

of 25,000,000 selected acres;<sup>1</sup> exemption from import duties on materials for construction, from taxes on land for twenty years after the patents were issued and on stock and other property for ever; exemption from regulation of rates until 10 per cent per annum was earned on the capital; and a monopoly clause by which the Canadian Pacific was practically freed from competition between its line and the American border.<sup>2</sup>

Although encountering financial difficulties of a serious nature, which necessitated further assistance from the Government in the shape of loans amounting to \$35,000,000 the railway was completed (to the accompaniment of a further rising of Indians and half-breeds) in, roughly, half the stipulated time; and, in 1886, it began to operate as a complete link between Eastern Canada, the prairies and the Pacific coast.

#### DEVELOPMENT OF THE CANADIAN PACIFIC IN THE EAST

To secure a through haul and the full benefit of its enterprise, the Canadian Pacific had now to expand in the East, or remain, in the words of its first president, a body without arms, dependent upon the charity of its principal eastern antagonist. The Grand Trunk had, in fact, now assumed, after its absorption of the Great Western in 1883 (following ineffectual efforts in pooling and co-operation) the dominating position in eastern transport; and it now opposed with every means at its disposal the development in the east of the new railway. A second burst of railway construction in Ontario in the "seventies" had created a considerable independent mileage, for the acquisition of which the Canadian Pacific and the Grand Trunk proceeded to compete; and by 1890, little remained that had not been absorbed by one or other of the two principal antagonists. Thus, by purchase, as well as by new construction, the Canadian Pacific expanded its eastern interests to include a continuous system through southern Ontario and Quebec, a link with the maritimes through Maine, a winter port at St. John, N.B., and control of the Dominion Atlantic Railway of Nova Scotia. The construction of hotels, and operations in inland, coastal, and ocean shipping, both on the Atlantic and the Pacific followed.

While providing facilities in eastern Canada, on the whole less extensive than those of the Grand Trunk, the Canadian Pacific enjoyed the advantages of a long haul, low initial cost, and an energetic management, which soon put it in a position of financial strength to which the older company, with its handicaps of heavy capitalization, absentee direction and restricted territory was never able to attain.

#### PROJECTS OF FURTHER CONSTRUCTION IN THE WEST

While additional mileage continued to be added in the industrial districts of Central Canada, the next important stage in the development of Canadian railways—and indeed of Canadian transportation as a whole—came with the decision to construct further transcontinental lines.

There were several reasons which suggested such additional lines. Some dissatisfaction existed in the west over the lack of railway competition, the strong desire for which was shown when the Manitoba Government, following the virtual abrogation in 1888 of the monopoly clause in the Canadian Pacific's charter in consideration of a Dominion guarantee of interest on a bond issue of

<sup>1</sup> Of this 6,793,014 acres were later returned in exchange for a cash subsidy of \$10,189,521. Later grants totalling 1,710,400 acres were made, and subsidiaries which later formed part of the C.P.R. received grants totalling 6,139,963 acres. The original grant was given in alternate sections of 640 acres, 24 miles deep on each side of the railway from Winnipeg to Jasper House. Sections unfit for settlement and deficiencies were made up between 49th and 57th parallels or along branch lines.

<sup>2</sup> 44 Vic., Chap. 1.

\$15,000,000 by that railway, hastened to arrange for an extension into Manitoba of the Northern Pacific. A further reason was the growth of immigration and business that came at the close of the century with the end of a long period of depression. The number of immigrants, which fell to 16,835 in 1896, gradually rose again, reaching 128,364 in 1903 and continuing to climb. This increase was, of course, in part a result as well as a cause of railway construction. Industry in general, however, got a new impetus; agricultural production, for example, increased by 36.8 per cent and manufactured products by 142.3 per cent in the first decade of the twentieth century. Coming as it did after a number of lean years, the improved situation led to general optimism.

There existed two railways which were anxious to take advantage of the business arising out of the growth of the west. The proposal came from the Grand Trunk that that company should reach out to the prairies by leasing lines from Chicago (its western terminus) to Winnipeg, and build thence a line to the Pacific. The proposal, however, was not acceptable to the Government as not providing a Canadian route and in fact the final move came on the part of a young rival, the Canadian Northern (to use the name adopted somewhat later). This line had its origin in the enterprise of a remarkable partnership in railway construction and operation—the firm of Mackenzie and Mann, who pieced together a series of lines in Manitoba, beginning in 1895 with a short line chartered as the Lake Manitoba Railway and Canal Company, and including a lease of the Manitoba extension of the Northern Pacific. Aided by the various governments the Canadian Northern was completed from Winnipeg to Port Arthur by 1902. In spite of the freedom with which governmental assistance was given, the original portions of the road were constructed, equipped, and operated with great economy.

#### MONOPOLY AND FREIGHT RATES

The objections raised against railway monopoly in the West had, as has been seen, been partly met by the abrogation of the Canadian Pacific's monopoly of territory and the beginnings of competitive lines. Another provision of the Canadian Pacific charter that aroused increasing apprehension was the one under which Parliament had agreed to abstain from regulating freight rates and tolls on the western main line in such a way as to reduce the net earnings of the company to an amount less than would be sufficient to permit the payment of an annual dividend of ten per cent upon its ordinary shares. In point of fact, at the time of the granting of the Canadian Pacific charter, there existed in Canada no adequate machinery for the regulation of rates. Not until 1888, did Parliament, following the example of Congress in relation to the Interstate Commerce Commission, see fit to grant certain restricted powers of rate regulation to the then existing Railway Committee of the Privy Council. From this supervision the terms of its charter exempted the Canadian Pacific; and it was not until 1897 that modification of the company's charter rights in respect of rates was secured by means of the famous Crow's Nest Pass Agreement.<sup>1</sup> Under this agreement the Canadian Pacific undertook, in return for a Government subsidy of \$3,360,000 on the construction of a line from Lethbridge to Nelson over the Crow's Nest pass, to make, as of January 1, 1898, certain reductions in the rates on specified classes of freight and merchandise west-bound from points east of the head of the Lakes to points west thereof on the main line; and, on eastbound shipments of grain and flour from points west of the head of the Lakes to points east thereof, to make a reduction of 3 cents per 100 pounds. Eventually these Crow's Nest pass rates, extended to all railways, were to form the basis of the western freight rate structure. Mean-

<sup>1</sup> 60-61 Victoria, Chap. 5.