundred in London. (J.H.Clapham, An Economic
History of Modern Britain, Cambridge University Press, 1938,
vol. III, p. 141.) In 1912, G.P. Norton, a director of the
B.C.E.R. suggested that the company form a separate company
to enter the motorbus business in Vancouver. Local management,
fearing franchise complications and observing that the lack
of suitably paved and graded roads would keep both the B.C.E.R.
and any possible competitors out of business for some years to
come, rejected the idea. (Norton's memo to the Directors,April
26, 1912, Box 62A-1163;Minutes of Meeting of Management,May
16, 1912, Box 62A-1163.

15 Kidd to Urwin, November 27, 1914, Box 62A-1163;Sperling's
Report to the Directors, February 12, 1915, Box 62A-1163;
Although the members of the Board opposed fare reductions lest the jitneys be regarded as "public benefactors", they reluctantly accepted Kidd's proposed fare reductions. After an extensive publicity campaign drawing attention to the reduced fares, the B.C.E.R., on May 3, 1915, introduced "Tango Tickets" which sold at eight for twenty-five cents. Ten days later, fares on the interurban between Vancouver and New Westminster were reduced in order to compete with the jitneys on Kingsway. The fare reductions resulted in a sharp increase in traffic, a decline in the number of jitneys and a slight drop in revenue. The cheap tickets checked the general decline in business. On January 1, 1916, however, "Tango Tickets" were replaced by six for twenty-five cents tickets.¹⁶

The company's major method of attempting to combat the jitney competition was not surprising in the light of the B.C.E.R.'s long history of seeking government assistance. Kidd asked Attorney-General Bowser to regulate the jitneys and their operators by imposing strict safety rules and by forcing the

Porter to Kidd, February 16, 1915, Box 62A-1163.

¹⁶ Urwin to Kidd, April 15, 1915, Box 62A-1163; Kidd to Urwin, July 2, 1915, LFGM, 1915; Press Release, December 27, 1915, Box 43B-723. The "Tango Tickets" were given their catch name from the colour of the paper on which they were printed.
jitney operators to contribute to the costs of maintaining the streets. To strengthen this request, Kidd twice visited Premier McBride and had Horne-Payne remind the premier of the unfairness of "unregulated competition, and its certain effect on our future extensions and ability to give employment". A week later, Horne-Payne cabled the Premier that "the price of the Company's stocks is the Stock Exchange's barometer of British Columbia conditions and general credit...." Horne-Payne also advised McBride that the B.C.E.R. had had to reduce its Preferred dividend and pass Deferred dividends and feared having to fault on its debentures which "would be a lasting catastrophe for the province." The implication was clear; if British investors lost confidence in the B.C.E.R., the British Columbia government would find it difficult to raise further funds in London.

In its endeavours to get the government to regulate the jitneys, the B.C.E.R. lobbied a variety of supporters. To reinforce the financial argument which was the key to the B.C.E.R.'s campaign for jitney regulation, the London office prepared a press release which was published early in 1915 in

17 Kidd to Bowser, December 11, 1914, Box 62A-1163.

many British newspapers. The direct object of this press release which noted the harmful effects of unregulated jitney competition on the B.C.E.R. was not to drive down the prices of B.C.E.R. shares and bonds (which it helped to do) but to make British investors aware of the situation in British Columbia in the hope that they might exert pressure on the McBride government. The directors also expected that British Columbia newspapers would make appropriate editorial comments.\(^1\) Kidd attempted to get the Canadian Bank of Commerce, the government's banker, to interfere on the B.C.E.R.'s behalf. The Bank, however, was unwilling to commit itself to such action. William MacKenzie of the Canadian Northern Railway was not so reticent when he reminded the premier of the B.C.E.R.'s problems.\(^2\) To indicate popular support, the B.C.E.R. also requested the unions of its employees, the Trades and Labour Council and the Boards of Trade to press the government for action. Editorials sympathizing with the B.C.E.R. on the jitney question appeared in the Vancouver \textit{Province} and the Victoria \textit{Colonist}.


\(^2\) Kidd to Urwin, January 28, 1915, Box 62A-1163; William MacKenzie to C.N.Wilde (Canadian Northern Railway, Vancouver), February 10, 1915, McBride Papers, Premier's Official Correspondence, 143/15.
When Kidd visited Premier McBride early in January, 1915, the Premier, though sympathetic to the idea of jitney regulations, was unable to do anything because some members of his government found it politically advantageous to oppose the B.C.E.R. A month later, Kidd met the whole cabinet, outlined the effects of the jitneys on the company's financial position, warned that a receiver would immediately cut off a long list of non-paying lines and asked for jitney regulations. Attorney-General Bowser, who was reported to be having serious policy differences with McBride over the financing of the Pacific Great Eastern Railway\(^21\) refused to legislate against the jitneys under the provincial Motor Traffic Act. Bowser agreed only to empower the municipalities to pass necessary regulations.\(^22\) The Premier would make no promises beyond those made by his Attorney-General.

Although the City of Vancouver had already drafted some plans for the regulation of jitneys, Kidd was not optimistic of the success of municipal efforts in stamping out the compe-


\(^{22}\) Kidd's Memo of visit to Victoria, February 11, 1915, Box 62A-1163; Memo of interview, Kidd, Goward and McBride, February 26, 1915, Box 65.
Nevertheless, the company continued careful lobbying at the municipal level. As in its arguments before the provincial government, the B.C.E.R. stressed the relationship between its prosperity and the credit of the community. Horne-Payne proposed to recommend that friends of the company refuse to purchase Vancouver or Victoria municipal securities until the cities regulated the jitneys. Kidd wisely advised Horne-Payne to omit this suggestion from his speech to the company's annual general meeting. Financial arguments would not sway Vancouver or Victoria councilors who were, as Kidd put it, "irresponsible in the sense understood in England, without personal funds and almost entirely dependent on their aldermanic salaries". Of greater long term consequence was the fact that London was declining as a source of municipal funds; the City of Vancouver had already raised money in New York.23

The directors did not abandon traditional ideas easily. When McBride visited London in May 1915, the Board of the B.C.E.R. outlined the effect of jitney competition on the

company's financial position and again warned "that the position of the Company, which is fast becoming a matter of public comment here, is prejudicially affecting investments in the Province, which are being withdrawn by investors as opportunity offers." To make the investment picture appear more dismal, the directors considered passing up the dividend on the Cumulative Preference Shares until Kidd advised that this action would have little local benefit. The Board then proposed having stockholders, their bankers and their brokers, petition the provincial government for relief from the jitneys. Again, Kidd with his knowledge of the local scene dissuaded them.

Eventually, the Board realized that although McBride was sympathetic to the B.C.E.R., his insecure position as Premier gave him little opportunity or influence to help the company. After his return to Victoria in the fall of 1915, McBride, however, discussed the B.C.E.R.'s problems with Mayor Alexander Stewart of Victoria. Then, after a warning from Kidd that the B.C.E.R. might have to discontinue service in areas where receipts were "an almost negligible quant..."

tity,\textsuperscript{25} McBride invited the mayors of Victoria, Vancouver, New Westminster and the reeves of the adjacent municipalities to a confidential meeting to discuss the serious position of the B.C.E.R. "caused, it is claimed, by jitney competition." The mayors of Victoria and New Westminster were willing to listen. Mayor L.D. Taylor of Vancouver who had a personal grievance against the B.C.E.R. for its failure to intercede financially to save his newspaper, the Vancouver \textit{World}, curtly replied that the "present management of the B.C.Electric Railway have only themselves to blame for their present plight, and like the rest of us must be prepared to meet business competition."\textsuperscript{25} Taylor, however, attended the meeting held in McBride's office on November 5, 1915.

At this meeting, Kidd clearly described the jitney problem and warned of the possible need to shut down certain unprofitable routes. He admitted that the company made a profit on light and power sales but explained that this profit only permitted the B.C.E.R. to survive its street railway losses. In a subsequent letter to the mayors and reeves, Kidd presented

\textsuperscript{25} Kidd to McBride, September 10, 1915; McBride to Mayors and Reeves, September 20, 1915, October 18, 1915; L.D.Taylor to McBride, November 1, 1915, McBride Papers, Premier's Official Correspondence, 10/15.
statistical evidence showing the sharp decline in revenue and demonstrating that the company had never made an excessive profit.\(^\text{26}\) The idea of securing municipal co-operation through the premier's office came to naught. When Sir Richard McBride retired as premier in December 1915, his successor, W.J. Bowser, never a friend of the B.C.E.R., expressed sympathy for the company but was unwilling or unable to do anything to assist it.

When attempts to get the provincial government to regulate jitney competition seemed doomed to failure, the B.C.E.R. resumed agitation through newspaper advertisements and the lobbying of civic groups to have the Vancouver City Council impose jitney regulations. Early in January 1917, the City Council, after much debate, passed a by-law requiring jitneys to offer a regular service and to undertake certain safety measures. Though the jitney drivers complained that these regulations prevented them from making a living, they continued to operate in competition with the B.C.E.R.\(^\text{27}\)

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26 Notes for a meeting with Mayors and Reeves, November 5, 1915, Box 62A-1163; Kidd to Mayors and Reeves of Vancouver, New Westminster, North Vancouver, South Vancouver, Point Grey, Burnaby, North Vancouver District, Victoria, Oak Bay, Saanich and Esquimalt, November 19, 1915, Box 62A-1163.

27 VDP, January 6, 1916, p.4; February 6, 1917, p.6.
By seeking government regulations, the B.C.E.R. reversed one of its basic policies, the laissez-faire idea that the less government regulation of business there was, the better. Ideally, the provincial and municipal governments would regulate only the jitneys. To be consistent, however, the B.C.E.R. had to accept government regulation of its own activities. That the B.C.E.R. was willing to accept such regulations is indicative of its worry about the jitneys.

During 1913 and 1914, Sperling and his successor, Kidd, had worked diligently to prevent the appointment of a provincial Public Service Commission and to insure, that if they failed in this endeavour, the Commission would be fair, the commissioners reasonable, and the B.C.E.R.'s affairs in order in case of an investigation of its rates and fares.

In 1913, a provincial Royal Commission on Municipal Government recommended the establishment of a Public Service Commission with power to compel public utility companies to give adequate service at reasonable rates. By September 1913, 28 British Columbia, Legislative Assembly, Report of the Royal Commission on Municipal Government, 1912, Victoria, King's Printer, 1913, p.10.
the Vancouver public which was upset by fare increases was
to agitate for the establishment of such a com-
mission. The City Council instructed its solicitor to draft
a bill for the creation of such a commission. 29

When T. Blundell Brown, a director, visited Vancouver in
the summer of 1913, he and Sperling had discussed the company's
plans for such an eventuality as a Public Service Commission.
They were concerned that a commission might criticize their
light and power rates which produced what appeared to be ab-
normally high profits. They also feared that the sums allotted
to the Renewals Maintenance Fund might seem overly generous. 30
The Board advised the management to do its best to keep silent
on the matter and to concentrate on getting a Public Utilities
Act that was fair and a "high class" and reasonable commission
or commissioners.

Sperling who had refused to do anything without investi-
gating the work of Public Service Commissions elsewhere,

29 B.C.E.R. (London) to B.C.E.R. (Vancouver), October 29, 1913
and October 31, 1913, Box 648; B.C.E.R. (Vancouver) to B.C.E.R. (Lon-
don), November 8, 1913, Box 82-1338; Vancouver Sun, November 14,
1915; Vancouver Daily News-Advertiser, November 18, 1913.

30 Sperling to Urwin, March 12, 1913, Box 53; Sperling to Urwin,
March 20, 1913, Box 649; T.B. Brown and E.M. Harvey to B.C.E.R.
(Vancouver), August 19, 1913, Box 648.
decided that such commissions were "very detrimental to the Company's business." After consulting his own officials, Sperling approached the other public utility companies in the province asking their support in opposing a Public Utilities Commission. With William Farrell of the B.C. Telephone Company, Sperling visited Premier McBride who assured them of the improbability of such a commission being established during the 1914 Legislative Session.\(^{31}\)

The directors, still fearing the inevitability of such a commission, urged Sperling to make certain that the commission would do no more than "exercise a general supervision and thereby correctly guide public opinion in utility matters" and would have no power to deprive the B.C.E.R. of any of its franchise rights particularly the fixing of rates without an absolute guarantee of a fair minimum return on the company's investment. The Board, repeating its traditional warning to the government, instructed Sperling to

tell the Government distinctly...that should a Commission be appointed with powers to overrule the terms of our franchise, we shall organize Committees here and shall prevent British Columbia and British Columbia enterprises from obtaining money of any sort here until such powers are withdrawn.

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\(^{31}\) Sperling to Urwin, December 22, 1913, Box 82-1338; Sperling to Hayward (Western Canada Power Company), December 12, 1913, Box 82-1338; Sperling to B.C.E.R. (London), December 31, 1913, Box 82.
Sperling, though not quite so explicit, informed McBride of the unhappiness of the shareholders over the low yields on their investments and warned that "at present British Columbia needs capital and the good will of the British investing public far more than it does a Public Utility Commission." To McBride who was having to sell short term treasury notes in London to avoid a deficit, the message was plain. The premier promised that there would be no legislation creating a Public Utilities Act at the 1914 session and that "he would endeavour to see that the matter was not discussed on the floor of the house." For the future, the premier agreed to let Sperling comment on the preliminary drafts of any public utilities bill which might be introduced.  

In the matter of the Public Utilities Commission, McBride was true to his word. No Public Utilities Commission bill

32 B.C.E.R. (London) to Sperling, January 6, 1914, Box 716; Sperling to McBride, January 8, 1914, Box 714; Memo of Conference with McBride, January 13, 1914, Box 82.

33 In its desire to protect the British investor, the government had seemed sincere. A few weeks after promising to permit the B.C.E.R. to comment on any P.U.C. bill, the government gave the B.C.E.R. a draft of proposed amendments to the Water Act. But, before the B.C.E.R. could comment on objectionable features, the government passed the amendments by Order In Council. Later, the government made further amendments to the Water Act which it submitted to the Legislature. Only through the alertness of its agent, Harold Robertson, did the B.C.E.R. secure advance warning of the changes and get an opportunity to insert desired amendments in the Water Act. (Sperling to Urwin, March 28, 1914, Box 82).
was introduced during the 1914 session. In referring to the recommendation of the Royal Commission on Municipal Government that the municipalities should have the power to purchase or construct public utilities, Attorney-General Bowser specifically mentioned the need to protect the investment of companies such as the B.C.E.R. Privately, McBride advised the B.C.E.R. to seek a good public utilities commission rather than run the risk of freak legislation.34

The Board had already recognized the need to prepare a good public utilities commission bill. They were convinced that a P.U.C. could assist "in defeating both Municipal and Provincial legislation of a hostile nature...and...go a long way towards preventing municipal competition."35 Kidd, who was not enthusiastic about a P.U.C. continued to report that the government was unlikely to establish such a body in the near future, partly because of the expense involved.36

34 VDP, February 7, 1914; Glover to Kidd, June 13, 1914, Box 83.

35 The Board knew exactly what it wanted: a clear definition of the duties of the Commissioner; the possibility of judicial review of commission decisions; the right to appeal any alteration in franchise rights to the Cabinet; the recognition that in calculating earnings, provision would be made for taxes, maintenance, replacement and 5½% per annum interest on investment; that each public utility company should be dealt with as a whole rather than be subdivided into its components; that appointments to the Commission be non-political; and that salaries of the commissioner(s) be sufficient "to attract really responsible men of good standing." (Urwin to Kidd, September 23, 1914, Box 83.)

36 Kidd to Urwin, December 18, 1914, Box 83.
theless, the Board instructed him to persist in his preparations.

Then, Kidd suddenly changed his attitude towards a P.U.C. When the jitneys appeared late in 1914 he began to see certain advantages in having a governmental regulating agency. He sought the Board's permission to accept a P.U.C. if the government suggested it as the only means of regulating the jitneys. The government, however, did not move towards establishing a P.U.C. Meanwhile, Kidd and his staff studied P.U.C. legislation elsewhere. In April 1915, Kidd dispatched a draft bill -- based on the New Brunswick Act which, of all the Canadian acts seemed the most favourable to the companies -- to London. The Board suggested that the jitneys be specifically included in the P.U.C. legislation.37

After interviewing McBride in London, the Board, hoping for legislation specifically directed against the jitneys, advised Kidd that if this did not seem to be forthcoming, he was to raise the possibility of a P.U.C. Such a suggestion was to be made in such a manner that it "would not appear to come from the Company" and hence give the government the impression

that the B.C.E.R. favoured it. If this should be the case, the Board feared that the B.C.E.R. would be unable to object to a poor commission or to political appointees. Therefore, when Kidd met McBride in the summer of 1915, he did not mention the P.U.C. 38

The idea of a P.U.C. lay in abeyance after the resignation of McBride and the subsequent electoral defeat of his successor, W.J. Bowser, in the fall of 1916. The new Liberal government of H.C. Brewster had many problems; the establishment of a P.U.C. was not one of its priorities. Brewster was only prepared to permit the municipalities to regulate the jitneys. 39 The jitneys continued to run; the position of the B.C.E.R. to deteriorate. Kidd publicly began to advocate the appointment of a P.U.C. 40 since he believed that such a commission would deal more fairly with the company than any political body such as the Legislature or municipal councils. He also hoped that a P.U.C. would be able to consider long range

38 Urwin to Kidd, July 30, 1915, Box 62A-1163; Kidd to Urwin, August 18, 1915, Box 82. Farrell of the B.C. Telephone Company agreed that the public utility companies should not give the impression that they wanted a P.U.C.

39 Brewster to W.H. Tonks (a B.C.E.R. shareholder in England), February 5, 1917, Brewster Papers, Personal, PABC.

needs of the company and to understand the B.C.E.R.'s dependence on light and power revenue to compensate for street railway losses arising from the jitney competition and the general depression.

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The financial depression also reduced the likelihood of the municipalities or the provincial government being able to buy out the B.C.E.R. or construct rival schemes. The depression, however, also stimulated agitation for public ownership of utilities. In South Vancouver, for example, advocates of public ownership hoped that the construction and operation of a municipal electric light plant would provide employment. South Vancouver's difficulties in selling bonds to finance its existing debt of six million dollars seems to be responsible for the failure of municipal lighting in that municipality.41

The City of Vancouver was the main area of concern for the B.C.E.R. In 1914, Mayor T.S.Baxter who believed that motor buses would replace the street cars by 1919 opposed the purchase of the B.C.E.R. He argued that regulation of the

41 VDP, September 8, 1913, p.1; September 11, 1913, p.17; A.H. Lewis, South Vancouver; Past and Present, Vancouver, Western Publishing Bureau, 1920, p.22.
B.C.E.R. by a P.U.C. would protect the public interest. His successor as mayor, L.D. Taylor, believed in public ownership of public utilities but the question of municipal ownership was not a live issue during his term of office.\textsuperscript{42}

The citizens of Vancouver who were suffering from reduced wages and unemployment, however, persuaded the City Council in 1915 to appoint a special committee to interview public utility and fuel companies about possible reductions in charges. The B.C.E.R., claiming it could not afford to reduce rates, warned the city and the surrounding communities that making lighting rates a political question would make the bondholders uneasy and possibly end British investment in British Columbia for years.\textsuperscript{43} The agitation for lighting rate reductions apparently stopped.

Kidd and the directors knew that such questions could easily revive; they tried to devise a rate which would appease consumers without reducing total revenue. After considering the abolition of the meter rent, the introduction of a three cent rate for cooking and a general reduction of one cent per

\textsuperscript{42} VDP, May 11, 1914, p.14; Vancouver \textit{World}, March 22, 1915.

\textsuperscript{43} Glover to Kidd, October 18, 1915, LFGM, 1915.
k.w.h., Kidd concluded that even a slight reduction "would constitute a serious menace" to net revenue. Thus, when representatives of the Vancouver City Council and the Central Ratepayers' Association again interviewed Kidd in 1916, he would only promise to reduce rates after business conditions improved. 44

Stimulated by the B.C.E.R.'s failure to reduce lighting rates, a new Vancouver City Council late in 1916 announced plans to seek an amendment to the city charter permitting it to establish a municipally-owned power plant -- in effect, to repeal the "protective clause" of 1901. The city, which had already obtained an option on the water power of the Bridge River, complained chiefly of the high rates charged by the B.C.E.R. for light and power and argued that a city-owned power plant would offer cheap rates to attract industry and would earn ample revenue from lighting sales. 45

44 Urwin to Kidd, November 19, 1915, Box 203; Kidd to Urwin, January 14, 1916, Box 203; Memo of Kidd's interview with light and power department, March 24, 1916, Box 600; Kidd to Urwin, April 10, 1916, LFGM, 1916; Memo of Meeting with Kidd and Murrin with four aldermen from the Vancouver City Council, October 18, 1916, Box 203.

The B.C.E.R. considered reducing rates in order to increase consumption but, after comparing the use of electricity by employees who got a low rate with that of the public at large, the B.C.E.R. decided that rate reductions would not increase consumption noticeably. (W. Saville to Kidd, October 20, 1917, Box 203)

45 Vancouver Daily News-Advertiser, March 31, 1917.
As might be expected, the B.C.E.R. immediately expressed concern for the "protective clause." In the provincial Legislature, the B.C.E.R. fought hard against the proposed amendment, conducting such an active lobby that Mayor Malcolm McBeath complained that the B.C.E.R. was "guilty of 'infesting' the corridors of the House." Conscious of the political implications, the company hired F.J. Stacpoole, a Liberal lawyer as its legal advisor. In its attempts to persuade the government to select committee members who were sympathetic to the B.C.E.R., the company was only partly successful; M.B. Jackson, the chairman of the Private Bills Committee, opposed the B.C.E.R. Such lobbying activities were expensive. Kidd later admitted that between 1912 and 1917 the B.C.E.R. spent approximately $50,000 on subsidizing the press and on political activities. This sum included a $2,500 donation to the provincial Liberals during the 1916 provincial election campaign.46

46 Kidd to Urwin, May 17, 1917, LFGM, 1917.

Stacpoole's fee "for services and consultations and acting as Parliamentary Agent for the Company almost continuously from the 12th February 1917 to 17th May, 1917" was $4,000. Kidd objected to the size of the fee. Eventually, Stacpoole agreed to accept $3,000 in addition to the retainer of $500 he had already received. (Correspondence in Box 131.)

The charge about the $2500 campaign fund contribution was made during a by-election in June 1917 by Dr. Ernest Hall, an Independent Liberal who was running against the Hon. John Hart, the new Minister of Finance, in Victoria. Hart admitted that the B.C.E.R. provided $2500 of the Liberals' $8500 campaign fund but argued that it went entirely for the supervision of the soldier vote. (WDPP, June 21, 1917, p.4; August 16, 1917, p.12.)
In its arguments before the private bills committee, the B.C.E.R. contended that the maintenance of the "protective clause" was essential as part of the security pledged to debenture holders. Kidd arranged to have J.A. Mara, a well-known capitalist and former Speaker of the Legislature, testify to the influence of the "protective clauses" on investors. Unfortunately, Kidd was unable to present the legislators with any evidence in the form of a prospectus or similar document issued by the company which made any mention of the "protective clause."

The government was in an awkward position. There was a by-election pending in Vancouver but the government was also aware of the need to attract and keep capital in the province. Overseas investors, inspired by Horne-Payne, had besieged the government with warnings of possible violations of vested rights. In Vancouver, the Legal and Legislative Committee of the Board of Trade had asked the government to defer action; a meeting of the whole Board rejected this resolution. The Private Bills Committee of the Legislature, which was divided on the issue, debated for almost three weeks before announcing

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47 VDP, April 3, 1917, p.14; April 14, 1917, p.16; Vancouver World, April 4, 1917; Kidd to Urwin, May 17, 1917, LFGM, 1917. The cables from British investment dealers are in Box 131.
its decision. It concluded that the city should be empowered to compete with the B.C.E.R. in the light and power business but should be required to obtain the sanction of the Legislature for such an action.48

This decision seemed a satisfactory compromise. Kidd, who considered it to be largely in the company's favour, hinted that the company and city would now try to reach a satisfactory agreement on lighting rates. Kidd was reassured by the provision which required the city to seek Legislative sanction before competing with the B.C.E.R.; Mayor McBeath, however, regarded this provision as "tantamount to an assurance that...permission will be granted." 49

In the Legislature as a whole, the matter was complex. J.W.deB. Farris, one of the Vancouver Liberal members, had advocated that the city should have full and free rights to compete in light and power.50 The arguments of the B.C.E.R. were presented by W.R.Ross, the Conservative member for Fort

48 VDP, April 4,1917, p.16; April 11,1917, p.12; Vancouver World, April 3,1917, April 11,1917.
49 VDP, April 21, 1917, p.22.
50 VDP, May 10, 1917, p.15.
George. After considerable debate, but without division, the Legislature approved Farris' motion granting the city unrestricted authority to compete with the B.C.E.R. in the light and power business.  

The Board of the B.C.E.R. considered the Legislature's decision "an act of brigandage and robbery." They proposed to forestall municipal competition by using public opinion to get the "protective clause" reinserted or, failing that, by attempting to get the federal government to disallow the legislation or by making it impossible for the city to raise necessary funds either in the United States or in London. Kidd doubted the wisdom of using the company's financial influence in London to force the Legislature to reverse its decision. The M.L.A.'s, he reported, looked to New York for future borrowings and only jeered at what they "termed the 'widow and orphan's brigade in the old country.'"  

Horne-Payne, fearing that restless shareholders might undertake "some sort of violent irresponsible action savouring -------------------  

51 The Legislature accepted an amendment of D. Whiteside (Liberal, New Westminster) which would not permit the city to compete with the B.C.E.R. for two years. Since the city would need about two years to prepare for competition, the amendment was meaningless. The vote of 29 to 11 on the amendment cut across party lines. (VDP, May 15, 1917, p.12.)  

52 Horne-Payne to Kidd, May 26, 1917, Box 68; Kidd to Urwin, May 17, 1917, LFGM, 1917.
of revenge which may do British Columbia great harm," continued to plan financial pressures to get the provincial government to take appropriate action. He proposed to ask shareholders and his financial friends to petition the provincial government. He also revealed his ignorance of the Canadian constitutional and political scene by suggesting that shareholders and friends of the company ask the Prime Minister of Canada and the Secretary of State for the Colonies to make representations in Victoria on the company's behalf. The Chairman of the Board also indicated that the ultimate appeal would be to Ottawa for disallowance of the offending clauses in the Vancouver City Charter. Kidd quickly advised Horne-Payne that not only was the new Attorney-General, J.W.deB. Farris unlikely to introduce a bill re-amending the Vancouver City Charter, but that the proposed course of action would antagonize local authorities who were sensitive about provincial rights. Somewhat reluctantly, the Board, though still fearing hostile shareholders, agreed to abandon the idea of petition-

53 Horne-Payne to Kidd, October 27, 1917, Box 68.

54 A private attempt by some English shareholders to seek disallowance of the provincial legislation would have created an embarrassing situation for the B.C.E.R. Fortunately, it was clear to all concerned that the company was not behind the campaign. (Kidd to Urwin, April 24, 1918, LFGM, 1918.)
ing the senior governments and to wait for Shortt's Report. 55

While defending the "protective clause," the B.C.E.R. was also offering to sell the whole of the undertaking to a provincially-organized hydro-electric commission. This apparent major reversal of policy may have been inspired by the Board's knowledge of Ontario precedents and their fear that a provincial hydro-electric commission and municipal ownership were inevitable. On the other hand, offering to sell the B.C.E.R. may be interpreted as a useful strategy.

Suggesting that the provincial government could "justly pay a sum which would yield a high price to the Preferred and Deferred Shareholders," the directors expressed their willingness to accept payment in the form of government bonds which Horne-Payne would float in New York. Neither Kidd nor William Mackenzie, a director of the B.C.E.R., were enthusiastic about this idea which seemed unlikely to succeed. 56

55 Kidd to Horne-Payne, November 27, 1917, Box 68; Horne-Payne to Kidd, January 4, 1918, Box 68; Urwin to B.C.E.R. (Vancouver), December 22, 1917, Box 99. See below, pp. 239ff.

56 Horne-Payne to Kidd, January 4, 1917, Box 68; Horne-Payne to Kidd, January 9, 1917, Box 131; Kidd to Horne-Payne, March 1, 1917, Box 68.
In March 1917, Kidd had rejected a city offer to retain the "protective clause" in return for the B.C.E.R.'s agreeing to sell bulk power at an arbitrated price and the electrical distribution system in Vancouver to the city. Although he had been unenthusiastic about the sale of the company's assets, Kidd in May 1917, concluded that selling the street railway as well as the light and power system might be the best thing the B.C.E.R. could do. By replacing the Renewals Maintenance fund with a sinking fund he could present an attractive proposal to the city. In order to overcome any difficulty in persuading the provincial government to pledge the provincial credit for the benefit of Vancouver and surrounding districts, Kidd suggested splitting the property into three parts. The city would purchase only the Greater Vancouver light, power, railway and gas systems with the exception of the generating stations, the interurbans and the operations in Vancouver and New Westminster; a provincial hydro-electric commission would purchase the exceptions on the mainland and the B.C.E.R. would maintain the island system.

57 Memo of April 13, 1917, Box 131; Kidd to Urwin, May 17, 1917, LFGM, 1917.

The explanation of Kidd's change of mind is clear from the timing of the letter. The Legislature had just repealed the "protective clause;" the automobile, as jitney and private passenger vehicle, was threatening the future of the street railway; and employees were preparing to strike for higher wages. Kidd's letter of despair, however, crossed the path of one from Horne-Payne asserting that because of the repeal of the "protective clause", the company must work harder to make municipal competition impossible. Nevertheless, the Board was willing to discuss a sale to the city.

There are several possible explanations of the company's apparent willingness to reverse old policies and to offer to sell all its assets: the financial state of the company, the possibility of profit from the sale, the general trend towards repatriation of British investments overseas, the loss of the "protective clause", and a general loss of security in the investment.

That the company did not appear to be doing well is an obvious explanation. Earnings had fallen, dividends had been passed and the value of the company's shares on the London market had fallen sharply. This evidence, however, was

59 Horne-Payne to Kidd, May 26, 1917, Box 68.
60 Between January and June, 1916, the decline represented a paper loss of £2,973,994. (Kidd to Urwin, July 22, 1915, LFGM, 1915.)
misleading. In every year, except 1915 and 1916, the company earned sufficient sums to pay interest charges from current income. Although street railway revenue had fallen, light and power earnings remained relatively constant. By 1917, the general economic situation in the province was improving as war industries developed; company revenues were slowly increasing. The company's poor showing may have influenced the Board slightly in changing its attitude towards selling but does not in itself provide an adequate motive for a basic change in policy.

The company was still basically sound. Even if the deficits had been severe, the company would not have been in an impossible position as it had generous provisions for renewals and reserves. Even at the peak of the jitney competition, the company was financially able to contemplate buying out its potential rival, the Western Canada Power Company. At the annual general meeting in December 1917, Horne-Payne "resisted the temptation and refrained from stating the large amount we hold in British Government securities and bills." At war's end, the B.C.E.R. had six million dollars worth of liquid assets. The B.C.E.R. was clearly not in a position of having to sell its assets or to re-finance.61

61 Horne-Payne to Kidd, January 4, 1918, Box 68.
Another possible explanation of the apparent willingness of the B.C.E.R. to sell its property, was the fact that the anticipated arbitrated price of thirty million dollars for Lower Mainland assets was a generous one. The estimated market value of the company's debentures and shares was about twenty-four million dollars which represented about eighty per cent of the capital put into the plant during good times. Kidd, however, had no guarantee that the arbitrators would value the assets at thirty million dollars or that the city would pay this sum.

During the war there was a general trend towards the withdrawal of British capital overseas and of the repatriation by Canadians of British investment funds. During 1916 and 1917 the directors of the B.C.E.R. seriously considered forming a new company in British Columbia and selling the assets of the B.C.E.R., other than its shares and securities in other companies, to the new firm. In effect, this would convert the B.C.E.R. into a holding company and save on English income tax. A transfer of the company to Canada would also make shares and securities more marketable in North America as the form of most B.C.E.R. issues -- perpetual debentures, pre-

62 Kidd to Horne-Payne, May 25, 1917, Box 68.
ferred ordinary and deferred ordinary stocks -- were novelties in the United States and the conversion of shares from pounds to dollars created awkward amounts. Such a transfer would be expensive and complicated and would probably require special legislation in British Columbia. In transferring, the company might endanger privileges it already had and thus subject itself to "obnoxious restrictions and conditions" by the federal Parliament and provincial Legislature. There was always a possibility, too, that recently introduced Canadian taxes might turn out to be more severe than British ones. Even though Kidd thought it might be possible to get the provincial government to pass the necessary legislation during the 1917 session, the disadvantages outweighed the immediate benefits.

In any case, the scheme was not really one of repatriation, but merely a means of saving on British income tax.


64 Early in 1918, Sir Max Aitken (Lord Beaverbrook), who had become a director of the B.C.E.R. in 1916, suggested that the head office of the B.C.E.R. be transferred from London to Montreal and that all general meetings should be held in the latter city. Beaverbrook proposed that Sir Herbert Holt, the president of the Royal Bank and a director of the C.P.R., should be appointed vice-chairman and that Hector McInnes and Sir William Mackenzie would select the other directors. Beaverbrook's ostensible reason for moving the B.C.E.R. to Montreal was to save on British income tax. It may also have been linked with Beaverbrook's idea that the B.C.E.R. should buy two or three
It is also possible that the B.C.E.R. was so disen­
chanted with the attitude of British Columbians that it
wanted to get out of the province. Certainly, company talk
about "selling out" tended to co-incide with particular crises.
However, there was never simultaneous enthusiasm by both the
Board and the management about the desirability and likelihood
of a sale. The difference in the immediate reactions of Horne-
Payne and Kidd to the repeal of the "protective clause" in
May 1917 is a splendid example of this.

The explanation of the company's apparent interest in
selling its assets to the local authorities is a simple one.
The offers to sell were entirely gratuitous. The B.C.E.R.
well knew that the municipalities and the provincial govern­
ment had been far more severely affected by the wartime de­
pression than the company. Point Grey which had had to sus­
pend garbage collections in 1915 as an economy measure had

million dollars worth of Western Canada Power Company first
mortgage bonds so that if the W.C.P. defaulted, the B.C.E.R.
and Beaverbrook would be in a position to re-organize it. The
directors of the B.C.E.R. thought the transfer unwise and po­
litely refused Beaverbrook's suggestions. (Horne-Payne to
Beaverbrook, January 21, 1918, Box 68; Davidson to Kidd, March
8, 1918, Box 68.) Later in 1918 Horne-Payne suggested that the
British Empire Trust Company buy up £25,000 worth of B.C.E.R.
stock while the price was low and offer it to local investors.
British income tax, however, made B.C.E.R. stock unattractive
to local investors. (Horne-Payne to Kidd, November 6, 1918,
Box 68; Kidd to Horne-Payne, December 9, 1918, Box 68.)
asked the B.C.E.R. to light only every third street lamp -- an engineering impossibility -- or to light the lamps only when there was no moon -- a violation of the agreement between the company and the municipality. In 1916, Mayor McBeath of Vancouver privately informed Kidd that it would be impossible for the city to purchase the street railway and that in any case, the city would not want the street railway without a power plant as well. 65 The provincial government was equally short of funds and credit. 66 For practical purposes, the B.C.E.R. was free of the worry that the city of Vancouver might take advantage of its opportunity in 1919 to buy out the company or accept any offer of sale the B.C.E.R. might make. The company was also relieved of any danger that the city might establish a rival concern. These projects required money, and this the city of Vancouver did not have. Some of the company's offers to sell may also have been designed to distract municipal politicians away from a single-minded quest for the removal of the "protective clause."

65 Kidd to Urwin, May 23, 1916, LFGM, 1916. In the city of Vancouver, total tax arrears, for example, rose from $510,136.12 in 1912 to $5,043,110.92 in 1917. (City of Vancouver, Annual Report, 1929, p. 99.)

66 The accumulated provincial deficit increased from $2,801,408.44 in 1912 to $21,989,244.91 in 1917. The public debt in the same period rose from $8,592,353. to $42,252,724.90. (British Columbia, British Columbia in the Canadian Confederation, A Submission to the Royal Commission on Dominion-Provincial Relations by the Province of British Columbia. Victoria, King's Printer, 1938, p. 178, p. 190.)
In spite of their financial problems, municipal politicians did not completely abandon the idea of buying at least part of the B.C.E.R.'s system. During the Vancouver street railway strike in 1917, Mayor McBeath indicated that he was seriously considering using city bonds to buy the street railway and electrical distributing systems in greater Vancouver. In return for an option on the street railway, he promised to prepare regulations to eliminate the jitneys as much as possible. Mayor McBeath suggested that the B.C.E.R. should retain the power plant and sell power to the city. The Board agreed to give an option on the relevant property for fifteen million dollars in 5½% city bonds. The object of co-operating with this deal, which the city seemed unlikely to take up, was to show the citizens of Vancouver that either they must give the B.C.E.R. suitable operating conditions or operate the system themselves. Although the company still claimed it was willing to sell if the price and terms were satisfactory, the idea dropped from public attention while Dr. Adam Shortt investigated the problems of the B.C.E.R. Although Dr. Shortt mentioned the sale of the company to

67 Kidd to Horne-Payne, June 18, 1917, Box 68; Horne-Payne to Kidd, June 20, 1917, Box 68; VDP, July 3, 1917, p.13.
68 Horne-Payne to Kidd, October 16, 1917, Box 68.
the municipalities as a possible solution to the P.C.E.R.'s problems, he did not endorse the idea.

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On June 13, 1917 the street railwaymen in Vancouver and New Westminster struck for higher wages.69 For several days the public patiently walked but Vancouver merchants quickly noticed the effects of a lack of convenient public transportation. A representative gathering of businessmen and bankers headed by W.H. Malkin, a wholesale grocer, met and appointed a committee to interview both the management and the striking employees. Kidd rejected a proposal of the Retail Merchants Association that the dispute be placed before the arbitration committee of the Board of Trade on the grounds that the company could not afford to raise wages because of the revocation of the "protective clause" and the jitney competition. The merchants suggested that the City Council should gradually eliminate the jitney licenses. The Vancouver Ratepayers' Association also asked the City Council to intervene. The B.C.E.R. insisted that without the elimination of the jitneys it could not increase wages and therefore could not operate the street railways. While pressure from interested

69 See below, pp.276 ff.
groups in Vancouver and Victoria was mounting for the settlement of the strike, the Dominion Fair Wages Officer, J.D. McNiven, arranged a meeting of Kidd and Murrin of the B.C.E.R.'s management with Mayor McBeath and J.W.deB.Farris, the Minister of Labour and Attorney-General in the Brewster government. 70

At this meeting, the City of Vancouver suggested that the provincial government appoint a commission to investigate the transportation problem generally and possibly to act as the forerunner of a Public Utilities Commission. The city was especially anxious to make certain of the B.C.E.R.'s contention that the elimination of the jitneys was an essential prerequisite to wage increases and the full restoration of street railway service. Kidd also preferred having an investigation of the whole problem including fares as well as jitneys rather than only the immediate abolition of the jitney. He suggested to the Council that Dr. Adam Shortt of the federal Civil Service Commission would be a suitable commissioner.

70 VDP, June 18, 1917, p.1, June 16, 1917, p.27; Kidd to W.E. Payne, Secretary, Vancouver Retail Merchants' Association, June 16, 1917, Box 98. In mid-May, Farris had replaced M.A.Macdonald as Attorney-General after the latter was forced to resign because of charges that he had accepted $15,000 from the Canadian Northern Railway for Liberal campaign funds.
The Council and Kidd agreed to let the provincial government select the commissioner. Through A.T. Goward, the local manager in Victoria, the B.C. E.R. let Premier Brewster know that they wanted Shortt who, as well as having a national reputation as an impartial expert in labour relations, was a friend of Kidd. Once Shortt's appointment was confirmed Kidd and the union resumed wage negotiations. On June 21, 1917 the men returned to work.

Shortt's investigation of "The Economic Conditions and Operations of the British Columbia Electric Railway Company and Subsidiary Companies" was the most important outcome of the 1917 strike. Under the original agreement between the company and the city which made the end of the strike possible, the company and council agreed to abide by the commissioner's recommendations. The agreement specifically referred only to the question of "the possibility of street car service being

71 VDP, June 18, 1917, p.3; William McQueen (Vancouver City Clerk) to Kidd, June 19, 1917, LFGM, 1917; Kidd to W.J. Dowler (Victoria City Clerk), June 26, 1917, LFGM, 1917.

Kidd claimed to have met Shortt in 1917 during a train journey while Shortt was returning from Victoria where he had assisted with the drafting of the Civil Service Commission Bill. Kidd had been impressed by Shortt's "fair and broad-minded views." (Kidd to Urwin, June 26, 1917, LFGM, 1917.)

It seems possible that the meeting took place at an earlier date than Kidd remembered. While Shortt was in Victoria in March 1917 on matters concerning the civil service commission, he told his wife of a planned dinner with "my friend Kidd." (Adam Shortt to Mrs. Shortt, March 13, 1917, Adam Shortt Papers, Queen's University Library, I, Correspondence, 1909-1912.)
maintained in competition with the jitneys" but Kidd willingly accepted Mayor McBeath's suggestion that the inquiry be extended to cover the other branches of the company's activities. Before the inquiry began, Kidd, partly on the advice of Dr. Shortt, publicly expressed his willingness to open all the company's books to Dr. Shortt and to the public. Every senior official in the Vancouver office was given specific instructions to prepare detailed accounts of the company's activities, particularly its financial ones. Kidd's motive was to dispel various rumours and misconceptions about excessively high rates and enormous profits. These accounts prepared by the B.C.E.R. were Shortt's major source of specific data about the company.

During the public sessions held in Vancouver and Victoria from July 16 to August 21, 1917, the company deluged Shortt with facts and statistics. Newspaper clippings indicating pre-war demands for new lines, comparative figures and information

72 Kidd to McBeath, November 28, 1917, Box 99; Farris to Short [sic], July 12, 1917, Adam Shortt Papers, Correspondence, 1909-1919.

73 Kidd to Horne-Payne, August 24, 1917, Box 68; Memo with Kidd to Urwin, June 26, 1917, LFGM, 1917: VDP, July 11, 1917, p.17; cf. Vancouver Daily News-Advertiser, July 11, 1917 which suggested that the B.C.E.R. was reluctant to have a wide open inquiry. Adam Shortt to E.R. Peacock (a London investor), January 19, 1918, Adam Shortt Papers, Correspondence, 1909-1919.
from other companies in North America on methods of eliminating the jitneys were submitted. The theme of this information was that the jitney and depressed economic conditions had resulted in sharp drops in net earnings and in the market value of B.C.E.R. shares. The company argued that because of the jitneys, its three interurban lines had failed to meet operating expenses during the previous three years.

Many times during the Vancouver hearings, the company was on the defensive. Critics charged that it had over-expanded itself during the pre-war boom days in both street railway extensions and hydro-electric power developments. Critics hinted too that the agreement between the B.C.E.R. and the Western Canada Power Company was not entirely above board. And, of course, the company's rates and fares were subjected to frequent attack.

In Victoria, the City Council, in order to protect its interests, reluctantly presented a brief. Although Victoria also complained of "excessive charges" for light, power and gas -- especially when compared to rates in Vancouver -- and wanted revisions in the company's agreement with the city, the gist of the Victoria argument was that the island and the mainland should be investigated separately. Victoria complained that, in Vancouver, the B.C.E.R. gave the city a share of street
railway receipts, maintained the road bed and generally had fewer privileges than in the capital. The Victoria City Council claimed that the capital city had few jitneys and that most of them operated on streets not adequately served by the B.C.E.R. 74

Neither the City Council of Victoria nor the numerous critics in Vancouver were able to present as convincing or well-documented a case as the B.C.E.R. Shortt's report was essentially a vindication of the B.C.E.R. position and its policies. It was almost all the B.C.E.R. could have desired. Shortt agreed that the B.C.E.R. could not "continue in business under the combined influence of the unavoidable shrinkage of population, depressed economic conditions of recent years and the competition of jitney cars." Indeed, so serious did Shortt regard the situation, that he asserted there was "no question at present as to any fair and adequate rate of profit on the actual capital investment of the company, but simply a question as to how it is possible for the company to obtain sufficient income to enable it to furnish those services to the public which are indispensable to the maintenance of

normal social and business life in an extensive modern urban centre." As far as past policies were concerned, he concluded that prior to 1913 the company had not been "unreasonably in advance of the actual requirements" and that the establishment of a large renewals maintenance fund -- a favourite target of company critics -- was justified and in accord "with conservative practice elsewhere." 75

In the matter of jitney competition, Shortt stated very clearly that although jitneys might usefully supplement the street railway routes -- for example, Quadra Street in Victoria -- they could not replace the street railway. Since efficient street railway service and the jitneys could not be maintained on the same routes, the jitneys should be eliminated. The only way of maintaining street railway service while jitneys operated would be to permit the street railway to reduce service and charge a minimum five cent fare without transfer or to have the cities and municipalities take over the street railways and subsidize them with tax revenues.

Shortt did not regard either of these alternatives as wise ones.\textsuperscript{76}

Shortt had some practical recommendations for the improvement of the B.C.E.R.'s financial position. He suggested that the fare and transfer system which had grown extremely complex over the years as a result of agreements made with the suburban municipalities should be revised and simplified to make fares more equitable for the company and for the citizens. He recommended that the central area for free transfers should be based on a population limit rather than on municipal boundaries. One-man cars could be introduced on lines where traffic was light and a skip-stop system on the interurbans would speed service.\textsuperscript{77}

The most vulnerable point in the B.C.E.R.'s case was its light and power rates. Shortt criticized the idea of covering street railway deficits with light and power profits; he thought the two aspects of the company's business should be treated independently. Although the B.C.E.R. rates for industrial power and street lighting were low, Shortt agreed with consumers who complained of high rates for domestic light-


ing. In making his suggestions about lighting rates, Shortt tactfully reminded the company of elementary economic principles. He observed that since the B.C.E.R. had huge power reserves, it should reduce rates and promote the use of electricity for cooking and heating. Specifically, Shortt recommended that the rate of 5¢ to 11¢ per k.w.h. less 20% be reduced on January 1, 1918 to 4¢ to 8¢ net and that the maximum gradually be reduced to 7¢ net by January 1, 1920. Increased consumption, even at lower rates, would probably increase overall revenue said the former professor of economics. The extent or period of the rate reduction, Shortt left to the discretion of a Public Utilities Commission.

Shortt's recommendations concerning the jitneys, the street railways and light and power rates were designed to alleviate a specific problem -- the sharp decline in the earnings of the B.C.E.R. as a result of jitney competition. To prevent the recurrence of such a problem and to relieve the company of irresponsible criticism, Shortt advised the provincial government to establish a Public Utilities Commission. The primary function of such a commission would be to accumulate and study the facts to determine what is and what is not reasonable and justifiable criticism of the public utility service rendered by private corporations, and on the basis of this knowledge to require the maintenance of a fair
and equitable standard of efficiency, such as it is possible and reasonable to afford, and to regulate the rates at which such services can be maintained. 78

Although Shortt believed that investors should be prepared to meet losses due to progress, he envisioned the P.U.C. protecting both the companies and the public by acting as a special guardian at once of the citizens who require the services of important public utilities and of the parties who undertake heavy risks and obligations in providing them... 79

The management of the B.C.E.R. did not think that they could have had "a more able Commissioner" than Shortt who, before leaving British Columbia, privately indicated his thoughts and likely recommendations to Kidd. The issuing of the completed report in November 1917 confirmed the B.C.E.R.'s favourable impression of him and of his recommendations. 80 Not only had Shortt vindicated B.C.E.R. past policies, but his recommendations promised the elimination of jitneys, the equitable reassessment of fares and the establishment of a Public Utilities Commission. The B.C.E.R. now

78 Shortt, Report, p. 59.

79 Shortt, Report, p. 66.

80 Kidd to Shortt, November 23, 1917; Kidd to Shortt, December 1, 1917; Horne-Payne to Shortt, December 21, 1917, Adam Shortt Papers, Correspondence, 1909-1919.
had hope of just treatment in the future. The only negative recommendation of significance was for a reduction in lighting rates -- a concession which the B.C.E.R. was willing to make. The company quickly arranged for the publication and distribution of the report since the government could not officially print such a document before presenting it to the Legislature.

The implementation of Shortt's recommendations was another matter. The cities had to agree to limit jitney competition; the provincial government had to establish the P.U.C. Neither of these was easy to accomplish.

Shortt's recommendations about the jitneys seemed clear -- the street railway and the jitney could not co-exist; therefore, the jitney must be eliminated. The Vancouver City Council, however, noted that Shortt used the word "eliminate" only in reference to jitneys in Victoria. Therefore, they argued, they need only alter the operating conditions of the jitneys in Vancouver to meet Shortt's recommendations. After discussions with the B.C.E.R., the City Council agreed to seek legislative power to eliminate the jitneys. Both Mayor McBeath who was running for re-election and Ald. R.H. Gale, his opponent, agreed to the proposal. Late in April 1918 the
legislature empowered the city to eliminate both local and interurban motor car competition within the city limits. The city passed the necessary by-law. And, although the law was not consistently enforced, jitney competition, except on the Vancouver-New Westminster run ceased to be a serious threat to the B.C.E.R. 81

In accord with the argument that light and power rates should not subsidize the street railway, Shortt recommended the gradual reduction of lighting rates. As the company had found that the reductions of January 1, 1918 had increased profits, it was willing to reduce rates. It was not, however, willing to separate the interests of the street railway from those of light and power. The question of further reductions became one of timing and bargaining. Demanding greater reductions was useful campaign material for municipal politicians. In September 1918, the B.C.E.R., hoping that consumption would continue to rise as rates fell, promised to reduce lighting rates as much as twenty-five per cent on condition that the city would make satisfactory arrangements about the street railway franchise and would agree to a six cent fare until the P.U.C. could decide on the matter.

81 Kidd to Shortt, December 6, 1917, Box 99; E. Rogers to Davidson, December 4, 1918, LFGM, 1918.
When the city made no real move towards renegotiating the franchise and ignored the deadline for formal notice of its intent to purchase the street railway in 1919, the management decided to gamble. They voluntarily reduced rates in Vancouver below the rates suggested by Shortt and extended proportionate reductions to the adjacent municipalities. In Victoria, where the City Council was delaying settlement of the fare question by discussing the purchase of the B.C.E.R.'s operations on the island, the old rates were retained. The B.C.E.R. hoped that voluntary reductions in lighting rates would persuade the provincial government to maintain the six cent fare and would rob the Vancouver City Council of its primary ammunition in attacking the company at the forthcoming municipal elections. 82

The B.C.E.R. was anxious to avoid any immediate public investigation of its need for increased revenue. In anticipation of the appointment of a P.U.C., it was carefully reviewing its bookkeeping methods in order to appear more advantageously before the expected Commission. In the past, the B.C.E.R.

82 Kidd to Horne-Payne, February 19, 1918, Box 68; Kidd to Urwin, March 21, 1918, LFGM, 1918; Kidd to Mayor R.H. Gale, September 24, 1918, LFGM, 1918; Kidd to Davidson, January 7, 1919, LFGM, 1919.
had concealed certain profits and reserves through the use of subsidiary companies and by keeping the full costs of assets -- including some which had disappeared -- on the books. The chief problem was reserves. By June 30, 1918, the company had approximately eleven million dollars in reserves of which six million were invested in liquid securities. Kidd believed that the B.C.E.R. was making the most generous provisions for depreciation of any street railway company in North America. He feared that if the P.U.C. realized the extent of these reserves it would be reluctant to do anything to increase the company's revenue. In order to be well prepared, Kidd engaged an accountant to advise on simplifying the books and urged the London office to do the same. Kidd thought the company would be on much safer ground with the P.U.C. if the books and accounts disclosed as nearly as possible the actual facts. Though willing to reduce depreciation reserves by writing off over a million dollars in book assets such as franchises and good will, Kidd was reluctant to make any changes in the rate of depreciation as suggested by his accountant for fear of arousing the suspicion of the P.U.C. He was not quite certain of methods of disposing of these reserves but he knew he wanted a reserve only large enough to cover immediate renewals and expenses. He also wanted to include all expenses such as those involved in raising capital and in
planning abortive schemes such as the Sumas development in order to increase the total capital of the company and hence reduce the percentage rate of return.83

The payment of increased dividends was another way of reducing reserves. By the spring of 1918 revenue had been rising for some months as prosperity slowly returned to British Columbia. The company was able to contemplate the resumption of some dividend payments. The decision of whether or not to pay a dividend was a difficult one. The cash was on hand to pay the 5% Cumulative Perpetual Preference dividend and there were sufficient funds to pay $3\frac{1}{2}\%$ on the Preferred Ordinary shares. The company was anxious to placate its shareholders but it did not want to affect negotiations in Vancouver over jitneys, fares and wages. Thus, Kidd advised that the 5% Cumulative Perpetual Preference dividend could be paid but that the company, in its public statements, should continue to "point out the unsatisfactory position" of its

83 Kidd to Davidson, "private and confidential," September 18, 1918, Box 65; Kidd to Davidson, "private and confidential," December 23, 1918, Box 65; Kidd to Bartlett, October 11, 1919, Box 65; Kidd to Davidson, January 20, 1919, LFGM, 1919; Kidd to Davidson, March 3, 1919, Box 65. As of June 8, 1921 these assets included £631,211 in British and Canadian war bonds and loans and £57,832 in assorted Canadian Northern stocks and bonds. (List in Box 65.)
When the dividend dilemma recurred a year later, in 1919, the Board decided to pay the dividend on the Cumulative and Preference shares and to reduce part of the reserve by paying a 3% bonus on Deferred Stock for the year ended June 30, 1919 by taking the funds from "various surpluses undistributed in past years." Though approving of increasing dividends as a means of reducing reserves, Kidd feared that this explanation to shareholders would cause problems in British Columbia. He suggested referring to additional dividends as "arrears of interest." Although the Board did not consider this particular plan, it recognized the problem and divided the dividends "into two or three separate payments, with a considerable time between each" and made the payments "free of tax." The term, "free of tax" was unfamiliar to British Columbians but not to British shareholders. It meant simply that the company prepaid the income tax on dividends. By paying net dividends and by spreading the payments over the year, the company satisfied shareholders, reduced reserves and did not arouse antagonism in British Columbia.

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84 Horne-Payne to Kidd, April 9, 1918, Box 68; Kidd to Horne-Payne, June 3, 1918, Box 68.

Another means of reducing reserves was having the company buy up some of its own debentures. This kept funds away from the direct purview of the P.U.C. while keeping them readily available for use in the original plan of expanding water power facilities. 86

The immediate reason for the B.C.E.R.'s concern with its accounts and its reserves was the likelihood of the government implementing Shortt's recommendation to appoint a P.U.C. Because such a body could exert considerable control over public utility companies, the B.C.E.R. exerted all possible pressure to get a suitable commission and commissioner.

Premier Brewster was willing to appoint such a commission but was unable to promise its establishment before the 1919 legislative session. In co-operation with the B.C.Teléfono Company, the B.C.E.R. attempted to persuade the government to hire an outside expert such as Professor James Mavor of Toronto or Professor R.M. Haig of Columbia University 87 to draft a Public Utilities bill. Of equally great importance was the choice of a commissioner. One of the reasons for the B.C.E.R.'s


87 Later, Haig acted as adviser to a provincial Taxation Board.
traditional opposition to a P.U.C. had been the fear that the government would regard the appointment as a political plum. Kidd doubted if there were anyone in the province who would be likely to accept the task who also had sufficient experience and ability to grasp the B.C.E.R.'s problems. Kidd suggested that the Board press the government "to appoint a thoroughly capable and impartial Commissioner." The Board, however, was uncertain of the tactfulness of such pressure before the Public Utilities Commission bill had been introduced. 88

Nevertheless, shortly after the death of Premier Brewster in March 1918, Kidd approached the new premier, John Oliver, about the selection of a suitable commissioner. Oliver seemed aware of the difficulty of selecting the commissioner. He admitted to Kidd that politics played a role in such appointments but declared that ability and experience were his first considerations in selecting a commissioner. Oliver, who agreed with the need to treat capital fairly in order to protect the provincial credit, promised to submit a

88 Goward to Kidd, December 1, 1917, Box 83; Goward to Kidd, January 3, 1918, Box 83; Rogers to Urwin, February 4, 1918, LFGM, 1918; Kidd to Goward, December 15, 1917, Box 83; Kidd to Urwin, January 4, 1918, LFGM, 1918; Horne-Payne to Kidd, March 1, 1918, Box 192; Rogers to Davidson, September 4, 1918, LFGM, 1918.
draft P.U.C. bill to the B.C.E.R. for comment and to permit the B.C.E.R. to make representations on the personnel of the Commission. Oliver was true to his word. In April 1919 he gave the B.C.E.R. advance notice of his choice of R.H. Gale, the Mayor of Vancouver, as the sole commissioner. To this appointment, the B.C.E.R. objected. What probably led Oliver to rescind Gale's appointment, however, were the protests of returned soldiers who argued that one of their number should receive the position. Consequently, Major John Ley Retallack of Kaslo who had been recommended by both the Great War Veterans' Association and the Vancouver Board of Trade was appointed as British Columbia's first Public Utilities Commissioner. The B.C.E.R. did not know Retallack personally but was satisfied with his "reputation of being a broad-minded impartial man of considerable technical experience and executive ability." 89

89 Memo of interview between Premier Oliver, Goward, and Kidd, October 10, 1918, Box 83; Kidd to Davidson, October 11, 1918, LFGM, 1918; Murrin to Davidson, April 6, 1919, LFGM, 1919; Oliver's Diary, April 9, 1919, p.103, PABC. The Vancouver branch of the Army and Navy Veterans endorsed Gale, if there were no suitable returned man available. The Executive of the Manufacturers' Association of B.C. also endorsed Gale. (L.C. Mabbott, secretary, Army and Navy Veterans Association, to Attorney-General Farris, April 19, 1919 and James Hart, secretary, Manufacturers' Association of B.C., to Farris, April 19, 1919, Attorney-Generals' Papers, Microfilm Roll 73, 4315/2/18/20.)
The B.C.E.R. which had the ear of the provincial Liberal government also assisted the government in drafting the P.U.C. bill. The B.C.E.R. was anxious, for example, to empower the commission to interfere in existing contracts between public utility companies and municipalities when contract rates were unreasonably low. To cope with an immediate problem of lighting rates and fare adjustments, the B.C.E.R. suggested that British Columbia adapt a clause from the Nova Scotia Public Utilities Commission Act which would postpone any changes in rates and fares until the P.U.C. examined them. The government readily accepted the idea. In co-operation with other utility companies in the province, the B.C.E.R. persuaded the government to use the courts rather than the Legislature for appeals against decisions of the Commission, to include regulations for municipally-owned utilities, to outline the basis on which rates would be fixed and on which the company would be valued and to insure the company's rights to a legitimate rate of interest on investment. By the time the public utility companies had altered the bill, the B.C.E.R. could only find a minor blot -- a clause which placed the difference between the five and six cent fare in Vancouver in escrow until the Commission decided on fares. 90

90 Kidd to Oliver, December 6, 1918, Box 83; Oliver to Kidd, December 24, 1918, Box 595; Kidd to Davidson, January 20, 1919, LFGM, 1919; Kidd to Horne-Payne, March 29, 1919, Box 68.
When the P.U.C. first met, the six cent fare in Vancouver was an immediate concern. Murrin, however, convinced Major Retallack that the first step in assessing the situation was to decide on the valuation of the B.C.E.R.'s property as a necessary first step in calculating a fair rate of return on the investment. A lengthy debate on the basic principles of the appraisal followed. The Vancouver City counsel, George McCrossan, argued that the value should be the cost of reproducing the plant necessary to operate the street railway as a going concern. The B.C.E.R., on the other hand, asserted that the present value of the company was greater than its replacement value because of its piecemeal growth, unusual wartime costs, obsolescence and engineering mistakes. Retallack decided to instruct the appraisers, whom he would select, to ascertain both replacement value and actual cost.

After the Vancouver City Council passed the by-law extending the six cent fare, Mayor Gale refused to sign it. He argued that the "giving of a concession of this description without a provision as to a definite reduction of light and power charges is a throwing away of another weapon that should have been effective in the securing of these necessary reductions in light and power rates." Gale then got the Council to seek an injunction against the B.C.E.R. collecting more than a 5¢ fare until the ratepayers approved a 6¢ fare. A small turn-out of voters defeated the by-law calling for a referendum. The courts dismissed the city's application for an injunction and forced Gale to sign.

91 Murrin to Bartlett, July 18, 1919, LFGM, 1919.
Before Retallack could appoint appraisers, a C.P.R. solicitor in Vancouver noted that a recent amendment to the Dominion Railway Act seemed to remove the control of all electric railways from the provincial governments and place them under the federal Board of Railway Commissioners. The Railway Commission had an enviable reputation for fairness and ability and freedom from local political influence. Kidd decided, however, that no matter how desirable it might be to be free of local politicians, the provincial government would deeply resent any attempt by the B.C.E.R. to turn this federal intrusion into provincial rights to the company's advantage. Therefore, Kidd quickly advised Major Retallack -- whom he found to be "fair and reasonable" -- of the amendment to the Railway Act. In turn, Retallack notified the Attorney-General advising a petition to the Minister of Justice and the British Columbia Members of Parliament to have the amendment repealed. The B.C.E.R. agreed to aid the local governments in seeking repeal. Kidd's motives for co-operating were not wholly disinterested. He feared that since the Railway Commissioners were unlikely to take over jurisdiction over light and power rates, the B.C.E.R. would be subjected to dual governmental control or even triple control as the municipalities could still legislate against the company by repealing jitney by-laws.
Parliament cannot always easily undo its legislation. Because the Brotherhood of Railway Trainmen wanted to bring certain electric railways in Quebec under uniform practice regarding safety regulations and other matters, they objected to a simple repeal of the original amendment. Therefore, the B.C.E.R.'s railway business remained indefinitely under the control of the Railway Commission. In the meantime, the federal Commission gave temporary approval to the maintenance of the six cent fare.  

With the B.C.E.R.'s railway business removed from its jurisdiction, the provincial commission had little to do. The Premier and Attorney-General Farris also claimed that Major Retallack had been tactless and had refused to obey government instructions. Oliver no longer seemed to have any sympathy for the B.C.E.R. in its struggles with the municipalities. On April 13, 1920, the provincial government abolished the Public Utilities Commission. This left the B.C.E.R. with its light power and gas business free of any governmental supervision and its railways under the possibly only temporary control of the federal Railway Commission. As far as Kidd was concerned, if

92 Kidd to Bartlett, November 6, 1919, Box 65; Kidd to Bartlett, November 10, 1919, Box 65; Kidd to Bartlett, December 3, 1919, Box 65. In May 1919, American street railways got their federal government to investigate the wage-fare squeeze.
the federal Parliament did not repeal the electric railway clauses of the Railway Act, the situation was "very satisfactory." However, the situation, especially regarding the six cent fare, was very insecure. Kidd proposed that the B.C.E.R. attempt to get the whole of its undertaking placed under the Board of Railway Commissioners before the provincial government devised a commission and appointed a commissioner more suitable to it than Retallack had been. The idea of putting all of the company's operations under the Board of Railway Commissioners revived the question of seeking a Canadian charter.93

By abolishing the P.U.C., the provincial government undermined one of Shortt's major recommendations. Indeed, it might be said that, in the long run, Shortt's commission was an exercise in frustration. His investigation did not provide a permanent solution of the problems between the company and local governments. Nevertheless, it did relieve a tense situation in the summer of 1917. As prosperity returned, the existence of an agency to mediate between the B.C.E.R. and the British Columbia public was less necessary.

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93 Kidd to Bartlett, April 13, 1920, LFGM, 1920; Oliver's Diary, April 8, 1920, p.133; Kidd to Bartlett, April 19,1920, LFGM, 1920. see below, p.314ff.
The main concern of the B.C.E.R. during the anxious years had continued to be the security of its investment. In combatting the jitneys, in seeking the retention of the "protective clause" and in arranging for the P.U.C., the B.C.E.R. conformed to its traditional patterns of behaviour.

Many of its fears were groundless. The repeal of the "protective clause" turned out to be quite meaningless because of the impoverished state of the Vancouver city treasury. The state of that treasury also meant that the B.C.E.R. had little reason to fear that the city would exercise its option to purchase the street railway in 1919. The P.U.C., before its demise, gave every promise of being favourably disposed towards the B.C.E.R.

In its methods of combatting its anxieties, the B.C.E.R. followed its usual habits. It continued to work closely with politicians of whatever party was in power. By modifying its attitudes towards governmental investigations and regulations, it showed its flexibility. By seeking to use financial pressure as a means of influencing provincial and municipal governments to think its way, the Board indicated its belief in traditional methods.
The old problem of giving favourable reports to British shareholders without arousing the hostility of consumers who opposed increased street railway fares and who wanted lower lighting rates and of employees who sought higher wages persisted. The company's consideration of dividend payments in 1915, 1918 and 1919 indicates this. In describing its situation to British Columbians, the B.C.E.R. always painted conditions in the most dreary colours possible. The B.C.E.R. did not tell falsehoods, but it did not always reveal the whole story either in London or in British Columbia.

During the war years, in particular, communication between the directors and management was difficult. It was impossible for Board members to visit British Columbia or for management to visit London regularly. The Board gave George Kidd who had served his apprenticeship as company secretary in London and as assistant general manager in Vancouver, considerable latitude in making policies. They continued to give him ample advice but accepted his decisions even when his policies, particularly in labour questions, contradicted their recommendations. The directors realized that operating a large company by remote control was difficult, that the man on the spot, particularly if he were a man of Kidd's experience and ability, was best qualified to decide on policy.
The anxious years, though difficult, were not impossible. The sound financial policies of the past and the relatively constant returns from the highly profitable light and power business meant that in spite of many troubles, the B.C.E.R.'s financial situation throughout the years from 1913 to 1920 was in good order. On the whole, the "anxious years" were a period during which the company was able to consolidate its position after an earlier decade of rapid growth. When the war-time disruption was over, the company was well prepared to resume its expansion.
CHAPTER VI

LABOUR RELATIONS, 1897-1928

During the anxious years, one of the B.C.E.R.'s problems was discontent among its employees. Between 1917 and 1919 inclusive, restless employees struck the company on four separate occasions. Such unrest was symptomatic of labour discontent throughout Western Canada. It was a new experience for the B.C.E.R. which had long prided itself on its amicable labour relations.

The B.C.E.R. adopted a paternalistic attitude towards its employees, including for a time, a profit-sharing scheme. With the exception of the war and immediate post-war years this paternalism was remarkably successful. Its success, however, is also attributable to the conservative nature of most of the B.C.E.R. employees and their unions.

The relationship between the Board and management on labour questions closely parallels their relationship on other
matters. The directors were keenly interested in labour because wages were the company's largest single operating exp-
 pense. Throughout the company's history, the local manager
 was usually in a difficult position at wage negotiation time.
 As man on the spot he was usually able to comprehend the em-
 ployee's demands for increased wages; he found explaining the
 situation to the directors, difficult.

The B.C.E.R. believed in treating its employees fairly
 but firmly. It always paid competitive wages including, from
 1902 to 1910, the sponsoring of a unique profit-sharing scheme. 1

1 The idea of profit-sharing originated in France early in
 the nineteenth century. By 1897, 170 different firms in Great
 Britain had adopted it. By 1918 there had been thirteen pro-
 fit-sharing schemes in Canada of which eight were defunct.
 (David F. Schloss, Methods of Industrial Remuneration. London,
 Williams and Norgate, 1899, 3rd ed., p.262; H. Michell,"Profit-
 Sharing and Producers' Co-operation in Canada." Queen's Quarterly,
 vol XXV (January 1918), pp. 300-301.

As far as the B.C.E.R. was concerned, Horne-Payne seems
 to have originated the idea which was happily adopted by
 Buntzen. Under the scheme, employees shared equally in a
 sum equal to one-third of the amount available for dividends
 after the ordinary shareholders received 4%. This yielded the
 men $25 each in 1903. The sum rose steadily reaching a peak
 of $66.78 in 1908. As the company grew, the number of em-
 ployees increased more rapidly than profits. Individual shares
 fell. In 1910, the employees, including many new men who had
 not yet qualified to share in the profits by serving the
 company for a full year, asked for a straight increase in wages
 and the abolition of profit-sharing.
Unlike many employers in British Columbia, the B.C.E.R. did not discourage union activities among its employees. It cooperated with the Amalgamated Street and Electric Railway Workers of America in forming locals but refused to have a closed shop. The company's success in dealing with the union was assisted by the conservatism of the local and international leaders of the Street Railwaymen's Union. Although the local labour movement in Vancouver was frequently critical of the B.C.E.R., the street railwaymen tended to defend their employers.

Although the street railwaymen were not generously paid, they did enjoy some fringe benefits such as free transportation and discounts on their lighting bills. Their uniforms which were subsidized by the company also gave them a particular status and respect in the community. And, unlike semi-skilled workers in other occupations, most of them enjoyed steady work in spite of fluctuations in the economy and weather conditions.

By 1910 the labour situation was beginning to change. The cost of living was rising faster than wages. A rapid increase in the number of the B.C.E.R.'s employees made it impossible for management to treat all employees individually.²

² In 1911, the general manager delegated his responsibilities for personnel relations to two assistants, G.R.G. Conway and
It also meant that the majority of employees were new workers who, because of the sliding scale of wages based on experience, were at the bottom of the pay scale. Newcomers also lacked the corporate family spirit and the deferential attitude of the older employees. There was also a loss of older employees some of whom had made small fortunes through real estate transactions.

In 1910 the company briefly feared a strike and prepared for arbitration under the Lemieux Act and for the hiring of Pinkerton men in case of a strike. By replacing the profit-sharing scheme with an additional two cents an hour and a one cent across the board increase, the company settled the dis-

J.A. Roosevelt. Roosevelt, an American and a connection of the Roosevelt family, took charge of the transportation division of the company. Finding many of the men immediately under his charge such as the Traffic Superintendent, the Interurban Manager and the local managers of the New Westminster and Lulu Island lines unsatisfactory, he dismissed them and replaced several of them with Americans. The dismissal of long-time employees caused uneasiness among other B.C.E.R. employees; their replacement by Americans stimulated innate anti-Americanism in the community. When the matter of the American employees was raised in the Provincial Legislature, the McBride government informed the B.C.E.R. that it might have to act under the Alien Labour Act. The company recognized the problem created by Roosevelt. On May 1, 1912, Roosevelt resigned. Although several of his appointees remained, the reappointment of the men he dismissed relieved much of the tension among the employees.

(See Sperling to B.C.E.R. (London), January 31, 1912, Box 67.)

3 Glover's Diary, April 22, 1909, Box 372.
pute without a strike and secured labour peace for three years. In 1911, when the Vancouver Trades and Labor Council proposed a general strike to support building trades workers in their demands for a closed shop, neither the street railwaymen nor the electrical workers supported the idea. By keeping the transportation and lighting systems in operation, B.C.E.R. employees effectively prevented a general strike.

In 1913, the 1910 agreement expired. The cost of living and wages for unskilled workers in British Columbia was rising constantly. The street railwaymen asked for improved working conditions and an average increase of twenty-two and a half per cent or $400,000 on the annual payroll. The Board, regarding these demands as impossible, authorized all necessary preparations for a strike including the importation of strike breakers if "absolutely necessary" and for the protection of company property. When the question was taken to arbitration under the Industrial Disputes Investigation Act, the men at first rejected the majority report which granted an increase for all but starting employees -- about 250 out of 1500 -- and made no major changes in working conditions. After

4 Glover to Sperling, May 12, 1910, Box 717.

5 The B.C.E.R. had statistics prepared showing that the cost of living had risen in Victoria and New Westminster but not in Vancouver.
the company made a few minor adjustments, the majority of employees decided to sign a two year agreement. Nevertheless, "quite a number of the men were dissatisfied," particularly in New Westminster and on the interurban lines. Indeed, the New Westminster local asked for almost a complete revision of the working conditions outlined in the agreement. Again, the company made minor concessions and the men, aware of increasing unemployment, finally signed the new schedule. With the exception of the car repairers and car cleaners, all classes of employees were at least acquiescent. By year's end many employees were on half time and there was much unemployment in the city. The tension below the surface, however, could be easily aroused -- the dismissal of a conductor accused of tampering with a fare box threatened for a time to lead to a strike.6


After eighteen months and investigations by two Boards appointed by the federal Department of Labour, the company conceded the men's contention that a man charged with dishonesty should have the charge investigated and should not be summarily dismissed with the allegation still standing against him. Labour Gazette, vol. XIV (July 1914), pp. 53-59; vol. XIV (September 1914), p. 367.
By the summer of 1914, the B.C.E.R. was preparing for the re-opening of wages and working agreements in the following spring. In October 1914, the Board warned that it would have to reduce wages in the 1915 agreement. In his speech to the company's annual meeting in December, Horne-Payne fore-shadowed such a reduction but did not heed management's advice to reduce the dividend in order to emphasize the company's inability to pay. The Board's suggestion of a twenty per cent reduction in wages all round -- though perhaps justified by losses of revenue especially through the jitneys -- was impossible. Kidd contended that the men "should be paid an economic wage based on the wages paid for similar occupations bearing in mind the cost of living, as they are not partners in our business and do not share in either of its profits or its losses." The Board, insisting that wage reductions were essential, proposed a fifteen per cent general reduction and slightly changed working conditions. During the sittings of the arbitrators appointed under the Industrial Disputes Investigation Act, the company enclosed with mid-month cheques, a "Notice to Unmarried Men. Your King and Country needs you. We can spare you." This was more than a patriotic gesture, it was a clear hint that the men were fortunate just to have a job. The arbitrators recommended an eight per cent wage reduction with little change in working conditions. The company
regarded the award as a favourable one; the men did not. About ninety per cent of them voted to strike.\(^7\)

The B.C.E.R. was prepared; it had even arranged for strike breakers. By personal letter it warned each employee that in case of a strike the company would give a forty-eight hour period of grace after which it would cease to recognize the union and seniority rights. Kidd also arranged to have H.H. Stevens, M.P., act as an intermediary. Stevens, the Conservative Member for Vancouver City, reported that the men suspected the company of trying to break the union. The men also wanted an agreement for the duration of the war plus six months, or in any case, not less than twelve or more than twenty-two months from September 1, 1915 rather than for a fixed term. The international officers of the union also worked against the strike. Kidd acceded to the men's demands; the strike was averted.

The linemen, members of the International Brotherhood of Electrical Workers, were more difficult. Kidd, however, went over the heads of the union leaders and appealed directly to the men who returned to work. Labour relations seemed peaceful, the street railwaymen had a two year agreement and the

difficult I.B.E.W. local had been broken. Indeed, so peaceful seemed the labour situation that the company attempted to restore its paternalistic attitude toward the men by purchasing instruments for a company band and arranging billiard matches between the motormen and conductors and the office staff. 8

As the European war dragged on, defence industries developed and took up the labour slack. By the summer of 1916 there was a definite shortage of labour; retaining employees was increasingly difficult. The disaffected linemen, taking advantage of the situation, struck on the issue of union recognition. The company, unable to get sufficient reliable strike breakers to challenge the union, was seriously concerned lest the street railwaymen join the electrical workers. After almost a month of negotiations, the management recognized the electrical workers' union and restored wages to the 1915 level. 9

Because of the restlessness among the street railwaymen who had been agitating for a formal six day week to replace the company's practice of allowing one and a half days off in eight,

8 Kidd to Urwin, September 4, 1915, Box 64; Kidd to Urwin, November 20, 1915, Box 64. The company band was later dissolved because of complications posed by the Musicians' union.

9 Saville to Conway, August 28, 1916, Box 597.
the B.C.E.R. agreed to restore the wages prevailing before the reduction of September 1915. This was on condition that the men would extend the existing agreement one year to June 30, 1918 or to six months after the end of the war. The management thought this would avoid a difficult labour situation in the summer of 1917 and might mean that the company would be negotiating from a position of strength since there would be many unemployed after the war.¹⁰

By the spring of 1917 the labour situation was again threatening. Although the wages agreement had a year to run, Kidd sensed uneasiness among the employees because of the high cost of living, the general upheaval in the labour market and "the feeling that a good time is coming for them and that they are going to have much more their own way than in the past" since American railwaymen had twice within six months squeezed important concessions from their government. Although concerned about a possible strike, Kidd dismissed as "perfectly ridiculous" a suggestion that the company should pay its employees a war bonus.¹¹


¹¹ Kidd to Horne-Payne, March 27, 1917, Box 68.
Six weeks later, Kidd unhappily informed the Board that the employees would probably demand a war bonus costing approximately $100,000 per year. He now admitted that the men had a legitimate grievance as the cost of living had risen about twenty-five per cent. He feared the consequences of a strike in labour-short Vancouver but, as late as May 17, he did not really expect a strike. With the Board's approval, he announced that starting June 1, the company would pay a war bonus of from five to fifteen per cent varying in inverse proportion to the employee's monthly earnings. This did not satisfy the street railwaymen who wanted an average increase of five cents per hour or almost a fifteen per cent increase for the highest paid men rather than the five per cent proposed by the company. Granting these demands would cost approximately $250,000 per year. Ninety-seven per cent of the street railwaymen in Vancouver and New Westminster stopped work. Only on the Lulu Island and Fraser Valley lines where the men belonged to the Railroad Brotherhood was the B.C.E.R. operating its railways on the mainland. A day later, the Victoria employees also stopped work. 12

This strike precipitated the decision of the provincial government to have Dr. Shortt investigate the Economic Conditions of the B.C.E.R.\textsuperscript{13} As soon as Shortt's appointment was confirmed, Kidd and the union met to discuss the original question of wages. Kidd offered a three cent per hour increase. After refusing to consider this offer, the street railway union leaders hinted that if their demands for five cents per hour were not met, the electrical workers would join the strike. Because of fear that an electrical workers' strike and the cessation of all light and power service would destroy the good will the company had acquired during the strike and jeopardize the agreement with the city, Kidd reluctantly granted the five cent increase in a one year agreement. On June 21, the men returned to work.\textsuperscript{14}

During the strike there was some talk in the city to the effect that the B.C.E.R. had deliberately brought on the strike in order to force the city to investigate the company's problems with fares and jitneys. Certainly, once the strike had started and after it was over, Kidd indicated that he believed in the wisdom of stopping "the service in order to bring home

\textsuperscript{13} See above, pp. 239 ff.

\textsuperscript{14} Kidd to Urwin, June 26, 1917, LFGM, 1917.
to the public the necessity for drastic changes." The evidence, admittedly flimsy and fragmentary, suggests, however, that Kidd did not want a strike -- for example, he voluntarily offered a war bonus in May -- but once he had the strike on his hands, he used it to advantage. Also, Kidd did not use the strike or the strike settlement to force any concessions in respect of the "protective clause," even though such a course had been suggested by the Board. The Board was keenly interested in labour and related questions -- wages were the largest single operating expenditure -- but it was wise enough to accept Kidd's judgment on such delicate local matters.

In 1917 the B.C.E.R. had ended a strike by granting a wage increase. Prices, however, continued to rise faster than wages. The labour situation throughout Canada, and particularly in the West, was critical. To complicate matters, there was disagreement between those labour leaders who continued to advocate political action and those who favoured direct action, i.e. the strike, as a means of accomplishing their ends.

15 Kidd to Urwin, June 25, 1917, LFGM, 1917; Horne-Payne to Kidd, April 21, 1917, Box 68; Kidd to B.C.E.R. (London), June 20, 1917, Box 98.
Within the labour movement in Canada, this became a conflict between the conservative east and the radical west, between the traditional international trade unions and the new industrial unions. National registration and then conscription also antagonized many members of the labour movement who believed that there should be no conscription of men without conscription of wealth. And, the revolutionary ideas which had long been present among some labour men had been stimulated by the Russian Revolution.

To the management of the B.C.E.R., the question was simply one of wages and working conditions. The initial reaction of Horne-Payne, who was prepared to have a long shutdown\textsuperscript{16} was to refuse higher wages "with utmost decision and firmness." Kidd, the man on the spot, regarded the men's demands as unreasonable, but realized the difficulty in resisting a demand for a maximum of fifty-one cents per hour for an eight hour day when an arbitration board had recently granted common labourers in shipyards, $3.85 for an eight hour day. "To fight a strike," said Kidd, "would be out of the question" as it would involve all of the company's employees and would practi-

\textsuperscript{16} Horne-Payne to Kidd, April 9, 1918, Box 68.
cally suspend the business of the whole community. 17

In 1917 the B.C.E.R. had had to deal only with the street railwaymen; now the electrical workers were simultaneously demanding pay increases. Kidd offered a ten per cent increase to the street railwaymen and the same working conditions. The union refused this offer. To the electrical workers, Kidd first offered ten per cent, then twelve and a half per cent and finally fifteen per cent. They too rejected his offer; they wanted a closed shop as well as higher wages. The company and the unions then applied to the federal Department of Labour for a Board of Conciliation and Investigation. Regarding the street railway dispute, this Board examined the questions of wages, the eight hour day and the inclusion of classes of employees in the closed shop. Before the Board could prepare a report on street railway matters or hear evidence in the dispute between the B.C.E.R., the Western Canada Power Company and the Electrical Workers, the street railwaymen and electrical workers struck, as previously planned, at midnight, July 1, 1918. The fact that the two unions went

17 Kidd to Urwin, April 24, 1918, LFGM, 1918; Kidd to the Secretary, B.C.E.R. (London), May 30, 1918, LFGM, 1918; Kidd to Horne-Payne, June 3, 1918, Box 68.
out together, appointed a joint committee to carry on the strike and that neither union waited for the Conciliation Board's report is indicative of the restlessness of labour at the time.\textsuperscript{18} The joint committee asked the Trades and Labor Council to place electric power on the unfair list so that union men would not use power while the electrical workers were striking. Most of the affiliated bodies were favourable, but the general strike committee of the Trades and Labor Council delayed action to give the unions and the companies time to reach a settlement. According to the \textit{B.C. Federationist}, "the patience of other union men was only held in leash by herculean efforts and the general strike committee could not have prevented a general strike taking place...if a settlement had not been made.\textsuperscript{19} Office and supervisory staff maintained light and power service while residents of Vancouver, Victoria and New Westminster walked or rode on the jitneys.

The report of the Board of Conciliation\textsuperscript{20} investigating the Street Railwaymen's dispute was not entirely favourable to

\textsuperscript{18} The B.C. Telephone Company averted a strike among its employees by accepting most of their demands including a closed shop.

\textsuperscript{19} \textit{B.C. Federationist}, July 12, 1918, p.1.

\textsuperscript{20} The members of the Board were Hon. Mr. Justice W.A. MacDonald, the chairman; Frederick Buscombe, a wholesaler, the company's representative; and T.J. Coughlin of the Brotherhood of Railway Trainmen, the employees' nominee. "Report of Board in
the company. In making its recommendations, the Board was fully aware of the company's claim that the operation of street railways was a losing proposition, but it argued that the ability of the company to pay was not a relevant issue, that employees "should not be called upon to bear a share in the loss resulting from an unremunerative business undertaking, which served the citizens as a whole." The Board, aware of a recent decision of the National War Labor Board in the United States, contended that employees "should receive a fair rate of wages which will enable them with proper economy, to meet the high cost of food and other necessities." Specifically, the Board recommended an increase in minimum wages for motormen and conductors to forty cents an hour from thirty cents (the B.C.E.R. had been unable to hire anyone for less than thirty-five cents) and in maximum rates from forty to forty-seven cents. The Board also advised that the term of service required to reach maximum rates would be reduced from four to two years. These rates would be included in a one year agreement which would be re-opened if there were any appreciable rise in the cost of living. The Board also recommended the adoption of the principle of the eight hour day but suggested that the im-

plementation of the shorter day should be delayed for the duration of the war. In the meantime, the Board of Conciliation urged the company to adopt "running sheets" which would reduce "spread-over" and allow employees to put in their days' work in as little elapsed time as possible. T. J. Coughlin, the employees' representative, submitted a minority report in which he repeated the union demands for a universal rate of fifty-one cents per hour and the immediate introduction of an eight hour day spread over a maximum elapsed time of nine hours.

In concluding the report, the Board of Conciliation observed that the B.C.E.R. was "in the unfortunate position of being unable -- under existing agreements -- to pass the enormously increased cost on to the public upon whom, however, it must inevitably fall in the end, for if the public want the service it must pay for it."

This statement gave the B.C.E.R. an opening towards achieving its goal of a six cent fare. At a meeting in Mayor Gale's office on July 6, with representatives of the Vancouver City Council, the municipal councils, the Board of Trade, the Trades and Labor Council and its employees, 22 "Report of Board in Dispute between B.C. Electric Railway Company and Street Railway Employees," Labour Gazette, vol. XVIII (August 1918), pp. 575ff.
the B.C.E.R. advised that if the cities and municipalities would permit fare increases and enforce jitney regulations, the company would pay the wages demanded by the striking employees although this would mean an additional annual cost of approximately $900,000. The city, South Vancouver and Point Grey agreed to permit the six cent fare for a nine month period which would allow time for the establishment of a Public Utilities Commission. On July 11, 1918, the street railwaymen and electrical workers returned to work.

Although the employees apparently accepted the company's offer, they were not easily satisfied. The return to normality was short-lived. At midnight, on Saturday, July 13, the Electrical Workers, without notice, resumed their strike thus shutting off light, power and street railway service. With some difficulty, supervisory personnel restored limited service but could not provide sufficient power to operate the railway system. At a meeting called by Mayor Gale, the Electrical Workers demanded the restoration of the transportation and lighting concessions which had been discontinued when wages were raised, the dismissal of strikebreakers and of W.G. Murrin, the assistant general manager, and J. Newell, the electrical superintendent. The company agreed to restore transportation and lighting privileges and to refer the other
questions to arbitration. To this, the executive of the Electrical Workers agreed but the majority of the membership did not. Finally, on July 16, after the Attorney-General, the Minister of Labour, the Mayor of Vancouver and a number of prominent citizens negotiated with the Electrical Workers, the Workers withdrew their demands for the resignations of Murrin and Newell. A settlement was made.23

The B.C.E.R. seemed to have solved its labour problems; labour unrest continued to fester in the community as war time measures continued to restrict the lives of individuals. Conscription was indirectly the cause of the third stoppage of work by B.C.E.R. employees within two months. In protest against the shooting of Albert (Ginger) Goodwin, a former vice-president of the B.C. Federation of Labour who was avoiding military service by hiding in the hills near Comox, the Vancouver Trades and Labor Council endorsed the idea of a twenty-four hour "holiday" as a protest.24 This was, of course, a form of general strike.

23 Kidd to Horne-Payne, July 12, 1918, Box 68; Kidd to Davidson, August 1, 1918, LFGM, 1918.

Of the B.C.E.R.'s employees, only the street railwaymen on the city lines joined the work stoppage and then only from noon to 10:30 p.m. when the Mayor and others persuaded them to return to work. The success of the efforts in getting the men back to work, Kidd suggested, was to a great extent due to the physical action taken during the day by the Returned Soldiers against the executive of the Trades and Labor Council. The decision of the street railwaymen to resume work avoided serious consequences; the Returned Soldiers and their sympathizers who were greatly incensed by the strike "had made it their business to centre their opposition to the Strike on the stoppage of street car service." Fearing a riot, Kidd took the men back without protest. He also knew that if the company balked, it would be unlikely to receive government protection.

Kidd was critical of the failure of the provincial and federal governments to tackle the evils such as radical and anarchistic propaganda which were affecting the labour movement. He also rebuked "the business interests, representing who have been inactive

25 A group of returned soldiers raided the Labour Temple and forced Victor Midgely, the Secretary of the Vancouver Trades and Labor Council to take temporary refuge on a window sill. When he got back into the building he was beaten and forced to kiss the flag. Police later rescued him. The building itself was damaged and some records destroyed. Phillips, No Power Greater, pp. 73-74
and take practically no part in the civic life or government of the community." To remedy these problems, Kidd began working on the organization of an association of leading businessmen "whose object would be the consolidation and co-ordination of employers of capital and labour on a sound and equitable basis." The Association would do as much "to see that unfair conditions are not imposed by employers upon workpeople as the reverse." The Employers' Association of British Columbia, however, was unable to stop labour unrest.

As early as January 1919, Kidd warned his Board that unemployment caused by the end of wartime shipbuilding and the return of soldiers plus the ideas of the Bolsheviki might result in "violent disturbances" during the summer. On May 15, 1919, the members of the Winnipeg Trades and Labor Council--for reasons which are still debated by students of the strike--

26 Kidd to Davidson, August 13, 1918, LFGM, 1918.

27 Kidd to the managers of the B.C. Telephone, B.C. Sugar Refinery and other companies, November 29, 1918, Box 104.

28 Kidd to Horne-Payne, January 30, 1919, Box 68.

embarked on a general strike. The Vancouver Trades and Labor Council polled its members on the idea of a sympathy strike. A majority voted in favour; on Tuesday, June 3, the Vancouver Sympathy Strike began. All the B.C.E.R. employees belonging to the Electrical Workers went out with the exception of the substation men and four trouble shooters. Whether or not the substation men remained on the job because of the liberality of the Strike Committee in maintaining essential public services or because the Strike Committee was unable to enforce an order to them to cease work is open to question. Considering the restlessness of the Electrical Workers during the previous summer, the former seems the more reasonable explanation.

The street railwaymen initially voted 518 to 209 against going out on strike. For two days they continued to work in spite of pickets on the cars and at the car barns. When the street railwaymen met after midnight of June 4 to consider their situation, longshoremen and other strikers picketed the meeting place making open but undefined threats against the street railwaymen in case the cars ran on the morning of June 5. The street railwaymen in Vancouver decided to strike in

30 Murrin to Bartlett, July 7, 1919, LFGM, 1919.
sympathy and in violation of their agreement with the B.C.E.R. In New Westminster and on the interurban lines, the unintimiated street railwaymen voted against joining the strike. The interurbans, however, were unable to run all the way into the Carrall Street station. Then, when nine labour leaders were arrested in Winnipeg, a general strike was called in New Westminster. From June 18 to June 23, 1919, only the Lulu Island and Fraser Valley lines whose crews belonged to the Railway unions operated. In Victoria, the street railwaymen did not strike.

As soon as the street railwaymen ceased work in Vancouver, hundreds of jitneys appeared on the streets in defiance of the city by-law. The Mayor, however, had already decided to suspend the by-law temporarily. Since it could not offer alternative transportation, the B.C.E.R. could only protest mildly. The Strike Committee, however, feeling that the jitneys threatened the effectiveness of the strike, presented the city with an ultimatum that if the jitneys were not ordered off the streets, the telephone operators would be called from their jobs. Non-union telephone operators maintained service and the jitneys remained.

The B.C.E.R. had rightly feared that the cessation of street railway service would lead to a revival of jitney com-
petition. Indeed, they had advised W.D. Mahon of Detroit, the International President of the A.A.S.E.R.E.A., that the jitneys could be fatal to the prosperity of the company and the livelihoods of its employees. By telegram and by the sending of F.R. Glover, a former executive assistant to Kidd, to Detroit, the B.C.E.R. tried to get the international leaders to persuade local union officials to call off the strike. The international leaders sympathized with the company but doubted the strength of their influence over local union officials. The headquarters of the A.A.S.E.R.E.A. warned its Vancouver local that if the contract with the B.C.E.R. were not honored, it would lose its charter. By the time this telegram arrived in Vancouver, the Winnipeg strike was over. The raison d'être of the Vancouver strike had disappeared. By a majority of forty-five, the street railwaymen agreed to return to work on June 30, 1919. In spite of the apparently limited influence of the international over the local union, the B.C.E.R. was anxious to have one of the international officers come to Vancouver to investigate the situation and take steps to restore confidence in the reliability of street railway service. Because street railway service had been suspended three times within a year, the city was not anxious to remove the jitneys completely as they provided an alternative method of public
A little more than a month after the conclusion of the sympathy strike, the street railwaymen asked for increased wages and working conditions. They rejected the company's proposal of a five cent per hour increase and applied for a Board of Conciliation. This Board reported that in comparison with the increased cost of living and wages paid to workers in other industries, the wages paid to motormen and conductors did not seem too low considering the steadiness of the work and the limited amount of skill required. Because of the general tendency towards higher wages, the Conciliation Board recommended an increase of five cents per hour, the original company offer. The Board also advised that there should be no major changes in working conditions. Although this was much less than the employees wanted, they accepted it. In the meantime, the city re-instated the jitney

31 From Murrin to Bartlett, July 7, 1919, LFGM, 1919 and accompanying correspondence.

by-law. This effectively banned jitney competition except on the run between Vancouver and New Westminster. The situation was beginning to return to normal.

During most of the 1920's the labour scene was relatively peaceful. Except for ineffective strikes by gas workers in 1920 and by electrical workers in 1921, the company was free of such disruptions. In 1920 and 1923, however, the company avoided street railway strikes only by acceding to its employees' demands for higher wages to meet the rising cost of living. On the other hand, in 1921 during the trough of the post-war depression, a Dominion Conciliation Board awarded the company a ten per cent reduction in wages. By mid-decade, the labour situation was stable. In 1924 labour and management successfully negotiated a three-year agreement which included only minor alterations in previous wages and working conditions. In 1927, the Board of Arbitration again granted only minor increases but the employees accepted another three-year contract.

The company resumed its paternal treatment of its employees. A programme providing long term loans at low interest for employees who wished to buy their own homes was extended from the clerical staff to all employees. Blanket life insurance of $1,000 for all employees with five or more years
service was provided. In 1926, the directors volunteered to set aside £40,000 for pensions for employees with more than twenty-five years service who had passed retirement age. The British Columbia Electric Employees' Magazine which had begun publication in 1918 continued explaining company policies and developments as well as carrying news items about individual employees and their families. Kidd observed that the company was a popular employer, that "from the highest to the lowest in all sections of the community people are desirous of joining the service." In 1927, the company informed a Conciliation Board that "a large number of those operating our cars are constantly endeavouring to aid their sons, brothers and other relatives to obtain employment with us." As far as the company was concerned, the labour situation had returned to its normal pre-war state of happy employees working for a paternal company.

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On the whole, the 1920's were an untroubled decade for the B.C.E.R. Prosperity had returned to British Columbia. The question of government regulation was vexing but the local governments tended to be co-operative; labour was quiet. In spite of increasing competition from private automobiles and the company's own motor buses, street railway earnings remained relatively constant. The demand for power increased. The capital necessary to finance the expansion of the company's hydro-electric power facilities was easily raised. During most of the period, the directors and management were considering steps leading towards the Canadianization of the company. Their motives were purely practical -- they wanted to save on British income tax and they wanted to make a favourable appearance in British Columbia. The ultimate Canadianization of the company, however, resulted from the successful bid of eastern Canadian capitalists to purchase a controlling interest in the B.C.E.R.
In the 1920's when Canada enjoyed "new and impressive" expansion, British Columbia had the highest rate of economic growth of any province or region. The degree of prosperity, however, was not uniform throughout the period. After a brief post-war revival in 1919 and 1920, the economy declined. By 1921 and 1922 there was considerable unemployment in Vancouver resulting mainly from a fall in the demand of prairie farmers for lumber. By 1923, reductions in rail freight charges, in ocean shipping rates and the increasing use of the Panama Canal as a short and cheap route from the Pacific to the Atlantic coasts created new markets for British Columbia lumber. Reductions in shipping charges and the new route also meant that Vancouver became a major grain exporting centre. By the latter part of the decade, prosperity, as indicated by such barometers as building statistics, was evident throughout greater Vancouver.

The prosperity of the 1920's was reflected in the B.C.E.R.'s earnings which resumed their pattern of annual increases. Although gross earning statistics reveal the same general pattern as in the pre-war years, there was a distinctive change in the composition of those earnings. A rising

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1 Canada, Royal Commission on Dominion-Provincial Relations, Report, Ottawa, King's Printer, 1940, pp.112, 122-123.
proportion of the company's earnings were coming from the light and power section of the business. This, of course, was most welcome; light and power earned approximately sixteen per cent on capital investment whereas the railway system barely broke even. The company knew that in spite of Shortt's recommendations, it was using light and power profits to subsidize the railway which Kidd regarded as a public service which had to be paid for in one way or another.\(^2\)

The B.C.E.R.'s electric railway business, like practically every other similar enterprise in North America, faced serious problems as a result of the popularity of motor vehicles. Particularly hard hit were the interurban lines. On the Fraser Valley line, for example, revenue fell by sixty-one per cent between 1921 and 1930 as the number of passengers carried fell by fifty-four per cent. On the Central Park line between New Westminster and Vancouver, passenger travel also declined sharply.\(^3\)

\(^2\) Kidd to Davidson, September 8, 1921, Box 65; Kidd to Horne-Payne, September 23, 1925, London Letter Book, #23; Kidd to Davidson, March 21, 1921, Box 65.

\(^3\) Revenue on the Central Park line fell by seventeen per cent between 1922 and 1923. Minutes of Meeting held in B.C.E.R. Board Room, Vancouver, May 1, 1931 with Reeves and Boards of Trade of Fraser Valley municipalities; Rogers to Bartlett, May 23, 1924, LFGM, 1924. For the general picture see John F. Due, The Intercity Electric Railway Industry in Canada, Toronto, University of Toronto Press, 1966, p.51.
The management of the B.C.E.R. did not despair. Rather, they adapted to changing conditions. When they learned of plans for a regular motor bus service on Kingsway, the main highway between New Westminster and Vancouver which ran parallel to the interurban tracks, they invested about $120,000 in the B.C. Rapid Transit Company which inaugurated a regular motor coach service on May 1, 1924. Kidd realized that the motor buses would divert traffic from the interurban but regarded the step as "unavoidable." If the B.C.E.R. did not operate the motor coaches, someone else would. He also began making secret arrangements with Frank Barnes to acquire a controlling interest in the Pacific Stage and Transportation Company which operated buses between Vancouver, White Rock, and Blaine, Washington. Through the Pacific Stage Lines, Kidd planned to get control of existing and future bus service in the Fraser Valley. The P.S.L.'s first new ventures were on the north side of the river from Vancouver and New Westminster to Haney via Port Moody and south to Bellingham, Washington. Neither of these routes was competitive with the Fraser Valley rail line.4

4 Kidd to Davidson, July 25, 1924, Box 66. The investment in the B.C.R.T. was recorded on the London books, rather than in Vancouver, where it was listed as "miscellaneous investments." Murrin to Kidd, July 18, 1924, Box 130.
To forestall other competitors, the B.C. Rapid Transit in 1926 began running buses on the south side of the river to Chilliwack. By 1928, in spite of the fact that few Fraser Valley roads were paved, the B.C. Rapid Transit had licenses to operate thirteen "stages" carrying 25-32 passengers each between Vancouver, New Westminster, Hope and way points. In 1926, another B.C.E.R. subsidiary, the Fraser Valley Truck Line began operating three trucks which picked up and delivered freight and express between Vancouver, New Westminster and Chilliwack. These various motor vehicle services succeeded in offsetting other motor competition although they were not immediately profitable in their own right.  

Although the passenger business was declining, the total interurban picture was fairly promising. Despite the loss of considerable local and way freight to trucks, freight earnings were rising. The B.C.E.R. was securing an increased volume of freight cars, particularly of lumber, for switching to and from the transcontinental railways. Indeed, in 1922,  

5 British Columbia, Department of Public Works, Report, 1927-1928, Victoria, King's Printer, 1928, p. V 43. Rogers to Bartlett, May 17, 1926, LFGM, 1926; Kidd to Davidson, April 20, 1927, Box 67. In 1921, W.D. Power, the B.C.E.R.'s General Freight and Passenger Agent had observed that unless the population of the Fraser Valley increased sharply, it would be decades before the freight traffic would warrant a paved high-
eighty per cent of the interurban freight traffic came from this source. Under the Vancouver and Lulu Island agreement with the C.P.R., however, all freight to and from Vancouver had to be taken over the C.P.R. and the B.C.E.R. could not make traffic arrangements with railways competing with the C.P.R.

Kidd suggested that by constructing its own right-of-way into Vancouver, the B.C.E.R. would put itself in the position of "being a real railway company with considerable strategic advantage." This proposal of a private right-of-way was a revival of pre-war ideas but for a different purpose. Instead of trying to secure its position in case of municipal competition, the B.C.E.R. was now threatening to compete with the C.P.R. By having its own right-of-way, the B.C.E.R. could make its own switching arrangements and thus secure the long way from Vancouver to Chilliwack. (B.C.E.E.M., vol. IV (May 1921), p. 6.)

Within the city of Vancouver the directors suggested that the management consider removing street railway tracks in the city centre and introduce motor buses. Kidd, however, advised that the street railway was essential in the downtown area but that motor buses could be conveniently introduced in outlying areas such as the University Endowment lands. Within the central city, an increasing volume of rush hour traffic forced the company to purchase twelve new and larger streetcars in 1925. (Kidd to Davidson, November 28, 1921, Box 65; Kidd to Bartlett, January 22, 1925, LFP, 1925.)

haul, for example, from False Creek to an interchange with the Chicago, Milwaukee and St. Paul at Huntington. The management anticipated that an expenditure of $1,500,000 would earn six per cent on the capital investment and also contribute to the earnings of existing interurban lines. When John Davidson, the deputy chairman of the B.C.E.R., visited Vancouver in the fall of 1923 he enthusiastically endorsed the proposal and later got the Board to do likewise. The refusal of the Dominion Railway Commission to approve of anything but a high level bridge over Main Street (at an added cost of half a million dollars) ruined the scheme for a private right-of-way.7

The planning was not completely in vain. The possibility of losing the profitable arrangement with the B.C.E.R. led the C.P.R. to re-negotiate the V. & L.I. agreement permitting the B.C.E.R. to bring Northern Pacific cars into Vancouver, to publish through rates for points east of Winnipeg and south of the border and to interchange traffic at Abbotsford rather than at Vancouver or New Westminster thus giving the B.C.E.R.

7 Kidd to Bartlett, September 11, 1923, LFP, 1923; Report of John Davidson on visit to B.C.E.R., October 22, 1923, Box 66; Davidson to Kidd, November 29, 1923, Box 66.
a fifty mile haul. This new agreement contributed to keeping the railway lines profitable in spite of declining passenger revenues. On the Saanich Peninsula, the interurban had no such prospects and was abandoned in 1924.

Another result of increasing motor vehicle traffic was the change in the rule of the road. One of the last physical vestiges of British Columbia's colonial days was the persistence of the English custom of left hand drive. With the influx of motoring tourists from the United States, the English system caused confusion. In 1919 the Legislature unanimously endorsed the idea of introducing right hand drive in 1920. The change was made in the interior of the province in 1921 but was delayed on the coast and on Vancouver Island because of the presence of the street railway. (There was only one road link between the coast and the interior.) The B.C.ER. was keenly interested in the question as it would mean altering street railway switches, stopping places, signals and cross-overs as well as the cars themselves.

8 Kidd to Horne-Payne, September 23, 1924, London Letter Book, #23; Kidd to Davidson, October 2, 1924, Box 66. The C.P.R. later complained that the through rate was costing it about two-thirds of the competitive business originating on the V.&L.I. but agreed to renew the arrangement. (W.D. Power to Murrin, January 16, 1930, Box 32-456.)

9 Details of these operations may be found in B.C.E.E.M., vol. IV (December 1921), pp. 2-6, 9; Kidd to Bartlett, January 22, 1920, LFGM, 1920.
The company's dealings with the provincial government on this matter illustrate the general harmony of the time. The B.C.E.R. did not oppose the changeover but it was unwilling to pay the whole of the estimated two million dollar cost itself or to finance it by a temporary increase in fares. An increase in fares would merely reduce the volume of traffic. Attorney-General Farris agreed that the provincial government or local authorities should bear the costs but argued the impossibility of persuading M.L.A.'s from the interior to spend a large sum of money for the benefit of Vancouver, Victoria and New Westminster. Therefore, the B.C.E.R. expected that it would have to pay most of the costs of the change. Whether or not the provincial government or the Dominion Railway Commission could force the B.C.E.R. to change against its will was a moot point. Negotiations between the company and the provincial government continued throughout the spring of 1921. Eventually, the government agreed to pay up to $350,000 towards the B.C.E.R.'s costs even though the provincial budget had a considerable deficit. Since the mechanical department of the B.C.E.R. had devised an efficient way of altering the cars (and the original estimates had been set high), Kidd expected that the B.C.E.R. would be only about $150,000 out of

10 Kidd to Bartlett, September 25, 1920, Box 65.
pocket.\textsuperscript{11} Shrewdly, he did not advise the provincial government of the revised estimates.

While the company was adapting to transportation changes, it resumed expansion of its mainland facilities for the production of hydro-electric power. Optimistic forecasts of population and industrial growth on the lower mainland and southern Vancouver Island had resulted in the provision of excess capacity during the early years of the war. By 1917, however, the company realized that its future prosperity would depend almost exclusively on its success in developing and selling hydro-electric power.\textsuperscript{12} During the 1920's the increased demand for light and power from both domestic and industrial consumers forced the company to plan new hydro-electric projects.

The demand for power did not increase at a uniform rate. In 1919 and 1920, the demand increased sharply. Indeed, in 1919, the total power generated on the mainland exceeded that

\textsuperscript{11} Kidd to Davidson, April 2, 1921, Box 65; Rogers to Bartlett, May 12, 1921, LFGM, 1921.

\textsuperscript{12} E.g. Kidd to Horne-Payne, March 27, 1917, Box 68.
of 1913, the previous peak year, by almost twenty million k.w.h. or approximately eleven per cent. The company, nevertheless, still had a theoretical excess capacity of approximately sixty million k.w.h. per year. (Because surplus power cannot be stored and low water seasonally prevents generating plants from being used to maximum capacity, the excess capacity has to be regarded as theoretical rather than actual.)

Then, in 1921, as part of a general economic recession, the demand for power fell. This decline, the temporary shortage of cheap capital and the desire to convince the public of British Columbia of the need to be considerate of the B.C.E.R. if the B.C.E.R. were to continue to invest in the province, persuaded the company to postpone serious consideration of expansion. 13

The company had an ambivalent attitude towards creating demand. Since domestic light and power sales were highly profitable and used power mainly in off-peak hours, the B.C.E.R. actively solicited this business. The company reduced rates -- a highly effective form of good will -- and throughout the 1920's energetically encouraged the use of electric appliances

13 Kidd to Davidson, February 8, 1921, Box 65; Kidd to Davidson, April 2, 1921, Box 65; Davidson to Kidd, May 4, 1921, Box 65.
such as stoves, refrigerators, washing machines and irons. Promotional devices included display homes, show rooms in company offices, special sales of electrical appliances and the enclosure of advertising pamphlets with light, power and gas bills. The additional consumption of electricity by existing customers meant no new capital expenditure for the company and negligible extra operating costs. The company was less eager for new customers in sparsely settled areas such as Maple Ridge, Agassiz, West Vancouver and parts of Point Grey and South Vancouver where new lines had to be installed. In order to preserve good will, however, the company usually yielded to requests for electricity from these areas, though if capital costs were not likely to be recovered within three years, it charged the new customer with installation costs. Occasionally, the B.C.E.R., blaming alleged difficulties in raising new capital, refused such extensions.14

Industrial customers were, by far, the largest individual consumers of power. Although the street railway remained the major user of electrical energy, the sawmills, the sugar refinery, the oil refineries, the department stores and the new

14 Kidd to Davidson, March 29, 1921, Box 65; Davidson to Kidd, May 3, 1921, Box 65. Petitions for extensions may be found in Box 107B-1434.
grain elevators provided the backbone of the company's power business on the mainland.

The B.C.E.R. did not actively solicit new large power using industries. The company advertised its "cheap and abundant" power in financial papers but it did not undertake any kind of formal campaign to attract new industries. It dabbled briefly with the idea of assisting the development of pulp and paper mills which were large consumers of power and hence might provide a ready market for a rival power company. In 1923, for example, the B.C.E.R. investigated the prospect of aiding the establishment of a pulp mill on the Stave River. After examining the situation on the spot, John Davidson recommended that the B.C.E.R. stay out of this business because the available timber limits were not suitable and the ordinary power load was increasing rapidly. Three years later, in 1926, the B.C.E.R. studied the prospects of providing the Powell River Company with power but abandoned the idea after deciding that transmission costs would be prohibitive. By 1927 when the Bridge River project was underway, the company began looking inland to Kamloops and the northern Okanagan as possible fields for future expansion.  

15 Report of John Davidson, October 22, 1923, Box 66; Kidd to Robin Bell-Irving, manager, Powell River Co., Ltd., July 25, 1926, Box 209; E.E. Walker, sales engineer, Light and Power Sales
Two major contracts, however, were negotiated during the decade. The old W.C.P. contract with the Puget Sound Power and Light Company for a supply of electrical energy to the Bellingham area was renewed in 1922 for a period of up to ten years. (In 1924, the Puget Sound Company expanded its own facilities and ceased to take power from the B.C.E.R. except on an emergency basis.) Of permanent benefit to the company and to the province was the contract with the Britannia Mining and Smelting Company. During the war, the Britannia Company, which had its own power plant for the smelting of copper, discussed the possibility of purchasing additional power from the B.C.E.R. during periods of low water. The B.C.E.R. with its slowly growing power load and desire to prevent the Bridge River Power Company from acquiring a major customer, was prepared to negotiate. These negotiations proceeded slowly as it took some time for the B.C.E.R. to work out costs. On October 27, 1922, the B.C.E.R. signed an agreement with the Britannia Company for the sale of up to 4500 horse-power with a minimum annual charge of $48,000 and a likely annual revenue of $120,000 for the B.C.E.R. 16

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Department, Report for the Fiscal Year ending June 30, 1927, Box 194; Glover to Kidd, May 9, 1927, Box 200.

16 Rogers to Bartlett, August 2, 1922, LFGM, 1922; H.B. Sewall, manager, Bellingham division, Puget Sound Light and Power Company to the B.C.E.R., April 1, 1924, Box 66; Kidd to
In 1920 the B.C.E.R. had increased its production potential by buying out the W.C.P. By this purchase the B.C.E.R. avoided competition, prevented the W.C.P. from falling into the hands of the City of Vancouver, and by the amalgamation it reduced production costs. Under the agreement with the W.C.P., the B.C.E.R. acquired a majority of the bonds (held mainly by I.W. Killam, a Montreal financier) and the stock of the W.C.P. The staff of the W.C.P. soon transferred to the B.C.E.R. and began integrating the operations of the two companies.

Davidson, October 31, 1922, Box 65. See also Box 200.

17 In 1913 the B.C.E.R. had agreed to buy power from the W.C.P. on condition that the W.C.P. not compete in lighting or small power sales. Since that time the W.C.P. which was losing money had tentatively suggested that the B.C.E.R. buy its plant. Kidd was interested. When the W.C.P. was unable to deliver the increased amount of power demanded by the contract with the B.C.E.R., the B.C.E.R. (though happy that it did not have to pay for the surplus power for which it had no market) used the opportunity to re-negotiate the original contract. Early in 1917 these discussions led to the consideration of the B.C.E.R. buying out the W.C.P. The W.C.P. which had come under the control of New York interests would not consider the B.C.E.R.'s offer of a maximum of one million dollars in cash or $1,300,000 in cash and shares for a controlling interest in the W.C.P. (Horne-Payne to Kidd, February 6, 1917, Box 68; Kidd to Urwin, July 31, 1915, LFGM, 1915.) In 1943, the P.U.C. concluded that the purchase of the W.C.P. was a prudent investment which served the public well.

18 Report on Western Power Company Situation, May 1920, Box 65; Kidd to Davidson, February 8, 1921, Box 65.
The purchase of the W.C.P. was more important for increasing potential power production than it was for increasing actual capacity. By the end of 1922, the Britannia Mines contract, the resumption of a normal growth of demand and the reduction of lighting rates made it possible and necessary for the B.C.E.R. to reconsider the expansion of its hydro-electric facilities. Although some re-development was underway at the Stave River plant, there was doubt about the adequacy of the company's margin of power. Kidd, advised by his engineers, urged that immediate work be done on the Alouette Lake project and that preliminary work be started on the second stage of the Stave Lake development. The Board readily agreed. In May 1923, Kidd told a gathering of representatives of Lower Mainland cities and municipalities that the company planned to spend about ten million dollars on further development of the Alouette-Stave hydro-electric project. These developments, Kidd said, would provide the Lower Mainland with all its power requirements for the next fifteen years. The announcement was warmly welcomed in Vancouver where it contributed favourably to the B.C.E.R.'s image. While the Alouette-Stave project was underway, J.D. Galloway, a consulting engineer from San Francisco, reported that the demand for power would catch up with the anticipated supply in 1929. This report and Galloway's prediction that the demand for power would increase at a com-
pounding rate of at least ten per cent annually until 1940 convinced the B.C.E.R. to go ahead with the development of the Bridge River project.19

The Bridge River Power Company was, like the W.C.P., financed by I.W. Killam.20 In the spring of 1920, J.W. Read, representing the Bridge River Company and Canadian Westinghouse, approached Kidd offering to sell 20,000 horse-power at twenty dollars per h.p. Kidd seems to have given the Bridge River Company very little encouragement. But, when the Bridge River Company began talking about submitting a tender to supply power for a City of Vancouver power plant, John Davidson approached Killam's Royal Securities Corporation asking them to discuss the sale of the Bridge River project at a price


20 Shareholders in the Bridge River Power Company were: T. Arnold, H.J. Elliot, K.C., D. Lorne McGibbon, H.H. Vaughan of Montreal, Norman S. Bidden, H.B. Greening and J.P. Steedman of Hamilton, J.B. Read of Vancouver and H. Houlgate with one share (valued at $17,500) each and the Royal Securities Corporation (I.W. Killam, president) with two shares. (Kidd to Davidson, September 14, 1921, Box 206.)
equivalent to actual costs plus eight per cent but not
to exceed $250,000. Any arrangement would also be subject
to the Bridge River Company receiving an extension of its
provincial government license at least until April 1923. In-
formal discussions, leading to the purchase of the whole plant
or of its production, continued. The B.C.E.R. was interested
because it desired to avoid repetition of the trouble it had
had with the W.C.P. prior to 1913 or the possibility of the
Bridge River falling into municipal hands. The increasing de-
mand for power was also forcing the B.C.E.R. to increase its
capacity. After making preliminary engineering investigations
and examining the project carefully, the B.C.E.R. decided to
protract negotiations with the Bridge River Company as long as
possible and then inform them of its present inability to en-
ter any contract or to take any financial interest in the com-
pany. The main reason for this was the probable difficulty
of persuading the provincial government to allow the B.C.E.R.
to retain its existing water records or claims as well as those
of the Bridge River. Nevertheless, the B.C.E.R. continued a
careful watch of the Bridge River and worked on securing its
own water records on the Stave. 21

21 Kidd to Bartlett, April 19, 1920, LFGM, 1920; Kidd to Bart-
lett, June 19, 1920, LFGM, 1920; Davidson to V.M. Druzy (Royal
Securities), February 20, 1921, Box 206; Kidd to Davidson, June
5, 1922, Box 65; Kidd to Davidson, June 12, 1922, Box 65; Davidson
to Kidd, July 8, 1922, Box 65.
After hearing rumours of a pulp and paper mill project to be developed near Vancouver using Bridge River power, Kidd, in the spring of 1923, revived the possibility of buying out the scheme to hold as a future reserve. The Royal Securities Corporation was still interested in selling. When the B.C.E.R. learned that T.D. Pattullo, the provincial Minister of Lands, would extend the water record on the Bridge River for a year if the B.C.E.R. held the option and, at the same time, preserve the B.C.E.R.'s records on the Stave until the Bridge River was developed, Kidd arranged to meet the Bridge River syndicate in Montreal. He proposed to offer $50,000 for a year's option while his engineers investigated. When the syndicate declared it would set a total price based on the capitalized value of the water power rather than on the actual costs plus interest as proposed by the B.C.E.R., the discussions apparently terminated. A few months later, Killam had second thoughts; he agreed to the B.C.E.R.'s proposed option.22

Once the option was arranged, the B.C.E.R. immediately hired Galloway to report on their mainland power system and

22 Kidd to Davidson, February 4, 1924, Box 66; Murrin to Davidson, March 20, 1924, London Letter Book, #23; Kidd to Davidson, June 27, 1924, Box 66.
the proposed Bridge River development. After examining Bridge River and other possible power developments in the area including Ruskin near the mouth of the Stave River, Galloway advised that the Bridge River power site was much superior to any in the vicinity of Vancouver and that it would be a vital mistake for your Company not to secure it....Bridge River will furnish all the power the Company will require for several generations;... its is susceptible of development in stages as required at a reasonable cost, and that after the first stage has been passed, energy can be delivered in Vancouver at a rate less than from your existing near-by Plants... or from any other project available.23

With this enthusiastic report in hand, with reasonable assurance of the co-operation of the provincial government in preserving water records at Ruskin and on Jones Lake (east of Chilliwack) and with a clear need for additional water power resources, Kidd and the other directors, meeting together in London, decided to exercise their option to buy the Bridge River Development Company for $500,000.24 Plans were immediately made for the preliminary development of the Bridge River. Work began in 1927. The rapid growth of the demand for power during 1927 and, in particular, the growth of peak loads, resulted in a decision to postpone much of the expend-

23 J.D. Galloway to Kidd, February 19, 1925, Box 206.

24 T.D. Pattullo to Murrin, March 14, 1920, Box 206; London Memo, No. 1, Conclusions re Bridge River after Informal Discussions; Kidd to Bridge River Development Company, September 21, 1925, Box 204.
ture on the Bridge River, a long term project, and substitute the immediate construction of a new steam plant which could service peak loads and act as an emergency reserve.

By purchasing the W.C.P. in 1921 and the Bridge River scheme in 1925, the B.C.E.R. freed itself of the worry that a rival might develop some cheap power site near Vancouver and force the company into expensive competition in the lucrative light and power business. Neither company, however, was purchased merely because it was a potential rival. The B.C.E.R. carefully considered both from an engineering point of view and bought them only after assuring itself that they would complement its existing plants and produce power for which there was a ready market.

While the B.C.E.R. was adapting to changed conditions in its street railway department and expanding its hydro-electric power facilities, it also had to face the question of which public body, if any, had jurisdiction over it. After the provincial government in 1920 abolished the Public Utilities Commission, the Board of Railway Commissioners, a federal agency, had exercised temporary authority over the B.C.E.R.'s railway operations.
The temporary nature of this arrangement forced the B.C.E.R. to consider first, the desirability of federal control and, if this decision were favourable, the means of getting under the Railway Commission permanently. The answer to the first question was simple. The well-known fair and impartial rule of the Railway Commission was preferable to the uncertainties of municipal control since it offered investors a certain stability. Selecting the means of getting under the Railway Commission was difficult. After briefly considering Kidd's idea of forming a holding company to obtain a Dominion charter and to re-organize the company in order to make more generous interest payments and attract North American investors, the B.C.E.R. decided to have the Vancouver, Fraser Valley and Southern, which had a Dominion charter, acquire the physical assets of the B.C.E.R. This indirect approach meant that the B.C.E.R. would require only an amendment to an existing charter rather than a completely new one to accomplish the immediate object, the preservation of the six cent fare. The task seemed easy.

Government officials, including Attorney-General Farris

who did not want the P.U.C. revived, H.H. Stevens, the Conservative M.P. for Vancouver City and Mayor R.H. Gale of Vancouver, promised cooperation. Municipal leaders, including the president of the U.B.C.M., also seemed "quite reasonable." The question was pregnant with conflict between the federal and provincial governments. However, Premier Oliver, fearing that his government would be blamed for abolishing the P.U.C. if the B.C.E.R. refused to operate on a five cent fare, was willing to suspend his concern for provincial rights by permitting the federal government to handle a troublesome local matter.

When municipal leaders realized that having the B.C.E.R. under federal control might result in the loss of their control of the streets on which the street railways ran, the abrogation of all existing municipal agreements with the company and the lack of any public control of lighting rates, the apparent amity was shattered. In February 1921, Premier Oliver warned a delegation led by Mayor R.J. Porter of Victoria that if the

26 Kidd to Bartlett, September 15, 1920, Box 116; Kidd to Davidson, December 20, 1920, Box 116; Kidd to Davidson, December 31, 1920, Box 65; Kidd to Bartlett, September 25, 1920, Box 65.

municipalities did not reach an agreement with the company, his government might not oppose the B.C.E.R.'s application at Ottawa. Acting independently, the City of Vancouver agreed to retain the six cent fare for another year and to permit either the provincial Minister of Railways or the Board of Railway Commissioners to decide on interurban fares. In return, the B.C.E.R. promised to withdraw its application to amend the V.F.V. & S. charter. The co-operative attitude of the city was significant; Vancouver was more important to the company than all the other cities and municipalities in the territory.

In February 1921, the B.C.E.R. had asked the cities and municipalities to re-negotiate the franchises to place the business on "as stable a basis as would be obtained under the Dominion Railway Commission, so that it [the B.C.E.R.] may be able to produce such agreements to the Financiers in London or elsewhere for the purpose of raising further capital for necessary developments." The directors, whose main concern

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28 F.A. McDiarmid (parliamentary agent) to President, U.B.C.M., c. February 1921, copy in Box 116; John Oliver, Diary, February 12, 1921, p. 45; Kidd to Horne-Payne, February 16, 1921, Box 68; Kidd to Davidson, February 22, 1921, Box 65. The U.B.C.M. referred the question to the Canadian Union of Municipalities. (Clipping from Toronto Evening Telegram, March 21, 1921 in LFGM, 1921.)

29 Kidd to Mayor Gale and mayors and reeves of New Westminster, Burnaby, North Vancouver, Point Grey and South Vancouver, Febru-
was capital, criticized the agreement with Vancouver because of the short term of the six cent fare, the absence of any guarantee of a fixed percentage of earnings (ten per cent on Deferred Stock was mentioned) on share capital and the lack of assurance that the company would not be compelled to undertake capital expenditures. Kidd's reminder that unilateral rejection of negotiations with the municipalities would probably alienate the provincial government persuaded the Board to continue discussions.

Kidd incorporated some of the directors' wishes into a revised agreement. Under this arrangement, the B.C.E.R. would be permitted to earn six per cent on old capital and eight per cent on new capital provided that fares did not rise above seven cents cash and that gas, light and power rates did not exceed existing maxima. The B.C.E.R. also promised to get the approval of the city or a board of arbitrators before raising new capital and to refrain from applying for federal or provincial jurisdiction. Provision was also made for the city and the municipalities to purchase either the whole of the company's operations on the mainland, the transportation system only, or all of the mainland plant other than the gas works.

ary 15, 1921, Box 202; B.C.E.R. (London) to Kidd, February 18, 1921, LFGM, 1921; Davidson to Kidd, March 4, 1921, Box 65; Kidd to Davidson, February 22, 1921, Box 65; Kidd to Davidson, March 5, 1921, Box 65.
It was, of course, unlikely that the municipalities could raise sufficient funds to buy out the whole system with or without the gas works or, that after reflection, they would want only the transportation system. Kidd did not think the company could "indulge in any great exhibitions of joy over the agreement" but regarded it as one which would give the company a "fair living wage" and provide financial stability and continuity. 30

Before the City Council could make the agreement into a by-law, public opinion led by the Board of Trade, Joseph Martin and Alderman J.J. McRae turned against the agreement. On June 28, 1921 a special meeting of the Board of Trade resolved that the proposal violated the best interests of the city and recommended that the B.C.E.R. go under the authority of the Railway Commission. The Vancouver Sun argued that the citizens were "being asked to assume every one of the functions and liabilities of public ownership with the ownership left out." The chief objection to the agreement was the wide powers

30 Kidd to Davidson, March 21, 1921, Box 65; Synopsis of Proposed Agreement (with Rogers to Bartlett, June 13, 1921, LFGM, 1921); Kidd to Davidson, May 20, 1921, Box 65. The Victoria City Council in December 1920 agreed to eliminate jitneys except where they did not compete with street cars and to accept a six cent fare. In return, the B.C.E.R. agreed to do a certain amount of paving work and to reduce the general lighting rate to 7¢ per k.w.h. within a three mile radius of the city centre. The adjacent
it gave to a private firm of auditors, Price, Waterhouse and Company, to determine the value of the B.C.E.R.'s capital investment. 31

These opinions and Kidd’s doubt of the ability of Mayor Gale to persuade the City Council to accept the agreement led the B.C.E.R. to review its plans -- which were never abandoned -- to get under the federal Board. Through its Parliamentary advisors, H.H. Stevens and Strachan Johnston, a Toronto lawyer, the B.C.E.R. learned that although some M.P.'s were opposed the charter amendment would probably be accepted. 32

The municipalities continued to oppose federal control. The U.B.C.M. ignored Murrin’s advice that federal control was necessary for the company’s financial security. Instead, the U.B.C.M. convention asked the B.C.E.R. to co-operate with the provincial government in reviving the P.U.C. Although they preferred to put the whole undertaking under the Railway municipalities, as in Vancouver, were more difficult. Eventually, Oak Bay, Esquimalt and Saanich agreed to the six cent fare. (Goward to Kidd, December 20, 1920, Box 43B-72.)

31 Vancouver Sun, June 27, 1921; Kidd to Davidson, June 30, 1921, Box 65. The Board of Trade resolution was endorsed by the Vancouver Ratepayers’ Association and the Boards of Trade of Richmond and Point Grey. A survey made by the Retail Merchants Association indicated that its members opposed the agreement but were divided on alternatives.

32 Strachan Johnston to Kidd, July 26, 1921, Box 65.
Commission, the B.C.E.R. Board feared that if their application to amend the V.F.V. & S. charter failed, they would be in an unfortunate position vis à vis the negotiations with the municipalities. Therefore, they advised Kidd to seek the re-establishment of the P.U.C. which, though subjecting the company to "an unusually critical inspection...could not afford to give decisions regarding rates or make rulings which are probably unjust or which result in causing the company financial embarrassment as to do so would injure the province's own credit." 33

Kidd opposed the revival of the P.U.C. because of the impossibility of dealing with local authorities. He warned his directors that the P.U.C. might not protect the company from motor bus competition and might compel the B.C.E.R. to construct unwarranted street railway extensions. The Board accepted these arguments. In his speech to the company's annual meeting, Horne-Payne asked the people of Vancouver to support the transfer to federal control or approve a six cent fare for ten to twelve years in order to demonstrate to investors that the B.C.E.R. could earn eight per cent on new

33 Davidson to Kidd, August 18, 1921, Box 65; VDP, September 1, 1921; Davidson to Kidd, November 3, 1921, Box 65; Horne-Payne to Kidd, October 31, 1921, Box 68.
capital. True to its traditional cry of the need to protect the investment, the Board had thirty leading bankers, financial houses and stockbrokers in Britain petition the Canadian Parliament for "friendly consideration" of the application for a charter amendment. 34

While the B.C.E.R. settled its mind, political opinion remained divided. The main opposition to the B.C.E.R.'s application came from the suburban municipalities which objected to the possible nullification of their agreements with the company. In Vancouver itself, however, Mayor C.E. Tisdall was willing to negotiate a five year agreement for the six cent fare in return for the construction of certain lines and a slight reduction in ticket prices. This was a promising proposal but the municipalities were unlikely to agree. And, acceptance of such an agreement with the city might later handicap the B.C.E.R. before the P.U.C.

Premier Oliver and his new Attorney-General, A.M. Manson, were still friendly to the B.C.E.R. After the U.B.C.M. made

34 Kidd to Horne-Payne, November 25, 1921, Box 65; Kidd to Bartlett, September 22, 1921, LFGM, 1921; Kidd to Davidson, November 28, 1921, Box 65; Chairman's speech, January 16, 1922, Box 65. Printed copies of the petition are included with Davidson to W.L. MacKenzie King and W.C. Kennedy, Minister of Railways and Canals, and Members of the Senate and House of Commons, April 10, 1922, Box 117.
representations in the spring of 1922, Oliver warned that he could see no alternative to reviving the P.U.C. and opposing the B.C.E.R.'s application at Ottawa. He could find only two reasons for ignoring the U.B.C.M. requests: that the question was purely a federal one and that opposition was troublesome. To argue the former would weaken his campaign for provincial rights; to suggest the latter, was a poor excuse.35

The B.C.E.R. reminded Oliver of the advantages of the supervision of the Railway Commission. Murrin explained that the B.C.E.R. would regard the Commission only as a final court of appeal, that the use of the Board's trained staff would save the province the expense of setting up its own machinery and that the non-partisan Board would have the confidence of investors. Murrin also mentioned that in Manitoba, the failure of the P.U.C. had brought down the government in 1922. These arguments were too late; the provincial government had already decided to oppose the B.C.E.R.'s application. The B.C. member of the federal cabinet, J.H. King, the Minister

35 VDP, February 16, 1922; A.T. Thompson to Murrin, February 18, 1922, Box 117; Thompson to Murrin, February 22, 1922, Box 117; Murrin to Kidd, March 18, 1922, Box 117; Murrin to Kidd, March 4, 1922, Box 117; Murrin to Tisdall, March 14, 1922, Box 117; Murrin to Glover, March 23, 1922, Box 117. When the municipalities learned that fighting the Dominion legislation would cost about $100,000 they decided to advocate the revival of the P.U.C. (Murrin to Kidd, February 24, 1922, Box 117; Vancouver Sun, February 24, 1922.)
of Public Works, was sympathetic to the B.C.E.R. but non-committal. The opposition of the provincial government as well as of the municipalities was the kiss of death to the B.C.E.R.'s hopes of securing the necessary charter amendment. 36

Both the U.B.C.M. and the B.C.E.R. actively lobbied support. The municipal delegation, led by George A. McCrossan, Vancouver City Counsel, was assisted in its campaign by protest letters from municipalities throughout the country which feared federal intervention in the control of local public utilities. By emphasizing provincial rights, the municipalities won much support. The B.C.E.R. also conducted an active lobby canvassing in particular, the 126 members of the Railway Committee. F.R. Glover, Kidd's executive assistant, aided Colonel A.T. Thompson, the B.C.E.R.'s Ottawa agent, in this work and Kidd himself stopped in Ottawa en route home from England. The company also hired Robert Laurier, a nephew of Sir Wilfrid, to assist in canvassing French Canadian members of the Railway Committee. H.H. Stevens, though a member of the opposition, continued to be the B.C.E.R.'s main supporter in the Commons. 37

36 Murrin to Oliver, March 28, 1922, LFGM, 1922; Murrin to Manson, April 10, 1922, LFGM, 1922; Murrin to Glover, April 4, 1922, Box 117.

37 In June 1922, the Board wrote to Stevens thanking him for the "very able and courageous manner in which you supported our application, and the amount of time and labour you expended." (Horne-Payne to Stevens, June 16, 1922, Box 65.) The Board also suggested that the company present Stevens with some silver plate
The municipalities, however, had the ear of Sir Lomer Gouin, the Minister of Justice and champion of provincial rights. Sir Lomer told the French-speaking members of the committee -- twenty-two of the twenty-five had previously pledged support to the B.C.E.R. -- to kill the bill. This alone would not have meant defeat as the B.C.E.R. still had forty-nine members pledged to its support. When the Vancouver City Council indicated its opposition, Prime Minister King instructed all Liberals in the Railway Committee to vote against the bill. Liberals accounted for at least thirty of the B.C.E.R.'s known supporters. Glover speculated that King wanted to reduce the prestige of H.H. Stevens, that he feared arousing the question of provincial rights and that his Minister of Railways, W.C. Kennedy, was alarmed by the possibility of a flood of similar applications.38

Premier Oliver then met the B.C.E.R. and municipal leaders. He proposed to appoint a body -- its exact nature was not specified -- to examine difficulties between the company and the municipalities. In the interim, he asked the municipalities to extend the six cent fare. The B.C.E.R. decided to try Oliver's plan and, if the Vancouver City Council agreed to it, as a token of gratitude.

38 Glover to Kidd, May 9, 1922, LFGM, 1922.
to withdraw the bill and pay the city's expenses in opposing it. A secret session of the City Council, however, refused to extend the six cent fare. A day later, a "lively session" of the Railway Committee rejected the B.C.E.R.'s application. The B.C.E.R. immediately asked Mayor Tisdall for time to allow the provincial government to work out a means of adjusting fare questions. The adjacent municipalities (which were usually troublesome) had already agreed to extend the six cent fare. The city, however, wanted a quid pro quo. When the B.C.E.R. agreed to spend $60,000 on extending the Broadway West line and to maintain its wage scales, the city temporarily extended the six cent fare.³⁹

Prospects of a more permanent arrangement were at least hopeful. The city immediately appointed a committee of aldermen to negotiate. The requests for reductions in fares and lighting rates and street railway extensions were endless. Kidd was willing to make certain concessions particularly in lighting rates but these seemed of less concern to the local politicians than street railway fares. Fare reductions, however, seemed impossible because of the unsatisfactory state of

³⁹ Murrin to Bartlett, April 13, 1922, LFGM, 1922; Murrin to Glover, April 13, 1922, Box 117; VDP, May 22, 1922.
the street railway business. Eventually, the city agreed to maintain the six cent fare for five years in return for the company's promise to pave certain streets, to contribute to the costs of improving certain bridges, to introduce motor buses on some streets, to spend $250,000 over the next five years on underground wiring and to reduce domestic lighting rates from six cents to five cents. None of these concessions was particularly costly to the company. In fact, to introduce motor buses such as on the extension of the Point Grey line to the new university campus would be more economical than the building of street railway lines; the installation of costly underground wiring downtown would deter possible competitors and lighting rate reductions usually increased consumption.

40 In 1918 the B.C.E.R. advised the Board of Governors of U.B.C. that the company could not extend its car line to the Point Grey campus unless the university paid the full construction costs and guaranteed any operating losses. By the time the campus was ready to receive students in 1925, the B.C.E.R. agreed to operate a motor bus service 2½ miles from the Sasamat terminus of the Point Grey street car line to the campus. The B.C.E.R. received no subsidy but the provincial government waived the license fee of one per cent of gross earnings. (Correspondence in Box 23-331.)

41 Rogers to Bartlett, June 2, 1922, LFGM, 1922; Murrin to Ald. E. Crone, October 7, 1922, Box 117; Kidd to Davidson, November 11, 1922, Box 65; Kidd to Davidson, October 17, 1922, Box 65.

Three years later, the company had to agree to very minor concessions before the city would renew the six cent fare agreement. By that time, most North American cities had a minimum seven cent fare. (Vancouver Sun, July 31, 1925; Wm. McQueen, city
The local authorities had realized that the B.C.E.R. would not spend money unless its railway rate structure was more stable. And, no one wanted a permanent Public Utilities Commission. As Kidd explained, "the Government are afraid of the expense, the Cities and Municipalities are afraid of losing such control as they have over the Company and the Company, of course, is not anxious to have a permanent body with wide powers continually interfering with its affairs."42

In the fall of 1922, Attorney-General Manson announced the provincial government's plan to create an authority to deal with specific questions as they arose. The B.C.E.R. Passenger Rates Bill which was passed by the Legislature in December 1922 maintained existing fares but provided that any Municipal Council or the company could apply to the Cabinet for the appointment of a Commission under the Public Inquiries Act to investigate any complaint that "any rate charged by the Company is unjust, unreasonable, unduly preferential, or is otherwise in violation of law, or that the Company as to rates on passenger service subjects any corporation, person or locality to any undue prejudice or disadvantage...." In introducing

clerk, Vancouver, to Kidd, September 24, 1925, LFP, 1925.)

42 Kidd to Davidson, June 1, 1922, Box 65.
the legislation, the Attorney-General observed the need to preserve a stable financial situation to attract capital to the province. Manson described the bill as being "in the nature of a club lying by the wayside so that if two passers-by one of whom thinks that the other is a ruffian, he may pick it up and use it for his protection. But in order that he may not be too hasty, the bill is clothed with a number of spikes that provide some inducement not to take it up too hastily." This, in effect, was a warning to the municipalities that they should think carefully before making an issue of the six cent fare which had been accepted by the City of Vancouver.43

Kidd regarded the Act as highly satisfactory -- it retained the six cent fare, it was confined to passenger rates, and it made no reference to light and power. Furthermore, any Commission set up under its auspices was to have due regard for giving the company "a fair and reasonable return" on the value of its property. Most important, the Act meant that the B.C.E.R. was not operating under a commission which was always "more or less a nuisance and danger." As the debate on the bill demon-

43 Manson to Kidd, October 4, 1922, Box 117; British Columbia, Statutes, 13 Geo V, c.8, s.3; Victoria Times, December 9, 1922.
strated, the government was concerned for the "sacredness of contract." The Passenger Rates Act also relieved the provincial government from the costly business of setting up a Public Utilities Commission. 44

Even so, the idea of having a P.U.C. was never completely forgotten. During the debate on the B.C.Electric Power and Gas Company Act in 1927, Attorney-General Manson reminded critics of the B.C.E.R. that the Passenger Rates Act could be extended to include power and gas rates or the P.U.C., revived if the need arose. Manson opposed the idea of a P.U.C. claiming that it had more disadvantages than advantages. T.D. Pattullo, the Minister of Lands, however, sent an employee of his department on a tour of Canada to ascertain the practices and experiences of other provinces in regard to public ownership and public control of utility companies. 45

iv

Public interest in public ownership of utilities had declined after the war. Except for occasional outbursts by mun- 

44 Kidd to Davidson, October 2, 1922, Box 65; E.g., Goward to Kidd, November 4, 1921, Box 23-331.

45 Kidd to Davidson, August 17, 1927, Box 67.
principal politicians such as Reeve W.H. Lembke of Point Grey who wanted the municipality to buy the light and power system within its borders, there was little talk of public ownership. In Vancouver, there were two brief flurries of interest in developing a city-owned hydro-electric system. In 1922-1923, the city hired J.G.G. Kerry, an engineer, to investigate the power resources around the city. Although Mayor Tisdall was anxious to examine the situation further in order to reduce light and power rates, the general reception of Kerry's report by the Board of Trade and similar bodies was unfavourable. During the 1925 civic election campaign, another brief flurry of excitement occurred when the "Vancouver Citizens' Committee" led by former Alderman J.J. McRae advocated the establishment of a municipal light and power scheme based on the development of the Cheakamus River (near Squamish). The B.C.E.R., initially fearing the worst, held daily meetings of its officials to plan strategy, took steps to prevent the showing in local theatres of a film favouring municipal ownership and engaged the Thiel Detective Service to investigate the promoters of the Cheakamus scheme. When Kidd learned that the chief promoter, a Mr. Ross from Winnipeg, had a long history of unsuccessful promotions and that the other alleged promoters either disapproved of the idea -- or had never heard of it -- he rested more easily. Even when a private detective reported
that the Citizens' Committee had several prominent businessmen on its executive and that each of the three major department stores in the city had contributed $1,000 to a campaign for a municipal light and power scheme, Kidd was not especially worried as the public did not seem to be interested. In the civic election, the two aldermanic candidates who favoured the municipal scheme were defeated.46

The reasons for the lack of public interest in public ownership are many. As far as the B.C.E.R. itself was concerned, its six cent street railway fare was lower than the fares in most North American cities of comparable size. The company had reduced lighting rates in the spring of 1924 and these rates were further reduced at the beginning of 1926. The company agreed with the remark of the Vancouver Sun at the time of the 1924 reduction, that "with the present car-fare, the present domestic lighting rates and cheap power rates, it is up to the citizens of Vancouver to do their part by supporting and boosting the company which has shown an

46 Henry Floyd, Clerk of the Municipality of Point Grey, to Kidd, November 4, 1921, Box 23-331; Rogers to Bartlett, December 12, 1925, LFP, 1925; Kidd to Bartlett, September 28, 1925, LFP, 1925; Kidd to Bartlett, November 10, 1923, London Letter Book, #22; Vancouver Daily World, September 27, 1923; Vancouver Sun, September 27, 1923; Kidd to Davidson, December 10, 1925, Box 66; see also file in Box 211.
honest desire to build up a greater Vancouver." 47

The B.C.E.R. also benefitted from the difficulties which the provincial and federal governments were having with the Pacific Great Eastern and Canadian National Railways respectively. In 1918, the incomplete P.G.E. had paid the provincial government over a million dollars to take over its assets and liabilities. Throughout the 1920's, plans to dispose of the P.G.E. to anyone who would take it over, operate it and connect it with one of the transcontinental railways were part of the election campaign promises of both the provincial Liberals and Conservatives. The provincial government could not afford to build extensions for its white elephant which had a middle but no ends. During the years following the war, one of the main concerns of the federal government was to create some profit out of the Grand Trunk and Canadian Northern Railways which had fallen into its hands. The Canadian National Railway regularly showed a high deficit while the Canadian Pacific earned steady profits. To many Canadians, the explanation was simple: government-owned enterprises simply could not be profitable. Kidd suggested to his Board that it

47 Rogers to Bartlett, February 22, 1924, LFP, 1924; Vancouver Sun, February 27, 1924.
would not be difficult to work out a scheme for the sale of the B.C.E.R., "the difficulty is to create the purchaser." 48

The question of the B.C.E.R.'s own capital remained a vital one. Returns on it had to satisfy shareholders; the need to protect it was a rallying cry when dealing with governments. The company continued using the story of a shortage of capital whenever public pressure mounted for what the B.C.E.R. considered to be an undesirable investment or whenever the British Columbia public had to be reminded of the need for fair treatment. 49 In the 1920's the company appeared to require considerable new capital. Although the railway system was complete, the expensive hydro-electric facilities had to be expanded to meet an increased demand for power. The company frequently reminded the public of its obvious need for additional capital; its financial situation, however, was much stronger than it would admit.

In spite of difficulties during the war years, the B.C.E.R. had maintained a substantial and fairly liquid reserve fund in-

48 Kidd to Davidson, September 5, 1922, Box 65.
49 E.g., Kidd to Davidson, September 8, 1921; Summary of Proceedings of Ordinary General Meeting of the B.C.E.R., January 20, 1921, Box 65.
tact. In 1922, Kidd advised his Board that if present rates and the monopoly situation continued indefinitely we could finance all the extension which we can think of, including the second development of Stave Lake without asking the proprietors for any further capital. I am not speaking here of raising any capital in the next two or three years -- I mean indefinitely. 50

This was fortunate; the British capital market, where the company had previously raised funds, was suffering from high interest rates. Nevertheless, the B.C.E.R., in 1924, issued £770,000 worth of 5% Debenture Stock maturing in 1944.

The issue of these debentures was deliberately made to coincide with the expansion of the Stave River and Alouette power plants. The main object of the issue was not the raising of new money but rather restoring confidence in the B.C.E.R. Remembering their pre-war problems because of the lack of firm reference to the "protective clause" in their prospectuses, the directors desired to call attention to the fact that the Prospectus set out the agreement entered into with the City of Vancouver in 1922 evidencing the good faith of the Authorities concerned towards public and the British investor and that if this attitude is continued and the Company left in peace to run its business without agitation or attempts

50 As of June 8, 1921, the B.C.E.R. held securities, mainly Canadian and British war bonds and Victory loans, Canadian Northern stocks and bonds (mainly guaranteed by the governments of Ontario and Manitoba) and some B.C.E.R. and Vancouver Power Company debentures worth £741,182.13.9 at market value. (Details in Box 65.) As of June 20, 1927 the company held about
to prevent it getting proper payment for its services, the Company will have no difficulty getting all the money required for its own development and the improved credit of the Company will help the credit of the Province and every industry therein.52

The B.C.E.R. was clearly trying to establish a strong position in case of any future dispute with the city. The debenture issue was also specifically designed to keep the stockholders happy without raising dividends and to restore their faith in the company, its directors and British Columbia. In particular, the directors wanted to undo the unfavourable image they had created of British Columbia during the war. The debenture issue was such an attractive one -- the price was low, the debentures could be converted into dollars and the interest was "free of income tax" -- that in order to give shareholders a promised special consideration, public applications had to be refused. Indeed, a pro-rata allotment had to be made among the existing shareholders.53

The dividend question had posed a dilemma. Shareholders

£200,000 worth of securities (market value) which were given a book value of £179,016.19.4. (Details in Box 94.) (Kidd to Davidson, September 21, 1922, Box 6.)

51 See above, pp. 323-325.

52 Davidson to Murrin, March 14, 1924, Box 65; see also Davidson to Kidd, November 29, 1923, Box 66. The Economist, March 1, 1924, p. 480.

53 When the stock was redeemed in 1931 there were 1621 registered shareholders of whom 1608 were in the United Kingdom or Ireland. Most were in small holdings of £100 or so but a few
naturally wanted direct benefits from the company's prosperity. But, if dividends were raised, consumers would agitate for lower fares and rates and for public regulation of the company. The directors were also anxious to permit shareholders to benefit from the company's large reserve. Both Kidd and Horne-Payne, however, agreed that dividends of more than eight per cent would arouse hostility in British Columbia. Thus, instead of increasing actual dividends, the directors made the 1944 debentures available to stockholders at a bargain rate and satisfied consumers by a voluntary reduction in lighting rates.54

Another means of creating local good will was by the sale of shares locally. This had never been successful in the past; the belief persisted that the market for company stock would be small. Kidd's main objection to having local shareholders was his concern that the company would have to circulate information about profits which it did not want consumers to know. The company was also concerned lest any new distributors were in the hands of insurance and investment companies. The majority of the 1944 debenture holders were women and there was a fair sprinkling of clergymen and medical doctors. The debentures yielded £101.12.11 net when redeemed. See details in Box 37.

54 Davidson to Kidd, August 9, 1920, Box 65; Kidd to Bartlett, September 1, 1920, Box 65; G.P. Norton to Horne-Payne, February 20, 1923, Box 68; Harold G. Brown to Horne-Payne, March 10, 1923, Box 68; Horne-Payne to Davidson, November 8, 1923, Box 66; Kidd to Davidson, November 28, 1923, London Letter Book, #23.
bution of shares might be interpreted locally as a case of "watering" the stock. In addition, Kidd feared that if profits declined seriously, a few local shareholders would cause him more problems than all the rest of the stockholders in England. And, he worried that the interests of the English shareholders might be sacrificed to the interests of a "few local speculators."

By 1924, however, the situation had changed; profits were relatively stable. Kidd was also aware that the B.C.E.R. was in the unique position of having a monopoly without any regulating commission and with no financial tie -- not even insurance premiums -- to the community. As a means of gaining local good will, Kidd suggested that the directors consider having their employees sell $50 bonds to the local public. The B.C.E.R. did not immediately need the capital but the Board, which was not unanimously enthusiastic about the idea, regarded "the difference between the rate paid and the rate earned (until such time as the money is required) as in the

55 In 1923, John Hart, a member of the Victoria financial agency of Gillespie, Hart and Todd, and Minister of Finance in the Oliver government quoted a rate of 75¢ per $100 for three years' fire insurance for the B.C.E.R. Since this would mean a considerable saving on the rate of 99¢ which the B.C.E.R. was paying directly to an English firm, Willis Faber, and since the political connection would be useful, Kidd recommended that the Board accept the offer. Willis Faber, however, reduced their rate to 60¢ and thus the B.C.E.R. continued to deal with them.
nature of an insurance premium against municipal competition."  

"Customer ownership" had been used successfully by American public utility companies in gaining good will. In California, for example, local stockholders of utility companies defeated a proposal for state ownership of water power. By the mid-1920s too, with North America in the midst of a great stock market boom, there seemed every likelihood that British Columbia investors would readily purchase at least one million dollars worth of high class bonds if the price were right. Initially, the idea of issuing bonds rather than stocks prevailed since this seemed to be a way of avoiding British income tax and would deny the new investors any say in the operations of the company. Gradually, Kidd and the other directors realized that preference or preferred shares would give local in- 

(Kidd to Davidson, October 11, 1923, Box 66; Kidd to Davidson, December 12, 1923, Box 66.)

56 Report of John Davidson on visit to the B.C.E.R., October 22, 1923, Box 66; Davidson to Kidd, January 15, 1926, Box 66; Kidd to Davidson, July 27, 1923, Box 66.

57 The idea had been devised in 1914 by A.F. Hockenbeamer of the Pacific Gas and Electric Company of California. The P.G.&E. had used "customer ownership" primarily to raise capital but had soon recognized the advantages of having customers and employees as shareholders. The idea of "customer ownership" spread rapidly in the United States. In 1928, utility companies sold more than two hundred million dollars worth (par value) of stock to more than two hundred thousand investors. (Charles M. Coleman, P.G. & E. of California, New York, McGraw-Hill, 1952, pp. 249-251.)
vestors a greater interest in the well-being of the company than would bonds.\textsuperscript{58}

Extensive plans were made for the local distribution of shares in the British Columbia Electric, Power and Gas Company, a new holding company organized by the B.C.E.R. in March 1926. Mr. M.F. Wardaugh of Winnipeg who had conducted a successful customer ownership campaign in the Manitoba city was employed as an advisor.\textsuperscript{59} In order to achieve the widest possible local distribution, the management set up certain conditions of sale. The shares were not to be underwritten by brokers, they were not to be sold outside the province and the method of allotting shares was designed to favour small investors. During the first week of issue, only B.C.E.R. employees were permitted to sell shares. They received a two dollar commission on each one hundred dollar share sold, the same commission allowed to brokers. Employees were also promised a bonus to promote sales.\textsuperscript{60}

\textsuperscript{58} Kidd to Davidson, December 23, 1924, Box 66; E.H. Adams (comptroller) to Kidd, February 9, 1925, Box 126; G.V. Hart (Bank of Commerce) to Kidd, March 17, 1925, Box 126.

\textsuperscript{59} The Royal Securities Corporation of Montreal indicated interest in organizing the share distribution. Discussions on this seem to have petered out. W.C. Pitfield, general manager, Royal Securities, to Kidd, January 17, 1925, February 2, 1925, Box 126. See below pp. 344 ff.

\textsuperscript{60} Memo of discussions in Kidd's office, December 18, 1925 and January 21, 1926, Saville's Diary, Box 126.
The B.C.E.R. planned to issue 15,000 shares at $100 each but the Board, anticipating that there would be a larger demand, decided to issue up to three million dollars worth of six per cent cumulative preference shares in the spring and to release another million and a half dollars worth in the fall. So successful was the sales campaign — employees alone solicited orders worth $5,410,000 from 10,356 applicants — that the B.C.E.R. had to call off publicity plans and negotiate a release from the brokers (who had feared a flooding of the market) of the obligation to delay part of the issue until the fall. Almost eighty per cent of the applicants wanted five or fewer shares. Employees themselves bought 3,768 shares. The three Vancouver newspapers agreed that the oversubscription of the B.C.E.R. & G. issue was a tribute to the prosperity of the province and public confidence in the management of the company. Kidd was anxious to sell more securities in Vancouver even though the company did not need additional capital to finance the Bridge River project immediately. "Customer ownership" was paying handsome dividends of good will.61

61 Kidd to Davidson, March 23, 1926, Box 66; Memo prepared by Mr. Lightbody of the Investment Department for Kidd, April 8, 1926, Box 66; Vancouver Star, March 23, 1926 and March 18, 1926; Vancouver Sun, March 19, 1926; VDP, March 19, 1926 (clippings in Box 126); Kidd to Davidson, September 10, 1926, Box 66.
The "customer ownership" campaign was only a token gesture towards Canadianization of the B.C.E.R. The idea of reorganizing the company and transferring it to Canada had long been considered. During the war, the directors had discussed the plan as a means of saving on British income tax which had risen almost four-fold. The end of the war did not end the high rate of taxation in Britain. Taxes took twenty-five cents from every dollar the company received from the public and half of these taxes went to the British government. As a company with its head office in England, its shareholders had to pay British corporation profits taxes and income tax on interest and dividends. When endeavours to persuade the Inland Revenue authorities to reduce taxation by adjusting depreciation allowances failed, the idea of converting the British-based B.C.E.R. into merely a holding company and establishing an operating company in Canada became more attractive.

62 British income taxes rose from a standard rate of 1s.6d. in the pound before the war to at least 4s.6d. in every post-war year except 1925-1929. (Ursula K. Hicks, The Finance of British Government, 1920-1936, Oxford University Press, 1938, p. 234.)

63 In 1924 the B.C.E.R. paid £60,116 in British income tax; in 1925, £69,921; in 1926, £66,757. Memo re transfer prepared by Linklaters and Paines [Harold G. Brown's firm], March 30, 1927, Box 126. See also Kidd to Davidson, October 3, 1922, Box 65; Kidd to Bartlett, October 10, 1921, LFGM, 1921.
Transferring the company to Canada would also assist the B.C.E.R.'s public image. In the past there had been occasional public criticism of the fact that the B.C.E.R. was controlled from England and that most of its profits went to that country. Although the pre-war local advisory board had been discontinued because of personnel problems, the idea of having one was not forgotten. In 1919, Horne-Payne and the company's B.C. auditors, Messrs. Helliwell, independently recommended the establishment of a local Board of Directors composed of four or five men of good standing who would serve as a committee of the London Board and who would have "very extensive power." Little was done with this suggestion until late in 1922. Neither the other members of the Board nor Kidd were enthusiastic about the plan since they could not think of any suitable British Columbian who was not already a friend of the company and willing to give Kidd informal advice. Consequently, the only step taken towards giving the appearance of greater local control was an alteration in the titles of management. In the summer of 1923 Kidd became president rather than general manager and his chief assistants, W.G. Murrin, the

64 Horne-Payne to Kidd, undated but c. May 1919, Box 68; Horne-Payne to Kidd, December 6, 1922, Box 68; Kidd to Horne-Payne, December 29, 1922, Box 68.
assistant general manager, and A.T. Goward, the local manager in Victoria, became vice-presidents. Later in the year, Kidd joined the Board himself and Murrin was appointed to the Board in 1926.

The problems created by the corporate structure had continued to worry the Board. In March 1926, the B.C.E.R. organized a holding company, the British Columbia Electric Power and Gas Company -- the choice of this name is indicative of the change in the company's concentration from the street railway to hydro-electric power. By forming this new company, the B.C.E.R. simplified its corporate structure, made shares available to the public and provided the opportunity for a greater distribution of profits which by 1925 amounted to thirteen per cent on the Deferred Ordinary and eleven per cent on the Preferred Ordinary. By establishing a new company, the B.C.E.R. also extended its borrowing powers enabling it to raise large sums of new capital whenever that might be necessary. The new company which was incorporated under British Columbia law was permitted to acquire the power and gas subsidiaries of the B.C.E.R., that is, the highly profitable part of the business, as well as the B.C.E.R. itself, "the English Company." The B.C.E.R. guaranteed the bonds and preferred shares of the new
The formation of the B.C.E.P. & G. did not solve the B.C.E.R.'s problems. As Kidd explained, "the financial clothes which were excellent for the Company in its early days have been entirely outgrown and will hamper us very considerably unless they are adjusted." Kidd recommended the transfer of certain assets from the trust deed of "the English Company," the B.C.E.R., to the Canadian company, the B.C.E.P. & G., in order to provide the latter with first class security should it ever be needed. Canadianizing the company as a whole, however, was a matter for the future. The Board decided there was no urgency to the matter and postponed indefinitely the settlement of this potentially complex question.

The B.C.E.R. still had the problem of balancing the interests of its shareholders and of its customers. The matter of future stock issues had to be decided, that is, whether the company should make future issues and, if so, whether to make them in Vancouver and expand "customer ownership" or to make them in London to provide stockholders with a long-expected

65 Kidd to Davidson, March 12, 1925, Box 126; British Columbia, Statutes, 17 Geo V, c.79, s. 5.

66 Kidd to Davidson, June 1, 1927, Box 67; Davidson to Kidd, August 5, 1927, Box 67.
advantage and forestall possible trouble at the annual general meeting. If additional stock were issued, the company which in any case did not need the money at the moment, feared that shares might get into the hands of stock market manipulators who might make trouble. The timing of the issue, the total amount and the price were important if the company were to get the maximum benefits of good will. At best, the company wanted to extend "customer ownership"; at worst, it desired to keep stock from falling into unfriendly hands. Acting on Kidd's advice, the company postponed additional issues until the fall of 1928 when John Davidson, the deputy chairman of the Board, expected to be in Vancouver for consultation.

The "customer ownership" campaign had been planned to create local good will; the organization of the B.C.E.P. & G. in 1926-1927 was designed to save on taxes, to simplify the corporate structure and to expand borrowing powers as the need arose. This expansion of borrowing power would eventually include the sale of stock in North America. Some B.C.E.R. stock had apparently already been acquired on the open market by

67 Davidson to Kidd, May 17, 1927, Box 67. In 1927, A.D. Watts, a broker with Toronto and New York connections, hinted at "black-mailing" the B.C.E.R. by revealing misleading but not completely inaccurate information about the directors' remuneration if the B.C.E.R. did not make another issue of shares for which Watts presumably would act as broker. (See correspondence in Box 67.)
Canadian and American financiers. The Sun Life Insurance Company, for example, had acquired 350 shares in the B.E.P.&G. Nesbitt, Thomson and Company, financial dealers had about £60,000 worth of Deferred and Preferred B.C.E.R. shares. 68

On April 10, 1928 "a great battle of finance" 69 began. Viscount Rothermere, a British press magnate, in association with a group of American stockholders announced that he would offer £240 for Preferred Ordinary and £280 for Deferred Ordinary B.C.E.R. stock which was then selling for £173 ½ and £232 ½ respectively on the open market. The directors who seem to have been taken unawares by Rothermere's offer advised their shareholders to wait. Thus, the shareholders stood aside "while rival groups of financiers strenuously outbid each other in making tempting offers." 70 On April 19, Nesbitt, Thomson and Company and the Power Corporation of Canada, a large holding company of which A.J. Nesbitt was president, submitted an offer of £266 and £306 for the Preferred and Deferred

68 Kidd to Davidson, July 13, 1926, Box 66; A.J. Nesbitt to Kidd, March 3, 1927, Box 67.


70 The Economist, April 28, 1928, p. 864.
Ordinary stock respectively and offered the directors a personal compensation of £7500 each (ten years' directors' fees) for loss of office. The directors advised the shareholders to accept the Nesbitt, Thomson offer. Then, on April 21, the "English Association of American Bond and Shareholders", on behalf of Sir Herbert Holt, his associate, J.H. Gundy, the Canadian and Foreign Power Corporation and Andrew Holt and Company made a direct offer to the shareholders of £272 and £312 respectively. Thereupon, Nesbitt, Thomson raised their offer to £275 and £315. Again, the directors advised their shareholders to accept the Nesbitt, Thomson offer. In the meantime, Rothermere, the Nesbitt, Thomson interests and the Holt group reached an agreement to avoid further competition and jointly offered £275 and £315.

The necessary seventy-five per cent of the shareholders accepted. On May 10, 1928, Sir Herbert Holt and A.J. Nesbitt replaced R.M. Horne-Payne and associates and the principal directors of the B.C.E.R. At the request of Nesbitt, Kidd and his colleagues retained the management of the company. They agreed, for they had established their homes in Canada. Arrangements were quickly made under federal Company law to in-

71 Andrew Holt, a London merchant banker, was the son of Sir Herbert Holt.
corporate the new British Columbia Power Corporation whose principal object was to acquire the outstanding Preferred and Deferred Ordinary stock of the B.C.E.R. The B.C.E.R., albeit in an altered corporate form, had become a Canadian-controlled company under the holding umbrella of the Power Corporation of Canada which had been organized three years earlier to acquire and control hydro-electric and other public utility companies. According to Nesbitt, exactly half (30,000,000 worth) of the shares of the new company were held in Canada, thirty-five per cent in England and the remainder in the United States. 72

By 1928 these giants of Canadian business had succeeded in taking over an old British company. They would now fulfil for the B.C.E.R. the role that Horne-Payne and the British Empire Trust Company had played for the B.C.E.R. in the past. Canada's prosperity in the 1920's made this transfer possible. In 1894, Herbert Holt had passed up an opportunity to invest in the Westminster and Vancouver Tramway; in 1913, Montreal capitalists had been in an inferior position vis à vis the B.C.E.R and had had to give the B.C.E.R. the better part of the

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72 Statutory Declaration of W.G.Murrin, July 29, 1929, Box 207; The Economist, May 26, 1928, p.1105; Canada (London), July 7, 1928. Correspondence and a file of clippings may be found in Box 149.
bargain in negotiations with the W.C.P. By 1928, however, the Montreal capitalists were in a dominant position.

The initial reaction of the B.C.E.R.'s customers was one of obvious concern lest the new owners raise rates. Mayor L.D. Taylor of Vancouver suggested that the mayors and reeves of the areas served by the B.C.E.R. should work out a plan of protection. The Vancouver Morning Star (published by Victor W. Odlum) and the Sun both feared "water" in the stock and higher charges. Two Conservative papers, the Vancouver Daily Province and the Victoria Colonist, however, expressed no such fear observing that the municipalities and the provincial governments had means of controlling the new company if its charges got out of line. Perhaps the best and most optimistic comment was made by the Star:

Not only does Canadian ownership indicate their belief in the future of the utility and the community which it serves but it means that substantially all disbursements made in the form of dividends will remain in the country. After thirty-one years, the B.C.E.R. had become a Canadian enterprise. It was no longer a British company operating in British Columbia. That there was little public comment on the

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73 Vancouver Star, May 30, 1928.
change is not really surprising. British Columbians were well-accustomed to Canadian and American capital replacing British investment in the province. They were also aware of Canada's evolution towards political autonomy from Great Britain. And, the B.C.E.R. itself, through such devices as the "customer ownership" scheme had already acquired a Canadian identity.

74 About two-thirds of the capital imported to Canada between 1920 and 1929 came from the United States. The Canadian investment boom of the 1920's, however, was largely financed by Canadian savings. Canada, Royal Commission on Dominion-Provincial Relations, Report, Ottawa, King's Printer, 1940, vol.1, p.116.
CHAPTER VIII

CONCLUSION

The relationship between the B.C.E.R. and the British Columbia public -- not always a completely happy one -- was symbiotic in nature. The B.C.E.R. was dependent on the public of southwestern British Columbia who were the consumers of its transportation services and electricity and the electors of the politicians who determined the climate of regulations and restrictions within which the B.C.E.R. had to operate. The same British Columbians depended on the company to provide street railways and electricity which were necessary concomitants of a modern urban society. Local entrepreneurs had inaugurated these services at an early stage in the development of the cities and of electric technology but lacked the capital resources necessary to sustain their enterprises through hard times.

The B.C.E.R. which acquired these floundering local companies in 1897 had direct access to the London capital markets through its astute chairman and driving force, R.M. Horne-Payne.
The B.C.E.R. which supplied the capital necessary to sustain and expand the local utilities was very much a British company. It was registered in England but this legal domicile had little effect on the operations of the company other than the imposition of British income taxes which made the B.C.E.R. an unattractive investment for Canadians. Almost all of the company's capital was raised in Britain and the pace of developments in pre-war British Columbia was frequently affected by the state of British capital markets. Those profits which were not ploughed back into the company for expansion or as reserves were sent to England to pay interest, dividends and taxes. These generalizations might apply to almost any British company operating in Canada; the distinctive characteristic of the B.C.E.R. was the extremely close control which its British directors exercised over its day to day operations as well as over its long term policies.

The British control of the company makes it impossible to determine from this side of the Atlantic the exact sum which was returned to Britain over the years. The detailed financial records of the company were kept in its head office in London. Not even the general manager in Vancouver had a complete view of the company's financial situation. The company also had various ways of calculating such basic financial
statistics as the percentage profit on capital employed.\(^1\)

This was the result of a deliberate policy of trying to present as favourable a picture as possible of the company's finances to investors and as dismal a view of its profits to the British Columbia public. The company's problem of presenting different pictures of the same thing to different audiences can also be seen in its frequent considerations of the means of paying dividends and the adoption of devices such as the "free of income tax" dividend.

As a British company, the B.C.E.R. from time to time tried to patronize British suppliers. It usually found that American or Canadian firms could supply equipment -- from paper clips to turbines -- of equivalent or better quality at lower prices than could British suppliers. And, North American suppliers promised faster and more reliable delivery dates. The only commodities which the B.C.E.R. bought regularly in Britain were uniform cloth and steel pipes. On these products there was usually no urgency about delivery and British manufacturers offered better quality goods at lower prices. The B.C.E.R. patronized British insurance companies because they offered cheaper rates -- though not the political advant-\(^1\)

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\(^1\) See Appendix 3.
ages -- than did local firms. The British directors of the B.C.E.R. were more interested in the prosperity of their company than they were in patriotic promotion of the British economy as a whole.

Throughout the years, the primary concern of the directors was the security of the investment. Therefore, they were unwilling to undertake expenditures without being absolutely certain of having the necessary capital on hand. They were careful to put aside such generous sums for depreciation, renewals and reserves that they feared public realization of the extent of these funds. The size of these funds, however, avoided the problem of many North American street railways of being unable to replace equipment as it wore out.2 The Board was also reluctant to engage in speculative ventures. Such investments as the company made in real estate peripheral to its electric railway lines were minor considering the real estate boom of pre-war British Columbia. They were usually the result of the enthusiasms of local officials getting out of hand. On the whole, however, local management was able and obedient to the wishes of the Board.

2 Delos F. Wilcox, Analysis of the Electric Railway Problem; Report to the Federal Electric Railways Commission..., New York, the author, 1921, p. xvi.
The basic conservatism and caution of the directors is well illustrated by their policies of expansion. The more British Columbia grew, the more likely the B.C.E.R. was to prosper. Nevertheless, the B.C.E.R. did relatively little in the way of directly promoting that development. With the exception of the Burnaby Lake line, the B.C.E.R. made little effort to open completely new areas for settlement. This passive attitude towards electric railway construction was of long range benefit to the community. The company had sufficient lines in suburban areas to give residents an opportunity to choose suburban or semi-rural homesites in several areas within reasonable proximity of public transportation. By avoiding the temptation to develop new areas for speculative purposes, the B.C.E.R. assisted in saving greater Vancouver from a potential problem of urban sprawl.

In developing hydro-electric power, the B.C.E.R. was even more cautious. Whereas street railway lines -- particularly short extensions to existing lines -- could provide an almost instant return on the investment, the development or expansion of a hydro-electric project required the expenditure of large sums of money over several years before producing any return. Because of the long-range planning required for hydro-electric developments, there was also a greater risk of increases in
the costs of capital or decreases in anticipated demand. Thus, in developing hydro-electric power, the B.C.E.R. was quite content to grow with the community but not in advance of it.

Except in unusual circumstances, such as the early war years, the B.C.E.R. made no significant attempt to attract new industries to use either its hydro-electric power or its rail lines. Under normal conditions, the company did not encourage new power-using industries such as chemical plants and metal working establishments to come to British Columbia. The viability of such concerns in a province distant from major markets, with a small local market and traditionally high labour costs is perhaps questionable. The B.C.E.R., however, must be chastized for failing to investigate such possibilities. Indeed, in 1913 the B.C.E.R. virtually abandoned industrial power sales to the Western Canada Power Company.3 Venturing into the development of large scale hydro-electric facilities without a certain market was a risky business which the directors of the B.C.E.R. were unwilling to contemplate.

3 Cf. "Where hydro-electric enterprises have been built up in response to 'guaranteed' markets, their significance for the growth of a diversified manufacturing economy in Quebec has been either indirect or...passive, as in the case of the Montreal Light,Heat and Power Company, which has indeed provided the leading city in the province with a satisfactory electricity supply, but which has not promoted in any active way the development of industry in its territory." J.H.Dales, Hydro-Electricity and Industrial Development; Quebec, 1898-1940, Cambridge, Harvard University Press, 1957, p.156.
The concern of the directors for the security of the investment is perhaps best seen in their great fear of competition. They believed that the company could not prosper without a monopoly of public transportation and of electricity. The much-prized "protective clause" offered only a very limited protection. The directors feared competition both from other privately-owned companies and from the municipalities.

Competition from other privately-owned companies -- the S.L.P.-W.C.P. is a prime example -- was a real threat. If the W.C.P. had succeeded in getting into the lighting business in Vancouver, the consequences for the B.C.E.R. would have been grave since the lighting business was the most consistently profitable part of the B.C.E.R.'s operations. In any event, the W.C.P. had considerable nuisance value as it tried to interfere with water rights desired by the B.C.E.R. The B.C.E.R., however, understood how private business worked. In some instances, the directors discounted managerial worries because of their knowledge of the capital markets and their realization that new competitors would experience serious difficulties in raising funds. Financial problems eventually forced the W.C.P. to reach a working agreement with the B.C.E.R. and finally to sell out to the B.C.E.R. The B.C.E.R. also learned the economies of buying out potential rivals at an
early stage in their development. Thus, the B.C.E.R. bought out the Burrard and Bridge River Power Companies while they were still being planned. To save even this expense, the B.C.E.R. also tried to secure claims on potential water power sites for itself.

As a protection against competition from other street railways, the "protective clause" was an effective device. It did not, however, prevent competition from other forms of public transportation. When the jitneys appeared in 1914, the B.C.E.R. was uncertain -- except for its traditional appeal to government -- about methods of competition. This was due in part to the novelty of jitney competition and in part to the loose organization of the jitney operators which meant that there was no company against which the B.C.E.R. could exert financial or other pressures. When motor buses appeared on interurban routes in the 1920's, the B.C.E.R. acted decisively, bought them out and operated them itself. Indeed, by the 1920's so efficient was the B.C.E.R. in combatting business competition that it was able to get the C.P.R. to renegotiate the V. & L.I. agreement.

Although the Board of the B.C.E.R. usually were reasonably confident of their success in overcoming privately-owned competition, their fear of municipal competition, particularly
their fear that the City of Vancouver might exercise its option to purchase the street railway in 1919, bordered on a state of paranoia. The severity of this fear was undoubtedly influenced by their British experiences and their knowledge of Ontario precedents. Considering British Columbia conditions -- the many demands of a rapidly developing economy on the municipal and provincial treasuries, the general lack of interest in public ownership on the part of the provincial government which had to consider the interests of the province as a whole and not only the coastal cities and difficulties in securing inter-municipal agreements (the franchise consolidation scheme is an excellent example) -- their fear was grossly exaggerated. The directors failed to realize that while public ownership was a popular political shibboleth particularly at the municipal level, it was not a likely possibility.

The directors' concern about such an eventuality, however, is a basic theme throughout the company's history. This concern directly affected company policy. It is evident in the persistence of the directors' attention to "protective clauses" and the terms of suburban franchises. It also explains the company's plan to encircle the City of Vancouver with a series of street railway lines on private rights-of-way. Although the likelihood of municipal competition declined even further
after the war, the company reacted quickly when there was talk—but no concrete action—of a municipally-owned electric power plant for Vancouver.

The Board's fear of municipal ownership or competition was groundless; their apprehension of public regulation of their activities was well-founded. Under the terms of its various municipal franchises, the company was definitely restricted in its activities. The maximum five cent fare in Vancouver is a good example. The Tramways Regulations of 1912 and the abortive Public Utilities Commission were both expressions of the public's desire to control the activities and particularly the street railway fares of the B.C.E.R.

The fare question was always a lively one. The public was especially sensitive to increases in street railway fares. The B.C.E.R.'s fare structure, however, was as low as that of almost any city in North America. Public complaints about lighting rates, on the other hand, were only sporadic. Paradoxically, the B.C.E.R. was the first to admit—privately—that it should reduce lighting rates. The difference in public concern over fares and rates can be explained in several ways. In the first place the company gradually reduced lighting rates as production costs declined. It was, of course, extremely difficult for the layman to calculate the actual costs.
of producing and distributing electricity. The costs of operating a street car were quite comprehensible. Secondly, the average consumer was reminded twice daily of his transportation costs. While riding to and from work, he had an opportunity to share his grievances with fellow passengers. The light bill, on the other hand, was a once a month phenomenon. Had the public been aware of the full details of the situation, they undoubtedly would have attacked lighting rates (which at times subsidized the street railway) more and street railway fares less.

For fear of arousing public curiosity about lighting rates, the B.C.E.R. long discouraged the establishment of a provincial Public Utilities Commission. Ultimately, the company accepted the idea of such a body as a means of controlling jitney competition. By the 1920's, the company, potentially limited to charging a maximum 5¢ fare by its Vancouver city franchise and faced with motor vehicle competition, was anxious to place its railway operations under the jurisdiction of a federal Board of Railway Commissioners. It willingly accepted as a substitute, the provincial B.C.E.R. Passenger Rates Act which, like the Board of Railway Commissioners, would not investigate lighting rates.

The company was continually seeking favours of one sort
or another from the various levels of government. At the municipal level it required franchises, fare adjustments, jitney regulations and, in the case of New Westminster, access to a water power site. At the provincial level, it sought such favours as franchises for unorganized territories, land bonuses, the preservation of the "protective clause" in the Vancouver City Charter (a provincial act); water rights, the Shortt investigation, a satisfactory P.U.C. and compensation for changes in the rule of the road. Federally, it was also interested in water rights, it needed arbitration under the Industrial Disputes Investigation Act to settle labour disputes, it desired an amendment to the V.F.V. & S. charter and it wanted the supervision of the Board of Railway Commissioners.

The B.C.E.R. was frequently -- but not always -- successful in getting what it wanted from government. Governments, however, could impose their wills on the company. The Vancouver City Council, for example, set operating regulations and required the payment of a percentage of street railway earnings in return for a street railway franchise. The Saanich interurban line is a symbol of the company's subservience to public pressure and to the subordination of its interests to the political policies of Premier McBride.

To get what it wanted, the B.C.E.R. worked assiduously
to cultivate good will generally and to lobby governments for specific requests. Over the years, the company which had always been aware of its dependence of good will developed highly effective public relations techniques.

To promote a favourable image of itself, the B.C.E.R. used a variety of devices. Although British Columbians -- most of whom were of British origin or descent -- rarely complained of the Britishness of the company, the B.C.E.R. periodically tried to develop local interest in its affairs. Pre-war methods such as the local sale of shares and the creation of a local advisory committee, were specifically designed to gain favour among influential and "responsible" members of the community. These schemes enjoyed a very limited success. This, however, did not cause the directors any grave regrets as they were uncertain of the wisdom of circulating in British Columbia the kind of financial information required by investors. By the 1920's, however, the economy of British Columbia had developed to such an extent that the "customer ownership" campaign reached a broad spectrum of the public and was extremely successful in promoting good will. The B.C.E.R. also used its financial resources to promote good will by arranging the investment of funds as in the case of several New Westminster enterprises and the Surrey dyking scheme. The paternal
attitude of the company towards its employees who were its front line in meeting the public also reflects concern for good will. For public relations considerations, the company also carefully timed the juxtaposition of announcements of adjustments in wages, rates and fares. The company, too, did not ignore the possibilities of the judicious distribution of its advertising accounts to local newspapers.

When specific matters arose, the B.C.E.R. was an effective lobbyist. At the municipal level, it occasionally played a sub rosa role in election campaigns in order to insure the victory of friendly candidates or the passage or defeat of a relevant by-law. At Victoria, the B.C.E.R. hired local lawyers to watch legislation. Usually, it relied on its managerial staff to negotiate with the provincial government. While Richard McBride was premier, however, Horne-Payne himself frequently consulted the premier directly. At Ottawa, the B.C.E.R. had a permanent lobbyist, Col. A.T. Thompson, a former Liberal M.P. During the years of the Conservative and Unionist administrations (1911-1921), it worked through Thompson's law partner, a staunch Conservative. In special cases, the B.C.E.R. sent members of its own staff to the capital and used the good offices of British Columbia M.P.'s.

The company itself had to be non-partisan. At both Ottawa
and Victoria it worked with whichever political party was in power. Evidence of its contributions to campaign funds is scant; it appears that the B.C.E.R. wisely supported whichever party seemed likely to win the next election.

In the eventuality of the failure of its general public relations activities and its lobbying to influence governments to treat it "fairly and reasonably", the B.C.E.R. periodically threatened to use its financial influence in London to impose its will. It argued that since the B.C.E.R. was the British investors' barometer of British Columbia's suitability as a field for investment, any government policy harming the interests of the B.C.E.R. would immediately reduce British investment in provincial and municipal securities as well as in private enterprises in the province. Although Horne-Payne threatened to use his influence -- particularly during the depressed years between 1913 and 1917 -- he never had to give a clear demonstration of the extent of his influence over British investors.

Had the B.C.E.R. been Canadian-controlled, it would not have been able to use such financial threats against the provincial government. A Canadian company would have had a much different relationship with government. It would have been asking for financial as well as legislative favours; it prob-
ably would have been more deeply involved in politics. Certainly a Canadian company would have been exposed to greater pressure to expand its facilities and would have been less conservative in its developmental or financial policies. Unfortunately, parallel studies of street railway companies elsewhere in Canada -- particularly in Toronto and Winnipeg where Mackenzie and Mann had street railway interests -- are not available. 4

A sharp contrast may be drawn between the policies and practices of the B.C.E.R. and the Canadian Northern Railways. Mackenzie and Mann, the Canadian entrepreneurs were their own Board and, for practical purposes, their own management. By retaining control of the common stock themselves, they had full control of their assorted endeavours. 5 Canadian Northern policy, being made in Canada, was profoundly influenced by that spirit of optimism summarized in Laurier's phrase, "the twentieth century belongs to Canada." By 1905, Mackenzie and Mann had abandoned any pretences of having a conservative attitude towards the building of new lines. The Canadian Northern

4 A comparison of the hydro-electric operations of the B.C.E.R. with the activities of the companies admirably analysed by J.H. Dales in Hydro-Electricity and Industrial Development would be interesting. Dales argues, however, that "the outstanding feature of the hydro-electric industry is the individuality of the component firms; each enterprise is in many respects unique and therefore not comparable to other enterprises." (p.7.)

5 See G.R. Stevens, Canadian National Railways, Toronto,
depended very largely on direct government financial assistance and government guarantees of its bonds.  

In comparison, the directors and management of the B.C.E.R. were distinct. B.C.E.R. policy was made in England. During its most formative years, the B.C.E.R. had only one Canadian director, F.S. Barnard who retired from the Board in 1904. Because of this separation of Board and management, the directors frequently found it difficult to comprehend the rapidity of British Columbia's growth. Although members of the Board visited the province, they were not continuously exposed to the spirit of expansion. Partly because distance diluted enthusiasm and lent perspective, the B.C.E.R. was able to follow a cautious and conservative policy towards expansion. This conservative policy was continued by the B.C.E.R.'s Canadian successor, the British Columbia Power Corporation.

In contrast to Canadian railway companies which often strained the credit of Canadian governments, the B.C.E.R. eased the financial burdens of the municipalities and of the province. Because British Columbia was a relatively new area, her local governments had a heavy burden paying for streets, sidewalks and

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6 Although the Grand Trunk Railway had a London-based Board, its manager, C.M. Hays, who dominated company policy, resided in Canada. A.W. Currie, The Grand Trunk Railway of Canada, Univer-
sewers and the province, in building roads, bridges and trails in the interior and in the north. By providing public transportation in the cities and electric light and power, the B.C.E.R. freed the municipalities from having to use their limited credit to provide such essential services. Indirectly, this improved the borrowing positions of the municipalities.

The B.C.E.R.'s services had distinct social benefits. The street railway network permitted families of modest means to settle in outlying areas such as Hastings Townsite and South Vancouver where land prices were low enough to permit them to acquire their own homes and lots. The interurban line enabled some families to combine urban and rural pursuits. The Fraser Valley and Lulu Island lines made fresh farm produce, especially milk, readily available in the cities of New Westminster and Vancouver.

For all but the well-to-do, the street railway was, at least until the 1920's, a way of life. Most householders rode the street car to work; their children, to school and their wives, to downtown shopping. The electric railway carried

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7 See Appendix 9.

the family to such special events as the New Westminster Ex-
hibition, the lacrosse games, picnics at Stanley Park or the
Gorge, concerts and the theatre; on Sundays, it took them
to church.

The same electricity which supplied the motive power for
the street railway also provided clean, safe and efficient
lighting for homes and industrial and commercial establish-
ments. For the fortunate few, electricity was a clean and
cool fuel for cooking. For countless housewives, electricity
eased household chores as the company introduced small appli-
ances such as electric irons.

In conclusion, several questions must be asked and an-
swered: did the company succeed in its primary object of making
a profit for its investors? and did it benefit British Colum-
bia? To both questions the answer is definitely in the affirm-
ative. To a related question, did the company exploit British
Columbians? the answer is no.

The company rewarded its investors well. Prior to the
1920's holders of common and preferred shares invested less
than £8,000,000 in the company.\textsuperscript{9} A complete record of dividend

\textsuperscript{9} See Appendices 4 and 8.
payments is not available but their total is well over £3,000,000. Debenture holders, who invested a larger total sum, received steadier but smaller returns. For both categories of investor, the B.C.E.R. was a "safe" investment particularly since the company's physical assets and cash reserves increased over the years.

Holders of Preferred and Deferred Ordinary shares who held their shares until the company was sold in 1928 made handsome capital gains. Any investor lucky enough to buy these stocks at their war-time lows of 27-3/4 and 24 respectively would have increased his investment tenfold in ten years. Even the investor who bought his shares at their pre-war highs would have more than doubled his money on Preferred Ordinary and would have fallen only a bit short of doubling it on Deferred Ordinary. The profits (and losses) on Stock Exchange transactions did not take money out of British Columbia.

Although investors did well, the B.C.E.R. did not exploit British Columbians. The company usually earned less than six per cent on the capital raised from debenture and stock sales.

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10 See Appendix 4.

11 See Appendix 3 especially Column C.
Comparable Canadian companies in some instances earned well over ten per cent on their actual capital investment. From its earnings, the B.C.E.R. had to pay debenture interest, stock dividends and set aside reserves. The B.C.E.R.'s dividend payments seem generous but were in line with the dividends paid by other Canadian utility companies.

The size of the B.C.E.R.'s reserve fund is indicative of conservative management rather than of exploitation. Ample reserves enabled the B.C.E.R. to survive the anxious times after 1913 without a major financial reorganization. After the war, the same reserves permitted the B.C.E.R. to expand its

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12 Exact comparisons are impossible. No other large firm in Canada operated street railways and also sold electricity to domestic and industrial consumers. Additionally, there is little uniformity in accounting methods. Nevertheless, it is worthwhile to record the following net earnings as a percentage of capital raised by the sale of shares and debentures of several Canadian companies for 1912, the last full year of prosperity before the war. B.C.E.R., 6.5%; Calgary Power, 3.9%; Montreal Tramways and Power Company, 5.1%; Ottawa Electric Railway, 16.8%; Toronto Railway Company, 17.5%; Winnipeg Electric Railway Company, 11.2%. The percentages are calculated from the companies' annual reports as published in the Annual Financial Review.

13 Some typical dividend rates on common stocks in 1912 were: B.C.E.R. (Deferred Ordinary), 8%; Montreal Light, Heat and Power Company, 9%; Montreal Tramways and Power Company, nil; Ottawa Electric Railway Company, 15%; Toronto Railway Company, 8%; Winnipeg Electric Railway, 12%.
hydro-electric facilities and to adapt to changes in the transportation industry without having to wait for propitious times on the money markets.

The B.C.E.R. also took money out of British Columbia in the form of British income taxes but it contributed to the coffers of Canadian governments especially at the municipal level where it had to pay property taxes. When income taxes were introduced as a "temporary" war-time measure by the Canadian government in 1917, the company began making direct contributions to the federal treasury. Admittedly, the Canadian taxation system was not as well-developed or as demanding as the British one.

Unlike Canadian transportation companies, the B.C.E.R. did not make financial demands on Canadian governments. It tried to get land bonuses from the provincial government but failed. The only land bonuses it received were the donations of private landowners who expected to profit from the coming of the electric railway to their neighbourhood. Most of these speculators were disappointed.

To the community at large, the B.C.E.R. provided some basic public utilities at a time when British Columbians were unable to finance them themselves. The conservative develop-
mental policies of the company did not really retard the growth of the area but in many cases saved it from the evils of urban sprawl and the probability of uneconomic industries. By thwarting competition from both municipal and private enterprises, the B.C.E.R. denied the consumer the short run advantages of price competition but saved him from heavy municipal debt and a chaotic scene of competing public utility companies. British Columbians -- at least until the 1920's -- were probably better off with a British company than they would have been with a Canadian-owned one.

The B.C.E.R. spent considerable energy over the years on trying to get legislative and administrative favours from governments. Its highly developed public relations techniques meant that it frequently succeeded. British Columbians, however, were too politically conscious to allow the B.C.E.R. to impose its wishes on them. The company could never make a move without considering the effect on public opinion in British Columbia. The relationship between the B.C.E.R. and British Columbians, though not always a friendly one, was one of mutual respect. The B.C.E.R. was a British company operating in British Columbia for the mutual advantage of British investors and British Columbians.
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G. Miscellaneous


## Appendix 1

Population of Areas Served by the B. C. E.R.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total B.C.</th>
<th>City of Vancouver</th>
<th>Vancouver as % of B.C.</th>
<th>City of Victoria</th>
</tr>
</thead>
<tbody>
<tr>
<td>1891</td>
<td>98,173</td>
<td>13,709</td>
<td>14</td>
<td>16,841</td>
</tr>
<tr>
<td>1901</td>
<td>178,657</td>
<td>29,979</td>
<td>17</td>
<td>20,919</td>
</tr>
<tr>
<td>1911</td>
<td>392,480</td>
<td>129,043</td>
<td>33</td>
<td>31,660</td>
</tr>
<tr>
<td>1921</td>
<td>524,582</td>
<td>163,220</td>
<td>31</td>
<td>38,727</td>
</tr>
<tr>
<td>1931</td>
<td>694,263</td>
<td>246,593</td>
<td>36</td>
<td>39,082</td>
</tr>
<tr>
<td>1941</td>
<td>817,861</td>
<td>275,353</td>
<td>33</td>
<td>33,068</td>
</tr>
<tr>
<td>1951</td>
<td>1,165,210</td>
<td>344,833</td>
<td>30</td>
<td>51,331</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(591,960)</td>
<td>(47)</td>
<td>(113,207)</td>
</tr>
<tr>
<td>1961</td>
<td>1,629,082</td>
<td>384,522</td>
<td>24</td>
<td>54,941</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(790,165)</td>
<td>(48)</td>
<td>(154,152)</td>
</tr>
</tbody>
</table>

### Notes:

a. Including Point Grey, South Vancouver, Hastings Townsite and D.L. 301.

b. Figures in parentheses refer to metropolitan areas as defined by the Census.

### Sources:

### Appendix 2

**Net Annual Profits and Total Reserves, 1900-1927**

<table>
<thead>
<tr>
<th>Fiscal Year Ending</th>
<th>Net Profit</th>
<th>Total Reserves</th>
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<tbody>
<tr>
<td>1900</td>
<td>£38,215</td>
<td>£n/a</td>
</tr>
<tr>
<td>1901</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>1902</td>
<td>39,544</td>
<td>20,766</td>
</tr>
<tr>
<td>1903</td>
<td>37,864</td>
<td>44,015</td>
</tr>
<tr>
<td>1904</td>
<td>49,045</td>
<td>54,332</td>
</tr>
<tr>
<td>1905</td>
<td>57,876</td>
<td>71,120</td>
</tr>
<tr>
<td>1906</td>
<td>85,509</td>
<td>106,202</td>
</tr>
<tr>
<td>1907</td>
<td>105,012</td>
<td>148,788</td>
</tr>
<tr>
<td>1908</td>
<td>154,223</td>
<td>191,938</td>
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<tr>
<td>1909</td>
<td>163,306</td>
<td>253,435</td>
</tr>
<tr>
<td>1910</td>
<td>198,869</td>
<td>360,082</td>
</tr>
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<td>1911</td>
<td>281,126</td>
<td>500,026</td>
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<tr>
<td>1912</td>
<td>359,130</td>
<td>687,361</td>
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<td>1913</td>
<td>381,424</td>
<td>924,346</td>
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<tr>
<td>1914</td>
<td>393,956</td>
<td>1,095,722</td>
</tr>
<tr>
<td>1915</td>
<td>180,661¹</td>
<td>1,167,216</td>
</tr>
<tr>
<td>1916</td>
<td>134,964</td>
<td>1,168,742</td>
</tr>
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<td>1917</td>
<td>160,844</td>
<td>1,215,786</td>
</tr>
<tr>
<td>1918</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>1919</td>
<td>224,600</td>
<td>1,535,467</td>
</tr>
<tr>
<td>1920</td>
<td>412,327</td>
<td>1,863,445</td>
</tr>
<tr>
<td>1921</td>
<td>421,277</td>
<td>2,021,333</td>
</tr>
<tr>
<td>1922</td>
<td>409,233</td>
<td>1,666,388</td>
</tr>
<tr>
<td>1923</td>
<td>416,472</td>
<td>1,900,733</td>
</tr>
<tr>
<td>1924</td>
<td>424,261</td>
<td>$3,720,196</td>
</tr>
<tr>
<td>1925</td>
<td>544,329</td>
<td>$3,784,734</td>
</tr>
<tr>
<td>1926</td>
<td>573,234</td>
<td>$5,331,149</td>
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<tr>
<td>1927</td>
<td>611,483</td>
<td>n/a</td>
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</tbody>
</table>

**Notes:** ¹. In 1915 and succeeding years, these figures are entered in the Annual Report as Net Revenue rather than Net Profit.

**Source:** B.C.E.R., Annual Reports.
Appendix 3

Percentage Profit on Capital Employed Showing Discrepancies in Calculations

<table>
<thead>
<tr>
<th>Fiscal Year Ending</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>1898</td>
<td>2.54</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>1899</td>
<td>3.92</td>
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<td>n/a</td>
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<tr>
<td>1900</td>
<td>4.30</td>
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<td>6.7</td>
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<td>1901</td>
<td>4.24</td>
<td>n/a</td>
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</tr>
<tr>
<td>1902</td>
<td>5.29</td>
<td>n/a</td>
<td>6.1</td>
</tr>
<tr>
<td>1903</td>
<td>3.55</td>
<td>n/a</td>
<td>4.3</td>
</tr>
<tr>
<td>1904</td>
<td>3.60</td>
<td>n/a</td>
<td>5.2</td>
</tr>
<tr>
<td>1905</td>
<td>3.90</td>
<td>n/a</td>
<td>4.9</td>
</tr>
<tr>
<td>1906</td>
<td>4.31</td>
<td>5.67</td>
<td>5.8</td>
</tr>
<tr>
<td>1907</td>
<td>4.60</td>
<td>5.99</td>
<td>6.2</td>
</tr>
<tr>
<td>1908</td>
<td>4.88</td>
<td>7.82</td>
<td>8.2</td>
</tr>
<tr>
<td>1909</td>
<td>4.42</td>
<td>6.21</td>
<td>6.5</td>
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<td>1910</td>
<td>4.13</td>
<td>5.33</td>
<td>5.6</td>
</tr>
<tr>
<td>1911</td>
<td>4.25</td>
<td>5.65</td>
<td>6.0</td>
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<tr>
<td>1912</td>
<td>4.16</td>
<td>5.65</td>
<td>6.5</td>
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<tr>
<td>1913</td>
<td>n/a</td>
<td>4.74</td>
<td>5.3</td>
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<tr>
<td>1914</td>
<td>n/a</td>
<td>4.69</td>
<td>5.3</td>
</tr>
<tr>
<td>1915</td>
<td>n/a</td>
<td>2.60</td>
<td>2.4</td>
</tr>
<tr>
<td>1916</td>
<td>n/a</td>
<td>2.13</td>
<td>1.8</td>
</tr>
<tr>
<td>1917</td>
<td>n/a</td>
<td>2.58</td>
<td>2.2</td>
</tr>
<tr>
<td>1918</td>
<td>n/a</td>
<td>3.39</td>
<td>n/a</td>
</tr>
<tr>
<td>1919</td>
<td>n/a</td>
<td>3.44</td>
<td>3.0</td>
</tr>
<tr>
<td>1920</td>
<td>n/a</td>
<td>4.68</td>
<td>5.5</td>
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<tr>
<td>1921</td>
<td>n/a</td>
<td>4.73</td>
<td>5.5</td>
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<td>1922</td>
<td>n/a</td>
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<td>n/a</td>
<td>n/a</td>
<td>5.2</td>
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<tr>
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<td>n/a</td>
<td>5.1</td>
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<tr>
<td>1926</td>
<td>n/a</td>
<td>n/a</td>
<td>5.2</td>
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<tr>
<td>1927</td>
<td>n/a</td>
<td>n/a</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Sources: List A is based on interest plus dividends divided by the total capital invested as given in Horne-Payne's Address to the Annual Meeting of the B.C.E.R. 1912. Copy in Box 105-1424; List B is based on the B.C.E.R. submission to the Shortt Inquiry as quoted in the Vancouver Daily Province, July 16, 1917 and on B.C.E.R. figures in Box 117; List C is based on my calculations of net profit (before interest, dividends and reserves) as a percentage of the total capital issued.
Appendix 4

Total Capital Issues and Annual Interest and Dividend Payments, 1900-1927

<table>
<thead>
<tr>
<th>Fiscal Year Ending</th>
<th>Share and Debenture Capital issued</th>
<th>Debenture Interest</th>
<th>Dividend Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900</td>
<td>£ 570,000</td>
<td>£ 17,278</td>
<td>£ 8,275</td>
</tr>
<tr>
<td>1901</td>
<td>n/a</td>
<td>n/a</td>
<td>23,128</td>
</tr>
<tr>
<td>1902</td>
<td>647,600</td>
<td>14,032</td>
<td>22,179</td>
</tr>
<tr>
<td>1903</td>
<td>890,200</td>
<td>11,219</td>
<td>26,882</td>
</tr>
<tr>
<td>1904</td>
<td>947,800</td>
<td>11,935</td>
<td>38,634</td>
</tr>
<tr>
<td>1905</td>
<td>1,175,400</td>
<td>13,586</td>
<td>47,480</td>
</tr>
<tr>
<td>1906</td>
<td>1,458,000</td>
<td>20,694</td>
<td>61,500</td>
</tr>
<tr>
<td>1907</td>
<td>1,681,879</td>
<td>23,775</td>
<td>70,500</td>
</tr>
<tr>
<td>1908</td>
<td>1,880,458</td>
<td>33,230</td>
<td>84,000</td>
</tr>
<tr>
<td>1909</td>
<td>2,506,895</td>
<td>39,889</td>
<td>103,000</td>
</tr>
<tr>
<td>1910</td>
<td>3,535,341</td>
<td>59,478</td>
<td>141,000</td>
</tr>
<tr>
<td>1911</td>
<td>4,701,328</td>
<td>82,670</td>
<td>190,000</td>
</tr>
<tr>
<td>1912</td>
<td>5,364,855</td>
<td>101,460</td>
<td>228,000</td>
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<tr>
<td>1913</td>
<td>7,428,576</td>
<td>125,182</td>
<td>273,600</td>
</tr>
<tr>
<td>1914</td>
<td>7,428,270</td>
<td>132,990</td>
<td>108,000</td>
</tr>
<tr>
<td>1915</td>
<td>7,425,870</td>
<td>138,879</td>
<td>72,000</td>
</tr>
<tr>
<td>1916</td>
<td>7,423,270</td>
<td>132,771</td>
<td>72,000</td>
</tr>
<tr>
<td>1917</td>
<td>7,421,070</td>
<td>132,671</td>
<td>n/a</td>
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<tr>
<td>1918</td>
<td>n/a</td>
<td>n/a</td>
<td>230,000</td>
</tr>
<tr>
<td>1919</td>
<td>7,416,270</td>
<td>132,447</td>
<td>273,600</td>
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<tr>
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<td>7,413,870</td>
<td>132,339</td>
<td>277,691</td>
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<td>1921</td>
<td>7,411,470</td>
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<td>1922</td>
<td>7,409,070</td>
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<td>1924</td>
<td>8,174,270</td>
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<td>10,695,072</td>
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<tr>
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<td>10,995,900</td>
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<tr>
<td>1927</td>
<td>12,050,749</td>
<td>179,708</td>
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</tr>
</tbody>
</table>

Source: B.C.E.R., Annual Reports, 1900-1927.
### Appendix 5

<table>
<thead>
<tr>
<th>Fiscal Year Ending</th>
<th>Number of Passengers Carried</th>
<th>Kilowatts of Power Produced (Mainland)</th>
<th>Peak load k.w.h.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1901</td>
<td>5,336,310</td>
<td>n/a</td>
<td>n/a</td>
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<tr>
<td>1902</td>
<td>6,136,374</td>
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<td>n/a</td>
</tr>
<tr>
<td>1903</td>
<td>7,364,289</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>1904</td>
<td>8,869,486</td>
<td>11,776,300</td>
<td>4,900</td>
</tr>
<tr>
<td>1905</td>
<td>10,352,451</td>
<td>18,308,375</td>
<td>6,300</td>
</tr>
<tr>
<td>1906</td>
<td>12,395,582</td>
<td>27,315,823</td>
<td>8,900</td>
</tr>
<tr>
<td>1907</td>
<td>16,281,765</td>
<td>36,039,150</td>
<td>10,800</td>
</tr>
<tr>
<td>1908</td>
<td>21,328,180</td>
<td>45,884,950</td>
<td>13,900</td>
</tr>
<tr>
<td>1909</td>
<td>25,183,739</td>
<td>59,512,740</td>
<td>17,600</td>
</tr>
<tr>
<td>1910</td>
<td>34,476,804</td>
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<td>23,500</td>
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<tr>
<td>1911</td>
<td>46,541,448</td>
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<td>1912</td>
<td>62,154,166</td>
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<td>1913</td>
<td>71,973,822</td>
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<tr>
<td>1914</td>
<td>63,429,023</td>
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<tr>
<td>1915</td>
<td>46,330,096</td>
<td>148,871,465</td>
<td>40,718</td>
</tr>
<tr>
<td>1916</td>
<td>43,021,790</td>
<td>162,997,560</td>
<td>44,072</td>
</tr>
<tr>
<td>1917</td>
<td>43,232,630</td>
<td>166,112,850</td>
<td>42,136</td>
</tr>
<tr>
<td>1918</td>
<td>52,853,373</td>
<td>193,108,000</td>
<td>51,414</td>
</tr>
<tr>
<td>1919</td>
<td>53,326,288</td>
<td>251,444,900</td>
<td>57,200</td>
</tr>
<tr>
<td>1920</td>
<td>66,411,030</td>
<td>240,020,070</td>
<td>58,200</td>
</tr>
<tr>
<td>1921</td>
<td>71,065,275</td>
<td>264,183,322</td>
<td>59,500</td>
</tr>
<tr>
<td>1922</td>
<td>69,314,667</td>
<td>279,336,364</td>
<td>67,200</td>
</tr>
<tr>
<td>1923</td>
<td>67,692,851</td>
<td>300,456,350</td>
<td>70,900</td>
</tr>
<tr>
<td>1924</td>
<td>68,252,634</td>
<td>336,907,650</td>
<td>78,400</td>
</tr>
<tr>
<td>1925</td>
<td>69,779,475</td>
<td>333,654,900</td>
<td>77,200</td>
</tr>
<tr>
<td>1926</td>
<td>72,547,369</td>
<td>353,074,451</td>
<td>n/a</td>
</tr>
<tr>
<td>1927</td>
<td>75,113,022</td>
<td>386,296,110</td>
<td>n/a</td>
</tr>
<tr>
<td>1928</td>
<td>77,063,656</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: B.C.E.R., Annual Reports, 1901-1928.
Appendix 6

General Managers and Presidents, 1897 - 1961.

Barnard, Frank S.                                      April 13, 1897-April 14, 1898.  
                                                      (managing director).

Buntzen, Johannes C.M.                                 April 14, 1898-July 1, 1905.

Sperling, Rochfort Henry                               July 1, 1905- May 6, 1914.

Kidd, George                                            May 6, 1914 - December 31, 1928.  
                                                      (Title changed to president from  
                                                      general manager, June 20, 1923).

Murrin, William George                                 January 1, 1929 - April 25, 1946.

                                                      (Appointed Chairman of the Board,  
                                                      December 29, 1960; died, July  
                                                      26, 1961).

Appendix 7

Directors of the B.C.E.R., 1897-1928

Beaverbrook, Rt.Hon.Lord 1916
Brown, T. Blundell 1905-1928.
Buntzen, Johannes 1910-1914.b.
Davidson, John 1916-1928.
Evan-Thomas, E.L. 1903-1922.c.
Harvey, E. Maes 1910-1925.e.
Horne-Payne, R.M. 1897-1928.
Kidd, George 1923-1928.
Mitchell-Innes, A.C. 1900;1909.
Murrin, W.G. 1926-1928.
Sperling, R.H. 1916.f.
Sperling, R.K. 1897-1909.g.
Notes:

a. Member of the Local Advisory Committee, 1905-1911; Advisor to the Directors, 1914-1920.

b. On moving to Denmark in 1914, Buntzen became an advisor to the Directors, a position he held until his death in October, 1922.

c. Retired because of ill health.

d. Died, 1910.

e. Died, 1925.

f. Advisor to the Board, 1916-1920

g. Died, 1909.
### Appendix 8

#### B.C.E.R. -- Share and Debenture Capital Issued, 1897-1913

<table>
<thead>
<tr>
<th>Date</th>
<th>Issue £</th>
<th>Price</th>
<th>Cash Received £</th>
<th>Premium £</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Deferred Ordinary Stock</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1897</td>
<td>200,000</td>
<td>Par</td>
<td>200,000</td>
<td>---</td>
</tr>
<tr>
<td>1903</td>
<td>10,000</td>
<td>Par</td>
<td>10,000</td>
<td>---</td>
</tr>
<tr>
<td>1904</td>
<td>15,000</td>
<td>Par</td>
<td>15,000</td>
<td>---</td>
</tr>
<tr>
<td>1904</td>
<td>30,000</td>
<td>£10.1.6 per £10</td>
<td>30,225</td>
<td>225</td>
</tr>
<tr>
<td>1905</td>
<td>45,000</td>
<td>£10.5.0 per £10</td>
<td>46,125</td>
<td>1,125</td>
</tr>
<tr>
<td>1905</td>
<td>100,000</td>
<td>23/ per £1</td>
<td>115,000</td>
<td>15,000</td>
</tr>
<tr>
<td>1908</td>
<td>100,000</td>
<td>21/ per £1</td>
<td>105,000</td>
<td>5,000</td>
</tr>
<tr>
<td>1909</td>
<td>100,000</td>
<td>23/ per £1</td>
<td>115,000</td>
<td>15,000</td>
</tr>
<tr>
<td>1910</td>
<td>200,000</td>
<td>23/ per £1</td>
<td>230,000</td>
<td>30,000</td>
</tr>
<tr>
<td>1911</td>
<td>200,000</td>
<td>24/ per £1</td>
<td>240,000</td>
<td>40,000</td>
</tr>
<tr>
<td>1912</td>
<td>200,000</td>
<td>24/ per £1</td>
<td>240,000</td>
<td>40,000</td>
</tr>
<tr>
<td>1913</td>
<td>240,000</td>
<td>24/ per £1</td>
<td>288,000</td>
<td>48,000</td>
</tr>
<tr>
<td></td>
<td><strong>1,440,000</strong></td>
<td></td>
<td><strong>1,634,350</strong></td>
<td><strong>194,350</strong></td>
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</table>

#### Preferred Ordinary Stock

<table>
<thead>
<tr>
<th>Date</th>
<th>Issue £</th>
<th>Price</th>
<th>Cash Received £</th>
<th>Premium £</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1898</td>
<td>120,000</td>
<td>£11 per £10</td>
<td>132,000</td>
<td>12,000</td>
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<tr>
<td>1900</td>
<td>16,000</td>
<td>10.2.6 per £10</td>
<td>16,200</td>
<td>200</td>
</tr>
<tr>
<td>1901</td>
<td>64,000</td>
<td>Par</td>
<td>64,000</td>
<td>---</td>
</tr>
<tr>
<td>1904</td>
<td>15,000</td>
<td>Par</td>
<td>15,000</td>
<td>---</td>
</tr>
<tr>
<td>1904</td>
<td>40,000</td>
<td>10.0.9 per £10</td>
<td>40,150</td>
<td>150</td>
</tr>
<tr>
<td>1905</td>
<td>45,000</td>
<td>10.3.0 per £10</td>
<td>45,675</td>
<td>675</td>
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<tr>
<td>1907</td>
<td>100,000</td>
<td>Par</td>
<td>100,000</td>
<td>---</td>
</tr>
<tr>
<td>1909</td>
<td>200,000</td>
<td>22/ per £1</td>
<td>220,000</td>
<td>20,000</td>
</tr>
<tr>
<td>1910</td>
<td>200,000</td>
<td>22/ per £1</td>
<td>220,000</td>
<td>20,000</td>
</tr>
<tr>
<td>1911</td>
<td>200,000</td>
<td>22/ per £1</td>
<td>220,000</td>
<td>20,000</td>
</tr>
<tr>
<td>1912</td>
<td>200,000</td>
<td>22/ per £1</td>
<td>220,000</td>
<td>20,000</td>
</tr>
<tr>
<td>1913</td>
<td>240,000</td>
<td>22/ per £1</td>
<td>264,000</td>
<td>24,000</td>
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<td><strong>1,440,000</strong></td>
<td></td>
<td><strong>1,557,025</strong></td>
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#### 5% Cumulative Perpetual Preference Stock

<table>
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<tr>
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<th>Cash Received £</th>
<th>Premium £</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>75,000</td>
<td>Par</td>
<td>75,000</td>
<td>---</td>
</tr>
<tr>
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<td>Par</td>
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</tr>
<tr>
<td>1905</td>
<td>185,000</td>
<td>20/10d per £1</td>
<td>192,708.68</td>
<td>7,708.68</td>
</tr>
<tr>
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<td>100,000</td>
<td>21/ per £1</td>
<td>105,000</td>
<td>5,000</td>
</tr>
<tr>
<td>1909</td>
<td>200,000</td>
<td>21/ per £1</td>
<td>210,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Date</td>
<td>Issue</td>
<td>Price</td>
<td>Cash Received</td>
<td>Premium</td>
</tr>
<tr>
<td>--------</td>
<td>-------</td>
<td>--------</td>
<td>---------------</td>
<td>---------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>1910</td>
<td>200,000</td>
<td>21/ per £1</td>
<td>210,000</td>
<td>10,000</td>
</tr>
<tr>
<td>1911</td>
<td>200,000</td>
<td>21/ per £1</td>
<td>210,000</td>
<td>10,000</td>
</tr>
<tr>
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<td>200,000</td>
<td>21/ per £1</td>
<td>210,000</td>
<td>10,000</td>
</tr>
<tr>
<td>1913</td>
<td>240,000</td>
<td>21/ per £1</td>
<td>252,000</td>
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</tr>
</tbody>
</table>

1,440,000 1,504,708.6 64,708.6 8

<table>
<thead>
<tr>
<th>Date</th>
<th>Issue</th>
<th>Price</th>
<th>Cash Received</th>
<th>Premium or (discount)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>1907</td>
<td>300,000</td>
<td>98</td>
<td>294,000</td>
<td>(6,000)</td>
</tr>
<tr>
<td>1908</td>
<td>500,000</td>
<td>99</td>
<td>495,000</td>
<td>(5,000)</td>
</tr>
<tr>
<td>1910</td>
<td>530,000</td>
<td>par</td>
<td>530,000</td>
<td>---</td>
</tr>
<tr>
<td>1911</td>
<td>600,000</td>
<td>par</td>
<td>600,000</td>
<td>---</td>
</tr>
<tr>
<td>1913</td>
<td>750,000</td>
<td>98</td>
<td>735,000</td>
<td>(15,000)</td>
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</table>

<table>
<thead>
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<th>Price</th>
<th>Cash Received</th>
<th>Premium or (discount)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>1897</td>
<td>250,000</td>
<td>par</td>
<td>250,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Issue</th>
<th>Price</th>
<th>Cash Received</th>
<th>Premium or (discount)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>1903</td>
<td>220,000</td>
<td>par</td>
<td>220,000</td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Issue</th>
<th>Price</th>
<th>Cash Received</th>
<th>Premium or (discount)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>1912</td>
<td>800,000</td>
<td>96</td>
<td>768,000</td>
<td>(32,000)</td>
</tr>
<tr>
<td>1912</td>
<td>50,000</td>
<td>96</td>
<td>48,000</td>
<td>(2,000)</td>
</tr>
<tr>
<td>1912</td>
<td>650,000</td>
<td>88</td>
<td>572,000</td>
<td>(78,000)</td>
</tr>
</tbody>
</table>

Appendix 9


The B.C.E.R.’s successor, the Canadian-dominated British Columbia Power Corporation, initially planned to follow a less conservative course than the British directors of the B.C.E.R. One of the first decisions of the new Board was to abandon the construction of a steam plant, an inexpensive plan for coping with peak loads. The new directors proposed to expand the company’s hydro-electric capacity with two large projects: the development of the lower Stave River and the enlargement of the Bridge River scheme, then under construction. Before this decision could be implemented, the Great Depression came. As the demand for electricity fell, the B.C. Power Corporation had to postpone indefinitely all developmental projects. Not until 1941 and the growth of war industries in British Columbia did the directors re-consider major expansion plans. They desired to resume work on Bridge River but were unable to convince the Department of Munitions and Supply of the necessity of the project. Thus, during the war years, the company was unable to increase its capacity.

The extent of the post-war boom surprised the B.C. Power Corporation. Despite the doubling of the mainland generating capacity between 1945 and 1951, the company’s facilities
were frequently overtaxed. The continuous expansion of hydro-electric power facilities began to exhaust the power potential of southwestern British Columbia. By 1955 only the Fraser and Columbia rivers were left as suitable future generating sites within reasonable transmission distance of Vancouver. The Fraser was unavailable because of the danger to salmon runs; the development of the Columbia required complex negotiations between Ottawa and Washington and between Ottawa and Victoria. Therefore, in 1957, the B.C. Power Corporation decided to develop a thermal plant as an interim measure.

In spite of these problems, the B.C. Power Corporation usually managed to keep up with demand. It also undertook a major programme of modernizing urban transportation by replacing street railways with motor and trolley buses. The company also established a subsidiary, Western Development and Power Limited to attract new industries which would consume power and gas and possibly supply freight for the company's rail lines. This subsidiary developed industrial sites in Langley and Surrey but the only major industry it assisted was the Western Copper Mills which produced copper tubing and rods. The establishment of Western Development and Power Limited in 1955 was, at least in the short run, little more than a gesture towards attracting new industry
to British Columbia.

One reason for the Canadian company continuing the cautious attitude of its British predecessor may have been the existence of a Public Utilities Commission. This body, established in 1938, limited the company to earning 5.8% on its investment. This limitation on revenue did not encourage the B.C. Power Corporation to take risks in the hope of making high profits.

In the spring of 1958, the Wenner-Gren interests, who had provincial government permission to survey the Rocky Mountain trench, inquired about B.C. Power's interest in buying Peace River power. After careful investigation the B.C. Power Corporation decided to invest up to $5,000,000 as a "calculated risk" in co-operation with Wenner-Gren in the preliminary development of the Peace River. Upon receiving favourable engineering reports, the Corporation in June 1960 decided to make a further investment in the Peace River project and to prepare a letter of intent to purchase Peace River power. This letter of intent, however, would not be given to the Peace River Power and Development Company until the provincial government's B.C. Power Commission also agreed to purchase Peace River power. When the federal government announced its plan to develop the Columbia River, the Corporation
decided to withhold the letter of intent but to continue engineering studies and negotiations with the Peace River group. By the spring and summer of 1961, it was clear that the provincial government favoured the simultaneous development of the Columbia and Peace Rivers. Premier W.A.C. Bennett announced that a special session of the Legislature would meet on August 1, 1961. At a special meeting of the directors of the British Columbia Power Corporation on July 20, 1961, Dr. H.L. Purdy, the president of the Corporation, explained:

the position of the Company remains flexible. It is continuing to explore the possibilities of purchase of power from Peace River Power, but is holding itself in a position to co-operate with the Provincial and Dominion Governments if and when those two governments shall have arrived at a decision on the disposal of Columbia River power. In the meantime, with sources of power now available to the Company and at its present rates of load growth, it is estimated that it will not require additional sources of power until 1972 or 1973. However, should Columbia River power or Peace River power be offered to the Company at competitive rates, the Company's present plan of development could be cut back or changed accordingly.

In the ensuing discussion, the directors agreed that the company should continue to carry on with this policy of remaining in a flexible position, of making it clear to the two governments that it is able and willing to co-operate at all times, and of not being stampeded into any improvident contract; and that the Company should, if expropriation appears inevitable, be prepared to face it earlier while the Company is
clean and whole in preference to expropriation later after it has been jockeyed into a position where it is in difficulties.

On August 1, 1961 the Legislature met. It heard that as of 2 P.M. Pacific Standard Time of that day, the British Columbia government had expropriated the B.C. Electric, the chief operating subsidiary of the B.C. Power Corporation. Public ownership of the B.C. Electric was now a fact. Until the end, however, the Canadian directors of the B.C. Power Corporation had retained the conservative policies set by their British predecessors.¹

¹ All the information in this appendix is from the Minutes of the Board of Directors of the British Columbia Power Corporation.
The Victoria Predecessors of the B.C.E.R.

- N.E.T.&L. 1889
- Victoria E.R.&L. 1894
  - April 1896
- C.R.&L. 1896
- B.C.E.R. 1897
- Victoria E.I. 1886
- Victoria Gas Co. 1860
  - 1905
  - 1907
The Mainland Predecessors of the B.C.E.R.

- Vancouver Gas Co. 1886
- W. & V.T. 1890
- W.S.R. 1890
- V.S.R. 1887
- V.E.R. & L. 1889
- V.E.I. 1889
- North Van. Electric 1895

- W. & V.T. 1891
- (April 1895)

- C.R. & L. 1894
  - (receivership October 13, 1896)

- B.C.E.R. 1897
  - (1895)
British Columbia Electric Railway Company, Limited and Subsidiary Companies, Showing Arrangements of Control

B.C.E.R.  B.C.E.P. & G.  Vancouver Power  Western Power Company of Canada  Burrard Power
V.F.V. & S. Ry.  Bridge River Power  Vancouver Gas  Vancouver Island Power
Columbia Estate  Victoria Gas  Victoria Gas
Victoria Electric  New Westminster Gas  B.C. Rapid Transit
B.C.M.T.  Pacific State Lines  Vancouver Transfer  Terminal City Motor
          Yellow Cab  City, Taxi, Auto and
          Sightseeing

Source: W. Saville to R. W. Bartlett, October 15, 1926, Box 66.
Street Railway Lines in Victoria

circa 1914

GREATER VANCOUVER
BRITISH COLUMBIA

STREET CAR TRACKS
GROWTH BY DECADES

VANCOUVER
TOWN PLANNING
COMMISSION
1928

LEGEND
STREET CAR TRACKS
CONSTRUCTED IN THE
PERIOD 1889 TO 1910
1900 - 1909
1910 - 1919
1920 - 1925
TOTAL
TRACKS ABANDONED OR
NOT IN REGULAR USE

British Columbia Electric Railway Company, Ltd.

Hydro-Electric Power System

circa 1926