

either descended the Erie canal under the inducement of reduced tolls or moved by American rails to the port of New York, the attraction of whose diversified shipping, then as now, exercised a potent influence upon the flow of export grain. No substantial change in this situation, either from the point of view of the flow of the grain trade or the capacity of the canals connecting the Great Lakes, occurred until after the turn of the century, when the expansion of the Canadian West was to result not only in an increased outflow of export grain through Canadian channels but was to involve the further enlargement of facilities for inland shipping.

Inland waterways in Canada have never failed to offer an effective competition to railways in the carriage of heavy freight. The presence of great rivers and lakes, forming almost an uninterrupted passage from the Atlantic to the western prairies, accounts for the continuance of water transportation. Whereas in some other countries—England, for example—the value of canals almost disappeared with the development of railways, in Canada there have been needed only short canals to make navigable those sections of the waterways that were obstructed in one way or another.

INTERCOLONIAL RAILWAY

The promise of railway construction formed an integral part not only of the arrangement of 1867 but also of the terms on which Prince Edward Island and British Columbia later entered the Dominion.

In relation to Prince Edward Island no more need be said than that the adoption by the Dominion Government of the railway debt and the guarantee of a year-round ferry service were two of the reasons that brought the island into the federation in 1873.

The failure of the early attempts to secure a line from Halifax to Quebec has already been mentioned. One of the arguments which successfully carried the confederation project in the maritime provinces was that a railway joining them to Central Canada could and would be built. The promise was written into the Act of 1867,¹ and the long cherished hope soon became a reality.

For this formidable undertaking, there was selected, largely at the instance of the Imperial Government, which had agreed to guarantee a loan, the long circuitous route of the Royal Engineers' Survey of 1847. This route, its supposed military advantage emphasized by certain incidents of the American Civil War, represented the most distant practicable arc from the American border. In other respects, however, the so-called military survey suffered by comparison with the more direct routes—one approximating that of the National Transcontinental of nearly fifty years later, another projected to descend the fertile valley of the St. John. Thus excessive length and costly construction were added to the economic difficulties of bridging the unproductive gap between Central Canada and the Maritimes, and any real prospect of profitable operation was excluded from the start.

Completed in 1876, from Truro where it connected with Halifax, to Riviere du Loup where the Grand Trunk gave it access to Quebec and Montreal, the Intercolonial added some 700 miles of railway, and its cost brought the amount to which public credit was involved in railway construction at that time, to considerably over \$100,000,000. Subsequent extensions, and operation by the Government upon a generally unprofitable basis have since added greatly to the investment represented by the Intercolonial. The line constituted in its inception, however, and remains to-day an essential national undertaking. Besides forming the original link in what has since become the extended and multiple chain of railway communication that connects from east to west the

¹ Section 145.

geographically disjointed belt of Canadian Confederation, the Intercolonial continues to serve as the principal purely Canadian outlet, available throughout the year, to the Atlantic seaboard. So if to-day the Intercolonial, forming with the National Transcontinental Railway the eastern lines of the Canadian National System, seems to present many of the aspects of commercial failure, it should be remembered that its economic defects are to a great extent inseparable from an origin that had its roots, and remains rooted, in the broader considerations of public policy.

INITIAL PROJECTS FOR WESTERN DEVELOPMENT

The Intercolonial formed the eastern arm of the railway link between the sections of Canada. In 1869, two years after the original Act of Confederation, the vast western territory that had formed the preserve of the Hudson's Bay Company was acquired. This addition had long been a dream of certain far-sighted Canadians, as had been its corollary, rail connection with Central Canada. The Red River rebellion which broke out on the initiation of government land surveys in the new territory drew attention to the difficulties of transportation. Unless use was made of American railways, the new west could only be reached by rail to Georgian bay, and thence by alternate boat and waggon transport.

The immediate pressure towards a Pacific railway came, however, from the terms on which British Columbia joined the Dominion, for one of these called for the commencement within two years, and the completion within ten, of a railway from the Pacific to join the existing railway system of Canada.¹ The Canadian Government decided that the road should be built by private enterprise, and towards that end made arrangements with a private syndicate, largely Canadian in its direction. Before these arrangements could be put into effect, however, the ministry resigned, partly because of its relations with the syndicate, which then voluntarily gave up its charter.

The succeeding administration of Alexander Mackenzie, hampered by the economic depression which began in 1873, made slow progress. Having failed to interest other capitalists to undertake the work, the government undertook the construction as a public enterprise of the Pacific railway, building first only those sections which could be integrated with the waterways to form a line of communication.² The plan implied modification of the agreement with British Columbia and protests were made. Finally Lord Carnarvon acted as arbitrator, and on November 17, 1874, he gave a decision, which was in part that the railway should be completed from the Pacific coast to the western end of Lake Superior by the end of 1890.

THE INITIATION OF THE CANADIAN PACIFIC

In 1878 Sir John Macdonald once more came back into power, and the Pacific railway became one of the primary interests of the new government. For two years construction by the Government was continued, attempts to interest either the British Government or the Grand Trunk having failed. In 1880, however, the Government was successful in signing a contract with a syndicate (later known as the Canadian Pacific Railway Company) for the construction of a Pacific railway. By the terms of the contract, which was signed on October 21 and laid before Parliament in December, the syndicate was given free the 710 miles of track constructed or under construction by the Government, and representing a cost of \$37,791,435; a cash subsidy of \$25,000,000; a land subsidy

¹ See the Imperial Order in Council of May 16, 1871.

² 37 Vic., Cap. 14.