

while on the Crow's Nest pass line itself the Canadian Pacific agreed that rates should be approved by the Government or by a Railway Commission.

Not until 1903 did the Railway Commission contemplated in the Crow's Nest Pass Agreement take shape in the form of a Board of Railway Commissioners of Canada a statutory body entrusted (except in the case of Government lines which were originally excluded from its jurisdiction) with the determination of questions relating not only to rates, but also to train services and safety appliances.<sup>1</sup> In the meantime, however, the introduction of railway competition in the West had begun to alleviate the apprehension of the western people regarding freight rates and monopoly.

#### THE TURNING POINT IN RAILWAY DEVELOPMENT

As the period of economic expansion continued into the early years of the twentieth century it became clear that the Canadian Northern would not be content with anything short of a complete line from the Pacific to Atlantic tide-water; while the Grand Trunk also was again intent upon extension westward. The problem arose as to whether it would be feasible to secure co-operation between the Canadian Northern and Grand Trunk leading to one, instead of two, additional transcontinentals. The former acting as the western and the latter as the eastern link in the chain. Negotiations to this end were conducted in 1902 and 1903, but it proved impossible to arrive at terms.

The die was cast in 1903, with the conclusion of an agreement between the Grand Trunk and the Government, and the passing of an act for the incorporation of the Grand Trunk Pacific Railway, a company owned by the Grand Trunk.<sup>2</sup> Directed primarily to the provision of an all-rail route that would make Canadian shippers independent in all circumstances and in all seasons of the railways of the United States and of its bonding privilege, the plan called not for an adaptation of existing resources, but for a completely new and costly transcontinental line constructed under the aegis of the Grand Trunk, the eastern section directly at the public expense, the western section at the expense of the Grand Trunk, assisted by Government guarantee. To add to its obligations, the Grand Trunk acquired, a year later, the Canada Atlantic Railway which provided it with a second connection between the Georgian Bay and the American seaboard. At the same time, the Canadian Northern was to be assisted to the attainment of its more economical ambitions. The spout of the western hopper, to the smallness of which Sir William Van Horne had drawn attention, was now to be enlarged almost to the size of the hopper itself.

The statutes and agreements embodying the new policy provided for a line from Winnipeg to the northerly Pacific port of Prince Rupert along the same general route as that followed by or projected for the Canadian Northern. A portion of the cost, which proved to be greatly in excess of the estimate, was guaranteed by the Dominion Government, the balance by the Grand Trunk. This line, the Grand Trunk Pacific proper, which was commenced in 1905 (almost coincidentally with the completion of the Canadian Northern between Port Arthur and Edmonton) was not designed to form a transcontinental link with the old Grand Trunk in southern Ontario and Quebec, but with the so-called National Transcontinental, which the Government itself undertook to construct, under the joint supervision of the Grand Trunk and a Government Commission, from Winnipeg across unopened country to Quebec, where by a work of great cost and engineering magnitude, which twice collapsed during construction, the St. Lawrence was to be bridged and a short route provided to the maritimes.

<sup>1</sup> Revised Statutes of Canada, 1927, Chap. 170. Its powers were increased in 1919 to include the determination of route-map applications.

<sup>2</sup> Statutes of Canada, 1903, Chap. 71.

The eastern terminus would be Moncton, N.B. In addition a connection between the National Transcontinental and lake Superior was to be constructed by the Grand Trunk, which agreed also to equip the whole Government section and, upon completion, to assume its operation under lease on terms of no rent for the first seven years and 3 per cent of the cost of construction annually thereafter. In this case, as in the case of the Grand Trunk Pacific, the final cost of \$168,000,000 greatly exceeded the estimates, while another twenty-two and a half millions was added by the Quebec Bridge.

#### THE SITUATION REVIEWED

These ambitious plans were formed during the opening years of the twentieth century, when the extension of western settlement appeared to be out-running the existing railway mileage. The Canadian Pacific line which had first precariously spanned the continent, largely with the help of direct subsidies, had achieved through skilful management and national growth a comprehensive system both east and west, and a position of financial strength and independence.

In Central Canada, the Grand Trunk, its earlier financial vicissitudes apparently dispelled by the vigorous management of Charles M. Hays, was acting with renewed force and reputation; while, in the maritime region, the Government line continued to serve its necessary and important purposes at a cost to the public which was not excessive.

The decision, however, to add to these lines, and to the western lines of the Canadian Northern, such additions as would create in the total three complete transcontinental railways, changed the whole aspect of the railway situation in Canada. The policy of expansion was determined upon, and construction begun, in the atmosphere of the early years of the century, when almost unlimited growth was predicted for Canada. Here and there voices were raised in protest, but without avail. Even the resignation of the Minister of Railways and Canals was unheeded. It was not long, however, before less favourable conditions made it apparent that railway construction had too far anticipated national growth.

#### DISTRESS OF CERTAIN RAILWAYS

Even before the new lines had reached completion, a period of extreme depression intervened, land speculation collapsed, and in spite of the northerly extension of the wheat belt through the discovery of a seed-grain that could be brought to maturity in the shorter seasons of the more northerly latitudes, western agriculture and settlement experienced a severe restriction. As for the railways, increasing capital charges combined with inadequate revenue obliged both the Grand Trunk Pacific and the Canadian Northern to fall back repeatedly upon the public treasury, although, in the case of the original Grand Trunk lines, earnings were still sufficient to pay the usual dividends. The outbreak of war found both of the new transcontinental systems incomplete and in a state of serious financial embarrassment. The Canadian Northern, in spite of Government guarantee to nearly half the amount, was unable to secure the \$100,000,000 which it estimated as necessary to complete its enterprise; and both systems, with restriction of traffic and heavy fixed charges threatened to collapse.

While, in the result, the Canadian Northern, with State aid, attained a scamped transcontinental service, the anticipated transcontinental service by the Grand Trunk never became effective, the company refusing, on the ground of excessive cost of construction, to take over the operation of the National Transcontinental upon its completion in 1915. In consequence, the Grand Trunk Pacific, inadequately furnished with branch lines, was left unconnected with the East; and the National Transcontinental built to an unnecessarily high standard was operated by the Government in a desultory way, and at a heavy