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The Grand Trunk Pacific Railway
and British Columbia

by

Joseph Arthur Lower

A thesis submitted in partial fulfilment
of the requirements for the degree of
Master of Arts in the Department of History.

The University of British Columbia

April 1939.

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PREFACE

Western Canada has been built around three great railways, the Canadian Pacific, the Canadian Northern, and the Grand Trunk Pacific. Historians have written innumerable accounts of the first of these, but the other two, which lost their identity and are being rapidly forgotten, have been largely ignored. Their stories, however, are of vital importance in the history of Canada, and present epics comparable to that of the Canadian Pacific.

The following pages are an attempt to tell, for the first time, the story of the building of the Grand Trunk Pacific Railway. No attempt has been made to discuss any special phase nor to prove any theory concerning the railway. The object has been to lay a foundation for the study of this great transportation system, and to organize and make accessible all the material concerning it. If this work opens a new field of research, if it challenges an investigation, or if, at some time, it affords a student with a needed fact, it will have fulfilled its purpose.

My thanks are due to the many people who have generously assisted in this work, especially to Miss Jean W. Skelton, M.A., and to Dr. W. N. Sage, who has continually helped me with his encouragement and assistance.

THE GRAND TRUNK PACIFIC RAILWAY

Chapter I - The Decade Before the Grand Trunk Pacific

The year 1896 ended a twenty-three year downward sweep of prices which marked a new phase of world economy¹ and which brought with it "A certain resultant discouragement and lack of initiative in the world of business."² From that year recovery was slow but steady until 1914. In Britain, however, it was retarded seriously by the unaccustomed competition of foreign manufacturers both in overseas and home markets; the closing of former markets by new tariffs; and the South African War. By 1904 the trade of Britain was still described as "sluggish",³ but by the end of that year signs of revival were becoming visible.

In spite of this economic depression the decade following the Conservative victory of 1895 was marked by a British revival of interest in the world at large and especially in the Empire. Under the Colonial Secretaryship of Joseph Chamberlain the relations between the mother-country and the daughter-nations underwent a radical change. The British people realized that they were no longer alone but the

1. Williamson, James A., A Short History of British Expansion, The MacMillan Co., New York, 1931, 237.

2. Clapham, J. A., An Economic History of Modern Britain, Cambridge, 1938, 5.

3. ibid, 41, 45.

~~leading~~ member of a partnership of nations.

It was during this Conservative ministry that Britain conquered the Sudan, drove France out of Fashoda, send Lord Curzon to India, held the pageants of 1897, 1901, and 1902, fought the South African War, and attended the Colonial conferences of 1897 and 1902. As a result of this new interest in and understanding of the empire, combined with the depression in Britain, thousands of emigrants left the British Isles to seek new homes in the colonies beyond the seas.

Canada, too, was in a state of despair in 1896. Here the world depression had been accentuated by numerous local problems. The era which followed the building of the Canadian Pacific Railway had been one of "booms" followed by disappointing depressions. Drought, frost, and lack of markets had disheartened even the most optimistic. The National Policy of the Conservative party had hurt both East and West. This policy had added, for example, "About thirty percent to the cost of cotton goods, thirty-five percent to the cost of clothing and furniture, and forty-five percent to the cost of a blanket."¹ The East had not prospered because it found the home markets congested and few markets available outside. In the West the farmer was suffering from the strain of receiving little for his crops, paying high freight rates, and buying in a protected market while selling against world competition.

The expected immigration had failed to materialize.

1. Wfong, George M., The Canadians, Toronto, The MacMillan Company Limited. 1938, 386.

Thousands of young men trekked westward, but found conditions so poor that they moved on to the United States. Many outsiders started towards Western Canada, and even registered for homesteads, but lack of transportation, and the attractions offered by the United States as they passed through that country, held them in that country. In 1874, out of 1,376 homestead entries, 890 were subsequently cancelled; in 1877, out of 845 entries, 463 were cancelled; in 1896, out of 902 entries, 400 were cancelled.¹ Faced with such depressing facts it was almost with despair that the people turned in 1896 from the inefficient Conservative leaders who had succeeded Sir John A. Macdonald to the Liberal party, under Sir Wilfred Laurier. But never in their wildest dreams had the people of Western Canada imagined the change which was to come to Canada during this regime.

It was the good fortune of the Laurier government to be in office during a time when the eyes of Britain and the rest of the world were turned to Canada, and especially to Western Canada. Of particular significance during these years were the Klondike Gold Rush of 1898, the Colonial Conferences of 1897 and 1902, the participation of Canada in the Boer War, and, a few years later, the Anglo-Japanese Agreement. The aggressive policy immediately adopted by the Liberal government at this time focussed world interest on Canada. Laurier did much towards establishing reciprocity between

1. England, Robert, The Colonization of Western Canada, London, 1936, 55.

Canada and other nations. The propaganda of Clifford Sifton, the imperialism of Chamberlain, and the efforts of colonial societies such as the Emigrants' Information Office and the Colonial Institute, found fertile soil in the British depression which had followed the Boer War. The people of Britain began to realize that the colonies were not refuges for the undesirable and the unfit, but were lands of opportunity.

Coincident with these events to be attracting the eyes of the world to Canada, three great internal changes were taking place. These were an advancement in industry, a movement in North America towards the northwest, and a definite immigration policy. Each of these, although a clear division, is closely interlocked with the other two; and the cumulative influence of the three caused each to grow with ever-increasing rapidity during the Laurier period.

The foundation work done by the Conservatives in their National Policy showed results during the Liberal interval of power. "He [Laurier] was happy in the hour of his coming for by 1896 the National Policy had survived its early dark days and had fostered some prosperous industries."¹ The industries of Eastern Canada thrived and grew. Railways, after a period of stagnation, began to expand. The two most noteworthy of these are the interests of James J. Hill, especially the Great Northern Railway, and the Mackenzie-Mann project, the Canadian Northern Railway. Pressed by the threatened opposition of these two great rivals, the Canadian Pacific Railway,

1. Wrong, George M., op. cit., 389.

which had added only three hundred miles to its system between 1890 and 1898,¹ adopted a policy of great expansion. By building, purchasing, and amalgamation of both railways and steamship lines it attempted to maintain its monopoly in the west. Of especial importance in this period is its construction of the Kettle Valley Line in British Columbia, of branches in southern Manitoba and eastern Ontario, and the establishment of a connection with the "Soo" line which gave it an alternative outlet to the Atlantic through the United States. These Canadian Pacific roads were of vital significance because they were feeders from which the minerals of British Columbia and the wheat of the Prairies could be procured, they supplied the Canadian Pacific with additional outlets for the produce of the West, and, finally, they opened the rich manufacturing sections of Ontario and Quebec to this railway.

Because of this great boom in railway building, eastern manufacturers and western farmers found markets for their goods, and each complemented the other. In the West, now that there was a means of transportation to the market, wheat-growing increased enormously, so that in 1903 occurred a serious grain blockade. Trade and commerce, which had increased only 36% in volume during the 18 years preceding 1896, showed a gain of 107% in the seven years following.²

1. Skelton, Oscar D., The Railway Builders, Chronicles of Canada Series, Vol. 32, Toronto, 1916, 223.

2. House of Commons Debates (hereafter called H.C.D.) August 25, 1903, p. 9628.

Probably the chief feature of the Liberal regime was its immigration policy. Under Sir Clifford Sifton, the Minister of the Interior, a well-planned campaign of propaganda and advertising was carried on in Eastern Canada, United States, the British Isles, and Europe. Harvester excursions were arranged from Eastern Canada, encouraging many to the West. Thousands came from Europe and, whereas the growth of population in Canada during the decade of Canadian Pacific Railway construction averaged little more than 1,000 per year¹, and from 1887 to 1897 about 5,000, the immigrant figures mounted to 31,900 in 1898; 44,543 in 1899; 128,364 in 1903, and increased until 1913 when a peak of 402,432 was reached.² Homesteads, which averaged 3,418 per year from 1874 to 1900, jumped to an average of 22,222 for the next five years.³ In 1896 there were 1,340 homesteads in the North-West; in 1903 there were 31,383.

"The old charge that the Hudson's Bay Company delayed the settlement of the Canadian prairie for half a century is open to question. Even after the Dominion of Canada took over the West, settlers did not come in any large numbers. The building of the Canadian Pacific Railway brought

1. Oliver, Edmund H., Canada and its Provinces XIX, Toronto, 1913, 172.

2. Canada Year Book 1925, 175.

3. Oliver, op.cit., 174.

in some settlers, but the real rush did not begin until the 1890's when the Americans came north looking for free land and European immigrants, who had previously come to the United States, turned to Canada as the land of opportunity."¹

This movement across the American border is truly amazing. The former exodus changed to an influx that for some years was greater than that of the British.² This sudden turn of the Americans to Canada was largely due to the fact that the "frontier movement" of the United States had reached its end. The last of the "great open spaces" - the Dakotas, Montana, and to a less extent, Northern Minnesota - had been filled by settlers with a resulting rise in the value of land. United States' farms which were selling for \$60 an acre in 1890 were almost doubled in price in 1898.³ Settlers would not pay \$75 to \$100 an acre for land in the United States when many sections of Canada, which were just as good, could be obtained for as low as five dollars an acre.⁴ The land-seeking Americans, influenced undoubtedly by the advertising campaign of Clifford Sifton, sold their lands at a high rate and turned towards Canada for their homesteads.

So great was this American invasion that one writer stated, "Between Calgary and Edmonton one may travel along the

1. Sage, Dr. W. N., Canada West of the Great Lakes, Ch.I, unpublished manuscript.

2. England, op.cit., 68.

3. Burt, A. L., Romance of the Prairie Provinces, Toronto, 1931, 252.

4. Charlton, J. "Another Canadian Transcontinental", North American Review, 179. October 1904, 592.

8.
line of railroad and five out of every six people are Americans."¹
The people of Eastern Canada began to fear that this great movement would result in peaceful penetration and the ultimate annexation of Western Canada by the United States. In 1904 approximately 50,000 Americans moved to Canada from the United States, whereas, "Eight years before some 46 Americans moved into Canada."²

The influx of these thousands of immigrants resulted in settlements being built far from the existing Canadian Pacific lines, and a tremendous increase in the amount of grain, particularly wheat, being produced. The crying need was for transportation, and the great railway boom was the result of this need. Undoubtedly the railway interests of the United States would have responded to this if they had not been forestalled by the Canadian Northern and Canadian Pacific Railways.

The Canadian Northern Railway had its inception in 1896 when William Mackenzie and Donald Mann purchased the charter of the Lake Manitoba and Canal Company. By means of Federal land grants and Provincial guarantees it built rapidly, and by combining amalgamation with construction work, the Canadian Northern controlled 1200 miles of line by 1902, extending from Port Arthur, Ontario, to Erwood, Saskatchewan. In the latter year it obtained authority from the

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1. Curwood, J. Olivier, "The Effect of the American Invasion", The World's Work, X, No.5, September 1905, 6608.
 2. MacFarlane, Knappen T., "Western Canada in 1904". Review of Reviews, XXX, No.5, November 1904, 580.
Note also the figures given by England, op.cit., 68:
1897 - 712; 1901 - 5,197; 1903 - 13,435; 1905 - over 40,000.

Federal government to build to Montreal, and planned to complete a transcontinental railway with a line to the Pacific far to the north of the existing line of prairie settlement. This route was originally to pass Prince Albert on the way to Edmonton, and then through the Yellowhead Pass to Vancouver, but it was later changed to take a more direct and southern route through the prairies. Expansion in this section was rapid, and on November 24, 1905, Edmonton was reached.

Meanwhile another transcontinental line, which promised to become a national road, was projected by a group in Quebec city under the leadership of William Price, a lumber merchant. It offered a route from coast to coast shorter than any other because it was to be built in the high latitudes. This road, which was known as the Trans-Canada Railway, received its charter in 1895, but little was done until 1901, when the charter was renewed and revised. The road was to follow an almost direct line from Chicoutimi, the head of navigation on the Saguenay River, to the Pacific near Port Simpson. The line would pass near James Bay and north of Lakes Winnipeg and Winnipegosis to the Peace River Pass. Compared with the line of the Canadian Pacific Railway, which was 3,078 miles, this one was only 2,839, a saving of 248 miles. Moreover, it was to have Nottoway, the only deep harbor on James Bay, and also Port Simpson, one of the finest harbours on the Pacific Coast. It was actually built in Quebec province from Chicoutimi to Roberval, and subsidies granted

for a line sixty miles further westward.¹ Public opinion was highly favorable for this Trans-Canada Railway, for it offered a line safe from molestation by the United States, and was all-Canadian. British opinion regarded it as a link in the Empire, and a method of cutting the distance from Liverpool to Yokohama² via the United States by 2200 miles. Later developments, such as the building of the Hudson Bay Railway and the development of Northern Ontario and Quebec, show that the scheme was fundamentally sound, and it would probably have been much more successful than the railways which caused its abandonment.

This Trans-Canada project became abortive when Charles M. Hays announced in 1902 that the great Canadian railway of the East, the Grand Trunk, was planning to extend its line to the Pacific Coast, and thus to become another powerful transcontinental.

1. H.C.D. August 27, 1903, p. 9993.

2. Although no evidence is to be found, the Anglo-Japanese Alliance of 1902 ~~may~~ have affected British opinion favorably towards such a railway.

Chapter II - Negotiations Leading to Construction of the Railway

The Grand Trunk Railway Company, chartered in 1851, was the oldest railway in Canada. Its termini were Portland, Maine, and Chicago, Illinois, but between these two points its main line passed through Sarnia, Toronto, and Montreal in Canada. It thus occupied the wealthiest section of Canada, Southern Ontario and Quebec. By absorbing almost all its competitors, notably the Great Western (904 miles) and the Midland Railway (473 miles) its supremacy was maintained there for many years. The stock of the company, which was held mostly in England, was highly speculative, but, while about one-quarter of this stock paid from four to five percent, the majority of the shareholders received no dividends of any sort.¹ The Grand Trunk Railway was predominantly a profit-making institution, and therefore the shareholders insisted that all receipts in excess of expenditures should be paid out in dividends. This meant that very few reserves were accumulated, and, in the last few years of the company, that money which should have been spent on upkeep and maintenance was turned over to the shareholders. In the reports of the Railway Commission of 1917 and the Grand Trunk Arbitration of 1921 it was shown that the accounts of the railway had been so manipulated

1. H.C.D., August 26, 1903. p.9799.

lated as to render the accounts presented as worthless, and that "dividends were paid when...there were no earnings applicable to the payment of such dividends."¹ Over \$21,000,000 which should have been spent in maintenance during the twenty years preceding 1917 had been paid on the capital of the company. In one year alone, 1916, it paid its shareholders \$2,500,000³ while, at the same time, it was bewailing its financial difficulties to the Canadian government.

Although the Grand Trunk at first had been prosperous, the competition offered by the Canadian Pacific Railway brought a noticeable decline to its business. The Grand Trunk Railway refused an offer to build the first transcontinental, probably as a result of its "long-distance control and hand-to-mouth"⁴ policy. Moreover, as the West was opened, and first the Canadian Pacific Railway and then the Canadian Northern built up a great traffic on the prairies, the Grand Trunk Railway made no effort to share in this new business. As a result, by 1897 it was in great difficulties. Immigrants were carried on its line, only to be transferred to the other companies and carried westward. It thus became little more than a "feeder" of the Canadian Pacific Railway, a position it found both humiliating and unproductive. Freight and traffic

1. Annual Report of Railways and Canals, 1921 (hereafter called Grand Trunk Arbitration) p. 147 and 148.

2. Report of the Royal Commission to Enquire into Railways and Transportation in Canada, 1917 (Hereafter called Railway Inquiry Commission) p. lxxxvi and 84.

3. ibid., 84.

4. Newell, J. P., "A Review of the Grand Trunk Railway Arbitration", Engineering News Record, Vol. XC. No.5, Feb.1, 1923. 211.

from the western provinces, moreover, were first carried on the rival lines and from them were transferred to the Grand Trunk, a practice which put the latter more than ever in a position of dependency on the other lines. Furthermore, whereas it had felt secure in its monopoly and solidity in Southern Ontario, now it realized that the competing roads were gradually hemming it in. Because of its theory that business should come to the railroad, it found itself a prey for an aggressive competitor, the Canadian Pacific Railway, which built to the towns and in this way not only barred the Grand Trunk from sharing the new business of the West, but also competed for the old business, even in the established section of the country which the Grand Trunk had tried to monopolize.

In a desperate effort to recover, the Grand Trunk in 1897 appointed Charles M. Hays as general manager of its lines. There is no doubt that he was one of the finest railway men in North America. Previous to his appointment to the Grand Trunk he had shown his ability by saving the Wabash Railroad System from bankruptcy. With the exception of one year, 1901, he remained with the Grand Trunk Railway until his death on the "Titanic" in 1912. In the final years of his life he became the vice-president and finally president of the company.

Hays began to overhaul the railroad by dissecting it and reconstructing it piece by piece. He moved the headquarters of the company from London, England, to Montreal. He broke through the net of lines encircling the Grand Trunk

in Southern Ontario, and planned new feeders. Largely through amalgamation, he destroyed much of the opposition. Whereas it had formerly been said that a Grand Trunk train would arrive, but not on time, the railway was now noted for its efficiency. From the verge of bankruptcy the Grand Trunk Railway returned to its position as a dividend paying concern. By 1900 it was estimated Grand Trunk Railway capital stock was enhanced \$80,000,000 over 1895.¹ In December, 1902, for the only time in its history, it declared a dividend on third preference stock.

Hays saw that if the Grand Trunk Railway were to maintain its strength, it must share in the wealth which was to be gained by the transportation of goods and people between Eastern and Western Canada. He stated,

We are today handling from fifteen to twenty million bushels of grain, which comes across the lakes from Lake Superior, down to our ports, feeding the whole Grand Trunk system throughout Ontario, and thus contributing a very large portion of our earnings. We cannot hold to that system if we do not take some means of fastening it to us. That business today is given to our competitors.²

Hence his plans for a new transcontinental line which would connect the Grand Trunk lines with the West.

Hays expected that the opposition to his scheme would be strong, especially from the other railroads. Encouraged by Sir Wilfred Laurier, however, and certain of his

1. Carman, Albert R., "Charles Melville Hays", Canadian Magazine, May 1903, 17.

2. Patterson, N., "The Grand Trunk Pacific", Canadian Magazine, Vol. XXVI. April 1906, 510.

support, he secretly prepared his plans. Agents were sent through Canada to discover the attitude of the different sections towards such a scheme, and to spread propaganda. When this had been done negotiations were quietly entered into with the government. On November 2, 1902, a petition was sent confidentially to Sir Wilfred Laurier with the signatures of George A. Cox, Charles M. Hays, and William Wainwright, suggesting that a railway known as the Grand Trunk Pacific should be built from North Bay to the Pacific. This letter apparently was sent to determine the attitude of the government and for almost two years was not revealed to any except those in the cabinet. By agreement with the Intercolonial Railway, it offered an all-British line from ocean to ocean, and in return suggested a cash subsidy of \$6,400 per mile plus a grant of 5,000 acres of land per mile, payment for the carriage of mails at the same rate as that being received by the Canadian Pacific Railway, materials for construction which could not be obtained in Canada to be admitted free, all appurtenances for constructing and working of the railroad to be free from taxes forever, and all land held by the company in the North West Territories to be tax free for twenty years. In brief this would have meant a cash subsidy of approximately \$15,948,000 and land grants totalling 12,460,000 acres. If a value is set to this land at three dollars per acre, its total value would be \$37,380,000. It should be noted that in spite of the phrase "ocean to ocean", the proposed railway would have been 1,000 miles from the

Atlantic Ocean.¹ The offer was refused by Sir Wilfred Laurier and his cabinet, and other plans were formulated. As a result, on November 24, 1902, Mr. Hays made a bare announcement that a new company was to be formed, which was to be entirely independent of the existing Grand Trunk Railway, but which was to have exclusive traffic arrangements with it. The announced purpose was to obtain the freight both to and from the West, and the route would probably follow that first adopted by the Canadian Pacific Railway in the early seventies but subsequently abandoned. Moreover, he stated, "The object of the company is to get a first class route, rather than to touch the present centers of population."² Later he added that one of the most important features was the proposed trade with the Orient,³ and the failure of this to develop has often been given as one of the main reasons for the eventual failure of the railway to succeed financially.

Because of the secrecy of the preparatory work, the announcement of this "extension of the Grand Trunk" was "regarded with some little surprise by the average resident of the Dominion."⁴ There had apparently been no demand for such a railroad, and this point was stressed by the opponents

1. H.C.D. May 26, 1904. 3634. Speech by Hon. Mr. Fielding. See also the letter by W. H. Biggar to the Railway Enquiry Commission, 1917, p.xxvii.

2. Vancouver Daily Province, November 24, 1902.

3. ibid., February 27, 1903.

4. ibid., editorial, November 25, 1902.

of the scheme. As will be shown later, however, the demand soon grew, probably largely as a result of the early propaganda and organization of Hays.

The announcement was very brief, and because of its lack of detail rumors were numerous. An example of this is shown in the Vancouver Daily Province which stated in its heading over Hays' announcement that the railroad would probably terminate in Vancouver. A statement by F. M. Morse, third vice-president of the company, was very little clearer. He stated that although the railroad would probably be built from Gravenhurst or North Bay to Winnipeg, no plans had been formulated west of that city. Other early rumors were that the road would be completed within five years after the surveys, that it would organize trans-Pacific steamship lines, that J. Pierpont Morgan and other American interests had suggested financing the scheme,¹ that it was either to annex or to amalgamate with the Canadian Northern, and that it was to be built with an absence of government bonuses of any kind. In spite of its denial several times by both parties, the most persistent rumor was that concerned with the Canadian Northern. It was probably caused by the fact that Sir Wilfred Laurier did arrange meetings between Hays and Mackenzie in 1902 and 1903,² which apparently failed because of the excessive demands of the Canadian Northern.³

1. Vancouver Daily Province, Jan. 27, 1903.

2. Thompson, Norman and Edgar, Major J. H., Canadian Railway Development From Earliest Times, Toronto, 1933, 233.

3. Note the comment of Robert Borden, "At double the price the Grand Trunk would have been fortunate to escape its disastrous enterprise." Borden, Henry, Robert Laird Borden, His Memoirs (Hereafter called Borden's Autobiography), Toronto, 1938, 109.

The belief that there were to be no bonuses was definitely corrected about a week after the original announcement. Under the headings, "The Grand Trunk after everything that isn't nailed and padlocked - Mr. Morse lets cat out of bag - This transcontinental scheme not a philanthropic enterprise," the Vancouver Daily Province quoted Mr. F. M. Morse as saying, "Of course we will ask the government for subsidies, the same as have been granted to other lines. The Canadian Northern and Canadian Pacific received large subsidies and we will naturally ask for the same thing."¹

The original plan was simply an extension of the Grand Trunk Railway from North Bay westward to Port Arthur, and purchase of the Canadian Northern from this point.² However, apparently the latter would not consider this, and the plan was revised. The Grand Trunk resolved to build its own extension to the Pacific Coast.³ This new line was originally to pass north of Lake Winnipeg, but was changed to enter Winnipeg.⁴ Believing that a subsidized railway, which would serve the sparsely populated west, but would be largely paid for by the more settled east, would be opposed strongly, and hoping to win the Quebec supporters of the Trans-Canada Railway to this scheme and thus eliminate one of the two subsidies which it had promised, the government forced the company to build from Quebec instead of from North Bay. The company realized that it must agree to this plan if it were

1. Vancouver Daily Province, December 1, 1902.

2. H.C.D. 1903, p.9156.

3. ibid., August 19, 1903, p.9198.

4. ibid., 1903, p.9199 and 1904, p.2313.

to receive government assistance and for this reason accepted the change.¹

It had been expected that the inhabitants of Quebec, who were discontented because the other large railways had built to Montreal, would support the government in its efforts to make that city the terminus of the new railway and would forget the Trans-Canada. This scheme came to naught, however, when the Maritimes demanded that the railway be built to them. The government was forced to lengthen the line to Moncton,² which was felt to be the only solution to the argument set forth by Halifax and St. John, both of which wanted the terminus. It can be easily seen how this railroad became a "Political, rather than a practical railway, or a business railway."³ Aside from this argument over the eastern terminal, the only other facts of importance in the plan were that it was to go to the northern Pacific coast, and have a capitalization of \$75,000,000.

As Hays had expected, the opposition was strong and persistent. The attack centered around two important issues - that the eastern terminus of the Grand Trunk Railway was at Portland, Maine, while any new railway should be an all-Canadian line with its terminus at a Canadian port, and, especially, that there should be no subsidy of any kind.

The most outstanding and persistent opponents against the scheme, with the exception of the opposition in

1. Jackman, W.T., Economic Principles of Transportation, Toronto, 1935, 30.

2. H.C.D., June 22, 1903, p. 5175.

parliament, were the Quebec interests behind the proposed Trans-Canada Railway, James J. Hill of the Great Northern Railway, Sir Thomas Shaughnessy, president of the Canadian Pacific Railway, and Mackenzie and Mann of the Canadian Northern Railway.¹ These men stated that there were already enough transcontinentals projected, that the earlier railways had been built through unsettled country and should be given a period free from competition because of the risks they had incurred, and that, if the country were far enough advanced to warrant another transcontinental, it should be able to support itself. As opposed to these arguments, the supporters of the plan pointed out that the railway would open new lands and therefore would have to exist many years before it could expect to obtain much revenue, and that because of this fact it was entitled to as much assistance as had been given to either the Canadian Pacific, Canadian Northern or any other railway.

The months following the original announcement are some of the most interesting and puzzling in the history of the railway. It has been shown that the original "extension" of the Grand Trunk had been enlarged into a transcontinental,

1. Mr. Borden states: "Sir William Mackenzie called into play his full energy and resourcefulness to prevent an invasion of western territory that might prove disastrous to the Canadian Northern. But Mr. Hays' project appealed very strongly to Sir Wilfred. Mackenzie told me that he had the Government's promise to hear him further before finally entering into the Grand Trunk agreement. This promise was either forgotten or disregarded." This statement is typical of the contradictory evidence which is to be found repeatedly in this problem. One part of it suggests conspiracy, the other leads to the belief that Mackenzie would do nothing until he had heard from Laurier. Borden's Autobiography, 111.

to be built by the Grand Trunk Pacific Railway Company,¹ and that it would carry goods far to the north of the parent company and to a port far north of Portland. On June 4, 1903, after being before the railway committee for seven days, the bill passed that body. On June 22 Mr. Borden complained in the House of Commons about the high capitalization of the road. It was apparently about this time that radical changes were made in the plans. On June 29 the Ottawa Journal stated that, after a meeting of Sir Wilfred Laurier, Sir William Mulock, Clifford Sifton, Charles Hays, and William Wainwright, it was to be a railway assisted by the government, who would have the right to purchase it in 30 years.² On July 3 the Toronto Globe published an article which was very close to being the final agreement.³ From this we must judge that about the end of June very rapid alterations were made to the original plans before they were presented to parliament.

The government was still secretive, however, and the next incident was the agreement of the Liberal caucus to the bill on July 9, followed by the resignation of the Minister of Railways and Canals, Mr. Blair. This was tendered

1. Fifteen years later the Grand Trunk officials blamed their troubles to this change from the original plans: "It is not a natural connection of the Grand Trunk Railway." Railway Inquiry Commission, 1917, 76.

2. H.C.D., June 30, 1903, 5734.

3. ibid., 1903, p. 5893.

on July 10 but was not announced until July 15.¹ This delay is another example of the apparent uncertainty of the government and further implies that it wished to keep negotiations as secret as possible.

This resignation has presented historians with one of the most difficult and most intriguing problems in the building of the Grand Trunk Pacific. Blair claimed that he was in opposition to building another government road to parallel the intercolonial, to the construction of a transcontinental railway through an unknown country, to the too-generous treatment being given to the Grand Trunk Railway, and declared that he was in favor of a government controlled railway.² It may also have been caused by "pique not principle", because he had not been included in the original arrangements and felt that, as Minister of Railways, he had been slighted. Such a belief would naturally result in his resignation.

Later in the year Blair was appointed to the chairmanship of the newly formed Railway Commission, "the most important position within its [the Government's] gift."³ He resigned this position on October 18, 1904. Since the latter resignation there has been a persistent attempt to discover other reasons for both his resignations, but more particularly for the first. Implications have been numerous and three have persisted. Sometimes these are stated individually, but more

1. H.C.D., 1903, 6735 and 10419.

2. ibid., Letter to Laurier, 1903, 6745.

3. Borden's Autobiography, 131.

often they are closely connected as a "plot". Briefly they were: that Blair had agreed to join the Conservative party, that he was influenced by some financial group, and that he was closely connected with the Mackenzie-Mann interests.

The first belief was a rumor that Blair was to receive the portfolio of Minister of Railways under the Conservatives but this is denied by Sir Robert Borden.¹ The influential financial group was unknown, but it was stated that Blair had received between \$20,000 and \$50,000 on the day of his resignation. The most common belief was that he was in some way connected with the Canadian Northern interests. The Vancouver Daily Province, in an editorial on the day of his resignation from the commission, states:

It is understood that he will be professionally employed by one of the leading railway companiesthis would lead to the fair inference that it is the Canadian Northern Railway which has demonstrated to the Honourable Mr. Blair that his connection with that railway would be much more profitable than the chairmanship of the Railway Commission

....
The inference that Mr. Blair's resignation may be traced to Mackenzie and Mann is supported by Mr. Blair's remarks in announcing his resignation, and also by the fact that his connection with the Canadian Northern as legal advisor would in no means conflict with the sentiments he expressed regarding the Grand Trunk Pacific when he left the cabinet.

In support of this theory were the words of Blair in a memorandum written on December 2, 1902, "The undersigned has long held the opinion that a port on Georgian Bay should be reached by the Intercolonial, and thus a connection had

1. Borden's Autobiography, 131.

with the Canadian Northern.... The Canadian Northern would gladly co-operate with the government railway."¹

The best account of the combined conspiracy of Conservatives, financial interests, and the Mackenzie-Mann group is that given by Dr. O.D. Skelton.² He explains Blair's resignation in these words, "The reason for thus ignoring him in the earlier stages and the ultimate reason for the retirement was simply that,, in view of the character and ambitions of some of the men who had made Mr. Blair their friend, Sir Wilfred was not prepared to confide in him.... He was determined that there should be no Pacific Scandal."³

The "conspiracy", however, is not fully "proven" until Dr. Skelton presents a report from Edward Farrer to Laurier. Briefly, the plot was as follows:

The moving spirits were David Russell, a well-to-do promoter of St. John and Montreal; J. N. Greenshields, a liberal lawyer of Montreal, who was solicitor for Mackenzie and Mann; Hugh Graham, the proprietor of the Montreal Star, and a strong opponent of the Liberal party; and Arthur Dansereau. Their purpose, at least so far as the first two were concerned, was to secure control of the new government in order to unload bankrupt railways upon it, and to secure fat contracts for government railway construction; other railway interests of more permanent character "would be served".⁴

1. Canadian Annual Review (Hereafter called C.A.R.), 1904, 224.

2. Skelton, O.D., Life and Letters of Sir Wilfred Laurier, Toronto, 1921, 190-216.

3. ibid., 190.

4. Does this mean the Canadian Northern?

Mr. Farrer makes a long list of aims and objects, including the following:

- A. To defeat the government and hang up the Grand Trunk Pacific scheme.
- B. to make Blair the Minister of Railways under Borden.
- C. to lease the Intercolonial.
- D. to bring about the purchase by the government of the Canadian Northern lines west of Lake Superior.
- E. Grand Trunk Pacific was to be suspended indefinitely on the ground that the surveys did not warrant the construction of the line...the country traversed being too poor.

The first two steps in the accomplishment of this plot were the resignation of Blair, who was to take the stump against the Liberal Government, and the purchase of the newspaper "La Presse", which was to be turned against the government. The newspaper was owned by the Honorable Treffle Berthiaume and was sold, "\$10,000 out of \$240,000 (coming) through theBank, of which all the directors were Tories." Moreover, Berthiaume told Thomas Côté, the managing-editor, that Mackenzie and Mann were the chief parties if not the sole parties for whom Greenshields and Russell were acting. Côté was further told to take his instructions from a Mr. Melville of Boston, whom he recognized as an associate of Mackenzie and Mann. The final proof of the influence of Mackenzie and Mann in the purchase of this newspaper is a letter dated January 18, 1905, in which they admit procuring the majority of the stock.¹

As regards the Blair resignation, it was stressed

1. Skelton, op.cit., 209.

that Russell was to influence Blair to do this, and he is given credit in the conspiracy of so doing. It is pointed out, moreover, that Blair was interested before this in sundry stock market speculations jointly with Mr. Russell.

This then was the "conspiracy", but for some reason it failed to explode. The newspaper was purchased and Blair resigned, but "La Presse" did not turn Conservative and Blair neither attacked the Liberal party nor did he receive the important appointment he was supposed to have been promised. What happened to cause this failure?¹ Agnes C. Laut gives the only account in her picturesque, but, unfortunately, unconvincing style. After stating that she has first hand information that Mackenzie and Mann were interested in the purchase of "La Presse", (but, unfortunately, she does not say the same about Blair's connection), she states:

"La Presse!...was to fire the first guns. At the last minute, when the article had been set up in type, a loyal follower of Laurier, an editor on the staff, went down in the **basement** to ink it. It was never printed. It was not even pied. At the last second it was chopped to pieces by Laurier's friend, and Mr. Blair's open attack failed to come off. That is how, perhaps, the Canadian Northern is not the Grand Trunk Pacific."²

How much was Blair involved in the conspiracy? Writers such as the two we have quoted imply that he was in very deep, and thus a general belief is held that he resigned in an attempt to better his own position as well as to wreck Laurier. The whole situation, however, is one of insinuations

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1. Robert Borden in his Autobiography states, "The conjectures ...as to a plot...were entirely groundless so far as I was aware." p.131.
 2. Laut, A.C., "The Railroad Fight for the Canadian Northwest", World's Work, May 1909, 11603.

and inference, but not of proof. Blair denied he received any money for his resignation, and no proof has been forthcoming to prove otherwise. In no place has it been proven that he was connected with either the Mackenzie-Mann interests or the Conservative party. Admitting the connection of Mackenzie and Mann with the plot outlined above, at no point is it shown that Blair was connected, except for an earlier association in a business deal, with Russell.

Blair's critics have failed to prove, at any time, his connection with the Canadian Northern Railway or the Conservative party. A study of his life leads to the conclusion that the possibility of such a connection is not only improbable but even ridiculous. Although in his youth a Tory, he was for years the leader of the Liberal party as opposition in Nova Scotia, and from the years 1883 to 1896 he was actually prime minister of that province. He resigned that position in 1896 to accept the portfolio of Minister of Railways in Laurier's cabinet, and held that position until his resignation. As a member elected by St. John, is it not most possible that he opposed the Grand Trunk Pacific because it would interfere with the Intercolonial, as he stated? More important, the proposed road not only failed to terminate at St. John, but actually offered a serious threat to the welfare of that city because of the Grand Trunk terminals in Maine. Could he be expected to betray his constituency in such a flagrant manner?

Furthermore, had he been a member of a Conservative

plot, would he have written to Laurier, "declaring that his allegiance to the Liberal party on general party policy was still unshaken"?¹ Would he have been offered the chairmanship of the newly-formed Railway Commission? Would he have actively supported the honorable L. J. Tweedie, premier of New Brunswick from 1900 to 1907? If he were so closely linked with the Canadian Northern, would he have acted as counsel for the Canadian Pacific in the struggle with British Columbia over freight rates in 1906?²

Blair's critics have failed to prove an ulterior motive behind his resignation. They have failed to prove his connection with the Conservatives, Canadian Northern interests, or any "financial group". Faced with this lack of proof, and remembering his constituency, we must accept Blair's reasons at their face value.³

With the announcement of the Minister of Railway's resignation, the new plans for the railway were disclosed. It was to be built in two divisions, one east of Winnipeg, to be built by the government and to be known as the National Transcontinental, one west of Winnipeg to be known as the Grand Trunk Pacific Railway.

Little more than this bare outline was known until

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1. Standard Dictionary of Canadian Biography - article on p. 51 about Blair is based on "private" knowledge".
 2. Vancouver Daily Province, Feb. 24, 1906.
 3. It will be noted that Professor G. P. de T. Glazebrook apparently agrees with this conclusion, for in his recent book, A History of Transportation in Canada, Toronto, 1938, he states, "It has been asserted that Blair was more friendly to the Canadian Northern than the Grand Trunk." (P325)

July 30, when Sir Wilfred Laurier, having signed the agreement with the Grand Trunk Pacific on the day before, presented the bill to the House. It is difficult to see why there was so much secrecy and alteration before the bill was brought to parliament, and why the bill was presented so late in the session. Were the Grand Trunk officials unwilling to build to Moncton, or did they refuse to accept the long unproductive stretch between Winnipeg and Quebec unless it was built by the government? How much influence had the Grand Trunk in the formation of the plans? What was the part played by Senator Cox?¹ There are no records of the reasons, and no explanation was given. Apparently, once the agreement had been made there was great haste to bring it to the House, for the resolution was not put on the order papers beforehand, as was customary, and the leader of the opposition was not given a copy until after the prime minister's opening speech. "Sir Wilfred did not extend the courtesy of giving me in advance a copy of the bill which he handed across the floor of the House at the conclusion of his speech...resenting rather strongly what I regarded as unusual discourtesy, I spoke at considerable length in reply."²

1. Senator Cox was the outstanding financier of Canada at this time. He was a member of the Grand Trunk and Grand Trunk Pacific directorates. He was president of the Canadian Bank of Commerce, and it is significant that, in the words of Dr. Chester Martin, "It was common knowledge that the Grand Trunk Railway was not permitted to go into bankruptcy because it would have injured the Canadian Bank of Commerce." The Conservative party were so certain of his influence that it based many of its attacks on the byword, "Cox can't wait." cf. H.C.D., 1903 pp. 9593, 10434 and 11864.

2. Borden's Autobiography, 112.

The contract between the Grand Trunk Pacific Railway and the government was signed on July 29, 1903. The new plans necessitated the passing of two acts of parliament, in 1903, both of which were amended in 1904.¹ The first of these is known as, "An Act to Incorporate the Grand Trunk Pacific Railway Company," and the other, "An Act respecting the construction of a National Transcontinental Railway." So closely are these connected that it is necessary to study both to understand fully either.

The first of these two acts, in its revised form, was presented to the House of Commons on July 30, 1903, and the debate lasted until August 10. The modifications were debated from April 4 to May 6, 1904. It begins with a preamble stating that, "The undertaking contemplated would be for the general advantage of Canada." The most important men who compose the company, and who are appointed provisional directors are listed as follows: Sir Charles Rivers Wilson, G.C.M.G., C.B.; Lord Welby, G.C.B.; John A. Clutton-Brock; Joseph Price; Alfred W. Smithers, all of London, England; the Honourable George A. Cox; H. M. Pellatt, E. R. Wood, all of Toronto; the Honourable William Gibson² of Beamsville, Ontario; J. R. Booth of Ottawa; Honourable H. B. Rainville, Charles M. Hays,

1. Statutes 1903. ch. 122. 3 Ed. VII.

" 1903. ch. 71. 3 Ed. VII.

" 1904. ch. 80. 4 Ed. VII.

" 1904. ch. 24. 4 Ed. VII.

Sessional Papers 4 Ed. VII, no. 37 - Supplemental agreement.

2. Senator Gibson was one of Canada's foremost contractors and was very active in public works. He was also president of the Bank of Hamilton.

Frank W. Morse, William Wainwright, all of Montréal; and John Bell of Belleville.¹

The head office was to be in Canada. The company was to have a capital stock of \$45,000,000 (not \$75,000,000 as in the first plan), in shares of \$100, but no one was to have more than ten percent of the shares subscribed. \$20,000,000 of this stock might be issued in preferential stock, and the remainder in common stock. When \$2,000,000 worth of stock had been subscribed, the provisional directors were to call a meeting of the stockholders which was to elect not less than nine and not more than fifteen directors. When the act was amended the subscription total was changed to \$1,000,000 which was to be paid into a chartered bank along with 20% interest. To protect the government, one director, who would have all the rights and privileges of an ordinary director, but no shares, was to be appointed and paid by it.

The "Line of Railway" clause stated that the company might lay out, construct, and operate a railway of a gauge four feet, eight and one-half inches from Moncton through the center of New Brunswick to a place in the province of Quebec near the city of Quebec, thence north-west to the bounday of Ontario within fifty miles of Lake Abitibi, north of Lake Nipigon to Winnipeg, near Battleford, Edmonton, and Dunvegan, or by such other more feasible route located later to Peace, Pine, or other pass, to Port Simpson, Bute Inlet, or other points on the Pacific coast. Branches were to be built to a point near North Bay or Nipissing Junction, to Montreal, to

1. For a Canadian company the English representation was very powerful.

Fort William, Port Arthur, or any other Canadian port on Lake Superior, to Brandon, Regina, Prince Albert, and Calgary respectively, and from a point in British Columbia to Dawson in the Yukon Territory. Should the National Transcontinental be built by the government, the Grand Trunk Pacific would have the right of building branch lines from it.

There were to be five sections of the railway: Eastern, Quebec, Woodland, Prairie, and Mountain. A proviso is added to the effect that it is to have, "Regard that the Prairie section, except for satisfactory reasons, shall be constructed at such a distance generally not less than thirty miles from any other main line of railway already constructed." The way in which this latter clause was flagrantly violated will be shown later, but it should be noted that in disregarding this proviso the railway shows that it must have been very influential with the Liberal government, and, that in building close to other lines the railway failed in one of its primary objects - the opening of the new country at the north.

Bonds, debentures, or other securities might be issued to the amount of \$30,000 per mile in the three eastern sections, \$20,000 per mile in the prairies, and \$50,000 in the mountains, but might only be issued in proportion to the amount of railway constructed or under contract to be constructed. These figures are interesting because they lead to the discussion as to the cost of the road. Did the government expect these figures to approximate the cost, were they set as a maximum, or were they simply arbitrary? Bonds issued under this clause were to be a first charge upon the section

of the railway in respect to which they were issued. Bonds might also be issued by the railway on vessels or any other property that it might obtain, but were not to exceed their value. The company also had authority to issue mortgages on land-grant bonds to the extent of two dollars per acre in the event of a land subsidy being given.

The railway might own or lease vessels, wharves, hotels, telegraphs, and such accessories along its line, and might develop lands in its vicinity. It was given the power to aid settlers, acquire or lease running rights over other roads, build bridges, and collect tolls, and possess shares in other types of organizations, such as mines or lumber firms.

A final clause stated that if the construction of the railway was not commenced and \$3,000,000 expended on it within two years after the passing of the act, or if the railway was not finished and put in operation within seven years, the act would be null and void. By a supplemental agreement in 1904 this time for completion was extended to December 1, 1911. On December 5, 1911 another extension was made, the prairie section being allowed until December 1, 1912, and the mountain section until December 1, 1914.

"The Act respecting the construction of a National Transcontinental Railway" was debated in the House from September 2 until September 30, 1903, and the amendment from April 26 to May 2, 1904. It is closely connected with the Grand Trunk Pacific Bill, and the discussion over it was much the same. There are two sections to this bill, one dealing

with the construction of the National Transcontinental Railway, the other being an agreement between the government and the Grand Trunk Pacific Railway Company.

As the National Transcontinental Railway Act is concerned with the ratification of the agreement between the government and the Grand Trunk Pacific Railway, it is better to study this agreement first. It begins by giving a list of names of the directors of the Grand Trunk Pacific Railway Company, which is similar to the list already given, with the exception of those men who were members of the government and who, as such, could not share in a contract with the government. These men were three senators, Cox, Gibson and Rainville. In the long preamble to the act it is stated that the reasons for building the railway are to bring railway facilities to the great areas of Canada lacking them, to serve the rapidly expanding trade commerce, to open and develop the northern zone, to promote internal and foreign trade, to develop commerce through Canadian ports, and to build a road from ocean to ocean entirely in Canadian territory.

The transcontinental railway was to be divided into the two divisions called "Eastern" and "Western". The dividing point between Moncton and the Pacific was Winnipeg. The Western division was subdivided into the Prairie and Mountain sections, while the Eastern division was in three sections. The Eastern division was to be constructed by the government as soon as possible, and the Western division by the Grand Trunk Pacific Railway Company. When the Eastern division was

completed it was to be leased and operated by the Company for fifty years, with the option of renewing the lease for another fifty years. This would mean the control of a new transcontinental railway under one controlling body. For the first seven years the lessee was to pay only "working expenditures" and for the remainder of the term three percent of the "cost of construction" above the "working expenditures". Should the earnings during the first three years of the rental period, (that is from the eighth to the tenth years inclusive) be less than three percent, the company did not have to pay for these three years, but if this were done the interest of these years was to be accumulated and added to the cost of construction, and interest to be paid on it. By this clause it was possible for the railway to rent this division for ten years for only "working expenditures". For the protection of the company the specifications of the Eastern division were to be submitted to them and approved before the commencement of work.

The location of the Western division was to be completed by December 1, 1908. The company was to lay out, construct and equip this division and maintain a standard not inferior to that of the main line of the Grand Trunk Railway between Montreal and Toronto as far as practicable, with the exception of double-tracking. The company was to deposit within thirty days the sum of \$5,000,000 as security, on which the government was to pay interest at three percent. This interest was waived by the Grand Trunk Pacific.¹ The

1. Sess. Papers 37 (a), 1904. Letter Hays to Fielding

deposit was to be returned when the Western line was completed, and had been supplied with rolling stock to \$15,000,000, even if the Eastern division should not be completed. Default of the company would result in forfeiture of the deposit.

Because of the terms of lease, in which the company was to pay only working expenditure for seven years and interest on the cost of construction for the remainder of the term, these two phrases "working expenditure" and "cost of construction" were defined fully. On the question of duty, it was stated that no cost was to be added if the government imported the goods, but it would be charged to contractors. The company agreed to supply modern and complete rolling stock to the Western division to the value of \$15,000,000 and to the Eastern division to the value of \$5,000,000. It also guaranteed proper maintenance of the Eastern section during rental period.

The capital stock of the company was set at \$45,000,000 of which not more than \$20,000,000 was preferred and not less than \$25,000,000 was common. The Grand Trunk Railway was to hold all the common stock except for 1,000 shares which were to be held by the directors. In 1904 this clause was amended to permit the Grand Trunk Railway to dispose of the stock "provided it shall continue to hold...a majority of the said stock." This was never done, and the Grand Trunk held all the stock for which it paid a "nominal sum".¹

The government guaranteed principal and interest of the bonds issued by the company up to 75% of the amount of

1. Railway Inquiry Commission 1917, xxv.

construction in each division, but the principal amount was not to be in excess of \$13,000 per mile on the prairie section, and \$30,000 per mile on the mountain section. In 1904 the company attempted to have the restrictions removed but this was done only in the mountain section, where the government set no limit on the total cost. The company was to be responsible for interest on the bonds in the prairie section from their date of issue, and the government was to pay the interest on the bonds of the mountain section for seven years at not over three percent. The government agreed to extend this for three years, but all interest during this period was to be capitalized and interest paid on it by the company for the ensuing forty years. The amended agreement stated that the company was to be allowed five years of grace, and then a trustee was to be appointed who would take care of the road and share the profits in proportion to the amount of bonds held. The second series of bonds, that is the remainder, were guaranteed by the Grand Trunk Pacific Company.

Final clauses of the agreement state that all supplies for the Western division shall be obtained from Canadian producers, if possible, and that all freight not specifically routed shall be carried entirely in Canadian territory and to a Canadian port.

The main body of the National Transcontinental Bill began with a summary of the agreement with the Grand Trunk Pacific Railway, ratified the agreement, outlined the types of bonds, and gave the power to the Grand Trunk Railway

to acquire, sell, and guarantee the bonds of the Grand Trunk Pacific Railway. The Grand Trunk Railway's obligations were set out as the guaranteeing of the remainder of the Grand Trunk Pacific bonds after the government have guaranteed 75%, and the acquiring of \$24,900,000 common stock in the other company.

The Eastern division, which was known as the National Transcontinental Railway, was to be built by the government. The work of construction and operation was to be in the hands of a commission appointed by the government. At first there were three commissioners, but this number was increased in 1904 to four, one each from the Maritimes, Quebec, Ontario, and the West. They were to be appointed by the Governor-General in Council, which group also appointed a secretary and chief engineer. All other appointments were to be made by the commission. No member of the Canadian parliament could hold an office with emolument under the commission. Its power was to end when the Western division of the railway was complete and open for traffic.¹ The commissioners were to obtain funds for the project by issuing debentures to the Minister of Finance, which would be repayable fifty years after July 1, 1903, with interest at three percent paid semi-annually. The interest on the government loan for this railway was not to exceed three and one-half percent.

The Grand Trunk Pacific Bill was read the third time on August 10, 1903, and the National Transcontinental

1. It was believed that by that time the National Transcontinental Railway would be completed, but this proved to be an error.

Bill on August 30. They both received the Governor-General's assent on October 24 of that year. The amendments to both bills were passed finally on May 27, 1904. The discussion in parliament, especially on the National Transcontinental Bill was long and verbose. Much irrelevant material was introduced, and much repetition was included. The debate divided itself into three main sections, an alternative policy offered by Mr. R. A. Borden, the leader of the opposition; criticisms of the government policy; and the answers which the Liberal party presented to their critics.

The alternative policy by Mr. Borden¹ suggested that the Intercolonial Railway should be extended to Georgian Bay by the acquisition of the Canada Atlantic Railway and the building of any necessary links. This would keep an all-Canadian connection from east to west, would make the Intercolonial a profit-making road, and would mark a progressive step in government ownership. As the Canadian Pacific Railway was carrying only about one-fifth of its possible capacity from North Bay to Fort William this section should be purchased² by the government and joined to the Intercolonial, with running rights for the four great Canadian roads. This would save the construction of another line through the difficult and unproductive section north of the Great Lakes, which could not

1. H.C.D., August 18, 1903. pp.8961 - 9006..

2. Borden states the Canadian Pacific had agreed to sell. Borden's Autobiography, 114, footnote.

hope to compete with the water transport of grains,¹ and would offer an all-year outlet for the prairies. To relieve the congestion between Winnipeg and Fort William the government should give assistance to both the Canadian Pacific and Canadian Northern Railways towards the improvement of their lines, on condition that the government control their rates, and running rights be given to the Intercolonial and Grand Trunk. To complete the Transcontinental line assistance should be given to the Grand Trunk Railway to build a line, which would extend far north of the proposed Grand Trunk Pacific to Edmonton, on which the government should have complete control of rates, and from there the Canadian Northern and Grand Trunk Pacific were to amalgamate to build one line through British Columbia. Combined with this scheme was to be a thorough rebuilding and equipping of the Georgian Bay and Atlantic ports. The value of these proposals, as Borden pointed out, would be the development rather than the throttling of the Intercolonial, the use of lakes and inland waterways as a complement of the railway system, the opening of new country, especially in the productive west, and an all-Canadian road which did not offer competition to those already existing, as well as an immense saving in the duplication of line through the then unproductive Canadian Shield.

Borden's followers added little else to his plan,

1. H.C.D. 1903, p. 7710. It is shown that the cost from Port Arthur to Montreal was 12 cents by the Canadian Pacific and 6 cents by boat for each bushel. In fairness to Mr. Borden it must be noted that he stressed the railway as an ALL-YEAR route and that the idea of only one railway north of the Great Lakes would have probably been sound. Note

other than to point out that the government's scheme offered serious competition to the canal system of Canada, which had cost the country \$7,000,000. The government, led by Clifford Sifton, condemned the plan because it would confine the Grand Trunk Railway to two provinces and would not affect its American outlet, would leave 1200 miles of northern Ontario and Quebec unopened, involved a longer route than the government project,¹ would mislead the western farmers by stating that they were getting a government road, and would cost much more than the original plan. In fairness to this plan it must be noted that it was never considered seriously by the Liberal party who, with their majority, ruthlessly pushed the original scheme through the House.

The chief opposition to the bills as presented by the government arose from the haste and incompleteness of the plan, the questionable need of another transcontinental railway, the inability to give even an approximate estimate of

Laurier's reply, "I believe...railways can compete successfully with water routes." p.10542.

1. A pamphlet, The Grand Trunk Pacific Railway, no printer, no date, issued by the Liberal party showed the following:

Government scheme:	Winnipeg - Quebec	1,475 miles
	Quebec - Moncton	400 "
	Moncton - Halifax	186 "
	Total	2,061 miles
Borden scheme:	Winnipeg - Fort William (C.P.R.)	426 miles
	Ft. William - Sudbury (C.P.R.)	555 "
	Sudbury-Scotia Jct(to be built)	105 "
	Scotia Jct. - Coteau (C.A.R.)	294 "
	Coteau - Montreal (G.T.R.)	39 "
	Montreal- Halifax (I.C.R.)	837 "
	Total	2,256 miles

the cost, the competition it offered to the Intercolonial, the ignoring of the waterways, the dubious influence of the Grand Trunk Railway, and the cost to the government. Later developments were to show that each criticism was justified, but the Liberal party refused to be swayed from its original project.

The haste with which the plans were made has been shown. It seemed as if the government had simply drawn a line across the map of Canada, with an eye to political influence,¹ and determined to build the road there. Throughout the entire debate there was a surprising ignorance shown as to the route, type of country to be crossed, possible grades and curves, necessary bridges, passes, and such essential facts. The result is that the estimated costs and expected results are also indefinite, and therefore diverse. "I challenged any minister to state the cost of the Eastern Section within ten millions. None of them accepted the challenge," says Borden.² True, the Canadian Pacific Railway had been built in just such a haphazard way but it had had a definite section of the west as a terminus, and one of its primary objects was to join this to Canada. Was there such need for haste in the building of the new railway? The Liberals explained the suddenness with which they presented the bill to be due to the need of a railway immediately. Borden ridicules this idea. "The transportation question had been

1. Infra, Chapter IV.

2. Borden's Autobiography, p. 173.

with them seven years," he states. "After long consideration they had deliberately declared and announced that no such conclusion could be reached without a thorough and comprehensive inquiry into the whole question. Five months had passed and no report had been made. Although heralded as absolutely vital and essential, the commission and its inquiry and report were absolutely disregarded."¹

After the bill was passed six months elapsed before the government began its surveys. Fortunately the grades and curves which it had promised were not impossible, but at first these were not by any means a certainty. Later events would seem to show that the reason for haste was due to the pressure of the Grand Trunk officials and to the excellence of the railway as an election platform.

It is surprising how little actual demand there was for this road before the Grand Trunk Railway and the Liberal party announced it. Manitoba was probably more interested in the development of the Canadian Northern and the routes into the United States. The North-west Territories were fighting for provincial status, and, as far as railways were concerned, were watching the growth of the Canadian Northern, which was closer and seemingly more real. British Columbia had watched five governments in office in five years,² and was in a period of government inefficiency, corruption, and insecurity. On January 5, 1903, Premier E. G. Prior of

1. Borden's Autobiography, 113.

2. Premiers J. H. Turner, C. A. Semlin, J. Martin, J. Dunsmuir, E. G. Prior.

British Columbia stated, "I do not approve of giving assistance to the scheme to run a railway to Port Simpson, thus building up a rival city to Vancouver, Victoria, and other coast cities."¹ As late as August 11, 1903, Blair stated, "There is no evidence that the people of this country demand this legislation."² But public opinion soon turned in favor of the transcontinental scheme, and even Premier Prior, who probably saw the trend, stated that he favored a railway to open the north,³ and at a later meeting with Laurier and Hays is reported to have promised land grants to aid the railway, but, because of the financial state of the province, no money.⁴ In spite of the powerful opposition, effective propaganda had aroused enthusiasm for the railway before the year had passed.⁵ It was not the need of the railway that presented a problem to the people; it was the route and cost.

How much would the railway cost? Under the contracts agreed upon the government was to pay for the National Transcontinental Railway, and to do this could issue bonds up to \$30,000 per mile, on which it could pay up to three and one-half percent interest. For seven years it received no rent, but after this was to be paid three percent of the cost of construction, a loss of one-half percent. It paid the

1. Vancouver Daily Province, January 5, 1903.

2. H.C.D., August 11, 1903, 8419.

3. Vancouver Daily Province, January 30, 1903, report of meeting (at Yale.

4. ibid., February 2, 1903.

5. The discontent following the Alaska Award of 1903 must have influenced public opinion in Canada for a transcontinental to connect the north country more securely to the Dominion.

interest on the cost of the Mountain section for seven years. It guaranteed 75% of the Grand Trunk Pacific Railway bonds, on condition that the Prairie section did not cost more than \$13,000 per mile.¹ Guaranteeing bonds was not supposed to mean that the government would pay any of them.

The Grand Trunk Pacific Railway was to have a capital of \$45,000,000. It paid rent on the Eastern section, when it was built, after seven years. It received seven years' interest on the bonds for the Mountain section, but none on the Prairie. The government, however, guaranteed 75% on the bonds of both sections, with the proviso that the Prairie section must not exceed \$13,000 per mile. The seven years which the government granted on the Mountain section began after the road was completed.

The Grand Trunk Railway guaranteed the remainder of the bonds issued by the Grand Trunk Pacific, which it was then estimated might be as high as \$20,000,000 on the Prairie and \$50,000,000 on the Mountain section. In return it received approximately \$25,000,000 of common stock in the Grand Trunk Pacific, and no proviso was made to set the price it must pay for this. Laurier admitted that this stock would not realize the full par value.² The Grand Trunk could dispose of some of this stock but must hold the majority at all times.

It can be seen that this agreement left much scope

1. The Canadian Northern on the prairies was estimated at between \$18,000 and \$19,000 per mile at this time.
H.C.D. 1903, 5143 and 7844.

2. ibid., 5159.

in interpretation, and the conjectures at the cost of the railway were very diverse. Mr. Borden stated that it would cost the government between \$155,000,000 and \$171,000,000, depending on the price for which the bonds sold.¹ Sir Wilfred Laurier estimated only \$13,000,000 which by a peculiar coincidence equalled the national surplus of 1903, and therefore it could be built without the people paying one dollar. This estimated cost was obtained by reckoning the interest which the government was to pay for seven years on the Mountain section and the National Transcontinental.² Laurier stated that this was the only actual subsidy the railway would receive. Speaking of the cost of the transcontinental he says, "The sum total of the money to be paid by the government for the construction of that line of railway from Moncton to the Pacific will be...\$13,000,000, and not a cent more."³ This wide difference in the estimates was the result of insufficient data, and the different definitions of "cost to the people". On the National Transcontinental⁴ it is sufficient to state that Borden estimated the cost at between \$117,750,000 and \$130,000,000 and Acting-Minister of Railways, Mr. Fielding,

1. C.A.R., 1904, 75.

2. H. C. D. 1903, 7691; see also Fielding estimate p.8588.

3. ibid., 7691.

4. C.A.R. 1904, 96. Note also the estimate on page 97 by George Taylor as \$25 for each individual in Canada, \$125 for each family, \$1500 each voter, \$100,000 each township, and \$800,000 for each constituency.

at \$71,156,975,¹ (note including \$2,324,246 for the Quebec bridge), and the total actual cost was \$159,881,197, which is almost three times the government's estimate.

On the Grand Trunk Pacific proper, Fielding estimated that the Prairie section would cost the government nothing, while the Mountain section would cost only the interest for seven years, a total of \$2,334,575. Borden estimated the cost of the Prairie section might be as high as \$13,060,000, and the Mountain section \$28,000,000, for a total of \$41,060,000. This difference is due to the fact that Borden included the cost of the government guarantees. Not the least important figure in the opposition's statement was the difference in interest of one-half percent, which amounted to \$18,850,000.²

At the same time that Sir Wilfred Laurier was promising Canada a transcontinental railway for \$13,000,000, Charles Rivers-Wilson, president of the Grand Trunk Railway, was pacifying the stockholders by declaring that their guarantee was only for £2,968,000, plus interest amounting to £118,720, which was not to accrue until eight years after the beginning of the contract,³ and Charles M. Hays was showing the same group that with this eight years, plus the seven years without interest, plus the three years extension, the Grand Trunk Pacific would not become a burden on the Grand Trunk for eighteen years.

One of the most bitterly fought discussions entered

1. H.C.D., 1903, 3626.

2. C.A.R. 1904, 96.

3. ibid., 71.

on the Intercolonial Railway. It was pointed out that the Intercolonial was primarily a military road, and had never been intended as the final link of a transcontinental. True, it was an all-Canadian road, as opposed to the Canadian Pacific, which crossed Maine, and gave the Liberals the opportunity to draw the red herring of "bonding privilege"¹ in their support of the new road, but the proposed new road was also approximately 180 miles shorter. There would be little cause for competition, for only at the termini were the two roads within thirty miles of each other.

The influence of the Grand Trunk Railway in the new plan was always a source of distrust and fear. The directors of the two companies were much the same, so that it was often said that the names of the two railways were synonymous.² The older railway was to hold a controlling part of the stock, and therefore to control the other's policies. In the two or three years following the granting of the charter these fears were to be accentuated.

It was obvious from the first that the new Transcontinental scheme was an attempt to better conditions for

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1. The bonding privilege had become a source of much discussion since a letter about this time from Sir Andrew Carnegie to the London Times threatening its withdrawal if the policy of inter-imperial trade preference was continued. Cleveland had also threatened this in the United States elections of 1888. During the Great War the Canadian Pacific was forced to route goods through the other lines for a short time. See Skelton, O.P., Life and Letters of Sir Wilfred Laurier, II, 192.
 2. The Grand Trunk directors in December 1903 included Sir Charles Rivers-Wilson, A. W. Smithers, J. A. Clutton-Brock, Joseph Price and Lord Welby.

the Grand Trunk Railway. From its very inception the new line was considered as a feeder for the established parent company. The requirements of the government had forced the railway to change its original plans, but when Charles Rivers-Wilson stated that the plan meant a partnership with the government, the remark was not received with favor in Canada. The connection of a large business venture such as this with the government is bound to arouse doubt among the masses of the people as to its value and honesty, especially when such a company is felt to be interested in the United States.

The trend of the Grand Trunk towards the United States is very obvious. Charles M. Hays was an American. The termini of the railway were the Atlantic seaboard of the United States, especially at Portland, Maine, where the company had spent some \$20,000,000 on facilities, and Chicago, Illinois, on Lake Michigan. During the early part of the surveys repeated petitions were sent to the government complaining of the number of aliens (that is, Americans) being employed by the Grand Trunk Pacific, and in spite of the report of Mr. Hays that 96% were either Canadian or British citizens, the report of Judge Winchester, who was appointed to investigate the charge, states, "There was no earnest endeavor made to obtain Canadian engineers...had such an effort been made there would have been no difficulty in obtaining a sufficient number capable....There was, however, a very earnest desire to obtain American engineers for the work and in some cases applications were made to the heads of other railway com-

panies to relieve men for the purpose."¹ In fairness to the Grand Trunk Pacific it must be admitted that in some sections, such as the Skeena River, Canadian engineers were employed, but throughout the history of the railway the complaints are so numerous that it must be accepted as a fact that the majority of the higher officials were Americans.

It was pointed out that the proposed route of the Grand Trunk Pacific would bring grain from between 400 and 600 miles north of the American border to Winnipeg, which was only 45 miles away. From there it was a single step to obtain facilities to the United States and from there to the Grand Trunk Terminus at Chicago. In 1906 an apparent move in this direction was taken with the obtaining of control of the Wisconsin Central Railway by the Grand Trunk.² There was no reason why, at the end of fifty years, the Grand Trunk Pacific should not permit its lease on the National Transcontinental to lapse, and divert its traffic through the American channels.

In 1909 occurred another incident which strengthened the belief of some people in the complicity of the Grand Trunk officials with United States interests. This was the resignation of vice-president F. W. Morse. It was stated that he was forced to resign because, "The Liberal party caught him 'grafting' and that his 'graft' totalled \$2,000,000." It was further implied that most of this money went to

1. Sessional Paper, 36 (a), 1905, 64.

2. H.C.D., June 12, 1906, 5137.

Americans.¹ Although there is no proof to substantiate this accusation, and therefore it cannot be considered true, it presents an interesting contemporary belief in the influence of Americans on the company.

It has been shown that the original plans of the Grand Trunk Pacific had undergone several changes when they were presented to the government. The proposed contract was not agreeable to the railway and was revised in 1904. In proposing the alterations to this agreement, Charles Rivers-Wilson wrote to Laurier as follows:

I have been confronted with many difficulties in bringing my colleagues to accept the view which I entertain on the general merits of the scheme.... It has always seemed to me that the Government of Canada and the Grand Trunk Railway Company, being in point of fact partners in the enterprise,... the former actuated by consideration of National policy, the latter by the necessity for securing its share in the growing prosperity of the north-west.... too large a portion has been imposed on the Grand Trunk Company.... I think this shifting of the balance was caused by the extreme, and I must say, in many respects unfair, opposition met with in the House. The object of the amendment is to allay any possible apprehensions of our shareholders.²

The feeling of the people as a whole was that the Grand Trunk received the better part of the bargain, in that they had left the unproductive area north of Lake Superior to the government, while the Grand Trunk Pacific drew the immediate traffic of the west. The Grand Trunk had twice before refused to build the section north of Lake Superior before the Canadian Pacific undertook to do it,³ and seemed to be attempt-

1. Prince Rupert Empire, April 24, 1909.

2. Sessional Paper 37 (a), 1904.

3. Makers of Canada Series X, "Lord Strathcona" by John McNaughton, 1926, p.302.

ing to elude it again, especially in view of the fact that it was reported that the Canadian Pacific lost \$1,000,000 on its line.¹ It was feared, with good reason, that the Grand Trunk Pacific had no intention of using this line, and this belief was accentuated on October 1, 1905, when the Grand Trunk Railway purchased the Canada Atlantic Railway. With this they also gained the Canada Atlantic Transport Company, which operated a fleet of freight steamers on the Great Lakes, and afforded a connection between the Grand Trunk and Grand Trunk Pacific without the use of the National Transcontinental, and by ammuch more direct route. This was the railway, incidentally, which Borden had suggested the government should purchase, but which had been considered too expensive.

In brief there are three underlying factors which influenced the building of the Grand Trunk Pacific Railway, and each had a major share in causing not only the construction but also the ultimate failure of the road. These three are the optimism of the times, the necessity of the Grand Trunk Railway to reach the West, and the influence of politics and vested interests. Throughout the entire early negotiations is to be felt the pressure of strong influences, which are apparent only in a few scattered places. The indefensible extension eastward to Quebec and Moncton was purely a political gesture. The project was on several occasions after this referred to as Laurier's "\$200,000,000 ocean to ocean vote catcher",² and it was remarked that the road was not built

1. H.C.D. 1903, 9691.

2. ibid., 10378.

to carry grain as much as it was to carry elections. The haste with which the bill was pushed through parliament, and the delay in starting construction, as well as the period of uncertainty in the early months of 1904,¹ both lead to the conclusion that these statements had a sound basis. Was Blair's resignation a sign of one man's disagreement with the cabinet, or were there others who submitted to the will of the majority? How effective was the lobbying which accompanied the bill, and how much influence had Senator Gibson, one of the foremost contractors in the Dominion, and Senator Cox, the outstanding financier in Canada at the time? Bell stated that, "The Canadian Pacific came before the Railway Committee with a proposal to build a line from Winnipeg to Edmonton, some 700 miles...and they did not ask one dollar assistance. They met with such discouragement that they withdrew the bill."² Why was the government so opposed to this? What offer of the Winnipeg Board of Trade caused the railway to pass that city?³

1. G.A.R., 1904, 17: "At the beginning of 1904 it was generally assumed that the government were not quite certain whether they should take the Grand Trunk Pacific contract to the people for approval without awaiting the expected revision of its terms, or hold another Session, revise the contract ... and then appeal to the country."

2. H.C.D. 1904, 2314.

3. ibid., 2314.

F. W. Morse spent six weeks in Victoria while the Legislative Assembly was in session there but failed to receive the subsidy he wanted and threatened to build the railway entirely from the east as a result, but the Canadian Northern officials were received readily by the same government a few years later.

The Grand Trunk Pacific was built and, as we know now, the building was faulty. But where the fault lies has not as yet been determined, and will not be known until much more of the fog which enshrouds its origin has been cleared away.

Chapter III. The Building of the Railway

On August 10, 1904, as a meeting in London, the stockholders of the Grand Trunk Pacific Railway Company elected their directors to take the places of the provisional directors appointed at the incorporation of the company. The new directors were Charles M. Hays, F. W. Morse, W. H. Biggar, and William Wainwright of Montreal; Sir Charles Rivers-Wilson, the Right Honourable Lord Welby, A. W. Smithers, J. A. Clutten-Brock, and Colonel Firebrace of London, England; the Honourable George A. Cox and E. R. Wood of Toronto; H. A. Allan and E. B. Greenshields of Montreal; J. R. Booth of Ottawa; and John Bell of Belleville. The officers appointed were Charles M. Hays, president; F. W. Morse, vice-president; and William Wainwright, second vice-president. The executive committee consisted of Charles M. Hays, the Honourable George A. Cox, F. W. Morse, and William Wainwright.

On August 11 the chief engineer for the Trans-continental Railway Commission was announced as H. D. Lumsden of Toronto. The same day Mr. Premier Parent was named as the representative of the Canadian government on the Grand Trunk Pacific board of directors.

Under the provisional directors much work was done in surveying both the Eastern and Western divisions during the spring of 1903. Their work in the former division was later sold to the government to be used on the National

Transcontinental Railway for \$352,379,52,¹ and after this the Grand Trunk Pacific concentrated on the Western division, for which it was responsible. Geographically this division falls into two natural sections, which were known as the prairie section and the mountain section. It was the former of these which was begun first, and which was completed long before the other.

On the prairies it was understood from the beginning that the new line was to pass far north of the existing railways, but, in spite of all the early promises, the Grand Trunk Pacific was built due westward from Winnipeg to Portage la Prairie, paralleling the other two railways, and from there in almost a straight line to Edmonton, between the Canadian Pacific and Canadian Northern. This fact alone shows that the Grand Trunk Pacific was more interested in obtaining business than in opening and developing the country. In other words, it was a money-making scheme more than a nation-building project.

If a line is drawn on the map from Portage la Prairie to Edmonton it will be seen that it follows the natural geographical phenomena across the Great Central Plain between those other two natural divisions in North America, the Canadian Shield and the Rocky Mountains. This line closely follows the isothermic lines, parallels the southern boundary of the Canadian Shield, lies in the so-called "parkland" and "black-soil" belts, follows the section which lends itself

1. H.C.D., July 13, 1905, 9490.

most readily to the growth of both Marquis and Reward wheat, and closely indicates the routes used by the early travellers and settlers on the prairies. In other words, the Grand Trunk Pacific followed the most natural route from east to west and passed through the most fertile section of the Great Plains area in Canada.

Communication between Winnipeg and Edmonton had been established long before the railway era. The early fur-traders had travelled this road from the time of the "pedlars", but their route had been circuitous, following Lake Winnipeg and the Saskatchewan River. This route was followed almost entirely during the times of the "canô[^]t du nord", and after them by the "York boats". No successful means of competition for this system was evolved until about 1860, when the Hudson's Bay Company established the Northern packets, a brigade of dog teams, for the winter loads. This was in three sections, the first running from the Red River to Norway House, the second to Carlton, and the third to Edmonton. As they still followed the Lake Winnipeg-Saskatchewan River route they can be considered as little more than a winter substitute for the older method of carrying goods.

The first type of transportation to travel consistently in a fairly direct line from Winnipeg to Edmonton was the Red River cart. In 1863 the Overland expedition of over two hundred people used these carts to the foothills of the Rockies. In 1873 it was estimated that about 150 carts left Fort Garry for Edmonton. There was a well marked trail between

the two cities, which was a distance of about 600 miles. The travellers usually travelled directly westward to the present site of Portage la Prairie, and thence north¹west¹erly to Edmonton. It was a lonely trip with very few isolated settlements to pass on the way. The journey was so slow that the guides made only one trip during the summer.

After 1869, when the Hudson's Bay Company surrendered its rights to the Territories, communication across the prairies made a rapid advance, and much was learned about this hitherto isolated country. The most important step in opening the west was the building of the Canadian Pacific Railway. When it was first projected, surveying was done and much was discovered about the prairie country. The most famous of the surveyors was Sir Sanford Fleming. He favored a route much to the north of that adopted by the Canadian Pacific, and in 1871 made a trip through the territory from Winnipeg to the Yellowhead Pass. This journey was largely responsible for the realization of the value of the land throughout that section, and thus increased the growth of settlement. It also had a great influence in the building of the Government telegraph from Winnipeg to Edmonton between the years 1874 and 1879.

From that time until the Grand Trunk Pacific was built, there was much emigration to the prairies, and much survey work was done, so that Laurier was able to state quite truthfully, "There are mountains of information."¹ Unfortunately

1. H.C.D. 1903, 12651. See page 10672 for list of reports.

for the railway this vast amount of information was of a very diverse nature, and, when the actual work of surveying for a railway was begun, it was discovered that very little of it was of use. The Grand Trunk Pacific was forced, therefore, to survey the actual route in detail before beginning the actual construction of the road.

The reconnaissance surveys began in the spring of 1903, when from fifteen to twenty parties were in the field. Stress was laid on the fact that the road must have a maximum grade of $\frac{1}{4}$ of 1%, which means 21.12 feet per mile,¹ and a maximum curvature of 4° , which is the arc of a circle with a radius of 1432.5 feet. Many protests regarding the employment of American engineers were proven to be largely true by the investigation of Judge Winchester.² On October 21, 1904, Hays stated that the territory had been "pretty well covered"³ by the reconnaissance surveys.

It was shortly after this that there were rumors that the road would not be built because the Grand Trunk Pacific was dissatisfied with the terms. This was probably an election "gag", for on December 17 the company deposited \$1,000,000 of guaranteed stock as it had agreed to do in the charter, and on December 24 it gave reassurance that the road

1. Note the value of good grades as given in H.C.D. 1903, p.9837. "A locomotive which would draw 250 tons on the level would only be able to draw 125 tons on .4% gradient; 71.43 tons on a 1% gradient; and 62.5 tons on a 1.2% gradient."

2. supra, 49.

3. H.C.D. 1903, 14648.

would be built. The deposit of securities instead of cash caused some criticism, and as a result a deposit of \$5,000,000 was acknowledged by the Bank of Montreal on March 9, 1904. The fact that parliament opened the following day is not without significance. This parliament considered the amendments of the Grand Trunk Pacific Railway Company Bill and the National Transcontinental Bill.

Because of the mountainous nature of the country and also because of the lack of settlement the Mountain section of the railway presented much more of a problem to the surveyors than the prairies. On the eastern margin of this section is the barrier presented by the Rocky Mountains, which at Mount Robson reach a height of over 12,800 feet, and which have an average width of sixty miles. They extend in a general north-westerly direction and decrease towards the north, with passes in the region under investigation much lower than those farther south. Next to these stretches a terraced inter-mountain trench, occupied by the Upper Fraser and Canoe Rivers. West of this is the Cariboo Range, around which the Fraser River bends. The Fraser flows southward through the Interior Plateau, a region of mountains, flats, large lakes and rivers. It is joined at Fort George by its tributary the Nechako. Farther to the west are the Babine Range and Bulkley Mountains. These are broken by the Skeena River and its tributary the Bulkley. Finally there is the granitic Coast Range, with peaks almost 8,000 feet high in this region, steep high cliffs, and torrential rivers.

This section of the country was much less known than the prairies. The fur-traders, it is true, had built forts at McLeod Lake, Stuart Lake, and Fraser Lake as early as 1805 and 1806, and many more during the ensuing years. They had developed routes to these forts across the mountains and to the sea at the southern end of the present province. The Canadian Pacific surveyors had explored the passes through the mountains carefully, and as a result Sir Sandford Fleming had definitely favored the Yellowhead above all other passes through the Rockies. As a result of these investigations and the work of the early fur-traders it might be said that the district east of Fort Fraser was well-known in a general way, but west of this point the country was largely unsettled and almost unknown. This is one of the reasons for the indefiniteness of the original Grand Trunk Pacific charter, which names the terminus as "Port Simpson or some other point on the Pacific Coast."

Reconnaissance surveys were carried out in 1903 by the Grand Trunk Pacific, but the route was not decided for some time. This led to many rumors, and any group of surveyors was suspected as being the forerunners of the railway.¹ Undoubtedly the Grand Trunk Pacific officials were secretly making their plans and carrying out investigations in many sections of the province in order to determine the best route.

The year 1904 was apparently without incident in the building of the Grand Trunk Pacific, except for the

1. See Vancouver Daily Province, October 9, 1903 for report on surveyors at Port Simpson.

reconnaissance surveys, but in actual fact much necessary foundation work was completed. On May 4 the provincial cabinet of British Columbia agreed on Kaien Island as the terminus, but this was not known for almost two years; on August 11 a tour of the west was begun by a number of officials of the company, including Messrs. Wainwright, Biggar, Cox, and Hays; and on December 17 it was announced that the first group of shares in the company had been purchased by Messrs. Speyer and Company of New York and London, and N. M. Rothschild and Sons. The shares were subscribed ten times over, and realized \$14,600,000. By the end of the year the preliminaries were finished, and in 1905 the actual work of construction was begun.

There are five stages in the building of a railway; the preliminary survey; the detailed survey, which determines the route; the construction of the right of way, which consists of clearing and making a level road-bed; the laying of the track, or, as it is commonly called, the "steel", after which trains may run on the road for the aiding of the construction work; and ballasting, which means the filling of the space between the sleepers with gravel or rubble. After this is completed regular service may be inaugurated.

The Grand Trunk Pacific was begun in three sections, the Fort William branch, the line from Winnipeg westward, and the line from Prince Rupert eastward. The second of these includes the Prairie Section and the eastern half of the Mountain section. The actual dividing point between the two was selected by Collingwood Schreiber and R. B. Kelliher on

November 21, 1907. It was to be the east bank of Wolf Creek, which was 129 miles east of the summit of the Yellowhead and about 120 miles west of Edmonton. Wolf Creek is 665 feet higher than Edmonton and 840 feet below the Yellowhead.

Sir Wilfred Laurier turned the first sod on the Fort William-Superior Junction branch in September 1905. By the end of 1906 eighty-nine miles were completed. This was increased to 200 in the following year, and the line was completed in 1908. The last link was the Kaministiquia bridge which was completed on October 24, and the regular passenger service was begun on November 28. The National Transcontinental line from Superior Junction to Winnipeg was much slower, and was not completed until 1911. From then it was possible to ship goods on the Grand Trunk Pacific from the western provinces to the head of the Great Lakes.

The first sod west of Winnipeg was turned at Sand Hill, Manitoba, on August 28, 1906. The road to Portage la Prairie was projected that summer, and brought a strong protest from the Canadian Pacific Railway. This petition was dated August 18, 1905, and stated "...For some 300 miles west of Winnipeg it is simply designed as a competitor to existing lines, and in no part of that distance does the location of the Grand Trunk Pacific show that they are more than six miles from the existing lines."¹ The protest was unavailing, however, for although the contract of the Grand Trunk Pacific stated that it was not to be within 30² miles of the existing railway lines,

1. C. A. R., 1905, 548.

2. supra, 32.

the latter railway had the ear of the government. On June 22, 1907 the contract for this section was let to Messrs. Treat and Johnson, and the road was completed in November 1907.

The survey of the line on the prairies presented few difficulties and progressed rapidly. Almost the entire section was projected in 1905, and the plan and profile of the line received the approval of the government in 1907. The first contract was let on February 24, 1906, to MacDonald, McMillan and Company of Winnipeg for 245 miles west of Portage la Prairie, approximately Touchwood Hills; and the contract for the next 140 miles, approximately to Saskatoon, was given to the Canadian White Pine Company of Montreal. The line to Edmonton, 517 miles, was contracted by Foley, Larson and Company.¹ In 1906 an order for 50,000 tons of steel was awarded to the Lake Superior Steel Corporation.

The work of construction on the prairies was comparatively simple. By the end of 1906 MacDonald, McMillan and Company had done 75% of their grading and 60% of the necessary culverts. Some of the work proved more difficult than expected, however, and the Grand Trunk Pacific Company was forced to relieve them of some of the more difficult sections such as that near Miniota and in the Qu'Appelle Valley. The contract for the latter was sublet to Messrs. Treat and Johnson.

One of the greatest causes of delay was the necessity of building bridges and culverts. On the prairie

1. For a complete list of contractors see Appendix I.

section there were eleven steel and concrete bridges built.¹ The largest were at Saskatoon, Edmonton, Battle River, Clover Bar on the North Saskatchewan, the Assiniboine at Lazare, and also at Portage la Prairie, the South Saskatchewan, Pembina River, and across the Miniota branch of the Canadian Pacific Railway. Especially noteworthy were the Battle River Bridge, 2,770 feet long and 180 feet high; the South Saskatchewan, 1510 feet long; and the Pembina River, 820 feet long and 200 feet high. The bridge contractors were the Canadian Bridge Company, Messrs. John Gunn and Company, and Charles May.

Grading was pushed along very rapidly and the entire prairie section to Wolf Creek was completed in December 1908. Track laying was much slower, being held up in the early stages by a shortage of ties, and later by a shortage of steel. Great difficulty was found in supplying materials before the steel was laid and even then the absence of bridges was a handicap. These two problems were overcome by building waggon roads and temporary bridges. The most difficult problem was the shortage of men. Even were the railway to bring men from Europe many of them left to take up homesteads, to work as farm hands, or to join the other railroads.

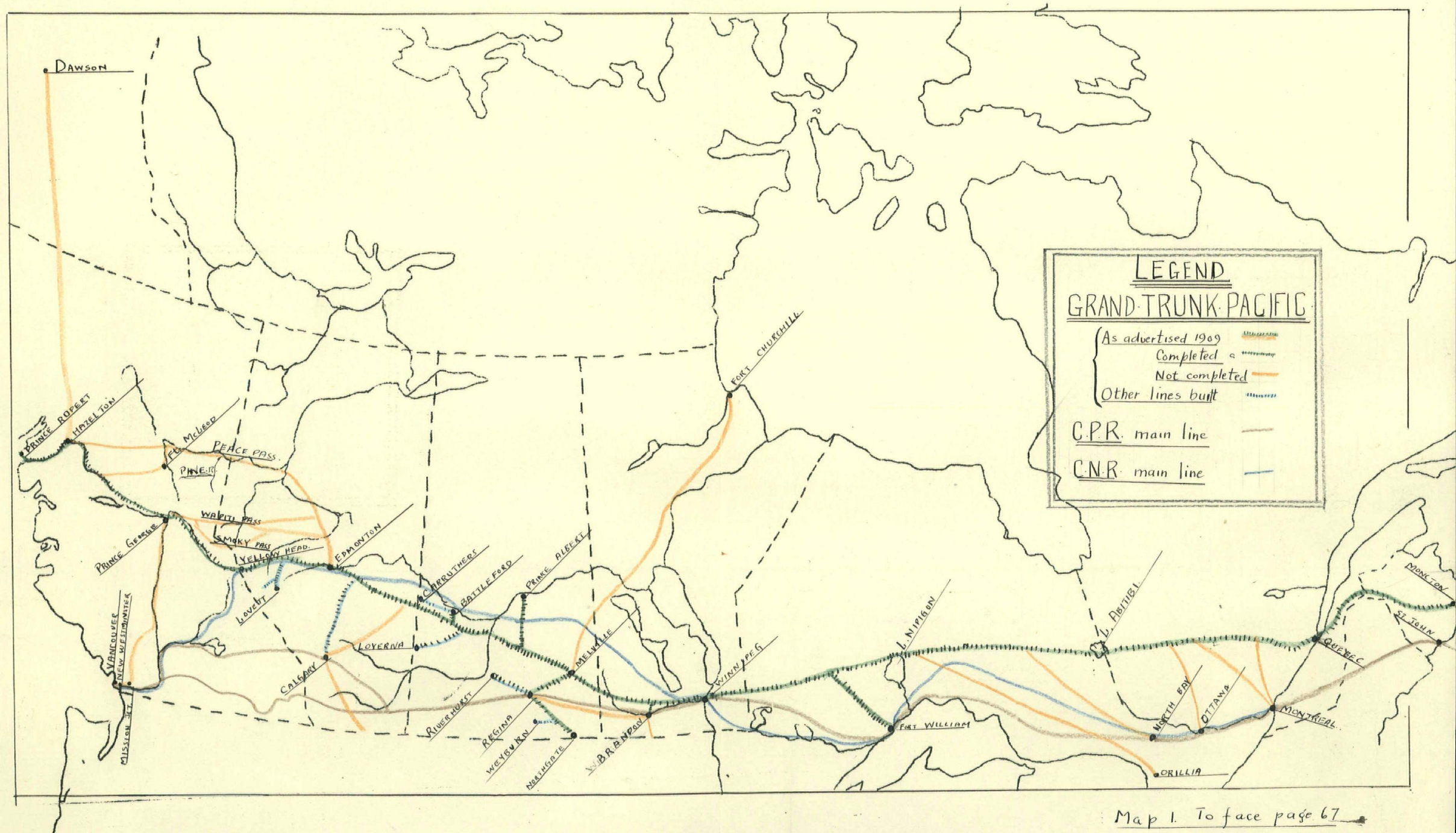
Little steel was laid in 1906. By the middle of 1907 the rails had reached Rivers, Manitoba, and by the end of the year almost Saskatoon. By the end of 1908 they had passed Wainwright and were about 100 miles from Edmonton. In 1909 they reached Edmonton, and the following year completed the prairie section to Wolf Creek.

1. cf. Sessional Paper 20, Part IV, 1915.

Passenger service was inaugurated soon after the steel was laid. So urgent was the need for sending wheat from the new districts around the railway that, although the road was not officially opened, often construction trains would return with loads. The opening of traffic along the line was begun on July 30, 1908, when the first passenger train from Winnipeg carried 19 passengers, including F. W. Morse, to Portage la Prairie. On September 21 a tri-weekly service to Watrous was inaugurated, with an extension to Wainwright twice a week. The latter was made tri-weekly on November 23. By the end of the year trains were carrying passengers to Hawkins, Saskatchewan, 680 miles from Winnipeg, but the regular service had not begun. On June 14, 1909 the first passenger train arrived at Scott with six coaches and 215 passengers, and on July 14, 1909, transportation was extended to Edmonton, regular service beginning September 22. On June 3, 1910 daily passenger service began, cutting four hours off the Canadian Northern time from Edmonton to Winnipeg. On July 18, 1910, service was extended to Edson, beginning regularly on February 12, 1911. Edson was the first divisional point west of Edmonton and in the mountain section.

The mountain section was begun from both ends. The entire stretch was under contract to Foley, Welch and Stewart, or their associates, Foley Brothers, Larson and Company, who sublet most of the work. This policy caused some criticism on the grounds that the sub-contractors were hiring men of inferior quality.¹ After much preliminary surveying had been

1. H.C.D. February 25, 1909, 3939.



Map 1. To face page 67

done the location of a route was begun in 1907, under Engineer Fry, and the actual route was located by November, 1908.

The greatest problems to face the surveyors were the pass through the Rocky Mountains and the route across the Bulkley Mountains.¹ In the former case there were many passes², but the choice finally narrowed to three, the Peace River, Pine River, and Yellowhead. The Yellowhead was finally chosen, but for fear of the competition from the Canadian Northern this choice was kept secret for some time. Two large and well-advertised parties were sent to the other two passes, while a small select group did the actual work in the Yellowhead.

Another problem was the choice between two routes from Aldermere to Copper River. One of these was via the Telkwa River and Zymoet River to the Skeena, the other was to follow the Bulkley to its junction with the Skeena at Hazelton. The former route was about 80 miles shorter and was favored by Taylor, the engineer in charge of this district, but pressure from the provincial government resulted in the latter being chosen. It was shown that this route would open up the agricultural section near Hazelton and also the northern mines, especially those of the Babine Range, afford an outlet to the Babine and Kispiox Valleys, and, finally, afford a

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1. The lack of information about this country can be realized by the story which related how the locating engineers discovered a band of Iroquois high up in the Yellowhead who had no knowledge of the happenings of the previous century. cf. Warman, Cy. "Railway Construction up to Date", Canadian Magazine, June 1911, Vol. XXXVII, 398.
 2. see Map 1 for the alternative routes.

satisfactory junction for the railroad to Dawson. This railroad would find a natural route to the north from that point through the Kispiox and Nass River valleys.

The work was sub-let by the contractors in small sections, most of which were less than five miles long. Many of the sub-contractors obtained several sections, however. These sub-contractors were as follows: R. Ross and C. A. Carlson; A. L. McHugh; Craig Brothers; John E. Bostrom; Angus Stuart; Neil Keith; McDonald and McAllister; M. Sheedy; Smith Brothers; Stano and Harstone; Prince Rupert Construction Company; Dan Stewart; Fred Peterson; Norman McLeod; Dan Horrigan; Washtock and Company; D. A. Rankin; Freberg and Stone; Boie Brothers and Stone; Joe Amantea; Kerr and Company; Backus and Company; P. Salvus; Ross and McCaull; Ferguson Company; Moran and Chiene; Bostrom and Kullander; Duncan Ross; Johnson, Carey, and Helmers; J. A. Mackenzie and Company; Lund, Rogers and Company; Hogan Construction Company; Carlton and Griffin; Burns and Jordan; John Bostick; Bates, Rogers Construction Company; Siems Carey and Company; Archie McDougall; Sheedy and Paget; and Magoffin and Berg.

The base of operations for the eastern end of the mountain section was Edmonton. Supplies were carried from there to the different bases either by construction train or by wagons. The construction train was able to run over the tracks as soon as they were laid, and, because it could not average over eight miles an hour, was nicknamed "the Flier". The wagons were used to carry supplies to those camps which were beyond the "end of steel". The customary price for

hauling was five cents a pound, with no allowance for distance. There were about 600 teams working through the Rocky Mountains, two-thirds of which were privately owned.

Another common method of obtaining supplies was by steamer from Sada Creek up the Fraser to the "end of steel". F. W. Stewart had two steamers in operation which had earlier been used on the Skeena for the line from Prince Rupert. They were the "Operator" and the Conveyor, each with a capacity of 175 tons, and powerful enough to push a scow with a 90 ton steam shovel against the current.¹ These were not as satisfactory as the teams, however, as they could only be operated when the river was high. In 1912, because of the light snowfall, they were used for only three weeks.

One of the most interesting phenomena of railroad building is the "end of steel" village. One writer has described that of the Grand Trunk Pacific as follows:

The "end of steel" village was built around the "Pioneer", the mechanical track-layer - an ungainly overgrown box car with weird semi-human arms. The village is ~~always~~ three miles from the end of steel. That three miles is positively the only restraint it knows; for within that distance of the end of steel the contractor has complete legal control in unsettled districts. And knowing the hell that lives in those shacks he pushes them to the extreme of his authority.

An "end of steel" village is made up of booze,

1. Vancouver Daily Province, February 10, 1911, has an interesting account by J.G. Quinn, of the Fort George Tribune. He says, "We have now six steamers on the Upper Fraser. The largest and the best is the B.X. The others are the Chilco, which may be a total loss as she was caught on her last trip a short distance below Cottonwood Canyon....The other wrecked boat is the old Charlotte, which had several mishaps last summer. The other steamboats are the Chilcotin, the Quesnel, and the little Fraser."

billiards, and belles. It is the home of the illicit liquor traffic of construction; the location of enough pool tables to stock a large city, and the residence of women who never elsewhere enjoyed so much freedom. Three-quarters of the shacks are restaurants in front - for about six feet. The restaurant is merely an outward plausible excuse for the existence of the shack.

Back of the little counter is the pool room...and then through a small doorway, up a short flight of stairs that breathe exclusiveness and privacy is the real object of existence - the card room.

Free bunk houses are the provision of the contractors for the disabled, helpless bohunk who has spent the evening and everything else in the other shacks.

At Mile 50 B.C. there was even a bath house but it failed ignominiously but not unexpectedly.

At Fitzhugh, which is within the province of Alberta, the lid was kept closed a little by the mounted police, but their jurisdiction ended at the border of British Columbia, and there at the summit, right on the boundary, the doors were opened wide, and down through miles 17, 29, and 50 they remained that way. Mile 29 had a reputation of which its inhabitants refused to be proud....

A special collection of shacks grew up at the western edge of the pass, on the site of the Tete Jaune Cache Indian village... an old negress ran the town.... An "end of steel" village is a disgrace but Tete Jaune was indescribable. ¹

Work from the eastern side of the mountain division started in the autumn of 1909, but for over a year made little progress past Wolf Creek because of the need of two large bridges and a deep cutting. The Wolf Creek bridge had six spans, and was 652 feet long and 127 feet high; the McLeod river bridge had eight spans, and was 1066 feet long and 118 high; while the one-half mile between them necessitated the removal of 130,000 cubic feet of earth.

From Wolf Creek westward the country is broken up extensively by meandering waterways and low hills, which rise in regular sequence to culminate in the "divide", a ridge between the McLeod and Athabasca Rivers. In the 100 miles

1. Fort George Herald, Sept. 20, 1913 - article by W. Lacey May, copied from the Railroad and Current Mechanics.

west of Wolf Creek, before the bridges, which were necessary before the steel was laid, were finished, about twenty gangs of men worked in different sections constructing the right of way. On August 3, 1910 Wolf Creek bridge was finished and by March, 1911, a long bridge of 14 spans with a total length of 802 feet, was completed at Prairie Creek and track was laid for 65 miles. The road here is also very difficult, following the Roche Miette and Miette River valley to the Yellowhead Pass. The difficulty of the building can be understood, when it is realized that this river falls 400 feet in 17 miles, which is over $23\frac{1}{2}$ feet to the mile, whereas the railway grade does not exceed 21 feet a mile. There were also several other large bridges built before the pass was reached, the largest being the Athabasca River, which had three spans of 225 feet each. The summit, which marks the British Columbia boundary and is 129 miles from Wolf Creek, was reached by steel on November 15, 1911.

After the summit was passed, the road followed the Tete Jaune gorge for about thirty miles to the headwaters of Fraser at Moose Lake. Steel reached this point in March 1912, and a tri-weekly service began in August. From this point the construction was much simpler, supplies being obtained by the river boats. Although the country was not so difficult to build through as the actual Rockies, the "gumbo" or clayey mud which is found throughout this section was a great problem. By April 12, 1913 the steel reached the Raushuswap River, where a bridge 850 feet long was built, and two months later passenger trains were running to Tete Jaune Cache. On

November 25 the railway crossed the Fraser for the third time near the present site of Hansard, and by the end of the year was at Willow River. By January 12, 1914 steel had arrived at the Fraser across from Fort George, and on January 27 the tracklayer crossed on a temporary bridge which was destroyed by ice the same day. The bridge across the river at this point, which had been begun on August 31, 1912, was completed on March 7, 1914, and Prince George thus became connected with the east by rail. Progress from then was rapid. By the end of March the present site of Filmore was reached, and on April 7, the last spike was driven by R. B. Kelliher, the chief engineer, about two miles east of Nechako crossing. Although no great ceremony was held at the time, 1500 people attended the driving of the last spike.

The Pacific Coast end of the road presented many difficulties. The first of these was the problem of a suitable terminus. The original contract had mentioned Port Simpson, but it was understood that this would not be used if a better place could be located. Surveys showed that the best location would be on Kaien Island on a small inlet known as Tuck's Inlet. However, the old Admiralty chart showed a rock in the harbor which would be a serious obstacle to navigation. A new survey failed to locate this impediment, and as a result the island was selected as the western terminus of the Grand Trunk Pacific. The name Prince Rupert was given to it as a result of a competition sponsored by the railway. Five thousand answers were received, the winner being

Miss Eleanor MacDonald of Winnipeg, who received a prize of \$250. The advertising received was cheap at the price.

The island of Kaien is separated from the mainland by a channel known as the Zanardi Rapids, because the tides flow through it at a rate of from 12 to 14 miles an hour. The problem of bridging this was accentuated by the rise and fall of the tide, which at times was as high as 26 feet. The final bridge across this channel had six spans and totalled 645 feet. It was not completed until July 1910, and as a result caused much delay in the laying of steel.

The first sod was turned at Prince Rupert on May 7, 1908, a month after the first sub-contracts for the western end were let. The building of the first 100 miles was influenced largely by the policy of the Grand Trunk Pacific of buying profitable charters formerly issued to other railways. In British Columbia two roads were taken by them, the Northern, Pacific and Omineca on March 21, 1905, and the Vancouver, Western and Yukon Railway, one of James J. Hill's enterprises in August 1907.

Construction began at Copper River¹, where the former of these two roads would meet the Skeena if it were built from Kitimat. The beginning of the work, and the background of the purchase of the Northern, Pacific and Omineca, is described in the Prince Rupert "Empire" of August 24, 1908, as follows:

Construction work has been started on the Kitimat branch of the Grand Trunk Pacific at the mouth of

1. Then commonly known as "NewTown".

Copper River....The Kitimat branch is being built under a charter granted by the provincial legislature several years ago....The company that obtained this charter also received a promise of a cash subsidy of \$5,000 a mile, provided \$100,000 in construction work was expended before a specified date this year. The Grand Trunk Pacific purchased the charter in 1905, and in order to get the cash subsidy have let a contract to "Jack" Stewart and his associates. Ninety men with horses and supplies were unloaded at Port Essington on August 13, and went by the steamer Northwest up the Skeena to Copper River Mouth.

The 185 miles from Prince Rupert to Hazelton is the most difficult piece of engineering in the entire railroad.

In 120 miles the Skeena drops about 1,000 feet, which makes it one of the most rapidly running waterways on the coast. The last 60 miles are tidal, which increased the problems of construction. The railway follows the banks of the river through almost solid rock for about 60 miles, when it reaches the "Hole in the Wall". Moreover, in these mountains, avalanches and rock slides constitute formidable and aggressive menaces. In 1911 snow slides were so excessive that a tunnel between 1400 and 1600 feet long was driven at mile 44 in an attempt to escape the danger. Further up the river is Kitselas Canyon, which necessitated three tunnels of 400, 700, and 1100 feet respectively. In the first 211 miles of railway there were 13 tunnels, totalling 8,886 feet. When the railway crossed the river 13 miles below Hazelton a bridge which had six spans and totalled 930 feet was needed. One cut in this section of the road was 6600 feet long and took almost 26 months to complete. So difficult was the route that over 12,000 miles of trial lines and surveys were run to locate 186 miles of track.

Construction of the first two sections, the first of 100 miles to Copper River, and the second of 140 miles to Aldermere, was begun in many places. Steel was delayed by the Zanardi Rapids, and the materials were carried to the camps by means of shallow-draught, stern-wheeled steamers. There were five of these, the Henrietta, Port Simpson, Distributor, Omineca and Conveyor, all owned by Foley, Welch and Stewart. In 1909 another steamer was built at the Spratt shipyards in Victoria. They were used in the summer,¹ but were of little use in the winter. Their speed was estimated at 14 miles an hour, but because of the current of the river this varied, so that whereas it took from five to eight days to reach Hazelton, the return journey could be made in fourteen hours. Sometimes the current was so strong that it was necessary to haul the boats against it by cables.

By March 31, 1910 the grading and culverts were completed for almost 100 miles east of Prince Rupert, the wharf had been built at that city, but only about seven miles of track had been laid, and no stations or buildings of any kind had been built along the road.

On July 31, 1910, the first construction train crossed the Zanardi bridge, and from this time on these trains greatly assisted the work. By September steel was laid for 70 miles, and C.C. Van Arsdoll,² the chief engineer

1. In the summer of 1911 it was estimated that they carried 5,662 tons of freight.

2. Van Arsdoll was generally nick-named "four-tenths Van" because of his insistence of this percent of grade.

of the mountain section, had moved his headquarters to New Hazelton. At the same time lots were offered for sale in Ellison, the first townsite to be sold east of Prince Rupert. Steel went little farther that year because of the Kitselas Canyon, where the tunnels were not completed on January 20, 1912.

By March 1912 the rails had reached Skeena crossing, where they were again forced to wait for the building of the bridge. Meanwhile trains were run on the first part of the railway and passengers took a boat across the Skeena to the remainder of the track. In September, 1911, arrangement was made with The Hudson's Bay Company and Foley, Welch and Stewart, by which boats met the trains and it was possible to buy a through ticket almost to Hazelton.

In the spring of 1912 track laying was pushed ahead rapidly, and in spite of the fact that there was snow on the ground, 30 miles were laid in six weeks. On March 31 the Skeena bridge was completed. In August the tracks had reached Sealy Gulch, where one of the largest bridges, with a length of 900 feet, was built. Trains were run tri-weekly to Sealy, which was a station built at that time about three miles from Hazelton. Friction between Hazelton and the Grand Trunk Pacific caused trains to stop at Sealy in preference to the older town, and trains did not enter New Hazelton as a station-point until January 10, 1913.

From this time on progress was steady. On February 28 trains were running regularly to Porphyry Creek. On May 23 steel reached Telkwa. In September it was at Decker Lake,

and by the end of the year reached Burns Lake. By March 15, 1914, steel had reached Fraser Lake, and on April 5, 1914, it met the steel from the east. The first through train reached Prince Rupert on April 8, 1914.

Regular passenger traffic did not start for several months. On August 24 freight trains began a regular run, and on September 6, 1914, passenger trains began a regular schedule from Prince Rupert to Winnipeg.

With the beginning of regular train service the actual construction of the Grand Trunk Pacific Railway might be considered as completed, although there was still much to be done such as the improvement of road-beds, the construction of sidings, and the replacement of temporary bridges. The undertaking had proven to be much greater than its originators had expected. It began in a period of boom, prosperity and peace, but it finished in a time of gloom, depression, and war. The inspired vision of Laurier, which had been expected to do great things for Canada, was proving itself to be a millstone around the neck of the government of Borden, and as the next few years progressed it was to become a still greater hindrance to the entire country.

Chapter IV. The Grand Trunk Pacific Subsidiaries

Before the construction of the main line of the railway had been started the Grand Trunk Pacific Railway had begun the formation of subsidiary companies. The first of these was the Grand Trunk Pacific Branch Lines Company. The opposition in parliament was loud in its criticism of this organization, criticisms valid not only for this subsidiary but for the others that were formed later.

It was pointed out that, before the Grand Trunk Pacific had built a mile of railway, the same men who formed it had approached parliament with the object of forming another company which wished to build approximately 4800 miles of railway as branch lines. It had already been agreed in the original contract of the parent company that it might build branches from the National Transcontinental to Montreal, North Bay, and the head of Lake Superior, and from its main line to Brandon, Regina, Prince Albert, Calgary, and Dawson.¹ This new company desired to build these and also a number of other lines. The advantage of this new organization was that it did not have to respect the principle advanced when the Grand Trunk Pacific was formed of not paralleling other railways within a distance of 30 miles. It was further pointed out by the Conservative party that the forming of this new company would enable the Grand Trunk Pacific Railway Com-

1. See Map 1.

pany to avoid some of their obligations by transferring the more profitable sides of railway construction to this concern.

The Act to Incorporate the Grand Trunk Pacific Branch Line Company¹ passed its third reading on June 30, 1906, and received the Royal Assent on July 13. Its shareholders included Charles M. Hays, F. W. Morse, William Wainwright, W. H. Biggar, and D'Arcy Tate. The capital stock was \$50,000,000 of which \$20,000,000 might be issued as preference. All the common stock was held by the Grand Trunk Pacific Railway in consideration of the supply of rolling stock for use on the branch lines, except 1,000 shares which were to go to the directors.

There were to be about 4800 miles of branch lines, which were later increased to 7,509 miles. In 1908 legislation was passed which stated that the lines must be begun within two years and finished in five. There were eighteen branch lines in the original act, but this number was increased until by the end of 1909 the company had chartered 22 branches, 5 in the eastern division and 17 in the western.¹ A study of these branches shows that they were built for the purpose of gaining traffic from the larger established centers of population and to break the monopolies held by the other railways, especially the Canadian Pacific.

The Branch Line Company charter also gave wide powers in reference to steamers, docks, telegraphs, hotels, and other matters, but these powers were not utilized because

1. H.C.D. December 13, 1909, 1366.

these activities were provided for by other subsidiary companies.

The branches which the company were granted power to build were completed in only a few instances, but to appreciate the thoroughness by which the officials hoped to gain a foothold throughout the entire country it is necessary to glance at the entire slate. A number of the branches were to be from the National Transcontinental to the eastern centers. From a point near Edmundston on the National Transcontinental Railway a branch was to be built to Riviere du Loup, Quebec. From Montreal a line was to be built through Joliette to a point on the National Transcontinental near Waymantachi, Quebec. Another line was to join Montreal directly with the main line. Two branches were to join the National Transcontinental in Ontario, one from Ottawa and one from Orillia. A belt line was to be built around Winnipeg, and a branch from that city to the southern boundary of Manitoba. A short line was to be built from the main line of the Grand Trunk Pacific to Neepawa, Manitoba. From Brandon a line was to be built to the southern boundary of the province, and another line, which obviously would parallel the Canadian Northern, was to be built to Regina. On April 30, 1909, approval was given to a line projected from Regina to Moosejaw which continues the paralleling of the other railways. From a point on the main line (Melville) a line to Yorkton was later to be extended to the Hudson Bay near Fort Churchill. The first part of this line was surveyed by R. P. Graves, and built in 1909 and 1910. Another line from Melville was begun towards Regina in 1909,

reaching as far as Belcarres in that year. It was planned to extend this line to the southern boundary of Saskatchewan.

Another branch was to be built from the main line (Young) to Prince Albert, and this route was approved by the Minister of Railways on June 21, 1909. A branch which was to be built from Scott to Battleford was surveyed by D. Bergen, but not built. One of the most important branches was from Tofield to Calgary, and thence to the southern boundary of Alberta.¹ The road as far as Calgary was contracted to J. D. McArthur and Company of Winnipeg in 1907 and was completed in 1913. It is another line which interferes with the Canadian Pacific, and after the formation of the Canadian National Railways was joined to the Canadian Northern line from Saskatoon to Calgary. On September 6, 1913, an announcement was made concerning a line which was projected from Calgary through Moosejaw, Medicine Hat, and the Crow's Nest country to British Columbia. It is obvious that all the lines in southern Alberta would have been a drastic blow at the Canadian Pacific monopoly in that territory.

Another short line was to be built to any port on the Bay of Fundy, thus completing the National Transcontinental to the Atlantic. In British Columbia branches were authorised to Dawson from some point on the main line (probably near Hazelton), another along the west coast of Vancouver Island, and a third to join Vancouver to the Pacific, Omineca and Northern Railway, which was another way of saying the main line of the Grand Trunk Pacific.

1. On this line, near Camrose, Alberta, is the biggest wooden bridge in Canada. See Special Committ of Senate to Enquire into the Serious Railway Conditions, 1938, (Hereafter referred to as Senate Investigation) 1205.

This last branch was not built, but it gave rise to the Pacific Great Eastern, which was begun in 1912 and continued spasmodically until 1921. The act which incorporated this railway¹ was between the government and Foley, Welch and Stewart, and between Foley, Welch and Stewart and the Grand Trunk Pacific Railway Company. The road was to be built from Vancouver to Prince George,² and it was agreed that the Grand Trunk Pacific should have the first option of purchase and the running rights on the line. The Pacific Great Eastern would receive a guarantee of its bonds for \$35,000 per mile. The interest on these bonds was to be 4%. The incorporators included three contractors, and among others, D'Arcy Tate, who was also a director on the Grand Trunk Pacific Branch Lines Company. Obviously the Pacific Great Eastern was to be a subsidiary of the Grand Trunk Pacific, but, because of the difficulties which both railways later encountered, it was not purchased by the other company. It became an unprofitable venture, and the contractors were forced to relinquish their rights to the British Columbia government, which has consistently lost immense sums of money on it.

There is a belief in some quarters that it was the intention of the Grand Trunk Pacific to use this line as a means of deriving much business from Vancouver and the other southern ports of British Columbia, a belief which would not

1. British Columbia Statutes, 1912, Ch. 34 and 36.

2. cf. Location and Mileage of Railways of Canada, Dominion Bureau of Statistics, Transportation Branch, 1924. p. 20. The road was completed from North Vancouver to Whytecliffe, and from Squamish to Quesnel, B.C., a total of 361.32 miles.

be inconsistent with the policy of the railway. It has been asserted that the Grand Trunk Pacific Railway bought much of the land near William's Lake, and the conclusion from this is that it was the intention of the railway to make that city, rather than Prince George, the great railway center of northern British Columbia. Some even assert that the aim was to build directly eastward from William's Lake to the Yellow-head, which would have meant making the main line of the Grand Trunk Pacific terminate at Vancouver, and the line to Prince Rupert would have become a secondary line, if it was not abandoned altogether. As no records exist of this scheme, nothing can be proven to substantiate these claims. They must be accepted as possible, but little more than that can be said.¹

By the Pacific Great Eastern the British Columbia government gave indirect assistance to the Grand Trunk Pacific Branch Lines Company. The other two western provinces, especially Saskatchewan, did much to encourage it as well. In 1909, by an arrangement with the Saskatchewan government, the Grand Trunk Pacific Saskatchewan Railway Company was formed. This company was to build 475 miles of line, 150 in 1910 and the remainder by 1912. The lines from Melville to Regina and from Melville to Canora, were to be completed by 1910. Other lines included one from near Saskatoon, approximately 95 miles, to Battleford; from Watrous 75 miles to Swift Current and thence 50 more miles to Weyburn; and

1. Both Dr. Robie L. Reid and Dr. Kaye Lamb, provincial librarian, verify this rumor.

from Melville 75 miles to Watrous. The Saskatchewan government guaranteed the bonds of the company which paid 4%, for \$13,000 per mile, the bonds being issued for thirty years from 1909. In 1912 an additional 90 miles were guaranteed and secured by a first mortgage on the lines of the Grand Trunk Pacific Branch Lines Company as well as another 335 miles on the Grand Trunk Pacific Saskatchewan Railway Company. Altogether the Saskatchewan government has guaranteed £1,792,000 worth of 4% bonds on 670 miles of Grand Trunk Pacific Saskatchewan Railway Company.

The Alberta government acted in a similar manner to that of Saskatchewan. The chief difference was that the guarantee, while it was set at \$13,000 per mile, might be increased to \$15,000 if the government so desired. Today the Alberta government guarantees £500,000 of first mortgage 4% bonds, representing a total of 670 miles on the Alberta lines, as well as £238,600 worth of 4% first mortgage bonds on the Alberta branch from Bickerdale to the coal mines. On this latter piece of line the Alberta government guaranteed 58 miles at \$20,000 per mile.

With the formation of the Branch Lines Company and its various subsidiaries, the Grand Trunk Pacific was able to continue building on the prairies for several years after the main line was complete. For example, in 1911 the following lines were under construction: 93 miles from Regina to Moosejaw, 90 miles from Regina to the international boundary, 120 miles from Young to Prince Albert, 50 miles from Oban to Battleford, 124 miles from Mirror to Calgary, 50 miles

from Biggar to the international boundary, 58 miles from Bickerdale to the coal mines. By the end of the year trains were operating on two branches, from Tofield to Mirror, and from Canora through Yorkton and Melville to Regina. This was a total of 221 miles.

The Grand Trunk Pacific Branch Line Company with its connections was the most important subsidiary of the Grand Trunk Pacific Company. There were several other subsidiaries which also played an important part in the development of the transcontinental.

On June 12, 1906 the Grand Trunk Pacific Terminal Elevator Company was formed. Its capital stock was \$5,000,000, of which \$501,000 was issued in 1906 and owned by the Grand Trunk Railway Company. The purpose of this organization was the erecting and operating of an elevator on the Lake Superior terminal of the railway. On November 18, 1908, the contract for the elevator to be built at Fort William was given to the Canadian Stewart Company of Montreal. On April 14, 1910, by an act of the federal government, the Grand Trunk Railway Company was authorized to acquire and dispose of the stocks of the company.

Closely allied to this was the Grand Trunk Pacific Elevator Company Limited, which was incorporated December 24, 1908. It had \$1,000,000 worth of stock issued in shares of \$100. Its purpose was to "lease the terminal elevator and warehouse to be erected on the Grand Trunk Pacific grounds at Fort William, Ontario." The capacity of this elevator was to be 3,500,000 bushels, and the cost of construction, which

was later extended by \$581,000, was to be \$1,248,000.

On July 22, 1912, the Grand Trunk Pacific Terminal Warehouse Company was formed with the object of building a chain of warehouses in Montreal, Toronto, Fort William, Winnipeg, Edmonton, Vancouver and Prince Rupert. Its capital was \$10,000,000, of which one-half was to be issued immediately. By the end of the month the government of Saskatchewan had guaranteed additional bonds for terminals in Regina, Saskatoon, Moosejaw, Prince Albert, and Swift Current.

One of the most active and valuable of the Grand Trunk Pacific's subsidiaries was the Grand Trunk Pacific Town and Development Company Limited. Incorporated August 2, 1906, under this name, it changed to the Grand Trunk Pacific Development Company on January 20, 1910. It agreed to buy from the Canadian government 135 tracts of land which included 19,931 acres of crown lands, at a price of three dollars an acre, and to give the government one-quarter of the net proceeds of sales or rentals for townsite purposes.¹ These were to be along the railway where they would be most available for town sites. It was also permitted to buy 11,279.81 acres of unpatented homestead lands, for which it paid the government \$1.00 per acre and in addition paid the homesteader the amount demanded in each case. A third type of land purchased were Indian reservations.²

1. H.C.D. January 17, 1910, 1966.

2. Ibid., January 25, 1911, 2366.

The entire stock of the company was held and guaranteed by the Grand Trunk Pacific Railway. The total value of its stock was \$5,000,000, of which \$3,000,000 of common stock was issued and \$2,000,000 of preferred stock was not issued. The Grand Trunk Pacific Railway Company owned 29,990 shares of the paid up stock and the remaining 10 were divided equally among the five directors, Charles M. Hays, E. J. Chamberlain, Wm. Wainwright, W. H. Biggar, and E. H. Fitzhugh. The purpose of the company was to acquire land and lay out townsites, promote mining, operate tramways, and to develop other related projects. It was very active in northern British Columbia, particularly around Prince Rupert, New Hazelton, Fort Fraser and Fort George. One of its largest sales was a tract of 764 acres near Prince Rupert which were sold to Moreton Francis and Sir Edgar Vincent of England for \$217,500, which was almost ten times the original cost price.

One of the fundamental reasons for the construction of the Grand Trunk Pacific Railway had been the development of trade with the Orient. In connection with this the promoters of the company had hopes for the development of a trans-oceanic steamship service. The British Columbia coast service was expected to be the beginning of this great steamship system, for in 1909 Captain C. H. Nicholson was appointed manager and organizer of the Pacific fleet and its extension to China and Japan.

The first mention regarding the development of a coast steamship service is found in the Winnipeg Free Press

of September 5, 1908, which states, "The Grand Trunk Pacific purchased 280 feet of water front between the Alaska steamship wharf and the marine and fisheries dock for over \$100,000 from Clifford W. Brown in Victoria."

The Grand Trunk Pacific Coast Steamship Company developed a regular coast service for many years. The first of their fleet was the Prince Rupert, which was built by Swann and Hunter of Newcastle, England. It made its maiden trip to Prince Rupert on June 16, 1910. Two other ships, the Prince George and the Prince Albert entered the service soon after. The three vessels were alike, being oil burners of 2,850 tons, with a length of 306 feet, a beam of 42 feet, and being capable of 18 knots per hour. A regular service was maintained during the year from Tacoma, Seattle, and Vancouver to Prince Rupert. In 1911 the service was extended to Stewart, Alaska, and for the years 1916, 1917, and 1918 a summer service was operated to Skagways. On November 12, 1909, an agreement was made with the dominion government for a steamer to run to the Queen Charlotte Islands from Prince Rupert. For this the government was to give a subsidy of \$200 a trip. During the winter a fortnightly service was maintained and during the summer a weekly. The contract was to last until March, 1915. When the Grand Trunk Pacific became a part of the Canadian National Railways this steamship line was maintained. At present it consists of five vessels which maintain an all-year service from Vancouver to Prince Rupert and from Vancouver and Prince Rupert to the Queen Charlotte Islands. In 1930 a summer service started to operate

to Alaska and is still in operation.¹

In 1910 an attempt was made to invade the Vancouver, Victoria, and Seattle triangle service. The Grand Trunk Pacific Coast Steamship Company operated a twice weekly service in summer and a weekly service in winter on this run from 1910 to 1923. In August, 1930, an attempt was made to revive this service by the Prince David, but the venture ended on September 15, 1931, as it was felt that there was not enough traffic to warrant its competing with the Canadian Pacific Coast Steamships.

Closely connected with these steamships was the Grand Trunk Pacific Dock Company, of Seattle. In 1909 it leased a dock known as the Flyer Dock on Railroad Avenue between Madison and Main streets in Seattle from the Commercial Company. Here it agreed to build a concrete dock to the value of \$250,000.

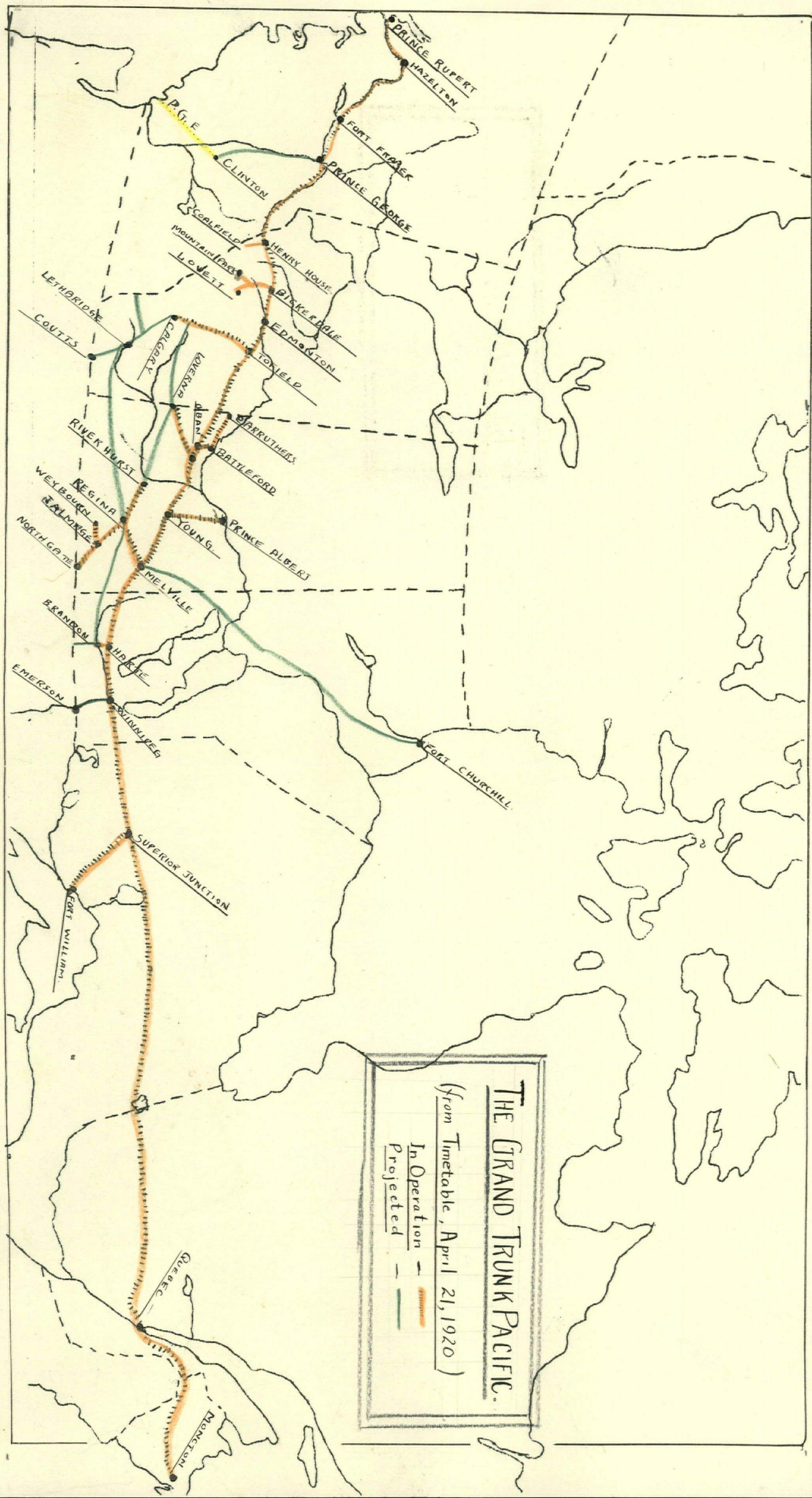
During 1904 and 1905 there was much interest by capitalists in the Bulkley and Telkwa districts. The Grand Trunk acquired 17,000 acres of land in this section and formed the Grand Trunk Pacific British Columbia Coal Company. This company controlled 12 sections of land alongside the railway about 16 miles from Hazelton. Here it drilled three tunnels, from which it supplied coal to the British Columbia section of the railway. There were about 100 shareholders who met annually in Vancouver.

In 1906 was formed the Grand Trunk Pacific Telegraph Company, with a capital of \$5,000,000 and stock guaranteed by

1. Senate Investigation, p. 966 and 1103 to 1106.

the Grand Trunk Pacific Railroad. It had a very broad charter, its main purpose being to build a telegraph line alongside the railway, but it could also acquire cable lines, telephones, wireless telegraphs, and similar utilities. It inaugurated a service between Winnipeg and Prince Rupert on November 21, 1914.

These many subsidiaries permitted the Grand Trunk Pacific to escape many of its obligations, and thus to do many things not in the original charter. The Grand Trunk Pacific Railway held the control in all of them, and they enabled the railway company to increase its grants and subsidies enormously. It was shrewd company promoting, but the boom broke in 1913 and the railway found its subsidiaries to be detriments instead of the hoped-for assets.



Chapter V. The Power of the Grand Trunk Pacific

The building of railways in North America has had four evil results: the exploitation of the laboring class; the building of cities with crowded, unsanitary conditions; the corruption of politics and morals; and the formation of large fortunes by which the distribution of wealth was made more uneven. The Grand Trunk Pacific was no different from the other railways. Throughout its entire period of construction are complaints from the laborers about the wretched accommodation, poor food, high rate of mortality, and low wages. It did bring about the building and development of cities, but it must be noticed, in fairness to the railway, that some of its cities were planned before any of the lots were sold and the evils of overcrowding were overcome. This was not done from a humanitarian point of view, however, but from the point of view of the profits to be made from these developments. As regards the corrupting influence of the railway on politics much has been said, and much more can be shown, but even then the tale will be far from complete for many years. Finally, there is no doubt that the railway was a money-making scheme, and that not only were fortunes made by those connected with the railway, but other speculators entered the field and either made or lost huge sums of money.

"Anyone who investigates the genesis of the early railways of Canada," says Biggar, "will be impressed by the

number of members of parliament who, while publicly advocating the building of railways for the sole purpose of developing the resources of the country, obtained personal control of the roads. They prostituted their positions in parliament to this end, and used not their own cash but the public money and credit wherewith to construct the lines, and then took to themselves the profits derived by public funds."¹

The Grand Trunk Pacific Railway was a Liberal project, and it became a recognized fact that, "After 1902, 'railways are out politics' became true once more."² Although political graft has never been proven in connection with the Grand Trunk Pacific Railway, its influence on politics, and the influence of politics on it, are to be found again and again. The building of lines through as many constituencies as possible, the influence in elections, and the opposition of the government to other railways are a few of the more obvious indications of politics. "The campaign pamphlets circulated by the Liberal organization in the East set forth a policy absolutely different from that they set forth in the West."³

Under Sir John A. MacDonald the Conservative party had been responsible for the Canadian Pacific Railway.

"That railway, strongly opposed by the Liberals, had proved to be an enduring monument to the foresight and enterprise of a Conservative administration. In these later days of development and prosperity it was anticipated that another great transcontinental railway, extending on Canadian territory from Atlantic

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1. Biggar, E. B., The Canadian Railway Problem, Toronto, 1917, 69.
 2. Skelton, Oscar D., Life and Letters of Sir Wilfred Laurier, Toronto, 1921, 185.
 3. Borden's Autobiography, 121.

to Pacific, would prove to be an even more conspicuous monument to a Liberal administration.¹

At first Laurier hoped to amalgamate the Grand Trunk Pacific project with the Canadian Northern, and in this way to create a transcontinental far greater than the first. But the Canadian Northern was a profit-making scheme, and the officials were closely tied to the Conservative party. As a result the negotiations failed. In 1903 the government, "tried to buy the Manitoba lines but they could not get together...they had meeting after meeting with them, but the best terms they could get were that they assume all obligations, all bonds, and everything else, and give \$25,000,000 for the common stock of that little bunch of lines up around Winnipeg."²

Balked by these excessive demands, Laurier determined to build an entirely separate road with the coöperation of the Grand Trunk officials. This entailed much government support of policies which were definitely opposed to the original scheme of the Grand Trunk Pacific. Instead of running far to the north the line was built on the prairies between the Canadian Northern and Canadian Pacific. Whereas it had been the original intention not to offer competition to existing lines, permission was given to build to all the largest cities on the prairies, and by their original plans the Grand Trunk Pacific Branch Line Company would have paralleled the Canadian Pacific at a distance of not more than ten miles from Winnipeg to Calgary,³ and probably to the Crow's Nest. Two examples of partiality to this road are outstanding. In

1. Borden's Autobiography, 109. 2. Railway Inquiry Commission, 3. H.C.D. 1906. June 18, 5470 -1. 1917, 80.

1905 the Canadian Pacific Railway petitioned the government to protest the paralleling of lines between Portage la Prairie and Winnipeg, especially as, in some places, the "proposed" Grand Trunk Pacific lines would be within 9 or 10 miles of branches of the Canadian Pacific Railway."¹ The "objections were overruled on alleged legal grounds."² Furthermore, the judgment stated, "There is no limitation, in fact, as to the thirty miles."³ On June 1, 1911, the Board of Railway Commissioners ruled that the Grand Trunk Pacific would not carry freight over its line through the Yellowhead to Northern British Columbia. This was a blow to the Canadian Northern, as it had intended to have its construction materials carried by the Grand Trunk Pacific through this section and thus cut down much of its expense.

But if the Liberal Government tried to hinder the Canadian Pacific Railway, that powerful organization reciprocated. The following letter to Laurier concerning the elections on the prairie in 1905 shows this:

You are no doubt aware in a general way of the attitude of the Canadian Pacific Railway in both provinces. In the constituencies of Banff, Calgary, and Gleichen in this province, the Canadian Pacific Railway had practically charge of the campaign and every influence they could use, fair or unfair, was brought to bear on the Liberals. The influence of the Canadian Pacific Railway can be felt, also, in every point in Saskatchewan province where they had pull. They have shown their hands... and I would make it war to the knife from this out.⁴

1. Sessional Paper 20(c), 1907, 79.

2. C.A.R. 1905, 548.

3. Sessional Paper 20(c), 1907
80.

4. Skelton, O. D., Op.cit., 244 (footnote).

Fortunately for the Grand Trunk Pacific Railway, the Liberals held an overwhelming majority in the federal house until 1911 when the Conservative government under Robert Borden gained power.¹ By this time the railway was so near to being built that he could do nothing but finish it. Had he wished to hinder it, he was faced by the fact that practically the only section incomplete was in British Columbia, which had remained faithfully Conservative from the time the railway had begun. This does not mean that the feeling between the Conservatives and the Grand Trunk Pacific was at any time friendly. Sir Robert Borden states, "I referred to the active and antagonistic intervention of the Grand Trunk Railway against our party in 1908, and emphasized strongly that we desired no quarrel with any great corporation in Canada; but that if such a corporation desired to attack and persist in attacking our party we were prepared to meet them and to press the quarrel to the bitter end....Subsequently Mr. Wainwright, Parliamentary Representative of the Grand Trunk Railway, called and suavely inquired if I intended to allude to his company, protesting at the time that my suspicions were entirely unfounded. He received little comfort out of our interview."²

Two of the western provinces maintained Liberal governments while the railway was being constructed, and there-

1. Note: In 1911 Sir William Van Horne spoke on Montreal political platforms against the Liberal party.

2. Borden's Autobiography, 315.

fore did all in their power to advance the project. In the others, British Columbia and Manitoba, Sir Richard McBride successfully fought the railway and forced it to build from the west, while Mr. Roblin was fortunate in holding the key position for the building of a transcontinental.

In both provincial and federal governments were many charges of graft. "The reliance upon the public treasury ...brought into Canadian politics the most corrupting single factor in Confederation times, apparent in campaign contributions, advance information as to location of land deals, free passes for members and their families, the buying of newspapers, - the whole 'long trail,' in Mr. Bennett's phrase, 'of parliamentary corruption, of lobbying, of degradation of parliamentary institutions, of the lowering of the morals of public life.'"¹

In every province the influence of the railway was felt, and in almost every one were scandals or charges of political scheming. In the Maritimes the resignation of Blair as Minister of Railways, and the choice of Moncton as the terminus are examples of the influence of politics. It might be noted as a result of this, St. John followed Blair in opposing the Liberal scheme and elected a Conservative in 1904.

In Quebec province, it was the pressure from Quebec city which resulted in the railway passing through that city

1. Skelton, O.D., op.cit., 419.

Note: On January 26, 1939, on the occasion of his farewell speech to Canada delivered at St. John, New Brunswick, Mr. Bennett referred to the problem of railways and patronage as one of Canada's four great problems.

in preference to Montreal. In the scandal connected with the resignation of Blair, the attempt of the Conservatives and the Canadian Northern interests to oust Laurier by the purchase of "La Presse" has been shown.¹ In 1907 a more flagrant charge of graft was investigated in what is known as the "Asselin Case."² Olivar Asselin was the editor of a newspaper, Le Nationaliste, which charged Prevost and Turgeon, two members of the provincial cabinet, of conniving with a Belgian syndicate under Baron de l'Epine. This group was to purchase large areas in the Abitibi region on the supposed route of the Grand Trunk Pacific. They were to be sold the land for one dollar an acre, of which seventy cents was to go to the public treasury and thirty cents was to be given to campaign funds. In the trial the jury split with a vote of six for each side. The charges were unproven, it is true, but the resulting judgment was far from satisfactory, and Prevost resigned his portfolio of Minister of Mines, Lands and Fisheries.

In Ontario the Liberals, under Ross, in 1904 granted the Grand Trunk Pacific \$2,000 plus 6,000 acres of land for each mile built on the branch line to Fort William from the National Transcontinental Railway. As the total mileage was about 200 miles this grant meant a total subsidy of \$400,000 and 1,250,000 acres of land. The railway agreed to certain conditions such as the procuring of settlers, but in return for the cancellation of this clause the company later surrendered 525,000 acres.² A further proviso in the

1. supra, 24, 25.

2. Lovett, H. A., Canada and the Grand Trunk, 1924, p.161.

agreement added that until the company had located its lands a district 36 miles broad and 200 miles long was closed to settlement. On the lands granted the Grand Trunk Pacific was given all the minerals and all timber except pine. It is worth noting that the policy of permitting railway companies to choose their lands was abolished in the United States some years before, and companies there were forced to take lands without choosing the best portions. In 1905 the Conservatives, led by Whitney, swept the province, and from this time until the completion of the road the Conservatives were in power. No further subsidies were granted, nor were any branch lines built in this province.

In Manitoba the Conservative party maintained a clear majority during these years. It was a government which favoured much railway building, and Premier Roblin is recognized as closely connected with the Canadian Northern. In 1901 the Manitoba government required a 999 year lease at a payment of \$300,000 a year of the 354 miles in Manitoba which belonged to the Northern Pacific Railway. These lines were then leased to the Canadian Northern Railway.¹ There is no doubt Roblin favoured the Canadian Northern in many ways, especially with guarantees, and in return he demanded and obtained lowered rates. It is significant that there was no Manitoba branch line subsidiary to the Grand Trunk Pacific.

The provinces of Alberta and Saskatchewan were not

1. Fournier, L. T., Railway Nationalization in Canada, Toronto 1935, 32.

formed until 1905. In that year both elected Liberal governments. The premier of Saskatchewan was Walter Scott who remained in office while the railway was being built. The premier of Alberta was A. C. Rutherford until 1910, when, because of a split in the party, A. L. Sifton succeeded him. These governments assisted the railway in all conceivable ways, not the least of which was the formation of the Alberta Branch Line Company, and the Saskatchewan Branch Line Company. Altogether these governments guaranteed \$16,786,440 of first mortgage bonds. In connection with these provinces it must be remembered that the Canadian Pacific Railway was very powerful in the south, and the influence of the railways in politics in these provinces is very marked. An interesting example is cited in the Prince Albert Herald in 1908 of a town which had been held back for years and sidetracked by the Grand Trunk Pacific, because it voted Conservative.¹

In no province was the antagonism between the Grand Trunk Pacific and the government so obvious as in British Columbia during the early years of the company's life. The government there was Conservative under the leadership of Sir Richard McBride during the entire period of building. As early as March 3, 1903, the Victoria Colonist stated that, "The province was now being punished by the government at Ottawa and the railway for presuming to have a Conservative government."²

1. C.A.R. 1908, 202.

2. C.A.R. 1903, 373.

The people as a whole favored the railway and therefore the provincial government could not oppose it, but it could endeavor to make the terms as onerous as possible and check the officials of the railway in any way possible without endangering the building of the road. Two editorials in the Prince Rupert Empire are enlightening, the one because it leaves no doubt in the mind of the reader as to the political affiliations of the newspaper, and the other because it summarizes the attitude of the provincial governments to the railway. On June 12, 1909, is to be found this terse but definite remark, "Everything the Grand Trunk Railway has done west of Winnipeg has been done in a hell of a way," and the other statement, written on May 1, 1909, reads, "Mackenzie and Mann have announced that they will extend to Vancouver. It is generally supposed that a deal has been arranged with Premier McBride. Mackenzie and Mann are solid with the government of Ontario, which is Conservative. They own the government of Manitoba, which is Conservative. The government of British Columbia is Conservative, hence friendly."

The first statement is too prejudiced, as there is no doubt the Grand Trunk Pacific did some fine work in the west, but, as will be shown in the next few pages, they also did some that was far from creditable.

When the actual construction of the road was begun it was discovered, much to the dismay of British Columbia, that there was no clause which forced the railway to begin at the western end. This meant that the entire line could

be built from Winnipeg westward, which would not only delay the construction in British Columbia, but would also mean a great loss of business to the people of the province, especially in the cities of the southern coast. The Grand Trunk Pacific sought to use this fact to blackmail Premier McBride and the government, and to make them grant either a large cash subsidy or land grant. In 1905, while the Legislative Assembly was sitting, F. W. Morse, vice-president of the company, spent five weeks in Victoria, obviously lobbying. Apparently his demand was a grant of 15,000 acres per mile to abut on the railway, which the company agreed to sell at the prices asked by the government, namely \$1.00, \$2.50, and \$5.00 an acre.¹ As it was estimated that there were roughly 400 miles of line in British Columbia, the grant under these terms would have totalled 6,000,000 acres. The government told him plainly that he would receive no subsidy, whereupon he remarked, "I am sorry that the people of British Columbia have not signified a desire to co-operate with us."² On March 23 the government reaffirmed its attitude by officially announcing that there would be no subsidies at all from Victoria during that session. This was ten days after Morse's naive statement that the railway intended to build from east to west, but would start in the west if it obtained a good subsidy from British Columbia. Could anything "savor more of a holdup" than this statement? To the credit of Richard McBride, it must

1. Vancouver Daily Province, March 11, 1905.

2. Vancouver World, February 27, 1905.

be realized that he was not stampeded by the threats of Morse, and found a way to obtain the railway without submitting to his demands.

Foiled in his demands, Morse petulantly left the province determined not to build the line from the west. To cover the obvious reason, he issued this statement to the Winnipeg Free Press on March 27, 1905, "If construction were to begin at the western end, all the rolling stock, motive power, bridge and track materials would have to be shipped to the coast over a rival road and sent north by water a distance of several hundred miles. Again if the line were built from the east to the west, settlement would follow the line, which would be a revenue producer as fast as it was constructed." This is very plausible talk, but not plausible enough to hide the real reasons.

Premier McBride, however, found himself in a difficult position. Apparently he had saved the land grant but had lost the agreement of the railway to build from the west. It speaks much for the position he held that he was again successful in the elections of 1906. However, a weapon soon appeared by which he could force the railway to build from the Pacific end. It was trying to obtain possession of certain Indian reserves, especially those near Kaien Island, and to do this it must have the consent of the provincial government. This was the weapon which McBride used successfully, so that the road was begun from the British Columbia end. The final agreement was signed February 28, 1908.¹ By

1. C.A.R., 1908, 528.

it the Grand Trunk Pacific Railway received 32,000 acres on the Tsimpsean reserve, for which it paid \$2.50 an acre.¹ The land was to be sub-divided and the company was to pay three-quarters of the cost of subdividing. The company further agreed to buy supplies in local markets if possible. For this the province conceded the right of way, not exceeding 100 feet in width, from the border to the coast, and gave exemption from taxation until December 31, 1921. There was an understanding that the railway was to start building from the west coast. This agreement meant a grant of approximately 1,000,000 acres of land, which was far below the 6,000,000 asked by Morse in 1905.

Although McBride had forced the Grand Trunk Pacific to agree to his demands, and had insisted on the railway being built in British Columbia, he preferred the Canadian Northern Railway, and encouraged it by his favorable attitude. Before the election of 1909, McBride entered into negotiations with the Canadian Northern and his actions present an interesting contrast to his treatment of Morse and the Grand Trunk Pacific. He stated, "The government will welcome any fair and equitable arrangement between the Canadian Northern and this province. It is a thoroughly Canadian system, controlled by Canadians, It has done a great deal for the farmers of Manitoba, Saskatchewan, and Alberta, and may do a great deal for British Columbia. Assistance will be necessary but the interests

1. By the law of British Columbia one-quarter of this land reverted back to the province.

and rights of the province will be served."¹ Donald Mann was at this time in Victoria, and, without any waste of time, negotiations at once proceeded. By the agreement the British Columbia government guaranteed \$21,000,000 for 600 miles of line. R. G. Tatlow, the Minister of Finance, and F. J. Fulton, the Commissioner of Lands, resigned because they protested that provincial aid was unnecessary as the Canadian Northern would build to the coast anyway. As in the case of the Grand Trunk Pacific agreement, the terms were kept secret until public opinion forced their publication.

While they supported the Canadian Northern, McBride and the people of British Columbia did not discourage the Grand Trunk Pacific, because they realized that it was a necessary step towards the full development of the province. In 1909 McBride said, "By no means do I approve of the reckless and unbusinesslike policy of the federal government with regard to this company. Nevertheless we welcome the line here in British Columbia. The interests of the Grand Trunk Pacific are almost identical with the interests of the province."² There was never the closeness between British Columbia and the Grand Trunk Pacific that there was with the other railway, largely because the northern railway was a Liberal project, while British Columbia was a Conservative province. The people did not forget that Sir Wilfred Laurier had sacrificed the British Columbia seats in the federal house during the elections of 1908 because he would not support the exclusion

1. C. A. R. 1909, 587.

2. Vancouver Daily Province, January 26, 1909.

of Orientals which would have compromised his imperial policy.

Moreover, the Laurier government had shown their antagonism towards the western province when they "declined to have any share in the...extension through British Columbia to the coast."¹

With the election of the Conservatives under Robert Borden to power in the federal house in 1911, British Columbia and Manitoba received their rewards. Both Richard McBride and Roblin declined positions in the cabinet. Large loans were made during the next few years to enable the railway to finish. "A cash subsidy was granted to British Columbia extension...in 1913 it [the federal government] voted a cash subsidy of \$15,645,000 on the distinct understanding that this would make it possible to complete the road."² The McBride government also proved much more gracious in guaranteeing the bonds of the Grand Trunk Pacific. With this assistance the railway was enabled to complete its main line in British Columbia.

From the beginning to the end the Grand Trunk Pacific presents a sordid picture of political patronage. Begun as a Liberal scheme, it was completed under the Conservatives, and both parties used it for their own ends. Province by province the same story is to be seen. The railway must be constructed to please the adherents of the party in power, it must be used as a possible source of new constituencies, and it must be used as a weapon to inconvenience the opposition. The great underlying problem facing those

1. Skelton, O. D., op.cit., 420.

2. ibid., 420.

who tried to save the railway in its decline was the rescue of the railway from politics and of politics from the railway.

The railways of Canada were built for profit-making, and many schemes were introduced by which these profits could be increased. In this respect the Grand Trunk Pacific stands well to the fore. It was unsurpassed in the variety and unscrupulousness of its methods. The promoters of this scheme seemed to visualize the whole of western Canada as their hunting ground, to be ensnared and robbed at will. At times the railway was not averse to going beyond the law, undoubtedly feeling that with its parliamentary support it would not be checked. As a result many complaints were made regarding its actions. In 1911 it was brought to the attention of the Railway Commissioners that the Grand Trunk Pacific had crossed 80 highways in Alberta without the Board's consent, in spite of the fact that the penalty for this offence was legally a fine of \$25.00 for each offence.¹ A similar case to this was the protest to the commissioners by the citizens of North Edmonton regarding the closing of the Fort Saskatchewan Trail. The railway had closed the trail by building across it. The Grand Trunk Pacific had progressed in this section without the consent of the Board and without presenting plans, omissions of which were both illegal. Negotiations continued for three years before the Grand Trunk Pacific gave signs of actually agreeing to the requests of the Board and the citizens.

1. The Aldermere Interior News, April 7, 1911.

However, the agreement did not come soon enough to prevent the commissioners handing down a judgment. This was in the words of Chief Commissioner Mabey, who at all times appeared to have no fear of the Grand Trunk officials, and whose strong condemnation bears partial repetition. He begins,

"This death bed repentance never appeals to me strongly," and continues, "I am forced to say I think this matter is quite in line with many other matters that your company has had with the Railway Board, and I think it is high time that some steps should be taken to find out whether the engineering department of the Grand Trunk Pacific is subject to the Railway Act, or whether it has a precedence unto itself uncontrolled by the law that the other companies are supposed to be governed by....Your road is there illegally...a new order requiring the railway to file within thirty days detailed plans and complete it within thirty days after approval. The penalty for failure shall be \$100 a day for every day's default...and I will undertake to see it will be imposed and enforced."¹

In 1908 the municipality of Miniota in Manitoba asked that the Grand Trunk Pacific put in overhead instead of level crossings, because at that point the railway runs for a mile through a deep cut and trains could not be seen. It was further pointed out that in its second crossing the Grand Trunk Pacific had diverted the highway without securing authority from the municipality first.²

In 1908 Fort William protested at the desire of the railway to run a large spur track along Neebing Avenue. For its case the city stated that the only reason the Grand Trunk Pacific gave for wanting the street was that the land along it had been reserved for industrial sites and it wanted

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1. Sessional Papers 20(c), 1913, 330 - 338.
 2. Winnipeg Free Press, September 14, 1908.

to get the business from them. It was shown, however, that the owners of the property had already reserved a right of way along private property for the purpose of laying a spur track, and that the plan of the railway would practically keep the city away from the river frontage.¹

Another protest which revealed an interesting legal escape from the spirit of the original contract of the railway came from the Central Saskatchewan Boards of Trade, who protested that the service was not adequate. In reply to this the Railway Commission pointed out that the Act stated that "period of construction" means the time which should elapse until the western division should be completed, and until the end of that time the railway did not have to open for traffic. It had received permission to carry settlers and their effects on the construction trains, and also to run a tri-weekly service of mixed trains, but regular passenger trains were not required. In spite of this the railway was abusing its privilege of carrying settlers by running excursion trains to the east.²

An enlightening picture of the methods of the Grand Trunk Pacific in crushing its small competitors comes from Saskatoon. Here the company had an agreement with a bus company for the exclusive right of picking up fares from its station. E. A. Purcell, an independent cab driver, attempted to obtain passengers there, and the company agent

1. Winnipeg Free Press, July 21, 1908.

2. Sessional Papers 20 (c), 1911, 312.

used several methods to prevent his succeeding. At first Purcell was not allowed to back up to the station platform, which forced any prospective passengers to walk 100 feet through mud to him. Later the agent piled up trucks and baggage in front of his cab so that customers were further inconvenienced. Purcell protested to the Railway Commission, and, in giving the decision in his favor, Judge Mabee commented, "Nobody but your company tries to do illegal things all the time."¹

These are a scattered few examples, but they are typical of the high-handed action of the Grand Trunk Pacific. In other ways their methods of making money were even more impudent. An excellent example of this is the expense account submitted to the government on June 30, 1905. The railway claimed to have spent \$926,293, but the government auditor, Mr. Shannon, disallowed \$162,000. The government engineer, Mr. Schreiber, however, overruled him and allowed the whole claim. Some of the figures included in this estimate, which was supposed to be the "cost of construction", were \$26,000 for legal expenses and \$46,000 for terminal land, of which \$20,000 went to Mr. Morse and \$26,000 to Peter Larsen (of whom we shall hear later in the Kaien Island dispute, but who supposedly gained nothing from that deal). Other figures disallowed by Shannon included \$3,000 as the expenses of Morse and Hays for a trip to the Pacific coast, \$125 per month for a clergyman's services, \$325 to Mr. Wainwright for

1. Prince Rupert Daily News, December 29, 1911. The case is treated fully in Sessional Paper 20(c), 1913, p. 352.

"advertising" (of which there is no record), \$1,132 for Hays' trip to England, \$4,661 for the salaries of the London officials (most of whom were really Grand Trunk officials), \$2,433.33 for directors' fees, and so on. The first estimate was withdrawn by the company, a fact which the Conservatives were loud to criticize, and a second statement was issued, of which Shannon still disallowed \$70,000. It is small wonder that Walker, the senior auditor of the Grand Trunk Pacific, left for the Mediterranean in the middle of the investigation. It is significant, too, that Schreiber, a Liberal appointee, let the first estimate pass, and that the Liberal party permitted the Grand Trunk Pacific to withdraw the first estimate entirely.¹

Although the railway failed in this attempt to fleece the government, in 1911 they were more successful. As the result of a decision of the Railway Commission regarding an intricate point connected with the Grand Trunk Pacific Act of 1904, the railway was awarded the sum of \$10,080,000. This sum had no connection with the subsidies which were granted from time to time, and was therefore practically a gift.²

As in all railway building, most of the money was made from land speculation. It must not be understood that the Grand Trunk Pacific and its subsidiaries were the only ones to make fortunes by this method as a result of the railway. Many other organizations and individuals attempted to take

1. H. C. D. March 20, 1907, 5027 ff.

2. C.A.R.1912, 124. The exact wording of the award will be found quoted at this place, but is too intricate for this study.

advantage of the rising values of land, and speculation was heavy throughout the whole area served by the road. H. C. Brewster, a man who was noted for his honesty and intolerance of graft, summarized the extent to which this had been done in British Columbia alone up to 1914 as follows:

Along the lines of the Grand Trunk Pacific and Pacific Great Eastern, 144 syndicates have secured 1,284,720 acres of the best agricultural lands.... These are held by speculators. 67 of these syndicates average 15,000 acres each. The government receives from these alienated lands...about enough to run the government for about five months. We get only \$450,000 taxes from the land, whereas at four percent it ought to bring over \$1,000,000 a year.¹

Another report tells that, "A large portion of the agricultural lands along the line are in the hands of speculators. One Winnipeg syndicate took 35,000 acres at eight dollars.... There is a tax of 25 cents per annum per acre on wild land, however....The price realized from the sale of lands is often from \$12 to \$20 an acre."² None of these speculators were as large nor as grasping as the Grand Trunk Pacific.

It its attempts to gain a profit from land speculation, the railway faced several problems. These were the competition of other speculators, the obtaining of land grants from the governments, the dealing with those individuals or groups who already owned the land which the railway wanted, and the marketing of their sites for high prices. In achieving these results, the company had one great advantage in that it knew where the railway was to run, and it had the

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1. Prince Rupert Daily News, April 4, 1914.
 2. Winnipeg Free Press, August 27, 1910.

power of creating stations in places suitable to its needs. Sometimes the line ran through, or close to, a settlement that was already in existence before the railway was begun, and in this case the problem was to gouge as large an amount, in either land or money, from the municipality as possible. At other times the railway wished to enter some city which was already established, and in this case the problem was to maintain a bluff that it would not build there unless it received a subsidy. Many examples are to be found of the granting of subsidies to the railway by municipalities, or the "squeezing" of those which were slow in paying. Examples can also be found of methods of persuasion which were little more than poorly-disguised blackmail.

One of the first towns which would naturally expect to be on the Grand Trunk Pacific was Brandon, Manitoba, especially in view of the fact that its member was Clifford Sifton, and he had practically promised it.¹ But it is well to observe what actually did happen there.

In 1905 and 1906 F. W. Morse travelled through Western Canada ascertaining the attitude of the different cities towards the Grand Trunk Pacific, or, it would be more truthful to say, the offers of the different cities to the railway. Apparently most of them were amenable, but Brandon, probably trusting the word of Sifton, proved stubborn. The result was the statement of Morse on August 8, 1906, which is a poorly disguised threat, that the coming of the railway

1. H. C. D., March 27, 1912, 6324.

to Brandon would depend on the improved attitude of the citizens, as at that time it was the only western town throwing obstacles in the way of railway entrance.¹ The city proved obstinate, or else had too much faith in the words of a politician, and the result was that because of the "lay of the land and the general direction of the road,"² the main line did not pass through Brandon (a lesson to any other towns which might have had the same attitude), and three years later not even a branch line had been built to the town. In July 1909 Brandon brought pressure to bear upon the railway in an attempt to have the ten mile branch line built from Justice by that autumn³ only to learn two months later that, "It is our policy [The Grand Trunk Pacific] policy to build a road first where the bonds are guaranteed, and on this account we will not build into Brandon this fall."⁴ The line was built in 1910, but did not prove to be as valuable as the city expected because it was not built through the city. The chief obstacle was the building of a bridge across the Assiniboine River. In 1912 the federal government interceded, and granted a subsidy on both line and bridge. The original agreement was that the railway was to obtain 15% of the amount spent on the bridge as long as this does not exceed \$20,000, but in an

1. C. A. R. 1906, 112.

2. ibid., 112.

3. Winnipeg Free Press, July 28, 1909.

4. C.M. Hays, quoted in Winnipeg Free Press, September 6, 1909.

attempt to settle the difference between the city and the railway the contract was changed to 25% of the cost of the bridge with no limitation on the total.¹ Thus, again, after a wait of six years, the Grand Trunk Pacific emerged from the struggle with an excellent contract for itself, and Brandon was forced to suffer for its "stubbornness".

Most cities were not as difficult as Brandon, however, and did co-operate with the railway. Those cities which hoped to be divisional points or termini were especially liable for a bonus. Three excellent examples are Fort William, Regina, and Edmonton. The terminus on Lake Superior had been left very vague by the charter, and the city to be honoured with the award was Fort William. The terminus was made at Mission Island on March 30, 1905, which enabled the railway to have 7 miles of water frontage, and for this the city paid a bonus of \$300,000 in installments, 1600 acres which were to be exempt from municipal taxation for 15 years, the rights of closing up and using certain streets, and \$50,000 towards the Kaministiquia Bridge. In Regina an agreement was made between the city and the Grand Trunk Pacific Branch Lines Company in 1912. In return for making this a divisional point, and building a station and hotel costing \$1,000,000, the city bestowed on the railway a right of way and a grant of land. In 1905 the company agreed to make Edmonton a divisional point between Winnipeg and the coast, for which it received a cash bonus of \$100,000 and other concessions. In the following year the Grand Trunk Pacific agreed to purchase

1. H.C.D., March 26, 1912, 6060.

800 acres of land in the Alberta capital for yards, station grounds, and so forth, and the city council granted a bonus of \$400,000 in cash or debentures as well as certain exemption from taxation.

In British Columbia the railway found the land much more difficult to obtain than on the prairies as much of it was Indian reserve, and as the land speculators had been very active. Near the junction of the Fraser and Nechaco Rivers was the old settlement of Fort George. When the railway approached this point it discovered that the Natural Resources Security Company, an organization influenced by George Hammond of Vancouver, controlled about 2,000 acres in the townsite. In an effort to escape from this group the railway attempted to purchase an Indian reserve north-east of Fort George and to build its own townsite there, which was to be named Prince George.¹ On April 29, 1910, it published in the local newspapers a plan of the new townsite showing the railway passing through the Indian reserve, and with the station in this section. However, owing perhaps to the influence of Hammond's associates, the Indians proved loath to sell. Negotiations were carried on through Dr. John McDougall, an official of the Indian department at Ottawa, and the Grand Trunk Pacific offered \$68,000 to the Indians for the abandonment of their reserve, and an additional \$10,000 to enable them to buy new land. As the reserve totalled 1,300 acres the price was approximately \$50 per acre. The Indians, however, refused to

1. Nicknamed in advertisements "The Winnipeg of British Columbia". There is an interesting account of Fort George in the Vancouver Daily Province, August 4, 1911.

sell, and the reason was given tersely in the phrase of one of them who is reported to have said, "White man ketchum reserve \$50 an acre, sellum lot \$50; Indian dam fool sellum."¹ Apparently even the ignorant natives were learning from the white man.

Further offers were made by the company, and they now approached the Indians through Father Cocola. Gradually they began to adopt a favorable attitude towards the company's proposals, until finally the reservation became divided into two groups, one led by Chief Loui who desired to sell, and the other by Joseph Quah. After much palavering, the former group proved successful, and in February an agreement was made by which the railway agreed to pay \$15,000 a year for ten years, and give the Indians a new reserve of about 750 acres 15 miles east of Prince George. This was more than double the first offer of the railway.

Now the Grand Trunk Pacific found itself opposed by the Natural Resources Security Company, which had bought most of the available land in the district from the original settlers in 1907. When the crown grants were issued to the railway, it protested that it had not been given the section controlled by the other company, but the provincial Department of Lands upheld the original settlements. This land was subdivided by the Natural Resources Security Company and developed so that both the population and number of buildings grew.

When the Grand Trunk Pacific Development Company,

1. Prince Rupert Optimist, December 27, 1910.

the subsidiary which the railway used for the exploitation of townsites, met a situation like this, its general policy was to give the owners 50% interest in the townsite in exchange for a clear deed to their property.¹ But Hammond and his associates refused these terms. The railway therefore determined to build its station farther east than it had originally planned. Hammond protested to the Railway Commission and it ordered that the station should be built at the west end of the reserve. However, the Grand Trunk Pacific appealed this decision and it was reversed, so that the station was built at Prince George, on the eastern end of the reserve.

After this the railway proceeded with the development of the site. It planned a \$200,000 hotel among other things. The lots were auctioned in Vancouver and Edmonton in September, 1913. A total of 1,175 lots were sold for a total sum of \$1,293,135. The lowest price paid was \$120, the highest was \$10,200.

Hazelton presented a very similar problem to the railway company. Here again was an established settlement, but it was not on the projected line of the railway as it was on the north side of the Bulkley River and the railway intended to follow the southern bank. The south bank of the river was at that time commonly known as Taylorsville, but upon the purchase of 640 acres by Robert Kelly for \$100,000 it was spoken of as the "Kelly Lot". The land adjoining this site was controlled by the Northern Interior Land Company

1. Omineca Herald, May 16, 1913.

on September 1, 1911. Kelly and the land company amalgamated and named the townsite New Hazelton, "the Spokane of Canada". They immediately put lots on the market at prices varying from \$150 to \$500.

On September 24, 1907, the Railway Commission had given its sanction to a site for a station at New Hazelton chosen by the chief engineer of the railway company. 29.03 acres of land were allotted in the townsite for the station and yards. But this did not satisfy the Grand Trunk Pacific Railway, and it demanded a larger part of the townsite. When this was refused it proceeded to exploit a townsite at Ellison, about three miles to the west. Lots were advertised there, but it was found that not only was Ellison on a curve, but it also had too heavy a grade for a station. The railway company then turned its efforts towards the exploitation of a point three miles to the east of New Hazelton, known as lot 851, which it named South Hazelton. This action was appealed to the Railway Commission, and Judge Mabey gave his decision on December 19, 1911, that the station must be built at New Hazelton. In making this decision he said,

It is a public scandal that a railway corporation should go about the country and obtain conveyances of this kind under false pretences. If a private individual had done what this company has done, he would probably land in the penitentiary. At any rate he ought to be in a penitentiary. The land was obtained through the grossest deceit on the part of the representatives of this company, and it is a breach of faith of the worst character that they should attempt to repudiate their contract. ¹

1. Sessional Paper 20(c), 1913, 373.

The Grand Trunk Pacific Town and Development Company appealed the decision of the commissioners, and on May 11, 1912, the Governor-General in Council cancelled the order of the commissioners and sent it back to them for reconsideration. On June 22, the Railway Commission repeated its former decision that the station should be built at New Hazelton.

Thus balked the Grand Trunk Pacific did its best to boost its own holdings and to retard the progress of New Hazelton. On November 29, 1912, a protest was sent to the Railway Commission stating that the railway was unloading all its trains at Sealy, three miles to the west, and then the trains were running empty to the "Y" at New Hazelton, turning around there, and going back. It was December 20 before the railway finally chose its station site at New Hazelton, and even after that it did not hurry to erect the building. In order to harass further the town the railway delayed four carloads of timber which was being sent to construct a bridge across the Bulkley to Hazelton, so that the work on this had to be stopped for some time. Thus was New Hazelton punished for not "co-operating" with the railway.

These two cities, Prince George and New Hazelton, are notable in the development of the Grand Trunk Pacific since they show the ruthlessness and covetousness of those who built it, and reveal that it was not altogether a "national spirit" which imbued the men who were responsible for its construction. Can

Canada owes much to the Grand Trunk Pacific Railway,

and its influence in the early years of the twentieth century was tremendous. It is unfortunate that such a great organization, which did so much towards the opening and development of the Dominion, should have used its strength so selfishly. A company which might have left as a monument to itself the knowledge that it had done more good for Canada than any other single group, left instead a sordid memory of exploitation, corruption, and ill-used power. Does it not seem justice that an organization which used the methods of this one should find itself bankrupt? But is it not lamentable that the very people whom it had wronged should be forced to burden themselves with its evils? It is only to be hoped that the future will recompense the people of Canada for their sufferings by yet making this line a **great** railway and an important factor in the development of the nation's unity and prosperity.

Chapter VI. The Romance and Struggle of Railway Building

In its magnitude, the difficulties which it faced, and the romance of its history, the building of the Grand Trunk Pacific Railway challenges the imagination. It presents a colorful epic of struggle, danger, and suspense, comparable with the tale of any of the great railway ventures.

The actual construction of the Grand Trunk Pacific was an immense task and required the finest type of organization and planning. Its main line was 1758 miles long from Winnipeg to Prince Rupert, a tremendous undertaking for a young country with a population of less than six million¹ and two other great railways in the process of construction. It was built in ten years, which means an average of one-half a mile each day. As many as 10,000 men worked on it at one time, and in 1913 British Columbia alone had 6,500 employees. 24 steamshovels and over 600 teams were used when the road was being built through the Yellowhead. Almost 300 new towns and villages and millions of acres of agricultural land were opened by it. Sections, with buildings, were marked off every twelve miles in the prairies and every seven in the moun-

1. Article by W.W. Swanson in "The Economic Review, September 1917, gives the following figures of persons per mile of railway: Canada 185; Argentine 274; United States 400; United Kingdom 2,000; Russia 4,000. p. 690.

tains. There were 34 steel and concrete bridges of which 26 were in the Mountain Section, 13 tunnels totalling 9,000 feet, and 7 snowsheds with a total of 1700 feet. The road bed was ballasted to the depth of 18 inches, and the rails weighed 80 pounds per yard, an exceptionally high figure for North America. The tracks cross the Canadian Pacific Railway six times and the Canadian Northern seven. Besides the railway construction there were fences built along both sides and a telegraph line paralleling the entire route. The Canadian Car Company of Montreal, which had the contract for rolling stock, turned out 8 cars each working day for five years, a total of 12,000 freight and 250 passenger cars.¹

Charles M. Hays had stressed the fact that the road should have a minimum grade and curvature, his aim being a road with a maximum grade of $\frac{1}{4}$ of one percent, which means a rise of 21.12 feet per mile, and a maximum curvature of 4 degrees, which means a circle with a radius of 1432.5 feet. Although this was not achieved the result was surprisingly close in view of the little that was known of the route when Hays made his demands. The final maximum grade was four-tenths of one percent against traffic going east and five-tenths of one percent against that going west, a rise of 26.4 feet per mile, except for one stretch on the Rocky Mountains near Tete Jaune Cache, where for 19 miles the grade against traffic going east is one percent. There was no curve on the prairies over three degrees except in the cities

1. Lovett, H. *op.cit.*, 164. This was a \$10,000,000 contract issued in 1906.

of Edmonton, which had four curves over this figure, and Winnipeg, which had one. In the mountains the maximum curve was six degrees. When it is realized that the existing trans-continentials at that time ranged up to four percent, or 208 feet per mile of rise, the immensity of the task can be fully realized.

The advantage which this construction gave the Grand Trunk Pacific over other roads is outstanding. For example, a train which could draw 250 tons on the level could draw 125 tons on a four tenths percent gradient, 71.43 tons on a one percent gradient, and only 62.5 tons on a one and two-tenths percent gradient.¹ The gross capacity of an engine on the Santa Fe Railway was 376 tons, the Union Pacific 572 tons, but on the Grand Trunk Pacific 2,014 tons.² A freight train on the Grand Trunk Pacific could carry four times as heavy a load as it could on the Great Northern, Northern Pacific, or Union Pacific, five times as much as on the Santa Fe, and seven times as much as on the Canadian Pacific.³ In regard to this Charles M. Hays stated, "The interest on the cost of such a line will be returned to us ten times and over in economy of operation and the increased safety of our passengers."⁴

1. H.C.D. August 27, 1903, 9836.

2. Cameron, Agnes Deans, "Cock O' the North", Westward Ho Magazine, V, October 1909, 624.

3. The "Big Hill" between Hector and Field on the Kicking Horse Pass Railway rises as much as 4.4 percent, which is 232 feet per mile. The construction of the Grand Trunk Pacific was largely responsible for the building of two spiral tunnels here by the Canadian Pacific in 1909. One was 2800 feet long, the other 3200 feet, and the cost was \$1,250,000.

The influence of the railway on the country as a whole cannot be over-emphasized. It afforded an outlet for the wheat of the prairies and the goods of the east. This was one of the most important factors in attracting thousands of settlers to Canada. In 1908 it was estimated that 72,000 people left the United States alone to seek free farms in Canada,¹ and although it must be admitted that the Grand Trunk Pacific was not the primary cause of this influx its influence cannot be disregarded. For example, on March 27, 1909, the Winnipeg Free Press reported, "Five car loads of settlers left Portage for the west yesterday on the Grand Trunk Pacific, and two trains loads will go early next month." So great was the necessity of transportation for the settlers that the railway obtained permission to carry them on the work trains before the road was actually opened for traffic. The significance of this great immigration movement can be realized from the figures showing the total immigration into Canada for the six years commencing 1908.² Most of these people settled in the west and towns sprang up like mushrooms. Wainwright,

4. (from previous page) Winnipeg Free Press, December 5, 1908. The truth of his statement has been amply carried out since the road was built. The investigation held by the Senate in 1938 shows this repeatedly. An excellent example is to be found on p. 635 of the report.

1. Cameron, D. C., op.cit., 627.

2. cf. Carrothers, W. A., Emigration from the British Isles, London, 1929, 316.

which was put on the market July 1, 1908, is a typical one of these "boom" towns. In two months it had five general stores, two hotels, five lumber yards, two livery stables, two drug stores, two hardware stores, three doctors, and a resident population of 300. Unfortunately many of these towns were too much like mushrooms. They sprang up overnight during the boom, but when the ensuing depression hit the country, and the speculators had milked the gullible dry, they declined and became unimportant. Such collapses are one of the great evils of railway building and prove a great handicap not only to the ultimate success of the railway but also to the country as a whole and to its credit abroad.

The railway did more than build up the agricultural sections of the prairies. The great demand for lumber, ties, and poles caused a boom in British Columbia mills. In the north the railway enabled Prince Rupert to ship the fish, for which it has since become famous, across the continent. Shipping on the Pacific coast flourished as never before. The need of coal resulted in the opening of the coal mines in the Rockies south of Edson and also in the Bulkley valley. In the latter place the Grand Trunk Pacific was responsible for the surveying of much of the country around the Telkwa and its tributaries the Mud and Goat Creeks, which resulted in the development of the mines of that section.

In all parts of the continent interest was aroused by this new road. The industries of the east hummed with the manufacturing of goods which were needed in the new west.

So great was the demand for steel that the mills of Ontario and Nova Scotia were not able to keep up with the demand. Moreover the manufacturers of the east and of England watched keenly the building of a line which would cut 500 miles from the route by Vancouver to Yokohama and 1500 from the route through San Francisco. Unfortunately it was not shown at the time that, although Grand Trunk Pacific route was this much shorter, there were 500 miles of additional land haul, which more than nullified the advantages of the shorter distance.

In conjunction with the railway the Grand Trunk Pacific were responsible for a boom in the building trades. Hundreds of section houses, section men's homes, freight sheds, and other such buildings were necessary.¹ There were also, at divisional points, round houses and other buildings necessary for the maintenance of the rolling stock. The largest of these was at Transcona,² which was built in the municipality of Springate, six miles east of Winnipeg, by the Grand Trunk Pacific and National Transcontinental together.³ The total

1. One firm of contractors, Smith Brothers and Wilson, of Regina, built forty station houses.

2. Winnipeg Free Press, September 19, 1908, has a full page account of this undertaking.

3. H.C.D. February 15, 1909, 1070. A sample of the type of graft that was being done is revealed here in regard to these terminals. It was shown that the proprietors, J.H. Kern and F.C. Mathews, had purchased the land a very short time before and were asking the government for twice the amount which they had paid. They originally asked for \$300 an acre, but were only paid \$277.50, which resulted in a profit to them of \$100,000.

cost was \$5,000,000, of which the Grand Trunk Pacific paid \$3,500,000. The shops were opened in January 1913. At that time there were 3,000 men employed in them.

Many other noteworthy buildings were erected by the Grand Trunk Pacific Railway. The MacDonald Hotel at Edmonton, the Selkirk Hotel in Winnipeg, which was contracted by George A. Fuller Company of Montreal for \$1,500,000, the hotel at Prince Rupert, and the \$200,000 hotel at Prince George, which was built by Halibird and Roche of Chicago. Many fine depots were built, those at Regina and Winnipeg being built by the Canadian Northern and Grand Trunk Pacific together. That in Winnipeg cost of \$1,000,000.¹ As the early bitterness between these two railroads wore off, both evinced a marked tendency to co-operate. This was shown in the line through Edmonton and also on a stretch of 12 miles of track about twenty miles west of the Yellowhead. In this section the Grand Trunk Pacific built a double track and the other railway rented it.

The difficulties which the Grand Trunk Pacific had to overcome were numerous and at times serious. The first problem was the shortage of steel, and E. J. Chamberlain attributed the delay in construction during 1911 to the failure of the Sault Ste. Marie and Nova Scotia steel mills to deliver the rails, claiming that they were 18,000 tons short of their requirements. The most important disturbances, however, were caused by the problems of labor, the shortage of men, and the unrest of the workers.

1. H. C. D., 1907, 5512.

From the beginning the shortage of men was felt seriously. The competition from the other railway companies, as well as the farmers, and the attractiveness of free homesteads caused great delay in the building of the railway. In 1909 it was estimated that the railway was 3,500 men short, and in 1910 the number had increased. It was in that year that W. Stewart was sent from Montreal to Scotland with powers to spend \$1,000,000 to obtain 5,000 laborers. By 1912 the shortage was not so great, but on November 30 of that year Schreiber stated that the Balkan wars were drawing many men from the country and causing another shortage.¹ In 1913, when work was concentrated in the Mountain Section, the shortage was not so keenly felt.

As serious as the shortage of labor was the unrest among the men. The men were employed through employment agencies in the east which, because the men were given free transportation and quarters on arrival, charged exorbitant rates. Naturally the men were discontented. Their chief protests were that the accommodation and food were poor, the hours long, the machinery used defective, that the wages were low, that there were too many accidental deaths, and that favoritism was shown. Most of these charges were probably true, especially where the work was being done by small subcontractors, but they were probably aggravated by the fortunate position in which the men found themselves because of the shortage of labor. Undoubtedly a large number of men were killed on

1. Fort George Herald, November 30, 1912.

the road,¹ but it must be also noted that the number of accidental deaths on the Grand Trunk Pacific was not as high as the government-built National Transcontinental. The most serious charge of this type occurred in blasting the Kitselas tunnels, where eight men were blown up in a week. The railway officials blamed the unrest on the Industrial Workers of the World, commonly known as the I.W.W., which was at that time causing much trouble throughout the continent, but this charge was never proven.

Strikes were numerous. On March 13, 1909, one hundred men walked out from the Ross and McCaull contract near Prince Rupert, claiming that wages farther inland were higher. In July of the same year, a strike of trainmen on the line occurred and lasted for about three weeks. On September 28, 1910, a magistrate in Edmonton, examining the claims of six laborers, stated that the treatment of the men working on the railway was abominable. Strikes became more numerous in 1911 and 1912. On May 19, 1911, two hundred men near Aix walked out for more pay. In October, the machinists and boilermakers demanded 41 cents per hour and went on strike when it was refused. In 1912 they were awarded 45 cents and 47 cents an hour. In July 1912 occurred the largest strike on the railway. It began when between 2,000 and 3,000 men near Hazelton quit. They were joined a week later by 10,000 men on the eastern end of construction. The strike was blamed on the I.W.W. and troops were sent from Edmonton to protect the company's property. This was probably strongly influenced

1. There is no data on the number. The toll from those who travelled by rafts down the Fraser is exceptionally high according to eye-witnesses.

by the unrest in the southern railways where a series of strikes occurred about this time, but was also most likely caused by just grievances against the Grand Trunk Pacific.¹

In an effort to overcome these difficulties great efforts were put forth by the railway officials to import cheap labor. One scheme was to import men from Scotland. More serious was the attempt to import Asiatics. In March 1909 sixty Russian moujiks arrived from Siberia, the first contingent of a larger number who were reported to have been brought by the Grand Trunk Pacific.² These were not given the notoriety which the Oriental importations received. The McBride government fought unceasingly against Orientals, but the Liberal government in Ottawa would not assist in the exclusion of Japanese. On the day before the federal elections of 1907 the Vancouver Daily Province published the following report:

The Union Supply and Contracting Company, Limited - (in reality the Grand Trunk Pacific...as its manager is Mr. E. G. Russell, who is the confidential agent of the Grand Trunk Pacific on the coast, and its stockholders are said to be members of the local Liberal machine) - has, it is understood, entered into an arrangement to furnish through one of the largest labor firms in Tokyo, Japan, at least 50,000 coolie Japs during the year.

This is obviously a political move, and was very successful as McBride swept the province. That there was much truth in the charge, however, can be seen by the attitude

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1. It is impossible to obtain a complete list of the labor troubles of the Grand Trunk Pacific. As it was a private company no record of its strikes was kept by the federal government.
 2. H.C.D. February 25, 1909. An eyewitness had told me there were "hundreds of Russians" employed.

of Laurier towards Oriental exclusion and by the statements of several of the Grand Trunk Pacific officials. Collingwood Schreiber, the chief engineer for the government on the Grand Trunk Pacific, stated in October, 1907, "That is why we want Japs, but the people will not let them come in,"¹ and in 1909, "The mountain section of the Grand Trunk Pacific will never be built, at least not until you are grey-headed, unless the contractors are allowed to get in other than white laborers. Of this I am firmly convinced."² Sir Charles Rivers-Wilson said, "The temporary employment of three or four thousand Asiatics would save two or three years....At the end they could be taken back to the Orient."³ Finally there is the statement of Hays at Prince Rupert, "It is a question of labour.... I am not saying your government is doing anything intentionally to stop labour coming in, but I think in the desire to keep out the so-called undesirables they are really keeping out many good men."⁴

In surveying this great engineering wonder we must admire the foresight and the will of the men who were responsible for its construction. Above all, of course, credit goes to Charles M. Hays, who succeeded Sir Charles Rivers-Wilson as president on October 12, 1909. The ability of this man, who brought the Grand Trunk from the verge of bankruptcy and was responsible for the moving of the executive of

1. C.A.R., 1907, 159.

2. Winnipeg Free Press, Sept. 13, 1909.

3. ibid. October 13, 1909.

4. Prince Rupert Optimist, October 25, 1910.

that railway from London to Canada, is to be seen fully in the building of the Grand Trunk Pacific. It was he who had most to do with the original planning of the road, the setting of the grades and curves, the raising of finances, and all the important decisions as to the policy of the railway. Unfortunately he was drowned on the Titanic disaster of April 16, 1912. On the morning of April 25, 1912, his death was marked throughout Canada by a five minute silence over the entire Grand Trunk System at 8:30. An interesting problem, which will never be solved, is to determine whether or not he foresaw the financial ruin which was ahead of the Grand Trunk Pacific. Undoubtedly he must have realized that the railway was getting into very serious difficulties and it would be surprising if a man of such perspicacity did not realize that ruin lay ahead if the policies of the officials did not change.

He was succeeded to the presidency by Edson J. Chamberlin, the vice-president, who was knighted for his work on September 9, 1913, and who completed the building of the road.

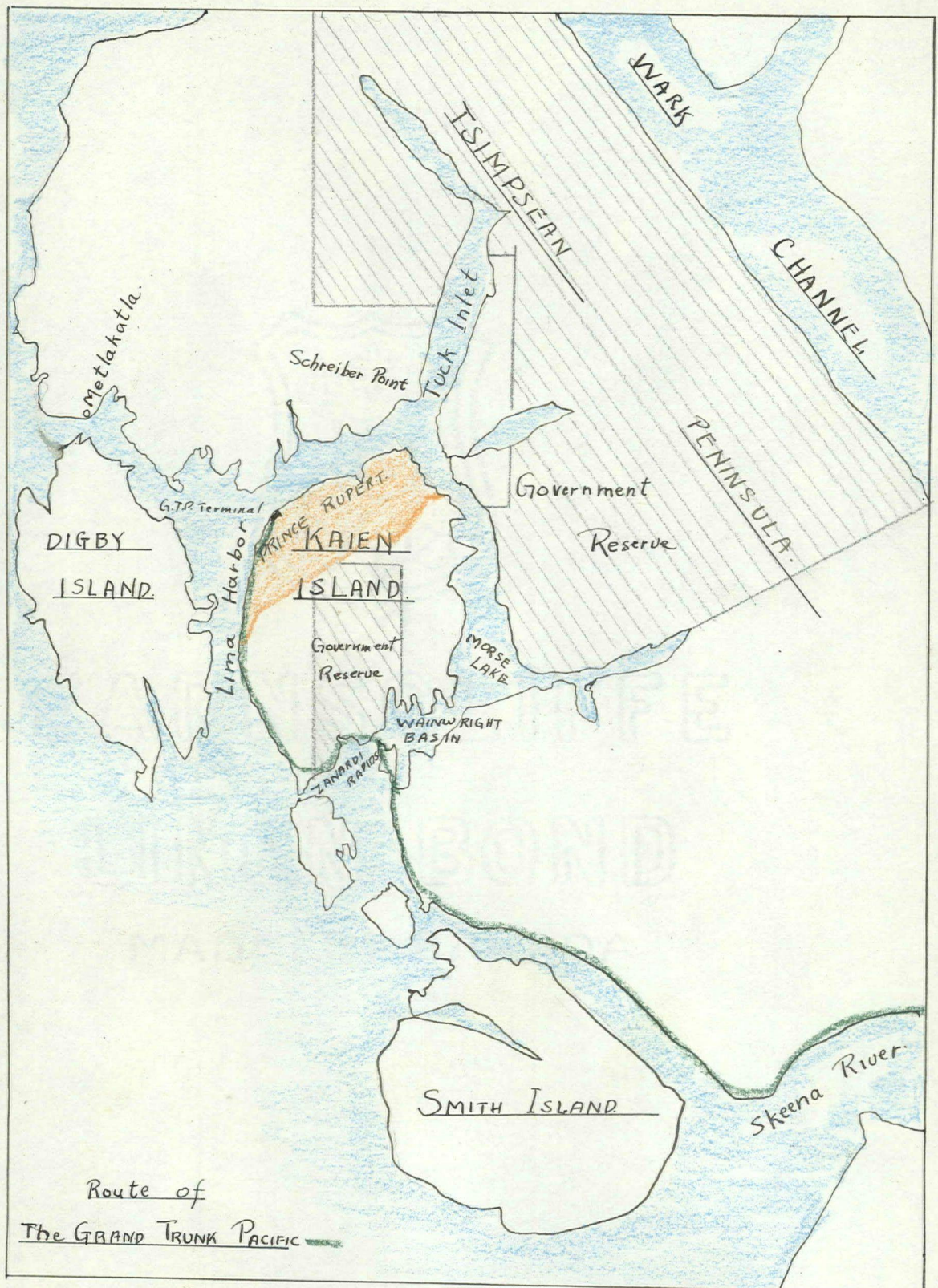
The construction of the railway was supervised by Collingwood Schreiber, who was chief engineer for the government, and was the overseer for all matters pertaining to the Western Division. He was appointed February 25, 1907, and kept an excellent check on all the work. The supervising officer of the entire Western Division for the Grand Trunk Pacific was B. B. Kelliher. The actual construction of this section was under chief engineer C. C. Van Arsdoll, who was nick-

named "Four-tenths Van" because of his attempts to obtain a four-tenths of one percent grade, and who was honored by having the town of Vanarsdol named after him.

Three contractors stand out in the construction of the Grand Trunk Pacific Railway. These were the Foley Brothers, Welch, and Stewart, who built the entire line from Saskatoon to Prince Rupert. Timothy Foley and M. H. Foley were well-known contractors from St. Paul, Minnesota, who were known in Canada through their work on the Canadian Pacific Railway in the first few years of its construction. They had also helped to build the Great Northern and were interested in the Canadian Northern. Patrick Welch was another well-known contractor from Spokane. John Stewart was the best known of the four. He was a Canadian and was affectionately called "Jack" Stewart by the workers, with whom he seems to have been on the best of terms. He died in Vancouver in November 1938.

These are the men who will be remembered for their work in building the Grand Trunk Pacific. There were thousands of others, however, without whom the railway would never have been built. Most of these are now forgotten, but legends have grown up around a few and have lent them a picturesqueness which will grow with time. Probably, of all the myriad of workers, none has left a more colorful story than Big Julia. He was just a common laborer, but he is remembered as the strongest and biggest man on the railway. Carefree and happy-go-lucky, he is symbolic of the type of men who risked their lives daily in order to lay two lines of steel across

a wilderness. Has any tale of fiction a more colorful figure, and a more pitiful ending? A swaggering giant, he became entangled with one of the many women who were to be found along the line, and as a result was killed in a brawl by a barber. As passing and unimportant as he were the braggadocio and lawlessness which marked the early construction of the Grand Trunk Pacific Railway, and in Big Julia may be seen the irresponsible ruthless life of the laborers who struggled for years but were soon forgotten.



The Location of Prince Rupert.

Map 3- To face p. 135

Chapter VII. Prince Rupert

The story of the building of the Grand Trunk Pacific Railway would not be complete without including an account of the building of Prince Rupert. It was planned and built¹ by the railway and is still primarily important because it is the terminus of the road. Inception, growth, and prosperity are all dependent on the railway. More than this, it presents a typical picture of the methods of exploitation used by the railway and the resulting scandals.

Kaien Island, on which Prince Rupert is situated, was for many years believed to be part of the Tsimpsean Peninsula. This projects about 35 miles north-westerly from the mouth of the Skeena River. Near its northern end is Port Simpson, the originally suggested terminus of the railway. About 20 miles south of this place is a long inlet known formerly as Tuck's Inlet, but now as Tuck Inlet. Kaien Island is situated at the mouth of this inlet. A few miles further west is Digby Island, which serves as a protection for Kaien from the rough waters of the Pacific. Prince Rupert is situated on the strait between these two islands.

For many years because of an error in the Admiralty charts, it was believed that the harbor was rendered useless by a large obstruction. Charles M. Hays is given the credit

1. Prince Rupert was the first city in Canada to be planned on paper before a single building was constructed.

of insisting on a resurvey which resulted in the discovery that the Admiralty chart was in error and that no such impediment to the harbor existed.

It is not certain when Kaien Island was selected as the terminus of the railway. On April 30, 1904, a secret Order-in-Council was passed by the British Columbia government by which an agreement was made with the Grand Trunk Pacific Railway. This bill was approved on May 4, 1904, but for some undetermined reason, was kept a secret until the spring of 1906. At that time, because of the insistence of the opposition, a Select Committee was appointed to enquire into the acquisition of lands near Kaien Island by the Grand Trunk Pacific Railway Company or other persons.¹ The committee consisted of J. A. Macdonald, J. F. Garden, E. H. Young, W. R. Ross, and C. W. Munro. Although no corruption of the government was proven, the investigation did not prove altogether satisfactory. Much had been hinted, and the public felt that where there was smoke there was probably some fire. Several important witnesses, notably Morse and Larsen, were absent. The committee was decidedly prejudiced, as the majority of the members were strong Conservatives, and the following quotation from the Victoria Daily Times, which is obviously biased against both the government and the committee, presents, in an extreme form, a belief which was general, "The government showed unmistakably this morning that they are prepared to burk the inquiry to the fullest extent. The Conservative members of

1. Journal of the Legislative Assembly, B. C. 1906,
Appendix, lxvii.

the committee are lending themselves to every device to keep the evidence back. The chairman, J. F. Garden, showed his partizanship this morning...."¹ In support of this it should be pointed out that the original appointment of the committee included A. H. B. Macgowan and William Manson, but the premier had substituted for these two Garden and Young, both Conservatives. Obviously the committee was "packed".

In brief the secret agreement of April 30, 1904, was made between the government, represented by the Honorable R. F. Green, and E. V. Bodwell, acting for Peter Larsen. By it the government granted 10,000 acres at a cost of \$1.00 per acre, with the following reservations: one-twentieth of the land was reserved for roads, bridges, and other public utilities; all minerals and water privileges; the right to take materials for public works without cost; one-quarter of the town lots that might be laid out (by British Columbia law this fraction reverted to the crown); not less than 1,000 feet of water frontage; and one-quarter of the land not divided into town lots.²

Peter Larsen was a very wealthy man, an extensive railway contractor, and a wholesale merchant of the United States. He was associated with James Anderson of Victoria, who did most of the actual work in British Columbia for him. The latter's home in Victoria had the same name, Lima, as the strait between Digby and Kaien Islands. The general belief

1. Victoria Daily Times, February 8, 1906.

2. H. C. D., January 21, 1907, 1792.

was that he was the spokesman of a group of speculators in the capital city, some of whom were members of the government.

Larsen then went to Montreal and made a deal with Hays and Morse by which the Grand Trunk Pacific was to pay \$40,000 to Larsen for the grant. Larsen, however, refused this, stating that he did not want immediate gain, but rather desired to establish a friendly connection with the railway company in the hope of acquiring business whenever the active operations should commence. For this reason he sold the rights to the railway for \$10,000, which he had paid the government, plus \$8,000 which he had spent on surveys of the district. He then paid Anderson the \$100,000 plus a salary, allowance for expenses, one-sixteenth interest in the lands on North and South Porpoise Islands and other places contiguous to Kaien, and also about five square miles of coal lands some distance from the coast. It will be noted that the expense account submitted to the federal government by the railway allows Peter Larsen \$26,000 for "terminal land".¹ Apparently he did establish a "friendly connection" with the company.

In the investigation, which was, as stated above, far from satisfactory, many interesting facts were brought to light. It was shown that much of the early negotiations were conducted in private homes, especially that of Anderson, and in private offices. Green even went to Seattle for some of the discussions. Anderson showed a tendency to delay in appearing before the committee, stating that a close

1. supra, 109.

personal friend had just died, and was not called until almost the end. He produced books and cheque stubs, but they were far from complete, and the remainder could not be found. Insinuations were rife at the time concerning the intimacy of Mr. and Mrs. Anderson and Green, and much was made of the fact that several times Green had been entertained at the Andersons' home. The Andersons were so incensed by these attacks that they called upon the editor of the Victoria Times to protest the manner in which their name was being used. A few days later Mrs. Anderson left Victoria.

Soon after the agreement of April 30, 1904, Bodwell became solicitor for the Grand Trunk Pacific Railway, but apparently he had no connection with them while he was arranging the early agreements with the government. After this change he dealt as the representative of the railway with the government. It was shown that the Honorable Mr. Fulton had protested against the terms at first, claiming that the government should receive five dollars an acre instead of one, but for some unknown reason he later agreed to the price of one dollar. Premier McBride supported the actions of the government, and especially stressed the fact that the government was to have the first choice for their 25% of the land, and that it had insisted that the water front should be divided into alternate sections of 1,000 and 3,000 feet. Morse wired his inability to appear because of the pressure of business, since Hays was in England and Wainwright was ill. As Peter Larsen was also absent the investigation

lacked many important facts.

When the report was presented there were two parts, a majority report by Messrs. Garden, Young, and Ross (the first two were those who had been appointed by the premier) and a minority report by Macdonald, the leader of the opposition, and Paterson.¹ The report was accepted by a strict party division, and it was agreed that the minority report was out of order and therefore it was not recorded.

The majority report was a complete exoneration of the government actions, as well as the other parties concerned. Nothing proved that any member of the government received anything from the land sale, and it was stated that there was nothing wrong with the actions of Anderson and Larsen.

The minority report was much more definite and includes the following points:²

(1) The grant had been made from a provincial reserve established October 12, 1891, but this did not extend to Kaien Island. This was largely due to the fact that the island at that time was supposed to be part of the Tsimpsean Peninsula, and the point is therefore, while technically correct, of little importance.

(2) Applications to the government were not considered on their merits. This is a clear accusation of partizanship and politics.

(3) The government had not dealt directly with the Grand Trunk Pacific Railway Company, but on the contrary had

1. For some unstated reason Paterson took the place of Munro after February 12.

2. Vancouver Daily Province, March 8, 1906.

dealt with a band of adventurers (male and female) who had applied for the lands for purely speculative purposes, to the knowledge of the government; that the government had no communication, either verbal or written, with any representative of the Grand Trunk Pacific prior to the passing of the Order-in-Council of May 1904; and that the telegram of April 29, which was presented as evidence in the investigation, was merely a move in the game to enable the speculators to contend that they could carry out the original intent of procuring the establishment of the Grand Trunk Pacific terminus on the lands and to give the government a pretence, a very specious one, that they had heard in an indirect way, if not in a direct way, from the Grand Trunk Pacific.

(4) The government had placed in the hands of Anderson and Larsen one of the most valuable public assets of the province for a barter with the Grand Trunk Pacific, and Anderson had succeeded in getting an agreement with the Grand Trunk Pacific to pay himself and Larsen \$40,000 for the concession. There was no satisfactory evidence given to show the ultimate fate of the \$40,000 agreement.

(5) The government had no right to grant land without the assent of the Legislature.

(6) The government took no steps to decide whether the grant was in the public interest. In the investigation Green admitted that the government had made no investigation of any point which might be suitable for a port, harbor, or townsite.

(7) The provision for the dividing of the foreshore enabled the Grand Trunk Pacific to place the terminal so as to render the government section almost worthless.

(8) Secrecy enabled Larsen and Anderson to obtain other contiguous land. In support of this it was shown that Anderson had received sections in diverse pieces of land near the townsite.

The investigation created a great sensation in the province as a whole, and especially in Victoria. It was, indeed, very unsatisfactory, and proved little of value. To many people it seemed as if "Garden, Young, and Ross, were placed upon the committee for the purpose of exonerating the chief commissioner and the government, and they have succeeded in their duty."¹ Although the evidence in the investigation was incomplete, and the report had not resulted in a unanimous exoneration of the government, the opposition had failed to prove its charges of corruption. The result left doubts in the minds of many people, but, without additional evidence, the findings of the majority must be accepted.²

The next step to purchase land near Prince Rupert was begun by the Grand Trunk Pacific in 1906. On February 5 negotiations opened at Old Metlakatla between E.G. Russell, representing the company, and the Indians who owned the reservation on Digby and Kaien Islands and on the Tsimpsean Peninsula. Also present were Bishop Du Vernet and the Indian Agent, Morrow. The negotiations lasted for five days,

1. Victoria Daily Times, March 8, 1906.

2. Because of his position, R.F. Green was the focus of the insinuations of the opposition. The investigation failed to discover any facts which upheld these charges, and the implications concerning the character of Green must be recognized as false.

(7) The provision for the dividing of the foreshore enabled the Grand Trunk Pacific to place the terminal so as to render the government section almost worthless.

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1. Victoria Daily Times, March 8, 1906.

Russell wished to buy the whole reservation for \$5.00 per acre, but the Indians refused and demanded \$10.00. The agreement was signed on Saturday, February 10, and by it the Indians agreed to sell 13,519 acres at a price of \$7.50 each. On March 28, 1906, the Grand Trunk Pacific applied to the Department of Indian Affairs for the right to purchase this land.

It took much longer, however, to make an agreement with the British Columbia government, for it was determined to use its power of veto as a lever to force several concessions from the railway.¹ This attitude not only caused a quarrel with the Grand Trunk Pacific, but also resulted in a decided strain between the Conservative government of British Columbia and the Liberal government at Ottawa. In the exchange of letters Richard McBride showed himself equal to the pressure from Ottawa. In one instance he wrote, "I beg to state that the action of the Federal government in connection with Indian reservations in British Columbia has been so unsatisfactory of late that, as at present advised, this government does not intend to enter into any other further arrangements with the Indian authorities."² Had this been done it would have been a great blow to the railway plans, but

1. supra, 103.

2. Correspondence between the government of Canada and the government of British Columbia relating to the Application of the Grand Trunk Pacific Railway Company to acquire a portion of the Metlakatla Indian Reserve, B. C. Government Printing Bureau, 1908. The above quotation was written on March 3, 1907.

it was only part of the game by which McBride forced the railway to build from the west and agree to his other demands. The agreement with the British Columbia government was signed on February 28, 1908, over two years after the agreement with the Indians. By it the province received \$2.50 an acre, as well as the quarter of the land that was reconveyed to the government by law. The survey of 2,000 acres of Prince Rupert townsite was to be completed by October 1, 1908. It was to be approved by the Commissioner of Lands and Works, and the province agreed to pay one-quarter of the cost and to appoint one surveyor. The province was to receive every fourth 1,000 feet of waterfront. All land outside of the township area, whether it be the original 10,000 acre grant or the new 13,519 acre allowance, was to be divided into water frontage 1,000 feet long by 150 feet wide, or into 40 acre blocks, by October 1, 1909. Street ends which ran into the sea were always to remain open to the public. The railway agreed not to expropriate any water frontage belonging to the province. The company obtained a 60 feet right-of-way on Kaien Island, and it was required to start construction work at Prince Rupert by June 1, 1908, and work continuously eastward. This clause and the clarity with which it is worded, so that there is no possibility of the railway beginning at Prince Rupert and then not continuing steadily eastward, speaks well for the astuteness of Richard McBride and shows that he did not leave anything to the good intentions or honesty of the Grand Trunk Pacific. Three other minor clauses stated that the railway

company must buy its supplies in the province if possible, must pay the prevailing wages for labor, and that it was to be tax exempt on these lands until 1921.¹

The final agreement with the Grand Trunk Pacific was a very desirable one for British Columbia, and due credit must be given to Sir Richard McBride for the manner in which he fought the company and obtained their consent to his demands. He played them at their own game, and won. As a result of his work it was determined that the railway would not have a strangle-hold on Prince Rupert as the Canadian Pacific had obtained in Vancouver, that the businessman and workers of the province would be protected, and that the railway must build from the British Columbia end.

As a result of these agreements the Grand Trunk Pacific Railway controlled 23,519 acres. These consisted of 12,579 acres on Kaien Island, 6,700 acres on Digby Island, and 4,240 acres on the Tsimpsean Peninsula. It also controlled about 50 acres on eight small islands nearby.

Prince Rupert began with the Grand Trunk Pacific Railway. In 1906, when the first survey party arrived on Kaien Island, there were about 15 small buildings built on the townsite, and on November 23 of that year the post office was opened. An attempt was made by the railway to prevent people settling in the new city before it was planned and sold. An interesting example is John Houston, a politician from Nelson, British Columbia, who attempted to publish a

1. Prince Rupert Empire, March 7, 1908.

newspaper there. His first few issues were printed in Vancouver and mailed to Prince Rupert. When he finally landed his presses in the latter city, they were seized and locked up by the railway company, in an attempt to prevent independent establishments, but the sheriff freed them and the first newspaper of Prince Rupert, The Empire, was begun. In its first edition is gives an interesting picture of the town at that time.

None of the land has been subdivided into lots and blocks. No person has been allowed to locate on it, and there is neither a hotel nor lodging house. Traders are discouraged by the Grand Trunk Pacific. There are, however, located the Canadian Bank of Commerce,¹ two hardwares, one druggist, two doctors, one barber, one butcher, and two construction companies. The customs and post office are in tents. The Grand Trunk Pacific is represented by James H. Bacon, the harbor engineer, and J. H. Pillsbury, the assistant engineer. The Church of England is under Bishop Du Verney, but the Presbyterian church has not been permitted to locate. The total population is 123 whites, 15 Japs, 3 Indians and 9 Chinese. There are 14 white women and 11 children.²

The first sod on the western end of the railway was turned on May 7, 1908. Surveying of the townsite was done during the year. On October 19 the provincial government concluded arrangements with the Grand Trunk Pacific Town and Development Company by which it agreed to advance \$200,000 for three years at 5% for the improvement of the townsite.³

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1. This is probably a reflection of the influence of Senator Cox, who was president of the bank at that time.
 2. Prince Rupert Empire, July 20, 1907. All the people in the town are to be found listed in this issue. Another early description of the town is to be found in the Vancouver Daily Province, January 19, 1907, 42.
 3. Prince Rupert Empire, October 24, 1908.

There was some discussion of the survey in the Legislature on February 21, 1909, when it was shown that a sum of \$280,000 had been set aside for this, which was an average of \$15.00 per acre as compared to \$.25 for surveying other parts of the province.¹

During the period of negotiations a subtle advertising campaign was carried on to acquaint probable purchasers with the opportunities of Prince Rupert. The name was chosen as the result of a contest, the harbor was praised in magazines and newspapers, and the future of the city as a trade center for the Orient was stressed. The most glaring misstatement published was that the rainfall was 13 inches for the year 1908, when it should have been 13 feet.² So little was known of this section of the country at that time that this error probably went unnoticed by most of the readers.

On May 29, 1909, with about 2,000 spectators, the auction of lots commenced in Vancouver under C. C. Rand. The sale lasted for five days in Vancouver and two in Victoria. 2400 lots were sold, one-half of which belonged to the government and the other to the company. Westhaven Brothers of Seattle bought the first lot. The record price for a lot 50 by 100 feet was \$16,500 for the corner of McBride and Second Streets. Terms were one-quarter cash and the remainder was to be paid in three years or less with interest at six

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1. Winnipeg Free Press, February 25, 1909. cf. Legislative Journals B.C., February 25, 1909, resolution 189.
 2. Laut, Agnes, "Railroad Fight for Canada", The World's Work, May 1909. p.11600. This article gives an excellent account of early Prince Rupert and the track building near it.

percent. Several lots were reserved for purchase by private sale, and it was announced on June 18, 1909, that the parties who had reserved these were to pay almost double the amount agreed on.¹

In May 1909 the first municipal election was held, and Fred Stork was elected mayor. The assessment of the city was set at \$15,330,166, of which the Grand Trunk Pacific was responsible for \$7,728,450.

The railway company protested this assessment vigorously. It was pointed out that 340 acres of this property could not be sold until 1963 under the terms of the Dominion Act and to confirm to the bond mortgages. Charles M. Hays suggested that the city tax the railway only \$6,000 for 15 years.² When the council proved stubborn the Grand Trunk Pacific resorted to its usual threatening methods. Hays spoke of Port Simpson during the negotiations, and the implication was an obvious threat. Moreover the railway announced that it did not intend to build a hotel and to make other improvements under the circumstances. It was pointed out that Fort William had granted a subsidy of \$300,000 and tax exemption for 15 years and that Edmonton likewise had been liberal. In two letters to the city council Hays stated: "Our next important work on hand is a floating dry-dock, but I do not wish to take any further steps in connection with this work until the question of taxation has been disposed of,"³ and, "The land cannot be sold and therefore

1. Prince Rupert Daily News, June 18, 1909.

2. Prince Rupert Optimist, September 6, 1910.

3. ibid., Sept. 9, 1910. Letter dated June 28, 1910.

does not participate in increasing value as other property....

The point that I think you and your council are overlooking is whether you shall offer inducement for further expenditures on the part of the Grand Trunk Pacific Railway, or whether you will be content with what you have at the present time."¹

Smithers spoke threateningly of, "The million dollar hotel which Prince Rupert might have had."²

In November 1910 the city assessor quoted the tax expected from the railway as \$101,497.50; the Board of Trade suggested a compromise of \$15,897.50. Hays offered \$5,000 per annum for twenty years in lieu of all taxes payable during that period, including all land sold or leased by the railway, and in return it would donate sites for a city hall, reservoir, and cemetery, to the city.³

The final agreement was made on June 8, 1911. By it the railway agreed to pay \$15,000 in taxes for 1910 and for the next 10 years. The city was to receive 100 feet of waterfront from the railway and another 100 feet from the British Columbia government, as well as 58 other pieces of land. The Grand Trunk Pacific agreed to start a \$20,000,000 drydock and other work immediately,⁴ Work was begun on the drydock on July 7, and within the next two months on the station and round-house.

In 1907 the Grand Trunk Pacific Inn was built at Knoxville on Rupert Road, and 1912 was moved to a new site on

1. Prince Rupert Optimist, September 9, 1910. Letter dated July 20, 1910.

2. ibid., September 17, 1910.

3. ibid., November 4, 1910. Letter dated October 26, 1910.

4. ibid., June 8, 1911.

Center Street. It burned on December 14, 1912, and was rebuilt in 1913. On August 4, 1913, a large hotel, valued at \$2,000,000 with 15 stories and with 50 rooms was contracted to Archie McDougall.

The railway attempted to lay a track around the waterfront, but the council protested. However, they withdrew the protest on being assured that the lays would be filled only as far as the site of the cold storage plant. The Grand Trunk Pacific took no notice of this agreement and filled past them to Seal Cove. It was not until too late that the council realized what had been done. Alderman D'Arcy Tate summarized their feelings in the matter when he said, "The city has been handed a gold brick."¹ Another similar example of this disregard for the rights of others by the Grand Trunk Pacific is shown in the protest which six Prince Rupert companies presented to the Railway Commission. They complained that, while they had been lessees of land on Cameron Bay² for some years, the railway company had blocked it by a solid embankment. It was shown that the Grand Trunk Pacific had not received approval for this section of the road, but in spite of this had illegally begun to construct it. The railway was ordered to leave an opening 30 feet wide to permit the passage of scows.³

1. Prince Rupert Daily News, July 4, 1911.

2. There seems to be a number of names for this indentation, such as Cameron Bay, Cow Creek, Cow Bay, and Market Cove.

3. Sessional Paper 1913, (20 (c)), 295.

A similar case occurred on the Prince Rupert west line, where the company had proceeded without permission but could not complete the work without it. It was found that, "The requiring of the approval of the route map by the Minister of Railways, the required plan, profile, and book of reference to be prepared and filed with the Board, were all overlooked by the company. Instead of proceeding as the law required, work was commenced and stone fills were constructed across tidal lands, and access from the harbor to the lots of several persons, including a sawmill, was cut off."¹

Thus it may be seen that Prince Rupert owes much, both good and bad, to the Grand Trunk Pacific, but the railway also owes much to the city. What had been a useless bay in 1903 became a city by 1910.² The history of this change shows more clearly than in any other place the attitude of the Grand Trunk Pacific Railway - its political influence, the rumors of graft, its money-making methods, and its blackmailing system. The Grand Trunk Pacific Railway made Prince Rupert, but it was with a selfish motive and by dubious methods. Today, as the city tries to develop, it need feel little gratitude towards the company which gave it birth.

1. Sessional Paper 20(c) 1913, 294.

2. The population grew as follows:

1907	- 150
1908	- 650
1909	- over 2,000
1910	- 5,000
1920	- 6,900

Chapter VIII. The Cost of the Grand Trunk Pacific

To an economist the financing and mounting costs of the Grand Trunk Pacific Railway offer a wide and fertile field for exploration, but to one who is not an economist the intricacies of obtaining money for the railway are much too involved to be thoroughly understood. So important is this phase in the failure of the railway, however, that it cannot be ignored in any thesis on the Grand Trunk Pacific. The history of the railway reveals how the original estimates were far from correct, and it is possible to trace the reasons for the mounting costs through the years.

In the original contract for the construction of the railway the suggested figures for the cost, which it was expected the government would guarantee, were \$30,000 a mile on the National Transcontinental, \$13,000 on the prairie section, and \$30,000 on the mountain section. In 1914 and 1915 the figures amounted to roughly \$88,500 per mile for the National Transcontinental, \$45,180 for the prairie section, and between \$97,035 and \$102,975 for the mountain section.¹ In 1918 the average cost of all the Grand Trunk Pacific lines was estimated at over \$73,000 per mile.²

The enormity of this cost can best be appreciated

1. H. C. D. 1914, February 19, 922.

2. Jackman, W. T., Economic Principles of Transportation, Toronto, 1935, 42.

by a comparison with the costs of other Canadian railways. The cost of road and equipment of the Canadian Northern was estimated at \$43,786 per mile, but that of the Grand Trunk Pacific was \$85,276.¹ The funded debt of the Canadian Pacific was \$18,000 per mile, that of the Canadian Northern was \$32,588, but that of the Grand Trunk Pacific was \$73,000.²

In 1903 Sir Wilfred Laurier had introduced the Grand Trunk Pacific scheme by stating that the cost would not be greater than \$13,000,000 to the country for the entire transcontinental railway. Robert Borden in reply estimated the cost at the "extreme" figure of \$13,000,000 for the prairies and \$28,000,000 for the mountains. The Grand Trunk Pacific Railway was capitalized in the original contract at \$45,000,000. The National Transcontinental Railway had been estimated at \$61,415,000, but the actual cost was \$159,881,197.³ The actual cost of the Grand Trunk Pacific is more difficult to determine, because of the number of subsidiary companies and other interests which it had. The total construction cost might be best taken at a figure of \$113,612,011.⁴ Altogether the railway had cost approximately three times the original estimate.

1. Railway Inquiry Commission, 1917, xiii.

2. Jackman, op., cit., 42-44.

3. Railway Inquiry Commission, 1917, xxiii.

4. ibid., 56. The detailed summary is as follows:

Main line, prairie,	\$27,801,998
Main line, mountain,	65,782,278
Branch Lines Co.	19,849,778
Saskatchewan Railway	177,957

The reasons for this enormous increase were numerous.

The competition which ensued from the building of the Canadian Northern and the development of the Canadian Pacific caused the cost of materials and labor to sky-rocket. In 1909 it was pointed out that laborers' wages, which were \$1.25 to \$1.50 per day in 1903, were then \$2.25.¹ On the mountain section the wages soared to \$3.50 per day and even then the men would not work satisfactorily.² Ties had increased from between 25 and 28 cents to 50 and 60 cents, and even at that price were scarce. Timber for culvert and trestles increased from 30 or 32 cents to 38 cents. Steel rails gained from \$25 or \$28 per ton to \$35 or \$36, and besides this a duty of \$7.00 per ton was added.

Another reason for the high cost was the standard of construction adopted, at the insistence of Hays. The road-bed was built on a par with the line from Montreal to Toronto. The rails used were 80 pounds to the yard instead of 65 pounds, making a difference of 23 tons to the mile.³ The high standard achieved is shown by the following condemning quotation:

[The Yellowhead] is the lowest pass to the Pacific coast...the altitude of the track being not more than 4,000 feet. Except for twenty miles of what is called a pusher grade, where the grade is about one percent, the rest of the line does not exceed a half of one percent. The bridges are of stone and steel. Material for them had to be transported by river and other expensive methods, so that the cost was greatly increased. The well-established and economical method of building such a road is to build pile and wooden bridges, temporary structures, and use them until they ~~cease~~ to be safe, and then to substitute

1. H.C.D. 1909, 5128.

2. Railway Inquiry Commission, 1917, 82.

3. H. C. D. 1909, 5128.

a more permanent material, which can be transported over the lines of railway at the least cost. To secure the low grades of which I have spoken, the immense trestles over ravines in the prairie provinces and elsewhere along the line have been constructed with a view to their being filled up with dirt and thus made permanent. It would have been more economical to begin with less favorable grades and gradually better them as the traffic justified it." 1

The division of responsibility between the government and the company resulted in lack of economy and mounting costs. There have been many rumors and investigations charging that much of this waste was a result of political influence and graft, but no proof has been forthcoming to establish a clear case for these charges. An investigation by a Royal Commission in 1914 resulted in the following findings:

- (a) that the Transcontinental Railway Commission, the Grand Trunk Pacific and those having charge of the construction of the railway did not consider it necessary or desirable to practise or encourage economy in the building of the road;
- (b) that without including the money which was expended unnecessarily in building the railway east of the St. Lawrence River, there was an uneconomic expenditure of \$40,000,000 in its construction. The main reasons for these conclusions were (a) that the Government committed the country to the construction of the railway of .4 percent grades against eastbound and .6 percent against westbound without knowing whether these grades fitted the country and with very little information as to the cost of building such a railway, (b) that the tables of figures drawn up to enable the engineers to equate the value of the grades and curvatures were based upon the assumption that the road would at once receive the maximum traffic it was possible to carry over a single track of low gradients,
- (c) that the conditions for submitting tenders for the construction of the road was so onerous as to discourage competitive bidding.

1. Grand Trunk Arbitration, 1921; t184. Railways and Canals, 1921, 184.

As early as 1908, those in charge of the project were informed by the chief engineer in charge of construction that the road would cost at least one hundred percent more than the highest estimate previously given to parliament. With all this information before them...we do not find any recommendations...or protest ...for retrenchment.¹

The other causes for the high cost of the railway are worth noting. The railway was so long in being opened that there was a large amount of accumulated interest due and unpaid before it began its service, and the preliminary surveys had calculated the line to be about 130 miles shorter than it was necessary to build.²

The huge amount of money needed for this vast undertaking was obtained by bonds, loans, and grants of money or land. The bonds were of several types, and were guaranteed by the Grand Trunk Railway, the Dominion government, provincial governments, and, in the case of some subsidiaries, by the Grand Trunk Pacific Railway Company itself. Loans were made from the Dominion government. Land grants had been discontinued by the federal government in 1896, but the provinces gave lavishly. Many towns and cities added grants of land for the privileges of having the railway built to them. Cash subsidies were obtained from these cities, as well as from the provincial governments.³ It must be again noted that although the government guaranteed bonds and loaned money to the rail-

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1. Sessional Paper 123, 1914.
cf. Fournier, L. T., Railway Nationalization in Canada,
Toronto, 1935, 21.
 2. C. A. R. 1909, 605.
 3. The Dominion Bureau of Statistics supplied the following
summary of provincial aid to the Grand Trunk Pacific:
(continued next page)

way it did not expect to have any actual expenses except for the interest for seven years on the mountain section, which it paid, and from which Laurier derived his figure of \$13,000,000. 157.

The money for the railway was expected to be raised by the sale of bonds, and until 1910 this method sufficed. In 1905 Hays procured ratification by parliament of three mortgages,¹ the first being for £14,000,000 first mortgage bonds on the Grand Trunk Pacific guaranteed by the Dominion of Canada, the second for £4,150,000 second mortgage bonds unconditionally guaranteed as to principle and interest by the Grand Trunk Railway² and for £1,550,000 first mortgage bonds on the Lake Superior branch unconditionally guaranteed by the Grand Trunk Railway. These bond issues were all successful and resulted in \$30,000,000 being placed at the credit of the company in London.

In 1906 an issue of \$25,000,000 of debenture stock was authorized. This was to be a charge on the railway and equipment subsequent to the liens authorized by the original

3. (continued)

Ontario - for Lake Superior Branch	\$376,320
British Columbia - on account of Fraser River bridge	350,000
Fort William -	300,000
- on account of bridge	50,000
Edmonton - on account of terminals	100,000

1. Statutes, 1905, ch. 98.
2. These were divided into £2,100,000 on the prairie section and £2,050,000 on the mountain section.

contracts and was guaranteed by the Grand Trunk Railway. By 1911 only about \$2,000,000 of this stock had not been issued.¹ In 1907 two further issues were made. The first, for \$5,000,000 was oversubscribed, but the second, for \$10,000,000 was taken up much ~~more slowly~~.

In 1909 Hays pushed through parliament an act increasing the issue of guaranteed stock to £12,500,000. This gave him £2,500,000 of additional stock, over £2,000,000 of which was issued by June 1912. He also increased the debentures stock up to £10,000,000. ~~of Part of this sum~~ was used for the acquisition of the bonds of the Grand Trunk Pacific Terminal Elevator at Fort William.² "Altogether in 1918, out of a total capitalization of \$216,512,540, there was \$190,568,540 (88%) of bonds and \$25,944,000 (12%) of stock. Such a large proportion of the capitalization in the form of funded debt meant there was a correspondingly large amount of fixed charges. In 1918 these fixed charges amounted to \$8,456,408 per annum."³

From 1909 loans and guarantees by both federal and provincial governments were numerous. It was with great ~~glee~~ that the Conservative party, led by Borden, reminded Laurier of his statement in 1903 that,

The sum total of the money to be paid by the government for the construction of the line from Moncton to the Pacific will be in the neighborhood of \$12,000,000 or \$13,000,000 and not a cent more.

However, the opposition realized that the railway had advanced too far to be stopped and therefore they offered little

1. Lovett, H. A., op.cit., 164.

2. ibid., 161.

3. Jackman, W. T., op.cit., 42.

opposition to the bill authorizing the first loan to the Grand Trunk Pacific. "Public faith and public honor demand that the contract be carried out,"¹ stated Borden, and at another time, "The country has embarked upon this project and I agree that the work must not stop."² In these significant sentences he reveals why the Conservatives advanced money for the completion of the road when they succeeded to office in 1911.

Further loans were made to the company in 1913, 1914, 1916, 1917, and 1918. As the years passed the credit of the company slumped. Whereas the first issues were oversubscribed, the later ones were taken up more slowly, and in 1913 the loan brought only 97 cents on the dollar. The first two loans were issued at 4%, the next two at 5%, but the last two paid 6%. Even today Canadian bonds in London are regarded with mistrust as a result of the money which was invested in the Canadian Northern and Grand Trunk Pacific.³

The Grand Trunk Pacific cost an immense sum, It was a great and expensive project, but the price was far in excess of what it should have been, and the problem of financing it was one that tested the abilities of the builders to the utmost. In studying the ways in which this was achieved the following quotation, which was written in 1903, takes on an added significance:

1. Borden's Autobiography, 225.

2. H.C.D.1909, 5117.

3. For a full account of the Grand Trunk Pacific funded debt see Appendix III.

Government guarantees of interest; government issue of debentures by way of loan to railway companies; government guarantee of railway bonds; direct issue of government bonds to railways with a first mortgage on the company's properties; release of government loans by placing them behind other loans; composition of government claims, - and if there is any other way that human ingenuity could devise, it is reasonably certain that the Canadian government has made full use of it.¹

The Canadian Pacific Railway had been a marvel of financing, and had been a great strain on Canada. Apparently, however, the Canadian people had not been impressed by the methods of railway financiers to the extent of being wary of another similar scheme. After the fiasco of the Grand Trunk Pacific and Canadian Northern, it may be expected that they will be much more careful in trusting to the good faith and fine promises of the next great organization which promises "a national transcontinental for \$13,000,000."

1. Le Rossignol, J. E., "Railway subsidies in Canada and the United States." Canadian Magazine, XX. March 1903, 419.

Chapter IX. The Last Years of the Grand Trunk Pacific

From the time of its conception the Grand Trunk Railway was criticized by its financial and political opponents and there were many predictions that it would either fail itself or else bring harm to the country in some other way. In the debate over the first contract in 1903 the opposition ~~att~~ attacked the bill more strenuously than at any other time, and two of them made statements which, probably by hazardous guessing, foretold ~~in part~~ the final results of the road.

The Honorable Israel Tarte said, "When the ten years are over, if the road is not paying, the government will be approached by the Grand Trunk Pacific and will be urged not to exact interest."¹ The other man to prophecy successfully was Samuel Hughes, a strong opponent of the line north of the Great Lakes. He stated, "I fail to see where the government expects the Grand Trunk Pacific or the Grand Trunk Railway, either of them, will ever operate this north shore road."² In the light of subsequent events the words of these men may show a remarkable perspicacity, but they were more probably lucky guesses by two pessimistic opponents to the scheme.

In spite of such gloomy sentiments from a few, however, the mass of the people believed in the railway, for these were boom times, and it was impossible to realize that

1. H. C. D. 1903, 9660.

2. ibid., 11902.

depressions and failure could come to Canada for many years, if they occurred at all. Moreover, at first the railway seemed justified. Population was mounting, industry was thriving, and everyone was enjoying the prosperity of the times. But the bubble burst, and in a few years the railway was beset by difficulties and problems which even the most pessimistic had not foreseen. In the Grand Trunk Pacific the period of depression was accentuated by the active competition of the other roads, by increasing costs, by the depredations of speculators, and by the influence of politics.

The first sign of the trouble which was to pile up on the Grand Trunk Pacific became obvious in 1909 when the railway was forced to apply to the government for a loan of \$10,000,000. This should have been a warning, but it was unheeded by both government and directors, and the work went blindly forward. "On Mr. Hays' death in 1912 it must have been clear to the chairman and new president that both the Grand Trunk and Grand Trunk Pacific were headed for bankruptcy unless a new basis of carrying forward the venture could be found."¹ Smithers interviewed Borden in that year and apparently desired to be released from the National Transcontinental contract but was refused.² No new policy was evolved to improve conditions. This could hardly be expected, for at that time the railways were still building furiously, and the next year is recognized as the supreme year in railway expansion. "By 1914 there were more than

1. Lovett, op.cit., 166.

2. Borden's Autobiography, 383.

30,000 miles of road in operation, with some eight or ten lines more in various stages of completion; Canada ranked fifth among the world's countries in total mileage, and easily first in mileage in proportion to population."¹ Compared to the United States, "All eight provinces (omitting Prince Edward Island) have nearly $2\frac{1}{2}$ times the railway mileage per capita of the 26 states directly affected by border influences."²

This favorable picture was but an outer shell, however, for the railway structure was in an advanced state of decay. A period of extreme depression followed the boom years. Land speculation collapsed and wheat prices dropped. To add to the confusion the war brought additional strain. The cost of labor and materials went still higher, immigration virtually ceased, and the international money markets closed. "During 1917," states Robert Borden, "We continued to be oppressed with the difficulties of the railways. The War had exercised a powerful and destructive influence upon the prospects of the Canadian Northern, the Grand Trunk, and the Grand Trunk Pacific. The cost of fuel, material and labour was greatly increased so that the net earnings fell to an alarming extent. Owing to the condition of the money markets, these railways were unable to dispose of securities which had been guaranteed by Federal and Provincial legislation."³ The railway structure of Canada collapsed.

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1. Skelton, O. D. Life and Letters of Sir Wilfred Laurier, Toronto. 1921. 415.
 2. Wilgus, Wm. J. The Railway Interrelations of the United States and Canada, New Haven, 1937, 23.
 3. Borden's Autobiography, 648.

To understand the failure of the Grand Trunk Pacific Railway it is necessary to refer first to the original agreements and contracts. Because the Grand Trunk had not been willing to support a complete new transcontinental railway the project had been divided into two sections, the Western Division being built by the Grand Trunk Pacific Railway Company and the Eastern Division by the government under the name of the National Transcontinental Railway. The government undertook to guarantee payment of principal and interest on the issue of bonds made by the company for the construction of the Western Division for a principal amount equal to 75% of the cost of construction, but this was not to exceed \$13,000 per mile on the prairie section. It also undertook to pay interest on the mountain section bonds for the first seven years, and for the succeeding three years if the company should be unable to do so. These three years were to be capitalized and repaid.

On the other hand the Grand Trunk Pacific undertook to lease the eastern division on completion and to operate it for fifty years, the first seven of which should be free of rental, and the remainder at a cost of three percent of the cost of construction per annum. In addition the company agreed to equip both divisions with complete and modern rolling stock, the first equipment of the completed road to be of a value of at least \$20,000,000, of which not less than \$5,000,000 were to be assigned to the Eastern Division.

It has been shown that the costs of the railway

were far above the original estimates. This affected the rental which the Grand Trunk Pacific was to pay, and explains why there was difficulty over the leasing of all sections east of Winnipeg. The first problem arose over the line from Sioux Lookout, which was the junction of the National Transcontinental and the Fort William branch of the Grand Trunk Pacific, and Winnipeg. Obviously the branch line would be isolated without some agreement with the other road. On December 4, 1912, the government and the company requested Sir William Whyte of Winnipeg to act as sole arbitrator and to set a rental for that section of the National Transcontinental which ran between Winnipeg and Sioux Lookout, pending the completion of the remainder of the railway. He decided that, "A fair rental for the use of that portion of the road would be a sum equal to two percent of the cost of that portion of the railway, including the shops, and in addition a sum equivalent to ten percent of the cost of actual work done at the shops of the Eastern Division, and a further sum of twelve and a half percent of the total cost of work done other than for the Eastern Division."¹ The company and government signed an agreement to this effect on December 20, 1912, but the company failed to take out a lease.

The Western Division was completed in 1914 and the Eastern Division in 1915. On January 13, 1915, the Minister of Railways, Honourable E. Cochrane, wrote to E. J. Chamberlain, president of the Grand Trunk Pacific, suggesting that, in view

1. Grand Trunk Arbitration, 1921, 129.

of the nearness of the completion of the National Transcontinental Railway, conferences should begin to make arrangements for the drafting of a lease by the government to the company of the Eastern Division. On January 14, Chamberlain replied, asking for a statement of the cost of construction on which the company would be required to pay three percent as rental. The statement submitted by the minister showed a total cost of \$174,661,354, to December 31, 1914. It was pointed out by Cochrane, however, that the interest was to be only calculated on the cost of work, and that this figure included money paid in cash expenditure, interest charges, cost of shops and terminals, and unpaid holdback and progress estimates.

On March 25, 1915, Cochrane wrote, "The government, having been advised that the Eastern Division, for purposes of operation, had been reported by the chief engineer of the Transcontinental Railway Commission as completed and ready to be leased, is of the opinion that it is in the public interest that such a lease be now entered into."¹ On April 27, Chamberlain replied that he could not see his way to ask his directors for authority to execute the lease. Three reasons were given for this decision. The original cost of construction had been estimated at \$61,415,000, but the cost to date had been \$149,479,550, not including the interest. Secondly, the company claimed that the Eastern Division was not as yet completed in accordance with the agreement. Finally, the company contended that the road had not been constructed in

1. Grand Trunk Arbitration 1921, 130.

accordance with the Act of 1904 or on sound business principles, and that the completion of the most important section to the company, that between Winnipeg and Cochrane, had been delayed, to the great loss of the company. It must be admitted that in the first of these points the railway had a legitimate complaint, but it was shown by the Drayton-Acworth report that the other two were fallacious.¹ In the light of subsequent actions it would seem as if the Grand Trunk Pacific officials had no intention of taking the lease and were simply playing for more time.

When the company declined to rent the National Transcontinental the 1,355.95 miles which constituted the line west of Quebec were taken over for operation as part of the Canadian Government Railway System and were put in operation as such on June 1, 1915. The rolling stock was obtained from the Intercolonial Railway instead of the Grand Trunk Pacific Company. At the beginning of the following month the Lake Superior Branch of the Grand Trunk Pacific was leased by the Canadian government railways for 999 years at a rental of \$600,000 a year, with the option of purchase after March 31, 1936, for \$13,333,333.

The operation of the National Transcontinental and the Lake Superior Branch was regarded by the government as only a temporary solution² to a problem, "which, like the Old Man of the Sea, was continually upon our shoulders and would not

1. Railway Inquiry Commission, 1917, xxx-xxxi.

2. Grand Trunk Arbitration, 1921, 131.

be shaken off."¹ This belief must have been changed by the end of the year, for on December 10, 1915, the government was approached by Mr. Smithers to take the Grand Trunk Pacific and its branch lines from the Grand Trunk railway, on condition that the latter surrender the common stock of the Grand Trunk Pacific to the government. The latter, however, postponed the issue by the loans of 1916, 1917, and 1918. When the first of these loans was made it was realized that the railways were in a desperate position, and the government had one of three choices, to permit the railway to go into the hands of a receiver, to permit default and take physical possession of the systems, or to afford temporary aid pending an investigation. The reasons for adopting the third alternative were given in the following statements by the Right Honourable Sir Thomas White, the Minister of Railways, each of which deals with one of the courses open to the government:

I believe that the collapse of the two railway systems in question, with the involvement of the Grand Trunk, would have a most disastrous effect upon our entire credit, federal, provincial, municipal, and industrial. It appears to me that at this, of all times, we should jealously guard the fabric of our credit. Under the circumstances the Government find themselves unable to favorably regard the contingency of allowing the two roads, with the probable involvement of a third, to go into liquidation.

If we were not in the midst of a war and confined in our financing to this side of the Atlantic, if we had not before us the formidable burden of the War, with no prospect of its early termination, it would not appear to me to be so serious an obligation, to take over the financing of these two railway systems....²

1. Borden's Autobiography, 446. 2. ibid., 644.

The investigation into the railway situation was held in 1917. The Commission consisted of A. H. Smith, Sir Henry L. Drayton, and W. M. Acworth,¹ and the report is commonly known as the "Drayton-Acworth Report", probably because it was the suggestions of these two, rather than those of Smith which were followed. They proposed "that practically all the railways in Canada, with the exception of the Canadian Pacific and the American lines, should be turned over to a corporation to be managed by a board of trustees appointed by the Government."² As a result of this report the loans came to an end in 1918. Moreover, on September 10 of that year, it refused to guarantee a note for the Grand Trunk and the company was forced to underwrite the note elsewhere.³

On February 18, 1919, the railway proposed that the government take over the Grand Trunk Pacific and branches, repaying the Grand Trunk all indebtedness, and that an agreement be made between the Grand Trunk in the east and the Canadian Government Railways in the west. The Government refused this proposal.⁴

The company thereupon notified the government that it would not be able to meet the interest due upon its securities on March 1, and once again the government refused aid. As a result, on March 4 the company suddenly notified the government that it would be unable to continue operation of the Grand Trunk Pacific after March 10. The government, faced

1. Mr. Acworth was called in to fill the place of Sir George Paish, who was obliged to resign during the inquiry on account of ill-health.

2. Borden's Autobiography, 648.

3. Grand Trunk Arbitration, 1921, 132.

4. Ibid., 133.

with the possible cessation of the railway, passed an Order in Council appointing the Minister of Railways receiver of the Grand Trunk Pacific Railway System, to become effective at midnight on March 9. With this step the government accepted the responsibility of operating the complete transcontinental railway which had been conceived by Sir Wilfred Laurier and the Grand Trunk officials in 1903.

Negotiations with the company resumed, and again the government refused to release the Grand Trunk from its western obligations, except as part of an arrangement with the government to transfer the whole Grand Trunk group. Such an arrangement was concluded towards the end of the year and ratified by the parliament. A joint committee of management for the railways was appointed, partly by the government and partly by the Grand Trunk. It assumed control on May 1, 1920. On July 12 the operation of the Grand Trunk Pacific was entrusted to the Canadian Northern Board.¹

Arbitration on the value of the companies was not completed by the specified date, April 9, 1921, and was allowed to lapse for two months. It was revived, and on September 7, 1921, by a majority award the committee declared the Grand Trunk equity shares to be without value.² An appeal to the Privy Council was dismissed. This was the last

1. Development of Railways and Transportation in Canada. Department of Transport, Ottawa. 1937. After the Drayton-Acworth report the government assumed almost immediate control of the Canadian Northern Railway, which was operated by its own board, reconstituted by the government. pp.16 and 17.

2. Grand Trunk Arbitration, 1921. 147.

attempt of the company to retrieve the railway from government ownership and it failed. The formal unification of the Grand Trunk and its associates with the Canadian National Railways was completed on January 1, 1923. From that time the Grand Trunk and Grand Trunk Pacific Railways, with their subsidiaries, were part of the Canadian National Railways.

The collapse of the Grand Trunk and its associates was a severe blow to the prestige and credit of Canada, as Borden and his cabinet had feared. The question now arises, "Why did the Grand Trunk Pacific fail?" The answer to this is to be found in four basic facts: that it was built in boom times and begun too optimistically, that the cost was excessive, that political and other outside influences entered into it, and that the competition of other railways was too intense.

By 1903 the era of prosperity in Canada was in full swing. It was in that year that the first great grain blockade occurred. Business and immigration were increasing and the feeling of the country was one of general optimism. It was because of this spirit that the government, and the people, were willing to support almost any type of expansion without studying it too carefully. Especially in railways did the country feel itself ready for almost unlimited development. Because of this mood the Grand Trunk Pacific project was accepted as a natural growth, and few believed that it would present injurious competition to the other roads as it was believed that the country would need three railroads. In 1905 one writer went so far as to state, "There will be ample

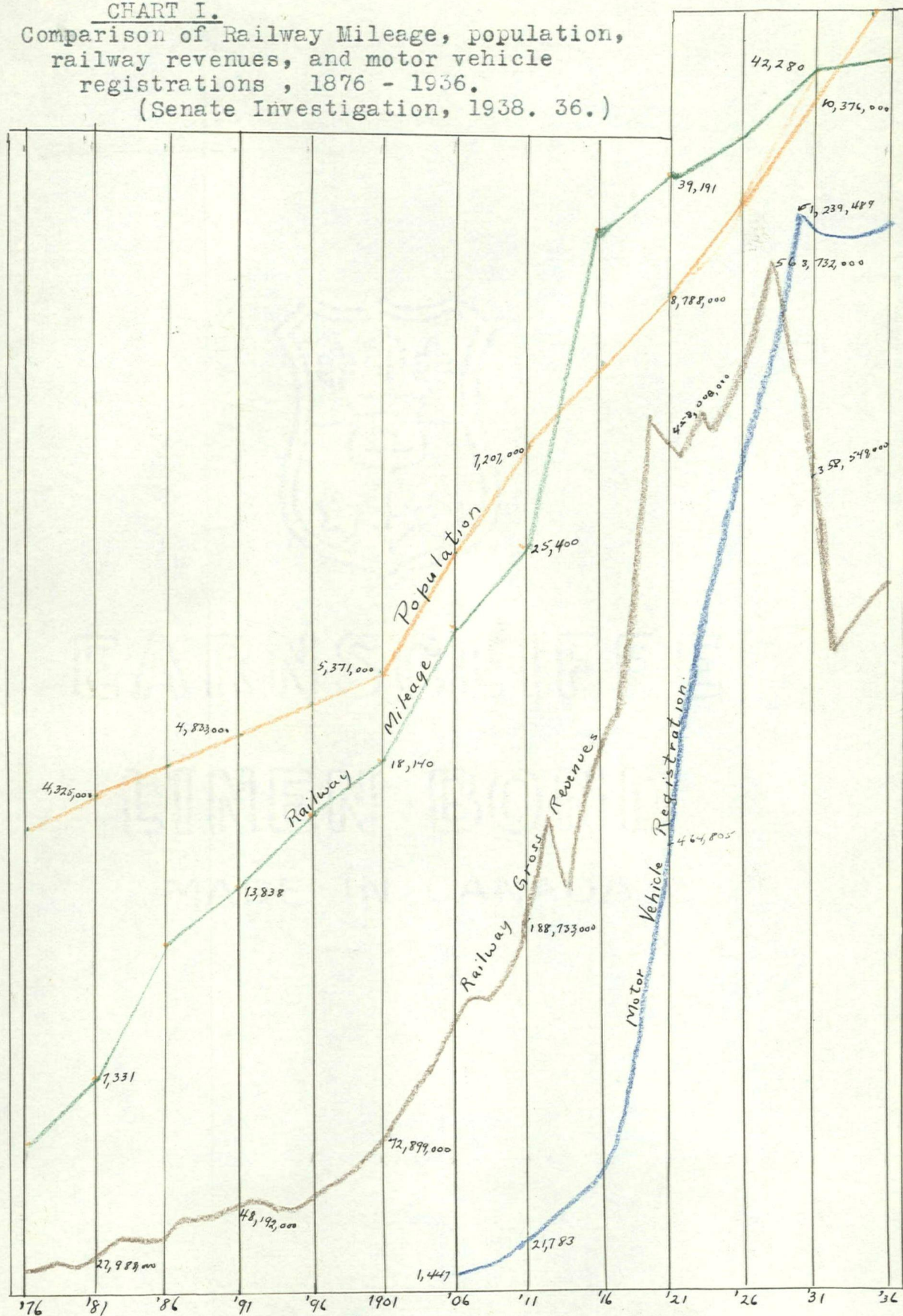
room for another railway, and perhaps two, north of the Grand Trunk Pacific."¹

When the Grand Trunk Pacific was launched, it was realized that the population did not warrant such expansion. It was pointed out, however, that, "In the west railways have always preceded settlement. Railways grew faster because of government aid." Another writer stated that, "While the country is new and sparsely populated the railways of Canada will be able to earn little more than the running expenses, cost of improvements, and interest on bonds. As population and wealth increase the net revenue of the railway will also increase in geometrical ratio."²

For some years it seemed as if this attitude was justified. Immigration was very rapid and the lands near the railways were rapidly filled. In 1909 it was said, "Six years ago you could get the best quality virgin lands in British Columbia within driving distance of a railroad. Today you cannot get free lands of first quality in British Columbia within two weeks drive of a railroad. You cannot get good arable land in British Columbia within reasonable distance of a market under twenty-five dollars an acre in the Nechaco... the best land has been picked out and is held in values ranging from the thirties to the hundreds. In Alberta...in the ranch country, all the land has been homesteaded or is

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1. Burpee, Lawrence J., "How Canada is Solving her Transportation Problem", Popular Science Monthly. September 1905, 455.
 2. LeRossignol, J. E. "Railway subsidies in Canada and the United States", Canadian Magazine XX, March 1903, 419.

CHART I.
Comparison of Railway Mileage, population,
railway revenues, and motor vehicle
registrations, 1876 - 1936.
(Senate Investigation, 1938. 36.)



being held by big companies."¹ When it is realized that the two provinces mentioned in this article were the last of the four western provinces to be settled, the apparent extent of Canada's development can be realized. However, when this statement was made the writer failed to realize fully the significance of two facts. The first of these was that the greatest section of these provinces was being held by speculators, rather than homesteaders and settlers, This meant that the country was not developing as much as this article would seem to indicate. The other fault of this writer was that she attributed the demand for land to the fact that the railways were being built across Canada and opening it. Unfortunately she did not see that Canada was not passing through a stage of natural growth but was in a "boom" era, and that the prosperity of the times was not founded on sound business enterprise and agricultural development. We cannot condemn her too severely for this, however, for one of the evils of a boom is that it is not recognized until the ensuing depression arrives.

A study of the growth of railways and population from 1873 to the present day shows a surprisingly parallel relationship. In both revenues and mileage the railways show a substantial increase until 1918, and from that year there has been very little increase. From 1918 a graph² showing the railway mileage and population increase would be

1. Laut, Agnes C. "The Railroad Fight for Canada", The World's Work, May 1909. 11605.

2. Senate Investigation, 50.

practically parallel. It would seem from this that the men who were responsible for the railway policy of the early years of the century are not to be blamed for their hopes, as they could not at that time see the cessation of immigration, the war, or the serious competition which the automobile would offer after 1916. Had the immigration figures continued to rise after 1914 as they had for the twenty years previous who can say but that the railways of Canada might not have succeeded? Even had the population of the provinces equalled that of the United States¹ in proportion to the railway mileage it is possible that the railways of Canada would have succeeded financially.

The end of the "boom" era was unforeseen. During the furious activity of the first few years of the railway it seemed as if prosperity would never end. The result was much premature, much misdirected, much parasitic activity. The Grand Trunk Pacific is one of the most obvious developments to include all of these three charges. When it was built, the belief was that it could not fail, and it was built in spite of the fact that plans were incomplete, that the country through which it was to pass was largely unknown, and that the future of the Canadian Shield and the West was indefinite. Money was cheap and was spent freely. Speculation, especially in land, was common, and fortunes were made and lost rapidly. "The project...appealed to the imagination of the country and awakened a response which drowned the voice of prudence and caution."² But the accounting was to come.

1. cf. Wilgus, *op.cit.*, 23. "On the prairies Canada has 7.88, the United States border states have 4.90 miles of railway per 1,000 inhabitants."

2. Borden's Autobiography, 117.

By 1910 the era of prosperity had passed, and a period of depression set in. Money became scarce, wheat prices and land prices dropped. The nearer the railway came to completion the tighter became the money markets and the higher went prices and the costs of construction. The beginning of the war aggravated the situation still more, and the result was the utter collapse of the transportation system of Canada.

The cost of the National Transcontinental and the Grand Trunk Pacific Railways has been shown to have been so far above the original estimates that the adjective "excessive" does not begin to describe it. One of the most important factors in the tremendous sum which the railroads cost was the high standard of construction which had been insisted upon throughout the entire project. This policy has been bitterly attacked and is still the source of much controversy. The Honorable W. H. Taft, in his minority report on the Grand Trunk arbitration, makes the following statements:

The contract required that the Grand Trunk Pacific should be constructed with the same standard of excellence as that maintained in the Grand Trunk main line between Montreal and Toronto. The result was that the cost of the Grand Trunk Pacific was excessive, as indeed was that of the Transcontinental. The Grand Trunk Pacific runs through the Yellowhead Pass.... This is the lowest pass to the Pacific Coast in either Canada or the United States.... Except for twenty miles of what is called a pusher grade, where the grade is about one percent, the grade of the rest of the line does not exceed a half of one percent. The bridges are of stone and steel. Material for them had to be transported by river and other expensive methods, so that the cost was greatly increased. The well-established and economical method of building such a road is to build pile and wooden bridges, temporary structures, and use them until they cease to be safe and then to substitute a more permanent material, which can be transported over the lines of steel at least cost. To secure the low grades of which I have

spoken, the immense trestles over the ravines in the Prairie Provinces and elsewhere along the line have been constructed with a view to their being filled up with dirt and thus made permanent. It would have been much more economical to begin with less favorable grades and gradually better them as the growth of traffic justified it....The gathering of business depends a good deal upon the character and extent of the branch lines. In this respect, the Grand Trunk Pacific is at a disadvantage. Its branch lines have heavier grades and are less in number and extent than those of the other lines and not so well placed."¹

Although at first this pessimistic attitude was apparently well deserved, it would not seem that in the long run the insistence on good grades was a mistake. It is true that twenty years ago the population and development of the country did not warrant such a high standard, but today, when the question of amalgamation and discontinuance of parallel lines is being very much discussed, the superiority of Charles M. Hays' project is evident. The investigation of the railways held by the Senate in 1938 repeatedly shows this fact to be true. It is common knowledge that the Canadian Northern line did not stand up as well as the Grand Trunk Pacific on the prairies.

One of the most bitterly opposed sections in the planning of the railroad was the line through the Maritimes. It was feared that this would compete with the Intercolonial and at the same time offer no improvement to the old line. Today the line built by the Transcontinental is 44.1 miles shorter than the other, and the other advances made possible by the new line are shown in the following quotations from the

1. Grand Trunk Arbitration, 1921, 184.

investigation by the Senate held in 1938:

Q. But you told us that 100 train miles on this line was equivalent to 155 on the Intercolonial Railway...and my question was, how much of that is due to the longer haul, and how much to worse grades? - A. It is all due to grades.

A. This shows that 55 percent more train miles are required on the I.C.R. than on the N.T.R. to handle the same amount of traffic without regard to the more adverse weather conditions on the I.C.R. That is another thing we are up against. I have known a snowfall in the Matapedia Valley of 168 inches, and of traffic being tied up seriously, whereas, inland, on the Transcontinental, we did not meet with that condition. We have also had washouts. I remember on one occasion when the Canadian Pacific had a washout and had to divert its traffic over our line... We never had anything of that kind on the National Transcontinental. The snowfalls are more even, and the winds not as great. The Intercolonial, being exposed to the Bay of Chaleur and the Northumberland Strait, gets some terrific weather conditions.

It may also be remarked that an increased grain movement, for instance, resulting in greater average gross tons per car, would raise this percentage.

The second section of the National Transcontinental to be bitterly attacked is the 400 to 500 mile stretch north of the Great Lakes. It was felt during the early years of the railway that there were neither the population nor the resources to justify its construction. Sir Robert Borden, in his memoirs, gives the following as one of his reasons for opposing the railway:

Canada, at that time, had a population of less than six million and already had established one great transcontinental... The great Western Provinces were separated from the Eastern by four hundred miles of territory of such character that it could not be expected to sustain any considerable population, although it might contain vast mineral worth. A territory so unoccupied tended to exaggerate the divergence between the East and the West; and the cost of transporting goods and products across it greatly handicapped trade. The territory...was almost wholly uninhabited; and any considerable population along the

line of railway could not be expected for many years.... In the light of these conditions and in view of subsequent events, it seems clear that the national trans-continental railway from Quebec to Winnipeg should have been commenced as a colonization road and should have been gradually extended as settlement demanded."¹

This quotation may be taken as a sample of the beliefs held by the opponents to the scheme in its early years. By 1917 the only change in this belief was that it was more common. The section across the barren land north of Lakes Superior and Huron was condemned almost universally:

There are now three trunk lines running through the comparatively empty country north of Lake Superior. The through traffic will be shared...between the three routes. But we may assume that the Canadian Pacific Railway will be able to retain on its own through route all the traffic which it itself originates. And the two routes will only get the balance to carry. It cannot, we think, be expected that this balance will be sufficient for a good many years to come to make these two lines self-supporting. It seems to have been generally assumed that they would afford an important outlet for the grain of the Prairie Provinces. Evidence that we have before us seems to show that only quite a small fraction of the grain exported from these provinces has hitherto followed the rail as far as Montreal. The proportion that goes by way of rail to the Atlantic seaboard must be even smaller.²

The above quotation is an excellent example of the general feeling which was common in Canada until a few years ago. The emphasis was on the use of this route as a grain outlet. It had been common when the railway was beginning, to speak of the facilities at the head of the lakes as the "Spout of the hopper", and now it was realized that the "spout" was as large as the hopper itself". Whereas in 1903 there had

1. Borden's Autobiography, 115.

2. Railway Inquiry Commission , 1917. lxxx, lxxxi.

been a grain blockade because of the lack of facilities, now it was feared that there were too many outlets, and that there was not enough grain to make the new line profitable. The chief opposition, besides the older-established Canadian Pacific, was the development of the water route. Another interesting part of this quotation is that which mentions the Maritimes, who still feel that they do not receive their fair share of the wheat crop. But the critics who have condemned the railway because they looked at it chiefly as a grain carrier forgot one important fact. This road was more than an outlet for the prairies, it was also to act as an agent in the opening of the new territories of northern Ontario and Quebec. The success of this aim during the last few years can be seen from the following:

One of Canada's chief natural resources on which the great pulp and paper and cellulose industries depend is the vast coniferous forests in northern Ontario and Quebec, served almost exclusively by the Canadian National. From the point of view of mineral development we are only beginning to realize the wealth which is stored in the geological formation known as the Laurentian Shield....The Canadian National Railways traverses the Laurentian Shield with main and branch lines and it is, therefore, no accident that most of the mining development which has taken place in Canada in the last 10 years had been along the lines of the Canadian National.

Consider, too, that in the highly industrialized section of the country, which will continue to draw its stimulus from the development of the north, the Canadian National is pre-eminent in serving every industrial center and I think you will realize... that the potentialities of the System are very great. If development takes place without a needless duplication of lines of railway which would serve only to increase expenses and divided the traffic, the broad outlook...is decidedly encouraging.¹

1. Senate Investigation, 1938, 1055. The quotation is taken from the evidence presented by S. J. Hungerford.

To abandon this potentially rich and productive north country appears to me as an industrial impossibility and from a railroad viewpoint the proposal to abandon or degrade this Transcontinental road shows a lack of understanding of the conditions.

It is a burden, there is no question of that; But it is building up the country, and it runs through a rich territory. It runs through the best mining territory in northern Ontario and Quebec.... It does not pay at the present time, but there is a future to this country that must not be overlooked.¹

From these two excerpts it can be seen that, although the National Transcontinental was built at a time when there was apparent use for it as a grain carrier, and although it failed to be a success in this way, it has nevertheless more than proven its worth by opening the vast wealth of this country which has hitherto been considered barren. It is interesting to note the warning by Hungerford against duplication of railroads in that country, which would cause the former National Transcontinental to lose its future value to the citizens of Canada. It is duplication which has been the chief cause of its failure in the past, and it is to be hoped that the same mistake will not ruin its future.

Another section of the railway which has become predominantly a wheat carrier is the line from Winnipeg to Fort William. The Canadian Pacific Railway officials admit that of the three transcontinental lines serving this territory the National Transcontinental - Grand Trunk Pacific line is the most economical. Although they claim that their own line is better because it is double tracked, they admit that their grade on eastbound traffic is no better and that

1. Senate Investigation, 1938, 1097, Evidence of W.A.Kingsland.

their grade on westbound traffic is inferior.¹

One of the most serious problems on the route of the Grand Trunk Pacific is the section from Jasper to Prince Rupert. This section was supposed to develop trade with the Orient, but the trade failed to materialize. Prince Rupert was far off the main steamship lines, and the steamship service which the Grand Trunk Pacific was expected to build never became trans-oceanic. Although the exponents of the Grand Trunk Pacific had advertised widely that this road would cut two days time to the Orient from the route via New York to San Francisco, they failed to state that the extra 500 miles land haul which this route would have would more than cancel any advantages gained in time. It is because of this extra land haul that Prince Rupert has never threatened Vancouver as a grain outlet.

Another important reason for the failure of the Grand Trunk Pacific is the lack of feeders or branches.² The two which would have been the most important failed to materialize. These were the Pacific Great Eastern, which was never connected to the main line of the Grand Trunk Pacific, and the line to the Peace River block. Should these be completed, there is every reason to believe that the mountain section of the Grand Trunk Pacific will pay dividends. If they are not completed it is doubtful whether this section will pay for many years, if at all.

The final reason for the failure of the mountain

1. Senate Investigation, 1938. 635.

2. See map 2.

section is the dearth of population, resulting largely from lack of markets and the great amount of unprofitable or marginal land. The area around Tete Jaune, for example, is known locally as "Starvation Flats". There are sections of great fertility scattered along the line, however, and it is possible that, if the Pacific Great Eastern were completed, and a route opened to the southern markets, that settlement might increase enough to make the railway profitable. No signs of any such development is apparent at present, and therefore the future of this section of the railway must be accepted as unprofitable.

Two weaknesses of the Grand Trunk Pacific stand out on the prairies. These are the lack of good branch lines and feeders, and the competitive duplication of other railways.

In spite of the fine promises of the Branch Lines Company, only eight branch lines were built in the Prairie Provinces. Two of these, one to the coal mines and the other to Calgary, are built in Alberta and the remainder are all in Saskatchewan. They represent several hundred miles of steel, but are meager when compared to the branches of the other great railway companies. Moreover, they were usually built to places which were already served by the Canadian Pacific or Canadian Northern, and their construction was inferior. This lack of good branch lines as feeders from the west was one of the greatest, if not the greatest, weaknesses of the Grand Trunk Pacific. It has been shown that the motive of the company was to use the branch lines as a means of extract-

ing further gain from the governments of the Dominion and the provinces, and when the depression following 1910 caused money to be scarce the branches were gradually discontinued. In failing to supply itself with sufficient sources of supply the Grand Trunk Pacific failed in its primary object, to become itself a feeder for the Grand Trunk System in the east.

In a study of the weaknesses of the Grand Trunk Pacific System the problem of competition cannot be overemphasized. It has been said that this railway, "Reached scarcely a foot of territory not already served in Manitoba, and but little in Alberta and Saskatchewan."¹ This statement is too positive, as in some cases the Grand Trunk Pacific did precede the other lines, but these occasions were few.

As a general rule it is correct to say that the Canadian Pacific and Canadian Northern preceded the Grand Trunk Pacific through the prairie country. For this reason the last railway must be held largely responsible for the results which followed the excessive competition. The arbitrators of the Grand Trunk problem in 1921 severely attacked the Grand Trunk Pacific project. "It would be difficult to imagine a more misconceived project...For nearly half the distance of nine hundred miles westward from Winnipeg the main line was constructed close to and between the lines of the Canadian Pacific and Canadian Northern Companies. For the remaining thousand miles to Prince Rupert the main line traverses for the most part a difficult country, largely mountainous, whose development

1. Newell, J. P. "A Review of the Grand Trunk Railway Arbitration", Engineering News Record, XC, February 1, 1923, 212.

for the purpose of furnishing local traffic must await settlement and business enterprise, and terminates at Prince Rupert, a port as yet without any considerable trans-Pacific or other external trade. For two hundred miles or more this section of the line parallels the Canadian Northern Railway so closely that part of the rails of each has been taken up and both railways, now under government control, use the same tracks. When it is considered that the Grand Trunk Pacific was built for the whole distance of eighteen hundred miles from Winnipeg to Prince Rupert at a very high standard of construction and at enormous cost, particularly in the mountain section, the magnitude of the mistake of going forward with this enterprise is apparent. The branch lines in the Prairie Provinces are wholly inadequate as feeders to the main lines, providing a strikingly unfavorable contrast to the number and mileage of the branch lines of both the Canadian Pacific and Canadian Northern Companies in this traffic-producing area. Part of the Grand Trunk Pacific Branch Lines system was badly situated in territory tributary to its rivals. As a result of its location to the main line and its want of efficient feeders, the Grand Trunk Pacific Railway Company will not share proportionately with its rivals in the traffic which may be expected with the progressive settlement and development of the Prairie Provinces."¹

The location of its branches was a great mistake of the Grand Trunk Pacific, but this was aggravated by the

1. Grand Trunk Arbitration, 1921, 175.

fact that it was usually the last railway to build to any important center. This increased the cost of construction and handicapped the company in the gaining of business. "For the value of land taken up for the right of way and city entrances is greater as population increases - to build a second line to these places is greater than the first, then a third line comes in at another increase in cost."¹

The critics of the Grand Trunk Pacific Railway have no reason to condemn it entirely for building into the prairies. It has been shown that many unexpected events caused the company to meet difficulties which were unforeseen and unexpected by all of Canada. Most of the country at the time of the railway's inception was blinded by the wave of prosperity which was sweeping it, and to them the project appeared not only possible but profitable and necessary. The prairies were expected to fill up with settlers, and if immigration had continued during the war years as it had during the first decade of the century, it would have undoubtedly added much to the transportation needs of the west. Of the two rivals, the Canadian Northern and the Canadian Pacific, the former was a young company, and, although it was realized to be ambitious, there was nothing to forecast that it would become as great a system as the others. In 1903 it had only 1,276 miles, nearly all of which were in Manitoba. Moreover, the Grand Trunk officials did not believe that the government would support it as well as the Grand Trunk Pacific project.

1. Biggar, E. B. The Canadian Railway Problem, Toronto. 1917. 163.

"How could the men behind the latter believe that such a new line could hope to compete with an organization which was backed by the solid and well-established Grand Trunk Railway? Borden supported this theory, for he states, "It is possible that Mr. Hays underrated the ability and resourcefulness of his rival."¹ Undoubtedly the officials of the Grand Trunk Pacific believed that the Canadian Northern would collapse from the competition of a better built, better organized, and financially sounder line.

The Grand Trunk officials must have known that the Canadian Pacific was unpopular², especially in the west where monopoly has always been unpopular.³ More than this, the facilities of the existing railway were inadequate for the demands of the tremendous grain crops. A feeder from the west was a necessity to the Grand Trunk officials, but they did not see that the construction of this would result in competition from a strong Canadian Northern and the building of numerous branch lines in the northern prairies by the Canadian Pacific.

There is no doubt that the multiplicity of the roads on the prairies was disastrous. Had there been some co-ordination or systematic planning to avoid duplication, all three roads might have remained solvent. But in their rivalry, in their fear of the other roads, they build branches indiscrim-

1. Borden's Autobiography, 109

2. Senate Investigation, 999.

3. Dr. W. N. Sage was present when the Grand Trunk Pacific reached Calgary and states that the second line was enthusiastically welcomed because it was hoped that competition would result in a decrease in price.

inately, and, instead of building to those sections which had a need for transportation, they made efforts to construct roads to those districts which had already the densest population, and therefore had railroad facilities. Railroads were built for miles parallel to each other, and it has been said of the line between Saskatoon and Unity that the lines, "Are almost within a biscuit toss for quite a long piece."¹ When such conditions exist it is not difficult to see why the Canadian National Railway believes today that there are 2200 miles of railroad in Canada which could be eliminated.²

With such duplication, it is obvious that the uniting of the Canadian Northern and the Grand Trunk Pacific with the Canadian Government Railways in 1921 should result in great savings. But this was not to be. True there was some elimination, the most noteworthy being the line through the Yellowhead, but another factor entered which prevented the economy which should have been possible. As the railway was a government one, the problem of cessation of service was influenced by politics, for every settlement bitterly opposed the elimination of the lines which served it. More than this, as a government railway, the new system was faced with the fact that it was the duty of the government not to consider only profit, but also to remember that railways must be run for the public welfare. Short lines which year by year

1. Senate Investigation, 321 and 396. This section is one of the most controversial cases of duplication on the prairies today.

2. ibid., 1072.

resulted in a deficit were found to be the only outlets for many small districts which had grown up as a result of the construction of the railway. The government could not withdraw the train service from these places and leave them with no modern transportation facilities. Therefore it was forced to continue many trains which continued to lose money and yet could be neither eliminated nor expected to improve.

Today the prairie provinces have two great systems. There is still much duplication, and in many places there are lines which are unprofitable. Two solutions offer themselves. The first is the elimination of one system or the other, which would result in monopoly. The other is the continuation of the two systems, but a close co-operation between them and a gradual cessation of all unnecessary duplication.

There are many things to be said in favor of monopoly. It would result in a unified system with no wasteful overlapping. It would mean more equality of rates, for the line would not be forced to cut rates in those sections which had competition while it maintained high rates in those districts where it had a monopoly. It would mean better service, for the running times of the trains could be better distributed. The opportunities of effective saving are almost unlimited: general overhead expenses; the readjustment of tariffs and traffic; less traffic solicitation and advertising; economies in operation of both passenger and freight trains; purchasing; accounting and statistics; hotels, express, telegraphs, and other subsidiaries to the railroads; terminals;

and the economic value of the materials which would be released for use.

But monopoly has its evils, and the acceptance of such a system might lead to many risks, the "Possibility of inadequate service, of inefficiency, of carelessness, and of political difficulties."¹ In favor of monopoly in Canada, attention has been drawn to southern Alberta, where the Canadian Pacific had virtual control and where the people are getting excellent service. But it must be pointed out that this was not always so, and, as shown above, before the other lines built into the prairies, the service was inadequate. Moreover, the excellence of this service might be regarded as a result of the fear of competition, not only from the two other Canadian lines but also from those American companies which have always shown a desire to branch into Canada.²

In considering the alternative to monopoly, a close co-operation between the two companies, it will be seen that not only are all savings of monopoly possible, but the benefits of competition will be maintained. "A significant feature of the debates in Parliament on the Canadian National-

1. Senate Investigation, 1938, 473.

2. cf. Richardson, R. L. "Government Ownership of Railways", Canadian Magazine. November 1900, p.61. The Canadian Pacific, which at that time had a monopoly and subsidy from Montreal to Winnipeg, charged about twice as much as its subsidiary from New York to Minneapolis, which had no subsidy but competition from 9 other lines.

Canadian Pacific Railway Act of 1933 was that the members of all political parties stood almost as a unit in opposition to the policy of railway amalgamation."¹ The best solution of the problem of Canadian transportation is undoubtedly the maintenance of the two systems, but a close understanding between them, which would result in the elimination of duplication. For some time the pains which will result may seem injurious, but the result will be the birth of a transportation system which will serve Canada adequately and profitably.

The Grand Trunk Pacific Railway was built blindly as the result of a vision. But unforeseen circumstances and influences proved that this vision was little more than a dream, and the project failed to achieve its expected results. The lack of a complete plan, the high costs, the depredatory influence of unscrupulous financiers, the ambitions of politicians, the unforeseen competition from other roads, and a depression which reached its climax in the Great War, were the factors which made the Grand Trunk Pacific a failure.

Today, however, it seems as if this railroad is to justify itself. Closely united with a great system of roads, operated with the purpose of making it a servant of Canada rather than a revenue producer, and serving the two great sections of the country which promise the most in future years, it will yet become a valuable asset. In the past the Grand Trunk Pacific has injured Canada seriously, but it is

not too much to expect that in the near future it will prove to be one of the greatest causes of Canadian prosperity. It will provide an outlet for the rich areas of northern Quebec, Ontario, and British Columbia. It will bring raw materials to the industrial sections of Canada and civilization to the wilderness. Greatest of all, it will be a strong bond in the unifying of Canada into a great nation.

A P P E N D I X

Appendix I.Summary of Contracts Let by the
Grand Trunk Pacific Railway Company*I. LARGE CONTRACTS FOR GRADING THE ROADBED, BUILDING CULVERTS,
AND SMALL BRIDGES:

<u>Date of Contract</u>	<u>Name of Contractor</u>	<u>Location of Work</u>	<u>Miles</u>	<u>Amount</u>
June 22, 1907	Treat and Johnson, Brantford, Ont. or Winnipeg, Man.	Winnipeg-Portage la Prairie	54	\$ 200,000
Aug. 2, 1905	McDonald and McMillan Com- pany, Winnipeg, Man.	Portage la Prairie - Touchwood Hills.	275	1,672,000
	Treat and Johnson	Qu'Appelle Valley	53	298,000
February 20, 1906	Canadian White Company, Montreal, Quebec.	W.line Sec.6, Tp.27, R.13, W.2nd Mer., to W.line Sec.24, Tp.36, R.C.W., 3rd Mer.	140	770,000
February 20, 1906	Foley Bros., Larson and Company, Battleford.	W.line Sec.24, Tp.36, R.6, W.3rd Mer., to a point near Edmonton, Alta.	316	2,500,000
January 4, 1908	Foley, Welch and Stewart, Kenora	East line of Sec. 13, Tp.53, R.24, W. 4th Mer., to east bank of Wolf Creek.	129	1,200,000
March 16, 1908	"	Prince Rupert- Copper River	100	3,200,000

* as reported in the House of Commons Debates, April 10, 1907, p. 7006; April 13, 1908, p.6637; July 11, 1908, p.13613; and April 5, 1909, p. 3987.

II. OTHER CONTRACTORS FOR ROADBED, CULVERTS, AND
SMALL BRIDGES;

John Bradley, J. R. Booth, Messrs. Bishop and Huck,
C. H. Richards, C. Frost.

III. STEEL RAILS (to be delivered to Fort William, Port
Arthur, or Quebec, as specified):

Lake Superior Steel Corporation
Dominion Iron and Steel Company
Algoma Steel Company
U. S. Steel Products Exchange Company

IV. STEEL BRIDGES:

Messrs. John Gunn and Son, masonry and sub-structures.
The May Sharpe Construction Company, masonry and sub-
structures.

The Canadian Bridge Company, superstructures.

V. BUILDINGS:

Messrs. McDiarmid and Company.

VI. FENCING:

Canadian Steel and Wire Company.

VII. TRACKLAYING AND BALLASTING:

The Grand Trunk Pacific Railway Company.

Appendix II.LOCATION AND MILEAGE OF THE GRAND TRUNK PACIFIC LINES *Ontario

Mission Terminals to Empire Ave. Junction	2.26 miles
Midway to Dog River Junction	28.89
Conmee to Superior Junction	159.56

Manitoba

x Woodward Ave. Junction Winnipeg to Pacific Junction to Great Northern Junction, Portage la Prairie	52.42
x Portage la Prairie to Rivers to Interprovincial Boundary near Victor	157.56
Conns. at Portage la Prairie, Petrel, Knox	.80
Branches and Spurs	6.98

Saskatchewan

x Interprovincial Boundary near Victor to Melville to Watrous to Biggar to Interprovincial Boundary near Artland	415.02
Connections at Yorath	0.24
Melville to Canora	54.71
Connections at Yorkton	0.14
Biggar to Loverna	103.45
Oban to Battleford	48.25
Connections at Battleford, between Porter and Cutknife Subs.	0.62
Melville to Qu'Appelle Junction to Craik Junction to Riverhurst	206.07
West leg of Wye at West Yd., Regina	0.23
West Yard to G. T. P. Station, Regina	2.97
Boundary Wye - North Switch to South Switch	0.34
Connections at Regina	0.14
Boundary Wye to Northgate	154.32
Talmage to Weyburn	13.60
Young to Cudworth Junction to Junction at Prince Albert	110.88
Battleford to Carruthers	46.28
Connection at Battleford	0.21
Branches and Spurs	4.51

Alberta #

x Interprovincial Boundary at Artland to Wainwright to East Jct. North Edmonton to West Jct.	166.37
East Jct. Switch to 100st St. Edmonton	3.45

* (Taken from mimeographed bulletin Location and Mileage of Railways of Canada, January 1st, 1924, Dominion Bureau of Statistics, Transportation Branch, Ottawa, 1925.)

Alberta (cont'd)

121st St. Edmonton to Union Jct. to Lobstick (m. 73.50 Wabamun Sub.)	72.11
Connections at Edmonton	0.57
x Chip Lake (M.86.90 Wabamun Sub.) to Obed (M. 35.33 Brule Sub.)	77.88
x Snaring (M.94.94) to Jasper to Geikie	20.81
Bickerdale Junction to Lovett	55.33
@ Coal Spur to Mountain Park	31.80
¢ Leyland to Luscar	5.11
Toffeld to Jct. with Strathcona sub. near Camrose	23.27
Battle-Duhamel Conn. to Mirror to Barlow Jct. to Calgary	169.46
Battle Junction Wye	0.36

British Columbia

x Red Pass Junction to McBride to Prince George to Smithers to Prince Rupert	676.76
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x indicates Main Line.

In Alberta, at the time of this report, much of the Grand Trunk Pacific Lines had been torn up between Edmonton and Red Pass Junction and the Canadian Northern Lines used. These sections were as follows:

Lobstick to Chip Lake	13.40 miles
Obed to Snaring	59.61
Geikie to Red Pass Junction	35.50

@ Built by Mountain Park Coal Company and contracted to G.T.P.

¢ Built by Luscar Colliery Company and contracted to G.T.P.

Appendix III.

Funded Debt outstanding December 31, 1918.

<u>Description of Security</u>	<u>Rate %</u>	<u>Principal</u>	<u>Guaranteed by</u>
First Mortgage Gold Ster- ling Bonds 1962	3	\$68,133,333	Dominion gov't
Sterling Bonds 1962	4	8,440,848	"
Total		<u>\$76,574,181</u>	
First Mortgage Lake Sup- erior Branch 1955	4	\$ 7,533,000	Grand Trunk Ry.
Second Mortgage Series A and B 1955	4	20,169,000	"
Debenture Stock Perpetual	4	34,879,253	"
Seven Year Secured Notes (1921)	5	9,720,000	"
Total		<u>\$72,301,253</u>	
First Mortgage Bonds (four issues)	4 and 4½	\$16,786,440	Alberta and Saskatchewan governments.
Dominion Gov't. Loan 1909	4	\$10,000,000	Grand Trunk Ry.
Dominion Govt. Loan 1913	4	15,000,000	"
Dominion Govt. Loan 1914	5	6,000,000	No guaranteed
Dominion Govt. Loan 1916	5	7,081,783	"
Dominion Govt. Loan 1917	6	5,038,054	"
Dominion Govt. Loan 1918	6	7,471,400	"
Total		<u>\$50,591,237</u>	
Grand Total		\$ 216,253,111	
Annual Interest		\$ 8,456,408	

from Correspondence regarding Grand Trunk Railway Acquisition
and Memorandum Respecting the Same, Sessional Paper No.90,
1919, 42.

Appendix IVComparison of Grand Trunk Pacific and otherNorth American Railways

<u>Railway</u>	<u>Summits</u>		<u>Max. Grades</u> (feet/mile)	<u>Max.</u> <u>Elevation</u> (feet)	<u>Tractive</u> <u>Resistance</u> (lbs./ton)	<u>Gross cap-</u> <u>acity of</u> <u>engine (tons)</u>
	<u>No.</u>	<u>Height</u> (feet)				
G.T.P.		3,712	26	6,990	14	2,041
G. N.	3	5,202 4,146 3,375	116	19,987	50	572
N. P.	3	5,569 5,532 2,849	116	17,830	50	572
U.P.	8	8,247 to 3,537	116	18,575	50	572
Santa Fe	6	7,510 to 3,819	185	34,506	76	376
C. R.R.	2	5,299 4,308	237	23,106	96	298

Summarized from Canadian Annual Review, 1907. 119.

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Note: p.331 - government guaranteed first mortgage bonds on prairie section to the amount of \$13,000 per mile (should be to 75% of amount not exceeding \$13,000)

p.332 - Eastern Division was to be leased rent free for three years (should be seven years).

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