

## The Contract with the Canadian Northern Railway



The Hon. Richard McBride

## The Policy of the McBride Administration

The McBride railway policy means for British Columbia the beginning of an era of railway construction, such as has been witnessed in the prairie provinces since 1892.

One through line of railway then traversed the 800 miles between Winnipeg and the foothills of the Rocky Mountains. Now there are four completed and in operation, and two more are half completed. There has been an equally remarkable expansion in the building of branch lines. In all, more than 6,000 miles of new railway are now in operation, and another 2,000 are under contract. (See Annual Reports Department of Railways, Ottawa).

All along this 6,000 miles of new railway population has flowed in and nearly one thousand new towns have sprung into existence. It is estimated that one million people have been added to the population of prairie Canada.

Two new provinces have been created out of the old North-West Territories. In 1901 the total population of those Territories was less than 170,000. (See Census of Canada, 1901).

To build the 6,000 miles of new railway at least \$20,000.00 per mile has been expended, a total of \$120,000,000; and it is estimated that new settlers have brought \$200,000,000 into the country at an average of only about \$200 per head. The annual production of wealth has more than kept pace.

In 1905, just four years ago, when the Province of Saskatchewan was created, her small population did well to produce for export \$10,000,000 worth of grain. This year she has produced for export \$150,000,000 worth of grain. (Saskatchewan Government Official Crop Report.)

## WHY DID THIS EXPANSION NOT BEGIN BEFORE 1902.

When did this expansion begin? Why did it begin then?

Prior to 1902, there was the same fertile soil, the same undeveloped wealth. The C.P.R. main line had crossed the prairie for 16 years. Northern Pacific branch lines had been in Manitoba for 12 years. The Laurier Government, we may remind our Liberal friends, had been in office for six years, and a Liberal Government had been in office in Manitoba from 1888 to 1900. Yet during the ten years previous to 1902 railway construction in Manitoba was almost at a standstill.

Why did the era of railway construction not begin before 1902? What radical change in the situation took place then?

### WHAT CHANGED THE SITUATION?

In 1901, the Manitoba Government made its celebrated contract with the C. N. R. The company agreed to buy the Northern Pacific lines in that Province, and to complete a main line of its own from the prairies of Manitoba to a port on the Great Lakes. The government agreed to guarantee the bonds of the company. (Statutes of Manitoba, 1901, cap. 39 schedule A, 5, 6.)

The new railway which had to be built to complete this main line lay entirely in the province of Ontario. The contract did not call for the building of one mile of railway in Manitoba in return for the bond guarantee. (S. of M., 1901, Cap. 39). But what was the effect upon railway construction in that province?

The C. N. R. have since then built some 2,000 miles of new railway in that province, and have now a greater mileage there than the C.P.R. How did the Manitoba contract bring this result about?

The C. N. R. wanted branch lines to serve as "feeders" to their main line. Every ton of through freight delivered to the main line from branch lines, meant so much more revenue from the main line.

Therefore, the C. N. R. built branch lines in all directions, wherever they saw good territory within reach.

The knowledge that this must be the effect of creating a new main line to the Great Lakes justified the Manitoba Government in giving its bond guarantee, for the completion of that new main line, through another province. Though the contract said nothing about new railways in Manitoba, yet both the government and the company understood that this would be the necessary consequence. Mackenzie & Mann, the owners of the C. N. R., are energetic western Canadians; they know the country and its capabilities; and, even while the main line was being built, they contracted for the construction of no less than 620 miles of new branch line. (Statutes of Manitoba, 1902, cap. 42).

#### RAILWAY COMPETITION IN CONSTRUCTION.

The C.P.R. were naturally not disposed to sit down and watch the C.N.R. occupy all the good territory. The C.P.R. also expanded their system, and bent their energies and their great resources to the construction of new lines. The Grand Trunk saw what was going on; saw how population and development followed the extension of railway facilities, and resolved that they could not afford to be left out.

#### RAILWAY FIRST, DEVELOPMENT AFTER.

The homestead maps published from year to year show how population and development kept away from territory until railway construction was secured. Today, land near railways, or near the line to be followed by railways contracted for, is worth from \$10 to \$40 and \$50 per acre. But great areas of land equally good are not touched though they are open for free homesteading. Why? Because no one knows when they will have railways.

Who is going to go into a country to raise crops, or to develop it in any other way, if he cannot get his products to market; or if the cost of getting them

to market eats up the profit? Will immigration agents or advertising induce him to do so?

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## **Present Situation in B.C.**

Is there not a striking resemblance between the railway situation in Manitoba in 1901 and that which exists in B. C. today? In natural wealth British Columbia is the richest province in Canada. And wherever the building of railways has given an opportunity to develop her resources, there development has followed, population has come in, and wealth has been produced. Why then have we no era of competition in railway construction here? Why are railways not competing for our territory?

### **BRITISH COLUMBIA CAN WAIT.**

The answer is that there is only one transcontinental main line crossing the southern half of B. C. Where there is no competitor there can be no competition. The Great Northern lines are merely branches,—and branches whose traffic has a double tariff wall to surmount. The G. T. P. main line is too far north; and its system east of the mountains is not yet developed. On the prairie other railways are racing for territory, and the C.P.R. is devoting all its energies to railway constructions there. It must build there; it need not build here yet awhile. When the time comes it will turn its attention to British Columbia. Meanwhile "British Columbia can wait."

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## **The McBride Railway Policy**

British Columbia's C.N.R. contract will create a very different state of affairs. In return for a bond guarantee, the company agree to extend their main transcontinental line through the Yellow Head pass across British Columbia to Vancouver, Victoria and

the west coast of Vancouver Island; and to have it completed and in operation within four years. The company also agree that this bond guarantee shall never cost the province one dollar. As security, they agree not only to give a first mortgage on the line to be built but also to pledge their whole railway system. And while the road will cost \$50,000 or \$60,000 per mile the bonds to be guaranteed are to amount to only \$35,000 per mile.

#### TO SPEND \$30,000,000—WHITE LABOR ONLY

The company thus agree to bring in \$30,000,000 of hard cash from outside and to spend it on a railway in the southern half of British Columbia—not in the far north—within four years. That alone means a good deal to the prosperity of British Columbia.

The C. N. R. does not believe in Asiatic labour on their lines. They do not ask to employ it. On the contrary they agree not to employ any but white labour; and they agree to pay current wages to that labour. The \$30,000,000 will thus be of additional benefit to British Columbia's people, whether business men or working men.

#### OTHER IMMEDIATE BENEFITS.

The road as soon as completed will afford railway facilities to large areas of new territory north of the C. P. R. and to a smaller area on the west coast of Vancouver Island.

It will also give immediate competition in railway rates and facilities between the Pacific Coast and our markets on the prairies.

#### STILL GREATER BENEFITS.

But that is not half the story. The C.N.R. route is so laid out that the company will be in a position to build branch lines into every portion of this province. And the company will build them. They will build to develop new territory on the north and they will build to further develop the south. As they have

extended their system on the prairie so they desire to extend it here, with the same enterprize and the same energy.

### WHERE IS RAILWAY CONSTRUCTION NEEDED?

Where is railway construction needed in British Columbia? The answer is, Everywhere. Not only in the north but in the south. North and South British Columbia abounds in rich undeveloped resources.

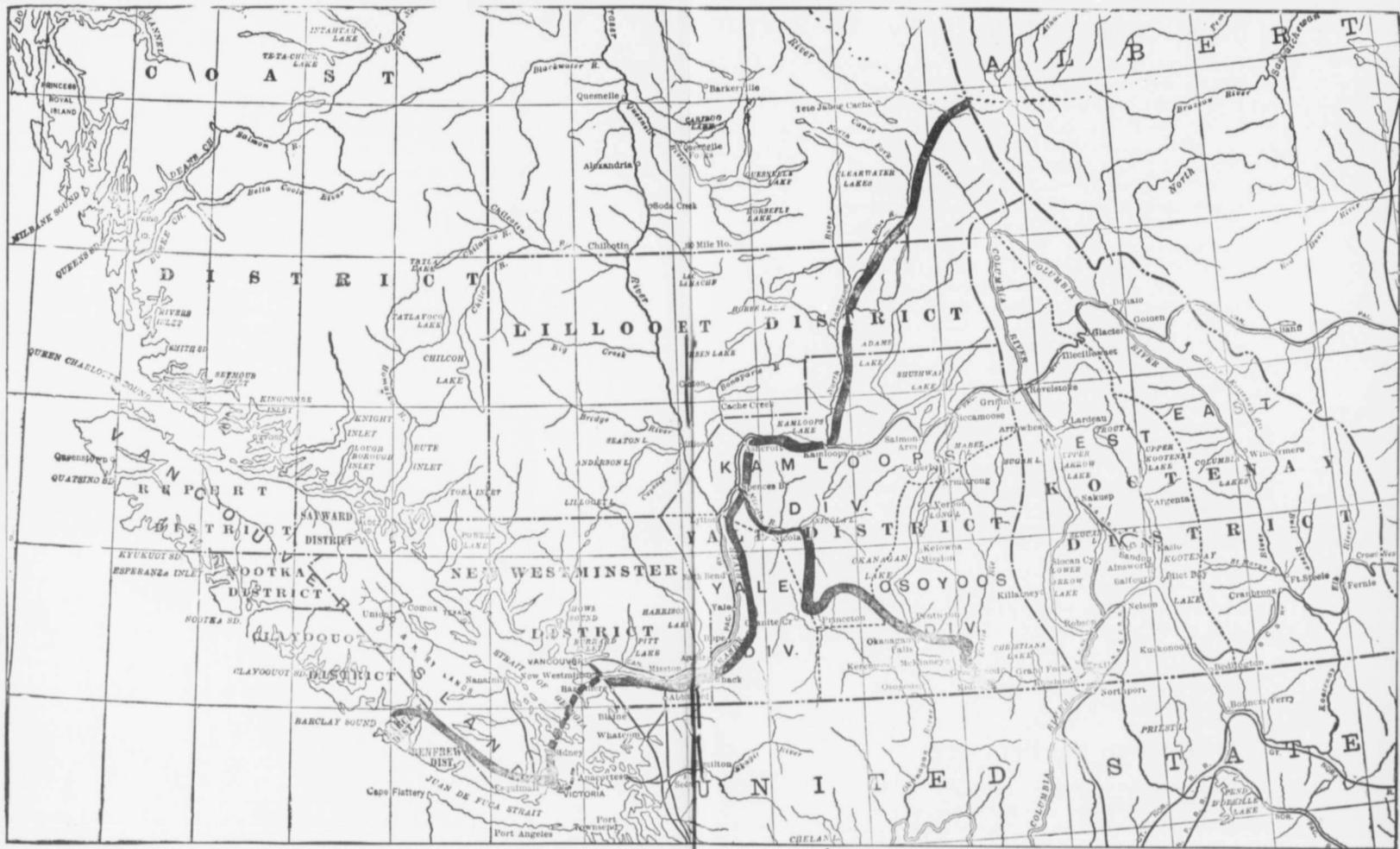
Take even the oldest portion of the province, the vicinity of Victoria. On Sooke Harbour, within 25 miles of Victoria, there are thousands of acres of fertile land, lying idle and undeveloped. The settlers this very year petitioned the government for transportation facilities. They stated that it did not pay them to bring even the richest of land under cultivation because the cost of getting their products to market ate up the profit.

### AN ERA OF RAILWAY CONSTRUCTION.

The C. P. R. will not lie idle while the C.N.R. is extending its system in this province, nor will the G. T. P. As in Manitoba so in British Columbia, we shall have a period of competition in railway construction. It will no longer be thought that "British Columbia can wait."

### WHAT DOES IT MEAN TO THE PEOPLE?

We have seen what an era of railway construction has meant to the prairie provinces—to their development—their increase of population, and their annual production of wealth. What will it mean to British Columbia with her still richer natural resources? What will it mean to her people,—to the man looking for employment or for promotion in his calling, to the owner of real estate, to the man in business? What has it meant on the prairie?



Map Showing Railway lines to be Constructed at Once

## Main Features of the Policy

As a basis for an era of competition in railway construction we need a new main line crossing the Province from Alberta to the Pacific, not too far from the existing main line crossing British Columbia. The C.N.R. agreement secures this—the C.N.R. touching the G.T.P. at Yellowhead, and the C.P.R. at Vancouver. The route of the C.N.R. is well situated for branch lines in the whole region between the Rockies and the Pacific, and from the G.T.P. to the United States..

To serve as the most effective basis for further construction, and to give the best through rates and facilities such a line should—

- (1) Enter our chief trade centres and seaports. Contract secures that.
- (2) Possess an extensive railway system in the Prairie. Contract secures that.
- (3) Enter chief cities and seaports of Eastern Provinces with its own lines. Contract secures that.
- (4) Give shortest possible through route with lowest possible gradients connecting our chief ports with its Prairie System. The C.N.R. good judges have chosen the route with these very objects in view.
- (5) Have lowest possible fixed charges as further basis of low rates. Contract secures that.

In order that the \$30,000,000 or more to be spent on construction may be distributed as much as possible among our existing population, the line should reach British Columbia trade centres and seaports. Contract secures that.

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## Cost to the Province

What will it cost the province to get this new main transcontinental line?

Not one dollar.

All they ask is a government guarantee of their bonds so that when they come to sell these bonds

they can get a better price for them. This is as good to the company as a bonus and it costs the province nothing.

A guarantee on their bonds is what Manitoba gave them and it has never cost Manitoba one dollar.

#### THE SECURITY.

As security that the guarantee on the bonds shall never cost the provincial treasury one dollar the company have agreed to give not only a first mortgage on the line in B. C. but also to pledge the company so that in case of default everything they own would be liable.

What is the value of this security?

1. The line on which the first mortgage is to be given will cost the C. N. R. \$50,000 to \$60,000 per mile. It will be worth more than that to them, or they would not build it. The bond guarantee is for only \$35,000 per mile. Thus for every \$35,000 guaranteed there will be as security a mortgage on property worth more than \$50,000 at the lowest estimate.

2. The net value of the company's other property which will be a second security, may fairly be estimated at \$150,000,000.

Five years ago, when the company had less than 800 miles of road the C. N. R. were offered for it \$25,000,000. Today it has nearly 4,500 miles west of Lake Superior, to say nothing of its eastern lines. It is a fair estimate to say that it is worth six times as much today as it was then. (Authority for amount of offer, public statement by Hon. R. P. Roblin.)

The net revenue of the C. P. R. from the 7,000 miles owned by that company in its own name is more than \$20,000,000 (C.P.R. annual report to shareholders, 1908). That is 5 per cent. on \$400,000,000, or an average of nearly \$60,000 per mile. The C. N. R. runs through better revenue producing territory on the average than the C. P. R. but it is a new road. Making every allowance, its value cannot be put at less than \$45,00 per mile. Its bonded indebtedness averages \$15,000 per mile, leaving a net value of \$30,000 per mile. Or, for the whole 4,500 miles of the prairie system, \$135,000,000.

To this must be added the net value of the lines now under contract with the Alberta Government which will be completed within the next four years. Also the net value of the eastern lines and the value of the company's land grants.

This property is additional security that the province shall never be called upon to pay one dollar by reason of the guarantee of bonds.

The C. N. R. people also own the Toronto street railway and are chief owners of the Winnipeg street railway and many other large properties. No investor has ever lost one dollar in any of their enterprises. They are men with a gilt edged financial record.

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## Effect on Provincial Credit

The building of the C. P. R. greatly increased the assets and revenue of the province.

The coming of the G. T. P. has also already had a similar effect, though the line is not yet built.

The building of the C.N.R. will also increase the assets and revenue of the province.

The bond guarantee costs the province nothing, and the liability assumed is merely nominal and technical.

Will these things injure the provincial financial standing of the province or will they improve it?

They improved Manitoba's financial standing. About two years after she had given her bond guarantee, she placed some provincial debentures on the market. They brought a better price in comparison with British consols than any of her debentures had ever done before. (Statement by Hon. Colin Campbell; also Winnipeg Telegram and Manitoba public accounts).

Canada cannot afford to see any failure on the part of any great Canadian railway. For this reason the Dominion came to the aid of the old Grand Trunk in its early days with a \$60,000,000 loan; to the aid of the C.P.R. in its early struggles with a \$20,000,000 loan; to the aid of the G.T.P. already this very year with a \$10,000,000 loan. The C.N.R. have planned

and carried out their work so well that, even in their earliest, hardest years, they never needed any such assistance; they made their road pay from the outset.

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## Manitoba's Bond Guarantees

Liberal Governments at Ottawa, and in Manitoba, Saskatchewan and Alberta have given land guarantees to the C.N.R. Liberals of B. C. are the only people to malign their own Province by pretending to the outside world that railway construction here will be unprofitable.

Greenway, in 1905, 1908, 1900, voted guarantees on C.P.R. bonds amounting to \$4,120,000. Manitoba's net revenue in the year 1904 was \$455,000. He took no security except that the bonds were First Mortgage bonds. He also exempted the railway and land grants from taxation for 30 years. (S. of M., 1896, cap. 10; 1898, cap. 43; 1900, cap. 4).

Roblin voted C.N.R. bond guarantees amounting to \$22,810,000. Total for Manitoba, \$26,930,000 down to 1909. Manitoba's net revenue in 1900 was \$785,247. She has no crown domain except a few swamp lands. The first Roblin guarantee (\$14,000,000) did not cover construction of one mile in Manitoba. The new track was in Ontario but furnished a basis for expansion of the C.N.R. system and an epoch of railway competition for territory. Here, \$30,000,000 will be spent in B. C. Roblin's security cannot compare with that given B. C. for the C. N. R. had no such system then as it has now.

The Laurier Government has guaranteed C.N.R. bonds for \$15,000,000. No control of rates in contract.

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## Alberta This Year

1. On branch lines of the C. N. R. 870 miles first issue of \$13,000 per mile. The Act provides also for a further issue of \$2,000 per mile. Total, \$15,000.

per mile. Total guarantee, \$13,050,000. (Statutes of Alberta, 1909, cap. 14, sections 2, 10.)

2. On branch lines of the G. T. P. 491 miles for total of \$15,000 per mile. Total guarantee, \$6,365,000. (Cap. 15, Sections 2, 10.)

3. On the Alberta and Great Waterways Railway 350 miles, \$20,000 per mile; also terminals, \$400,000. Total guarantee, \$7,400,000. (Statutes of Alberta, 1909, Cap. 16, Section 1.)

Total Alberta bond guarantees, 1909, \$27,815,000. Security—only first mortgage on lines aided. These, are all lines dependent on through lines for outlet to the rest of the world. Contrast the value of the C. N. R. main line in B. C.

There is no other security. Neither the C. N. R. nor the G. T. P. give a general pledge for which their entire system is liable. Contrast this with B. C.'s additional security. (See Statutes quoted above.)

Population of Alberta, 1901, 85,000. (See Census 1901, page 5).

Revenue of Alberta, about \$3,500,000.

Assets of Alberta, none, except her public buildings, etc.

The crown domain in Alberta is the property of the Dominion Government. Alberta owns no lands, timber, minerals, or water rights. (Statutes of Canada, Alberta Act). Contrast B. C.'s assets.

#### LIBERALS APPLAUDED ALBERTA.

When the Alberta bond guarantee was announced, it was loudly applauded by Liberals as the great work of a Liberal government. (Times editorial, for instance). Yet Alberta gets no new transcontinental line. She gets inferior security. She guarantees bonds to a greater amount although her assets and revenue are much smaller.

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## Dreams of Bogies Versus Facts

Do not Liberals quake for Alberta? Is it not awful? A Liberal Government did it, too.

Have they ceased quaking for Manitoba? When

Roblin's \$17,000,000 guarantees were passed, her net revenue was some \$700,000 per annum. She has no crown domain except a few swamp lands obtained under a special arrangement. The annual interest on the bonds was nearly equal to the whole annual revenue of the province.

Were not her people afraid?

Did it not injure the financial standing of the province?

Has she never had to pay one dollar by reason of the bond guarantee? Can it be possible?

Did it not prevent her from getting any more rail-ways built?

Can it be possible that it had exactly the opposite effect, and that it was merely the beginning of a period of construction that has made prairie Manitoba a network of railway lines?

Can it be possible that the liability was merely nominal and technical, while the benefits were real, substantial and far-reaching? Can it be possible that not only her people but the shrewd investors of the world's money market had intelligence enough to realize this, while the Liberals of British Columbia have not?

Can it be possible that the Liberals of this province underestimate the intelligence of the people of this province?

Yes, it is possible. More than that it is the actual fact. The objections urged by the Liberals, and by their allies,—disappointed railway promoters, who wanted to get rich quick, and agents of railway monopolies,—are mere visionary theories, confuted at every point not only by sane reason but also by actual facts, realities and experience.

It is on the strength of such visionary theories that partisanship run mad asks the people of British Columbia to refuse the assured certainty of the expenditure of \$30,000,000 and the entrance of a second great transcontinental line in the southern half of British Columbia.

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## Laurier's Bond Guarantee on G.T.P. Line in B.C.

Principal—For threequarters cost of construction. Proceeds of bonds must amount to this. Prices for bonds hitherto sold about 90. Total, if the cost is only \$40,000 per mile, would be \$24,000,000. If the cost is \$60,000 per mile the total will be \$36,000,000. (Statutes of Canada, 1904, Cap. 24, Schedule, Section 5.)

Interest—The Government agrees to pay interest for seven years as a free gift to the company. This will amount to from \$5,000,000 to \$7,500,000. The Government also agrees to pay interest for another five years as a loan to the Company. And the Company may default interest for 49 years and still retain final ownership of road. (Statutes of Canada, 1903, Cap. 71, Schedule, Section 32; 1904, Cap. 24, Schedule, Section 6). Contrast—If the C.N.R. road costs Province \$1, the company loses the road.

Security—The parent Grand Trunk Company give the Government no guarantee whatever. In no case is there to be any liability on the Grand Trunk for Grand Trunk Pacific bonds guaranteed by the Government—Contrast.

### BENEFITS TO PROVINCE.

The G. T. P., like the C. N. R., will develop new territory. But it will not make this development of so much benefit to the present population of B. C. It does not create conditions leading to railway expansion throughout the south half of B. C., where the people are. The contract does not provide for white labour only. Contrast.

Cost—No one knows. Interest alone for the first seven years will be from \$5,000,000 up. Contrast.