

THE JUBILEE OF THE C. P. R.

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ON the twenty-first day of October, 1880, the most important document in Canadian economic history was signed. The Honourable Sir Charles Tupper, Minister of Railways and Canals, concluded an agreement with "George Stephen of Montreal in Canada, Esquire; Duncan McIntyre of Montreal, aforesaid, merchant; John S. Kennedy of New York in the State of New York, Banker; the firm of Morton, Rose and Company of London in England, merchants; the firm of Kohn Reinach and Company of Paris in France, Bankers; Richard B. Angus and James J. Hill, both of St. Paul in the State of Minnesota, Esquires," which was designed to complete the terms of Confederation by which British Columbia had joined the Union on condition that Canada would complete a railway to the Pacific seaboard within ten years. Parliament placed its seal of approval on the enlistment of private enterprise as the key to the achievement of Confederation, and the agreement was sanctioned by an Act assented to on February the fifteenth, 1881. On November seventh, 1885, the last spike was driven at Craigellachie; and on June twenty-eighth, 1886, the first through train pulled out of Montreal for Vancouver.

The Government's policy in its reliance on private enterprise was immediately successful. The terms of union with British Columbia were fulfilled. The vast territories of northern North America, whose boundaries had been hammered out under the fur trade, were brought at one stroke into a unity in which the basic commodities demanded by modern industrialism—wheat, minerals, lumber and pulp and paper—were of first importance. The agreement essential to this tremendous achievement involved substantial assistance to private enterprise. "A subsidy in money of \$25,000,000 and in land of 25,000,000 acres", sections of the line built by the Government valued at nearly \$38,000,000, and a monopoly of Western Canada for twenty years, were among the items granted to the Company by the Government. The support of the Government involved a tariff to guarantee a market for manufactures from Eastern Canada, and to provide revenue to pay the subsidy and the cost of subsidiary transport arrangements. The interests of the road in the direction of monopoly control necessitated a south-

erly route by Kicking Horse Pass, later reinforced by branches south of the main line.

The effects of the achievement have dominated the history of Canada and the history of the railway. Immediately there arose problems in connection with the adjustment of the burden of the railway, and the arrangements by which it was to be paid for out of the virgin natural resources of Western Canada. In this adjustment the protests of Western Canada against the monopoly clause finally succeeded in securing cancellation in 1888. Constant agitation led to the appointment of a Railway Rates Commission in 1895, and to the enactment of the Crow's Nest Pass agreement, a year later, guaranteeing stipulated reductions in rates in return for assistance in extending the control of monopoly to the south through the Crow's Nest Pass railway. Finally, the Board of Railway Commissioners was established in 1903, but the West continued to labour under the handicap of higher rates as a result of its position as non-competitive territory in contrast with competitive territory in the East.

Nor was the struggle confined to rates. Political development furnished fresh weapons to the West. The struggle for responsible government in Manitoba and in the territories led to the formation of the new provinces, the extension of their boundaries, and a determination to secure more adequate control over their taxing powers. The provinces encouraged the construction of competing lines. The existence of vast fertile land areas to the north of the section along the boundary line in which the Canadian Pacific Railway was entrenched, the prosperity of the Canadian Pacific Railway, and the growth of government revenues from the tariff under conditions of prosperity were additional factors contributing to the emergence of two additional transcontinental railways, the Canadian Northern and the Grand Trunk Pacific. Again, effective demands had been made for the construction of the Hudson Bay Railway, and finally, western farmers had succeeded in developing an independent marketing organization and in securing the Canada Grain Act of 1912.

Temporarily, the war checked the general movement. The Crow's Nest Pass agreement was suspended, Hudson Bay Railway construction ceased, and the two new transcontinental lines went into bankruptcy. But the strategic position of the West in the post-war period hastened the movement which had its roots set in the past. Moreover, the prosperity of the war followed by the depression of the post-war period was responsible for a determination which led to the development of a strong competitor from the ruin

of the two earlier transcontinental lines, the return to the Crow's Nest Pass agreement, the rise of Vancouver as a wheat port, the completion of the Hudson Bay railway, the return of natural resources, the emergence of the Wheat Pool as a means of acquiring more substantial control over their products, and the decline of immigration propaganda. If one were disposed to believe in the efficacy of nicely rounded periods of time, the election of 1930 might be regarded as terminating the reactions which were set loose with the inauguration of a policy fifty years before.

The effects of the struggle have had a profound influence on the development of the Canadian Pacific Railway. By virtue of the strong support of the Government during the construction period and its heavy financial drains, as well as the financial genius of Lord Mount Stephen, the Company emerged with relatively low fixed charges. With the energy and engineering statesmanship of Van Horne, the solid foundation was rounded out into a well balanced physical and financial system. From his appointment to the general managership in 1881 to his promotion to the Presidency in 1890 and his retirement in 1899, he was engaged in the execution of a policy which involved the acquisition of lines in the more densely populated areas in the East and in the United States, the extension of the system to Quebec, St. John, and Halifax, and the expansion of services including Pacific steamships, grain elevators and telegraph lines. With the task completed, Van Horne the engineer began to lose interest. Before 1899 a friend was quoted as saying, "Did it ever strike you that he has the C. P. R. almost finished now—a great work securely established, a success that no one or nothing can possibly break? And just because it is a finished thing, Van Horne positively is losing interest in it?" But he continued with the Company in a prominent position on the executive committee, and saw his plans for an Atlantic steamship service and general improvements in the system carried out.

The results of the expansion of the system, which was practically completed by the end of the century, were shown in the marked expansion in earnings after 1900. Under the experienced hands of Lord Shaughnessy, who joined the Company as purchasing agent in 1881, became vice-president in 1890 and president in 1899, the growth in the financial strength of the road was enormous. The long period of strain from the beginning of operations to the end of the century was followed by the period of remarkable prosperity from 1900 to the beginning of the war. Advantages of monopoly position in reference to the exploitation of natural resources were reaped to the full.

The strength of the forces against the position of the Company was increasing toward the end of the period, but the defeat of the Reciprocity agreement in 1911 was in part an index of the Company's position. Van Horne expressed its attitude when he said, "I am out to do all I can to bust the damned thing." It was not, as we have seen, until the post-war period that the influence of the opposition became effective. This period coincides roughly with the presidency of Mr. Beatty, beginning in 1918. With his promotion, the Company began the second stage of its career. Those who had been associated with it from the beginning were old men, and many had already disappeared from the scene. Van Horne and Lord Strathcona had died. Lord Shaughnessy, Lord Mount Stephen and R. B. Angus were soon to follow. It was the task of Mr. Beatty of the young generation, who came to the Company as a solicitor, to consolidate the position which had been achieved. A Canadian took over the property which had been built up on American experience. Lord Shaughnessy is reported to have finally committed the line to the care of Mr. Beatty with the words "It is a great property! Conserve it."

The main stages in the Company's history may be suggested more clearly by reference to certain indices of the road's development. Mileage, for example, increased from 4,338 in 1885 to 7,000 in 1899, or almost doubled under the régime of Van Horne; to 12,993 in 1918, again almost doubling under Shaughnessy, and to 15,216 in 1929, or increasing by one-sixth under Mr. Beatty. Gross earnings increased from \$6,928,869 in 1885 to \$29,230,038 in 1899, or four times under Van Horne; to \$157,532,698 in 1918 or trebled under Shaughnessy; and to \$209,730,955 in 1929 or by one-third under Mr. Beatty. Net earnings rose from \$2,371,349 in 1885 to \$12,230,165 in 1899, or by six times under Van Horne; to \$34,502,388 in 1918 or by three times under Shaughnessy, and to \$43,144,543 in 1929 or by one-third under Mr. Beatty. Fixed charges doubled from \$3,068,081 to \$6,816,676 under Van Horne, increased by one-third or to \$10,177,512 under Shaughnessy, and by one-third or to \$16,149,002 under Mr. Beatty.

The régime of Mr. Beatty will probably be the most crucial in the history of the road. The problems and the success with which they have been met during the first part of his régime are a good omen for the future. As we have seen, the West has been largely successful during the post-war period in securing relief from the East, especially through the growth of the Canadian National Railways. Already the Canadian Pacific Railway has felt the impact of a new situation. In part the results are shown

in the financial position of the road. For example, net surplus or surplus left after payment of all dividends (seven per cent on common stock) and fixed charges on railroad operations, has fluctuated between a low point of \$45,751 in 1929 and a high point of \$11,020,663 in 1928. These violent fluctuations may be traced back to fluctuations in earnings and expenses, and more directly to increases in common stock, preferred stock and fixed charges. Railroad operations have been subject to such uncertain factors as the decision of the Wheat Pool to restrict exports in 1929. As contrasted with earnings from railroad operations, special income from investments, deposits, steamships, telegraphs and hotels has increased materially, and the surplus after paying a three per cent dividend increased from \$3,292,355 in 1922 to \$6,007,200 in 1929. These developments have been significant, and point in the first place to the strength and elasticity in the organization of the road and its ability to meet violent changes in traffic with success; and in the second place, to the policy of the Company in emphasizing other lines of development.

The second half century in the history of the Canadian Pacific Railway begins with the Company solidly entrenched in the economic development of Canada, and thoroughly equipped to meet the new problems with which it will be faced. Since the first half century has been characterized by a struggle against its monopoly position, it is probably safe to say that at the beginning of the second half century the railway has more goodwill than it has ever had at any period in its history. This goodwill has been partly a result of such measures as wider advertising, the numerous public speeches of its President, and possibly of the plan to split the stock; but it has been rather a result of a new turning point in the Company's history. It has become a great bulwark against the evils of Government ownership and the dangers of monopoly from that direction. From a monopolistic position it has turned to that of a protector against monopoly. A significant speech has been reported from the President of the Company, in which he said during the past summer that Canada should restrict immigration at least temporarily. The wheel has come full turn, and the agreement which enlisted private enterprise in the development of the Dominion has brought into existence safeguards in the form of a strong Government-owned railway. More than this, the Canadian Pacific Railway will now pass into the stage in which it becomes in its turn a safeguard against the instrument it has called into existence.

It is dangerous to predict, but the goodwill which the Company has achieved, its strong financial position and the success with which

it has solved the problems especially of the last decade, are basic factors. Moreover it is important to note that Mr. Bennett selected Winnipeg for his opening speech, and that he emphasized the importance of the St. Lawrence waterway as a measure by which Winnipeg could retain its position in competition with Vancouver and Churchill. Finally, the upward revision of the tariff may provide revenue for the completion of the waterway and protection for "reasonable" rates for the Canadian Pacific and the Canadian National for east-west traffic. For Canada the Canadian Pacific Railway will remain as the keystone of Confederation, and a guarantee of continuation of the Dominion. As it has been the basic factor in the rapid expansion of Canada in the last half century, it will become the basic factor in the stability of Canada's growth in the next.