

# FORUM

## The Intercolonial Railway and the Decline of the Maritime Provinces Revisited

SOME YEARS AGO I PUBLISHED A BOOK on the Maritime Rights movement. My son James, who was eight years old at the time, was impressed. When the book came home it disappeared into his room. For several weeks he said nothing. Then one evening at the supper table he finally asked: "Dad, with so many interesting subjects in the world, why did you pick such a dull one for your book?" Perhaps the dullest material in that book dealt with railway freight rates and transportation policy. So why, you may well ask, with so many interesting topics in the field of Atlantic Provinces history, am I re-threshing old straw on the Intercolonial Railway and regional transportation policy?

In a recent *New Maritimes*' review of a book of essays on the economic history of Canada's Maritime Provinces, Anders Sandberg identified several as together representing a collective assault on the ideas of regional historians, such as T.W. Acheson and E.R. Forbes, who had previously linked the industrial decline of the Maritimes to the actions of centrally-dominated governments, railways and financial institutions. In the work of the revisionists, including Kris Inwood and Ken Cruikshank, he saw a re-assertion of neo-classical economics, which showed historical players responding to economic stimuli, their actions "rational, normal and inevitable". Sandberg complained that, by including essays from both sides, Inwood had failed to present "a consistent message which would have demanded an active response from his academic opposition".<sup>1</sup>

There was nothing ambiguous, however, in Ken Cruikshank's revisionist essay on the Intercolonial Railway. Cruikshank directed his fire at those who emphasized the dismantling of the Intercolonial's rate structure in explaining the Maritimes' economic decline of the 1920s. He particularly targeted my arguments of two decades ago, on which, he claimed, academics have relied ever since.<sup>2</sup> His stated purpose was to "reactivate debate" and to "raise questions about the conclusions

1 An earlier version of this paper was presented to the Atlantic Canada Studies Conference in Fredericton in May of 1994. Anders Sandberg, "Underdevelopment: A 'Reasonable' Proposition?" a review of *Farm, Factory and Fortune: New Studies in the Economic History of the Maritime Provinces*, edited by Kris Inwood, (Fredericton, Acadiensis Press, 1993) in *New Maritimes*, XII, 1 (September/October, 1993), pp. 26-30.

2 My first paper, entitled "The Intercolonial Railway: Agent for the Hinterland", was presented to a conference on political economy hosted by Saint Mary's University in 1974. It set out the arguments later developed in "Misguided Symmetry: The Destruction of a Regional Transportation Policy for the Maritimes", in D.J. Bercuson, ed., *Canada and the Burden of Unity* (Toronto, 1977), pp. 60-86. It may be less than fair to assume that other scholars have simply "relied" on my arguments. That Larry McCann, for example, contributed his own research and analysis is demonstrated in two articles in *Acadiensis*. See L.D. McCann, "Staples and the New Industrialism in the Growth of Post-Confederation Halifax", *Acadiensis*, VII, 2 (Spring 1979), pp. 60-1 and "The Mercantile-Industrial Transition in the Metal Towns of Pictou County, 1857-1931", *Acadiensis*, X, 2 (Spring 1981), pp. 29-64.

E.R. Forbes, "The Intercolonial Railway and the Decline of the Maritime Provinces Revisited", and Ken Cruikshank, "With Apologies to James: A Response to E.R. Forbes", *Acadiensis*, XXIV, 1 (Autumn 1994), pp. 3-34.

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reached by Forbes". He concluded that the Intercolonial had not been "a critical transportation link between the Maritimes and Central Canada", it had not served as "the developmental key to Maritime industrialization", and it should be seen "as a relatively small regional railway oriented towards serving local markets".<sup>3</sup> Since this is Cruikshank's second article challenging my work, a reconsideration and response would appear to be in order.<sup>4</sup> Essentially, this paper forms part of an ongoing debate. My earlier articles presented the case for the Affirmative, Cruikshank's two articles in *Acadiensis* — one in 1986 and the other in 1992 — the case for the Negative, and this paper might be called the rebuttal for the Affirmative. Ken has assured me that a rebuttal for the Negative will soon be forthcoming.

The issues in contention can be largely reduced to three: (1) Did the managers of the Intercolonial Railway and their political masters consciously play a role in the economic development of the region? I had suggested that they did, Cruikshank that, save for the odd exception, they did not. (2) Was the Intercolonial a sufficiently important carrier to have seriously affected either economic development or economic decline in the region? I suggested that it was, Cruikshank that it was not. (3) Why was the Intercolonial finally dissolved as an independent entity? I had emphasized the westward shift in Canada's political power base, Cruikshank the rising costs and "politically embarrassing" deficits in its operating account. In looking at these questions again in the light of Cruikshank's challenges, other scholarship and new archival evidence, one becomes aware of a greater complexity of issues. Nevertheless, I find my original arguments still tenable. Indeed, the evidence indicates that the Intercolonial played an even more conscious, direct and effective role in regional development than I previously suggested.

My unorthodox article had compared the Intercolonial's role with that envisioned for the then recently created Atlantic Transportation Committee of 1969. The new committee was empowered to lower rates to encourage regional development. In an earlier period, I argued, the Intercolonial had developed a low and flexible rate structure which had made it an "agent of national and regional development".<sup>5</sup>

Because of Canada's experience with attempts at "regional development" in the 1960s and 70s, the term may now convey misleading overtones. The image suggested can be that of a central government, preoccupied with problems of regional disparity, trying to implement a macro-economic plan to promote industrialization. This is a late 20th century vision and to read it back into the

3 Ken Cruikshank, "The Intercolonial Railway, Freight Rates and the Maritime Economy", in Kris Inwood, ed., *Farm, Factory and Fortune*, pp. 171-96. All specific page references to this article are to its original printing in *Acadiensis*, XXII, 1 (Autumn 1992). See pp. 88 and 110.

4 See also Ken Cruikshank, "The People's Railway: The Intercolonial Railway and the Canadian Public Enterprise Experience", *Acadiensis*, XVI, 1 (Autumn 1986), pp. 87-9.

5 E.R. Forbes, "Misguided Symmetry", p. 61. The article was unorthodox from an historian's perspective in that each contributor to this interdisciplinary study was requested to suggest the solution to a contemporary problem as well as sketching in the historical background. For more traditional presentations, see *The Maritime Rights Movement, 1919-1927* (Montreal, 1979) and "The Origins of the Maritimes Rights Movement", *Acadiensis*, V, 1 (Autumn 1975), pp. 54-66.

thinking of an earlier era would be misleading. In those days, politicians were not conscious of economic disparity, nor did they know much about macro-economics. But they did know how to respond to business interests in their particular communities. Thus, it is not surprising that Cruikshank could find no comprehensive government plan to develop the Maritimes through lower freight rates.<sup>6</sup> He would have fared little better had he set out to find the blueprint for Sir John A. Macdonald's national policy tariff of the same period. This does not mean that such policies did not exist, or were unintentional in their developmental goals, but merely that both took shape as the pragmatic and cumulative results of the interaction between producers and politicians.<sup>7</sup>

The idea of railways initiating and promoting economic development was not unique to the Intercolonial. The promotional efforts of the CPR in western Canada, for example, are well known.<sup>8</sup> The purpose of such promotional activity was often to consolidate industry along the line, thus developing traffic and, thereby, the long-range profitability of the railroad. The Intercolonial was a special case, however, in that it was built as part of the Confederation agreement and was owned and operated by the federal government. Since it did not have to pay a return on capital invested, nor show a rate of profit sufficient to attract future capital, it enjoyed a flexibility in ratemaking denied its privately-owned competitors. With government responsibility came also political input; communities aspiring to economic development rallied behind their business and political leaders in seeking low rates on the Intercolonial.

Of course, it is difficult to distinguish between transportation policies dictated by concern to develop traffic and those intended to please the electorate. "Both", I earlier argued, "converged in the creation of a low and flexible rate structure designed to foster Maritime industry".<sup>9</sup> In contrast, Cruikshank, in his 1992 article, argues that the railway did not serve as "an instrument of public policy", identifying a scheme to develop the port of Halifax through lower rates on grain as "the only clear effort by the Canadian government to direct the freight policies of its railways".<sup>10</sup> But the federal cabinet did direct freight rate policy for the Intercolonial. Some of its interventions, such as the lowering of rates in 1887 as part of a campaign to pacify secession sentiment in Nova Scotia, are well known.<sup>11</sup> In a previous article, Cruikshank, himself, told us that "... Pottinger frequently received instructions from Ottawa to grant certain shippers concessions...".<sup>12</sup> Each reduction in rates by the cabinet surely represented a "conscious public policy decision". Cumulatively, coming in response to the persistent pressure for economic

6 Cruikshank, "The Intercolonial", pp. 89, 109.

7 On the construction of the tariff, see Ben Forster, *A Conjunction of Interests: Business, Politics, and Tariffs, 1825-1879* (Toronto, 1986), especially chapter 10.

8 See, for example, J.A. Eagle, *The Canadian Pacific and the Development of Western Canada* (Kingston, 1989).

9 Forbes, "Misguided Symmetry", p. 67.

10 Cruikshank, "The Intercolonial", p. 91.

11 P.B. Waite, *The Man from Halifax: Sir John Thompson, Prime Minister* (Toronto, 1985), p. 176.

12 Cruikshank, "The People's Railway", p. 89.

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development from boards of trade and other lobby groups, these decisions led to the lower rate structures on the Intercolonial, which, in turn, encouraged regional development.

In tracing the evolution of the lower rate structures in the Maritimes, Cruikshank largely ignored the role of politicians and their policies, while emphasizing, instead, the significance of water competition.<sup>13</sup> But politics were critical. As minister of railways and canals from 1879 to 1884, Sir Charles Tupper presided over one of the most intensive periods of industrialization in Maritime history. According to Tupper, the government's purpose in managing the road was "to foster the trade or business of the country at as cheap a rate as they possibly could without utterly disregarding the principles upon which a great work like that must be run". To that end, he was prepared to make "distinctions [in freight rates] in favour of parties creating a great industry" or "in order to sustain a great industry".<sup>14</sup> The "great industries" did come; the next six years saw the establishment of about a dozen major factories in the Maritime region.<sup>15</sup> Each was linked to its raw materials and to markets, locally and in central Canada, through a complicated web of short and long-haul rates — a web which featured individual agreements, special rates on particular commodities, and relatively lower standard mileage or maximum rates, which together yielded a basic structure reputed to be the lowest in the country.<sup>16</sup>

When tariff and freight rate concessions together failed to yield the expected access to national markets, the new firms often appealed for additional concessions through their regional politicians, justifying their demands by the promise of increased traffic volume on the Intercolonial. The four new sugar refineries in the Maritimes, for example, in 1886 campaigned for a variety of rate adjustments which would enable the Port of Halifax and the Intercolonial to be more competitive with Portland and the Grand Trunk in supplying raw sugar to the Montreal refinery during the winter months, and would also allow the Maritimes' refined product to be more competitive in central Canada year round.<sup>17</sup> The matter was a delicate one because no matter how much support the Maritimes might mobilize for their industries' demands, their cause was doomed if they aroused the ire of the political giant that was Montreal. As J.P. Heisler wrote, Sir John Thompson's "policy...was to work silently and on the question of freight rates for refineries to ask no more for themselves, indeed not quite as much as they should be willing to concede to Montreal. This policy proved to be a sound one for, through quiet and persistent pressure Thompson finally secured the modification of

13 Cruikshank, "The Intercolonial", pp. 93-4.

14 Canada, House of Commons *Debates* (1879), pp. 157-9.

15 T.W. Acheson, "The National Policy and the Industrialization of the Maritimes, 1880-1910", *Acadiensis*, 1, 2 (Spring 1972), p. 14.

16 See R.A.C. Henry, *et al.*, *Railway Freight Rates in Canada* (Ottawa, 1939), pp. 84, 224 and 236. See also E.G. Carty, "Maritime Freight Rates, 1867-1931: Comparison with Freight Rates in Ontario and Quebec", 30 May 1931, RG 43, vol. 372, file 6949, #162, National Archives of Canada [NAC].

17 J.M. Gibbons, "National Dreamers: The National Policy and the Sugar Trade", M.A. thesis, Saint Mary's University, 1994, pp. 128-35.

prevailing rates.”<sup>18</sup>

Political input regarding the Intercolonial came from many sources. Competing railways were also politically powerful. Cruikshank omits the political background in telling us that, “In 1889, when officials adopted the freight classification and general rules used on other eastern Canadian railways, they sought to limit the disruption created by these changes by actually reducing the tariff”.<sup>19</sup> But the railway “official” making the decisions was actually Sir John A. Macdonald, Minister of Railways and Canals, who presided over the railway committee of the cabinet. With the completion of the CPR Short Line to Saint John in June of 1889, Macdonald faced increasing pressure from the directors of the CPR to give them the Intercolonial. According to George Stephen, it had been the CPR’s expectation in building the Short Line that the Intercolonial would become theirs to operate, or, at least, to control.<sup>20</sup> When Macdonald suggested that the surrender of the Intercolonial was not an option, Stephen, angry on a variety of issues, threatened to sever all personal connection with the CPR. Macdonald assured him of the government’s loyalty to the railway and, with negotiations continuing, ordered that the ten class rate structure (Joint Freight Classification) employed by the CPR and other Canadian lines apply to the Intercolonial as of 3 December 1889.<sup>21</sup>

The new classification drew a storm of protest from Maritime shippers, for whom it represented a major increase in long haul and lower class rates. When Liberal A.G. Jones reported to Parliament in March of 1890 the “very serious complaints from the trade of Nova Scotia and New Brunswick that this [freight] tariff is seriously interfering with them”, Macdonald immediately assured the House that he had reconsidered in the light of the “remonstrances” received, and that a revised tariff was on its way.<sup>22</sup> The tariff of May 1890 reduced the rates for the Maritimes in the new classification to approximately the level of the rates previously enjoyed by shippers on the Intercolonial.<sup>23</sup> The CPR continued its campaign for control of its competitor into the next century. Dangling the bait of new steamship connections before representatives of the ports of Saint John and Halifax, the railway had no difficulty in arousing interest, and, sometimes, support.

In 1891 a proposal by R.C. Weldon, Dean of the Dalhousie law faculty, for the appointment of a commission to take the operation of the Intercolonial out of

18 J.P. Heisler, “Sir John Thompson, 1844-1894”, Ph.D. thesis, University of Toronto, 1955, p. 84.

19 Cruikshank, “The Intercolonial”, p. 94.

20 W. Kaye Lamb, *History of the Canadian Pacific Railway* (New York, 1977), pp. 172-75. See also *Morning Chronicle* (Halifax), 27 November 1889. According to the *Chronicle* the bid for control by the CPR was a story concocted by the “Tory Press”.

21 Macdonald to George Stephen, 17 September 1889, Letterbooks, Sir John A. Macdonald Papers, MG 268 A, microfilm, C35, NAC. See also Macdonald to W.C. van Horne, 30 October 1889; Macdonald to Charles Tupper, 25 November 1889; and Macdonald to Joseph Hickson, 30 November, 1889.

22 Canada, House of Commons *Debates* (1890), p. 1990.

23 On a few items the Intercolonial rates had actually been lowered by the 1889 order. Since these reductions were apparently left in place, the effect of the changes of 1889 and 1890, taken together, may indeed have represented a slight net reduction in the Intercolonial’s rates.

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politics, brought an interesting and varied defence from the Maritime ministers. The justice minister, Sir John Thompson, pointed out that the Intercolonial, as part of the Confederation “compact”, was political and the ministers had a responsibility to keep it that way. But it was not political in its operating policies. In lowering the coal rates to build up Spring Hill, for example, it was only doing what any farsighted commercial operator would do.<sup>24</sup> His colleague in the cabinet, C.H. Tupper, took a different tack. The Intercolonial had never been expected to make a profit. It was built as a public service to facilitate trade and should be considered “side by side” with the St. Lawrence canals which regularly cost the country \$100,000 per year to operate.<sup>25</sup>

The rate policies of the Intercolonial changed little after the 1896 transition to a Liberal government. A letter from general manager David Pottinger to Railway Minister A.G. Blair in 1897 suggests much about the management of the system and the continuing evolution of the Intercolonial’s intricate rate structure.<sup>26</sup> It seems that, during the previous year, a certain William Fawcett had led an agitation among the farmers of Westmorland County for a reduction in rates on beef and hay. He argued that the Intercolonial Railway was part of the Confederation agreement and, as such, had no responsibility to pay a return on investment. Its purpose was to encourage industry. And it had done so with judicious adjustments in freight rates for the benefit of coal mines, sugar refineries and assorted other manufacturers. But the farmers had been left out. Fawcett made it clear that he was not criticizing the policy of adjusting rates to encourage industry, on the contrary, he applauded it; he simply wanted the farmers to receive their share.<sup>27</sup>

Blair met with the Westmorland farmers and decided that concessions were in order. At this point he consulted General Manager David Pottinger. Pottinger agreed that on the issue of less than carload beef rates to Halifax the farmers did have a case. The initial application of the ten class rate structure in 1889 had increased rates from Sackville to Halifax from \$1.90 to \$6.60 per live animal. Shortly after the new rates were introduced, however, the managers of the road had decided that these rates would bar the farmers from their traditional markets and halved them by arbitrarily estimating the weight of each of animal at 1000 pounds instead of the 2000 pounds of the Joint Freight Classification. Pottinger now agreed that the rates were still too high and proposed to halve them again by declaring live beef to be “third” rather than “first” class traffic. This would restore to the farmers essentially the same rate they had enjoyed before the new rate classification was introduced. Pottinger was less happy with lowering the rates on hay as this was the third such reduction since the new rates had come into effect.

24 Canada, House of Commons *Debates* (1891), p. 3804.

25 *Ibid.*, pp. 3787-90. Later commentators expanded on this line of defence, reporting that the government lowered the rates on the St. Lawrence canals from 20 to 10 cents a ton in 1884 and to two cents in 1885. See below f.n. 26.

26 David Pottinger to A.G. Blair, 20 February 1897, in Intercolonial Letterbooks, RG 30, vol. 12134, pp. 304-17, NAC.

27 For a detailed presentation of the farmer’s case see W.B. Fawcett’s lengthy article in the *Daily Transcript* (Moncton), 18 December 1896.

Nevertheless, he proposed a small general decrease which would mean that carloads which had previously gone to Halifax at \$1.90 per ton would now cost \$1.85. Noting that the Halifax market was the critical one for the farmers concerned, he proposed an additional special reduction of about the same amount which would apply to the Sackville-Halifax route only. Together, he suggested, these represented “a reasonable concession” and the farmers “should be satisfied with it”.<sup>28</sup>

Here one sees again the role of political pressure or “public accountability” at work in the development of a lower rate structure. But note the prior actions of knowledgeable traffic managers who had already intervened to lower rates, which they feared might prove a barrier to trade. A General Manager like David Pottinger, who had gone to work on the line some 30 years before, by the 1890s had an encyclopedic knowledge of regional shippers, markets and the rates needed to maximize industry.

Cruikshank is on firm ground in suggesting that rates were often lowered in the Intercolonial’s own interest. The Intercolonial’s self-interest was involved in the success of virtually every producer located in the Maritime region. In the course of developing other arguments, Cruikshank recognized the regional paternalism of the railway: “On a number of occasions... the Intercolonial sought to assist local shippers by granting reduced rates on shipments to Ontario”; “Intercolonial managers fixed rates to protect the market position of local producers”; and again “...special rates on the railway resulted from... the concern that local businesses be able to compete in certain markets”. But each time, he suggested that the private lines pursued similarly self-interested policies.<sup>29</sup> What he does not mention is that the Intercolonial was the only railway to identify its principal self-interest with the Maritime region. This was the big difference between a regional and a transcontinental railway. While the CPR might care little whether a sugar refinery or a plant for producing farm machinery located in Halifax or Montreal, the Intercolonial cared very much indeed. It could expect to carry the bulk of a plant’s traffic only if that plant were located within the region. It would be hard to overestimate the importance to local industries of having a railway whose interests and aspirations so neatly dovetailed with their own, whose managers knew their requirements intimately and could respond to them quickly and imaginatively as the need arose. It was the loss of this relationship, as well as the disproportionately higher rate increases, which Maritimers so resented in the dissolution of the Intercolonial.

That the Intercolonial management was *consciously* involved in regional development is perhaps best illustrated by a pamphlet which it published in 1911. The pamphlet urged prospective entrepreneurs to locate their enterprises in either Nova Scotia or New Brunswick. Initially prepared by the Industrial Department of the Intercolonial, and then revised and approved by the minister responsible, the pamphlet was printed in some 20,000 copies destined primarily for Ontario and Great Britain. It described each of the manufacturers already resident in the two

28 Pottinger to Blair, 20 February 1897, RG 30, vol. 12134, NAC.

29 Cruikshank, “The People’s Railway”, pp. 90, 92, 109.

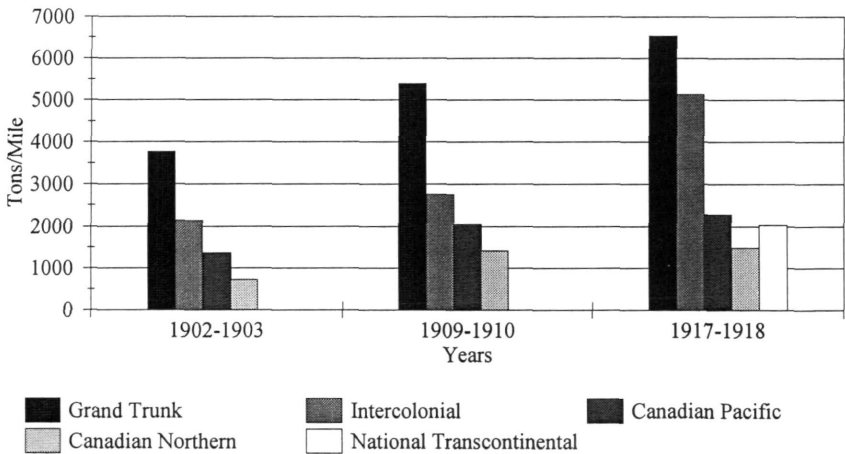
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eastern provinces and then went on to list the raw materials available to any new industry locating there. Prominent among the regional assets listed was “the People’s Railway”, which, it claimed, was “run by the people for the people”.<sup>30</sup>

The second major issue in contention involves the actual impact of the Intercolonial’s rate policies. Regardless of whether or not the Intercolonial tried to be an instrument of regional development, Cruikshank suggests, it was too small and weak to play that role. He builds his case, in part, through the use of diminutives. The Intercolonial was a “relatively small” operation. Its traffic was “light” and its routes were “lightly travelled”.<sup>31</sup> The Intercolonial’s 1321 mile roadbed in 1903 was indeed small compared to the CPR’s 8062 miles of track or even the Grand Trunk’s 3143 miles. Yet, far from being “lightly travelled”, the Intercolonial, it turns out, had a considerably greater traffic density than did the CPR, both overall and on its eastern lines. It had only about 30 per cent less than the Grand Trunk, which Cruikshank tells us had the highest of any Canadian road. Indeed, among Canada’s five major railways (railways of more than 1000 miles) the Intercolonial consistently ranked second in tonnage carried in relation to miles of track.<sup>32</sup> (See Figure One.)

FIGURE ONE

Tons Per Track Mile  
Carried on Canadian Railroads



Source: "Railroad Statistics" in *Sessional Papers* 20 for 1904 and 20 b for 1911 and 1919.

30 E. Tiffen to Graham, 9 May 1911, G.P. Graham Papers, MG27 II D8, vol. 62, pp. 034740, 034772-803, NAC.

31 Cruikshank, "The Intercolonial", p. 97.

32 Cruikshank justified his characterization of the Intercolonial traffic operations as "small" or "light" by taking as his point of comparison two busy railways in the United States (a country with 10 times Canada's population) whose traffic densities, he tells us, were three to four times that of the Intercolonial.



By far the majority of the traffic which the Intercolonial did carry, Cruikshank points out, was intended for destinations within the Maritime region. The data in his graph comparing the "local" and "through" tonnage (reproduced here as Figure Two), he suggests, tends to undermine the contention that the Intercolonial's low rates gave Maritime manufacturers and other producers access to central and western Canadian markets. The implication is that there was too little "through" traffic on the Intercolonial for it to have played such a role.<sup>33</sup> Yet the contrast in volume between the so-called "through" and "local" traffic carried by the railway is really quite irrelevant. A high volume of "local" traffic in no way lessens the importance of the "through" traffic.<sup>34</sup>

"Between... 1897 and ... 1908 the average through freight traffic amounted to just over 500,000 tons annually..."<sup>35</sup> A comparison with tonnage figures for other railways suggests that, in the context of the period, half a million tons of freight a year, or, by 1911, a million tons, was a substantial volume to be moving between the Maritimes and Ontario on a single railway. In 1903, for example, the total freight carried by the CPR on its 8000 miles of track was only 11 million tons. The total traffic on the Canadian Northern was slightly over one million tons.<sup>36</sup> Moreover, the length of the haul between the Maritimes and Ontario or points further west virtually excluded bulky low value commodities such as coal, the largest single component of local traffic.<sup>37</sup> This left a disproportionate volume of the lighter and higher-valued manufactured goods in the "through" category. The suggestion of a steadily growing trade in the higher classes of freight between the Maritimes and Ontario is fully compatible with the idea of the importance of the interregional trade to Maritime manufacturers.

Moreover, in discussing interregional trade, the terms "through" and "local" traffic can prove misleading. Only a careful reading of Cruikshank's data elicits the fact that his "through" tonnage excludes most traffic between the Maritimes and

33 This whole argument seems a bit of a 'red herring'. The impact of the Intercolonial on Maritime industry was not dependent upon its volume of long haul traffic. As long as other railways were forced, by its competitive presence, to carry their goods to central Canada at about half the cost of long haul traffic elsewhere, its impact on industrial development was about the same regardless of who carried the traffic. The Intercolonial's own traffic volume became important in the context of profitability. With the railway's large fixed costs, building traffic was critical for the long-term control of deficits.

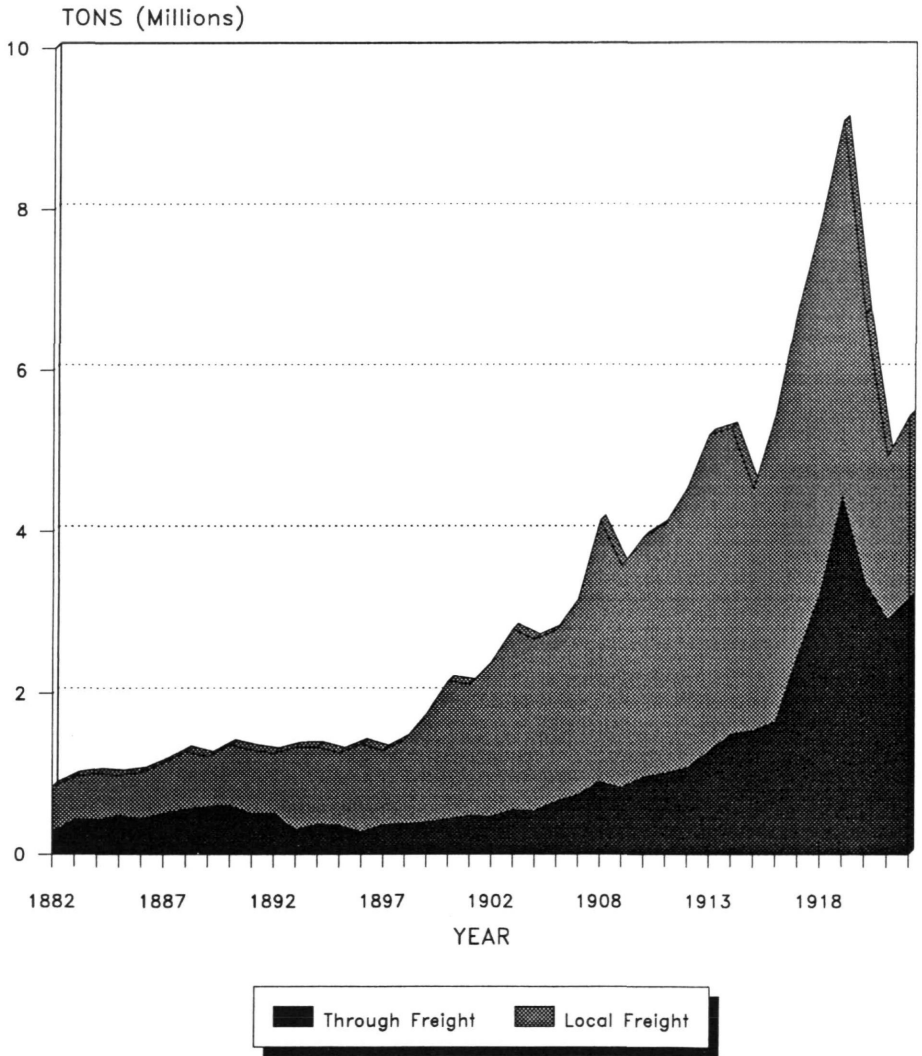
34 On the contrary, in their struggle to be competitive Maritime manufacturers not only sought cheaper rates to central Canada but also cheaper short haul rates for the collection of their raw materials. These took the form of special deals with individual firms and a maximum short and medium haul rate structure which was approximately 20 to 40 per cent lower than in central Canada. See Henry *et al*, *Railway Freight Rates in Canada*, pp. 266-73. Thus the level of "local" traffic was at least as indicative as the "through" traffic in suggesting the importance of the Intercolonial's role in the development of Maritime industry.

35 Cruikshank, "The Intercolonial", pp. 106-8. In contrast, he notes that the Saint Lawrence canal system "in and immediately west of Montreal" in 1911 "handled more than twice" that much. One looks in vain here for other railways' tonnage figures.

36 Canada, *Sessional Papers*, (Ottawa, 1905), No. 20, "Railway Statistics of Canada", p. 41.

37 Between 1907 and 1915, the Intercolonial carried, on average, more than a million tons of coal a year to "local" stations. In the same period the amount of coal carried as "through" traffic never exceeded 20,000 tons and was usually much less. Canada, *Sessional Papers*, (Ottawa, 1917), No. 20, "Report of the Department of Railways and Canals" p. 405.

FIGURE TWO  
INTERCOLONIAL RAILWAY, 1882-1922  
LOCAL AND THROUGH FREIGHT TRAFFIC



Annual Reports, Department of Railways  
and Canals, 1917-1923

Quebec. Reported as “local” is all tonnage between Maritime points and stations from Levis to and including Montreal. Since Montreal in the late 19th and early 20th centuries was the Maritimes’ metropolis and principal destination and source of trade (not to be surpassed as the dominant metropolis for both region and country until the 1930s), this was no minor omission.<sup>38</sup> Government reports of past tonnage totals often warned the reader that the apparent stagnation of the “through” traffic in the 1890s was the result of two innovations: the new competition from the CPR Short Line, completed in 1889, and the extension of the Intercolonial to Montreal in 1898, which led to the transfer of that centre’s traffic from “through” to “local” categories.<sup>39</sup> Thus, in the totals for the first full year after the official extension of the Intercolonial to Montreal, the so-called “local” traffic on the line had grown by 660,359 tons — an amount roughly equal to two thirds of its previous five year average. (See Table One.) If even two thirds of this growth came from calling “local” what had been previously designated as “through” traffic — a likely possibility — it would appear that Cruikshank’s figures thereafter underestimate the Intercolonial’s total interregional trade by approximately 50 per cent.

Table One  
Tons of Freight carried by the Intercolonial Railway

Year	“Local Freight”	“Through Freight”
1893-4	966,114	376,596
1894-5	901,374	366,442
1895-6	1,101,229	368,389
1896-7	927,167	368,859
<b>1897-8</b>	<b>1,053,569</b>	<b>381,007</b>
1898-9	1,351,569	399,192
<b>1899-1900</b>	<b>1,713,928</b>	<b>437,280</b>
1900-1	1,633,671	477,639
1901-2	1,914,551	471,265

From the “Report of the Department of Railways and Canals”, *Sessional Papers* (1917), No. 20, p. 403.

The Intercolonial’s true significance for Maritime industry lay not in the volume of trade which it carried itself, although that was substantial, but in its role in lowering and holding down the rates of competing carriers to, from and within the region. Other carriers, such as the CPR for example, were forced to set comparable rates from points in the Maritimes to Montreal in order to remain competitive.

38 L.D. McCann, “Metropolitanism and Branch Businesses in the Maritimes, 1881-1931”, *Acadiensis*, XII, 1 (Autumn 1983), pp. 112-25.

39 Canada, *Sessional Papers*, (Ottawa, 1905), No. 20, “Railway Statistics of Canada”, p. 13.

Cruikshank tries to discount the significance of this role, arguing that, “given the distance of its route, its proximity to water and rail carriers with distinct competitive advantages, and its dependence on ‘two devils’ for access to the North American railway network, the Intercolonial was not in a strong position to serve as a rate setter...”<sup>40</sup>

But the CPR did not come to the Maritimes until 1889. Failing to secure control of the Intercolonial, it appeared to win a lesser victory in the imposition of the generally higher rates of the Joint Freight Classification upon its competitor. Even that victory proved a hollow one as, in the face of Maritime protests, the government reduced the rates within the Joint Freight Classification to Intercolonial levels. In other words, the Intercolonial’s lower rates prevailed and served as maximum rates for the other railways within the Maritime region. Thereafter, those seeking rate adjustments were hard pressed to find any examples of lower rates on private lines anywhere on the continent. Even William Fawcett, in criticizing the Intercolonial’s treatment of farmers, conceded that the private operators were worse — the CPR being “licensed to ‘hold up’ and crush the enterprise out of every farmer it catches at a non-competitive point...”<sup>41</sup> A resolution from the Campbellton Board of trade in 1913 recited the traditional rationales for operating the “People’s Railway” at “a minimum of cost” and warned that an increase in rates would “open the way for a further advance in the freight rates of other railway lines...”<sup>42</sup>

For 23 years, maximum long haul rates from the Maritimes were held at a level approximately 50 percent lower than in central Canada, where railways were also vulnerable to competition from water carriers (see below Figure Three). Had these differences actually been the product of water competition, as Cruikshank suggests, instead of that provided by the publicly owned railway, there should have been no need to level them up after the Intercolonial lost its autonomy. For the Board of Railway Commissioners did accept water competition as a legitimate reason for maintaining rate deviation. If, on the other hand, some other railway was the “rate-maker”, the levelling up of the regional rates should not have had to await the change in government policy towards the Intercolonial.

Cruikshank’s most surprising argument involves the treatment of the rate increases themselves and their impact on the regional economy. He begins by largely confirming the increases which others have cited for the 1915 to 1921 period, although pointing out that the extent of their impact has never been specifically assessed. Three pages of detailed charts show “apparently dramatic” increases in rates in and from the Maritimes relative to those in the rest of Canada. These changes certainly appeared to leave the competitive position of Maritime manufacturers substantially altered. Between 1916 and the end of 1921, for example, the transportation advantage in favour of a Toronto producer over an Amherst producer in the Montreal market increased by more than 66 percent. For

40 Cruikshank, “The People’s Railway”, pp. 95, 109.

41 *Daily Transcript*, 18 December 1896.

42 John T. Reid to the “Honourable the Minister of Railways”, 16 June 1913, RG 43, vol. 341, file 5360, pt. 2, NAC.

the Montreal producer shipping to Toronto the advantage over an Amherst producer had increased by 79 percent.<sup>43</sup> Remarkably, however, he concludes that “It is not clear ... whether these changes actually had *any* impact on trade”.<sup>44</sup>

The charts deal with standard rates only, and do not reflect the impact of the cancellation of special rates, such as those on commodities like coal or refined sugar or those negotiated with shippers in particular communities, e.g. the beef farmers of Sackville mentioned above. As earlier studies have pointed out, when cancelled, these, combined with other changes, could result in increases of several hundred per cent. In a more recent article Cruikshank has told the story of Saint John’s Atlantic Sugar, which, thanks in part to the reduced special commodity rates provided by the Intercolonial, had been able to market almost three-quarters of its produce in central and western Canada. With the cancellation of its special rates in 1919 and other increases, Atlantic found its transportation costs more than doubled and, Cruikshank tells us, it was on the verge of bankruptcy before the end of 1920.<sup>45</sup>

The changes in standard rates, however, are themselves impressive enough. The increases in regional rates are perhaps best illustrated in a series of graphs by J.A. Argo in R.A.C. Henry and Associates, *Railway Freight Rates in Canada*, p. 271, one of which is reproduced below. The broken line near the bottom shows in percentages how much lower were the long-haul rates in the Maritimes when compared with those for Ontario and Quebec (here represented by the solid black line). The dotted lines near the top suggest the higher rates in the west, the source of so much discontent in that region.

But Cruikshank identifies “as the real crux of the matter” the extent to which the rate increases actually affected Maritime trade. He argues that the ideal or “most compelling” method for assessing this would be through “a comparison of specific manufacturers in different regions, which would integrate changing transport advantages into a larger analysis of changing labour and other production cost advantages and disadvantages”.<sup>46</sup> Of course, historians seldom achieve the ideal, especially in economic measurement. The reconstruction of comprehensive data on the production costs of manufacturers in two separate regions 75 years ago would be, to say the least, an ambitious project. Cruikshank does not attempt it here. Instead, having invoked the ideal to suggest that my work was less than conclusive, he then offers his own highly speculative suggestions, based on the figures for tonnage carried by the Intercolonial.

Interestingly enough, however, there does exist for a later period an economic analysis of the relationship of rate increases to regional trade similar to that which Cruikshank proposed. The regional development programmes of the late 1960s and

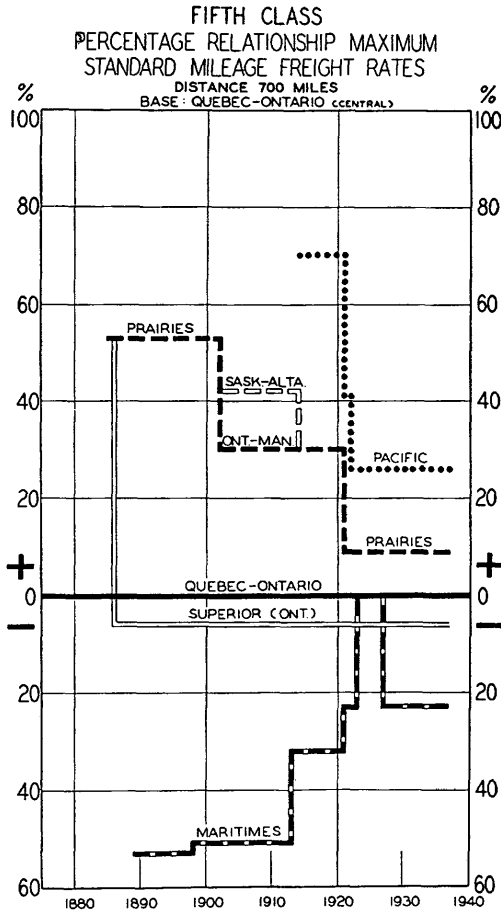
43 Calculated from figures provided in Cruikshank, “The Intercolonial”, pp. 104-5.

44 *Ibid.*, p. 110. The emphasis is mine.

45 Ken Cruikshank, “Taking the Bitter with the Sweet: Sugar Refiners and the Canadian Regulatory State, 1904-20”, *Canadian Historical Review*, LXXXIV, 3 (1993), p. 380. See also Board of Railway Commissioners, Transcript of Hearings, 22 October 1919, RG 46, vol. 151, file 28678.8, pp. 9100-75, NAC.

46 Cruikshank, “The Intercolonial”, p. 106.

FIGURE THREE



1970s saw the introduction of subsidized freight rate reductions for both railroads and trucks, which resulted in rates approximately 15 per cent lower between the Maritimes and Montreal than on similar distances elsewhere in the country. To further encourage industry, a regional transportation committee was authorized to double the reductions on a number of selected products. During the early 1980s, the

federal government proposed getting rid of the subsidized reductions. The Atlantic Provinces Transportation Commission protested that this would damage the regional economy. The federal government then hired an Ottawa-based firm of economists, James F. Hickling Management Consultants Limited, to investigate. Their analysis concluded that if the rates were levelled up, the result would be a loss of up to 12,000 jobs in the Atlantic region.<sup>47</sup>

The Hickling study based its predictions on general rate increases relative to the rest of the country of 15 percent and 30 percent on the selected items. The 1913 to 1923 era saw general increases relative to the rest of the country of about 50 percent on the same Maritimes to Montreal portion of interregional traffic and specific increases on a few special items of up to several hundred percent. While, of course, comparisons between different time periods are always problematic, the similarities here are striking, especially in the light of the Maritimes' loss of more than 12,000 jobs in the manufacturing sector alone during the early 1920s.<sup>48</sup> This study would appear to add one more piece to the preponderance of evidence and logic which, though admittedly suggestive, link the regional rate increases of the war and immediate postwar era to the economic dislocation of the 1920s.<sup>49</sup>

Cruikshank is quite right in noting that it is important to pin down variables in establishing economic relationships. Part of the problem with his attempt to use changes in Intercolonial tonnage totals as a measure to assess the impact of rate increases lies in a failure to identify the relevant variables. The totals which he presented in graphic form included a wide, largely undifferentiated, variety of produce. Indeed, the variation is suggested in the ten class rate structure on the

47 James F. Hickling Management Consultants Ltd., *The Impact of Freight Transportation Subsidies under the Maritime Freight Rates Act and the Atlantic Region Freight Assistance Act* (Ottawa, 1983), pp. 13, 20. See also E.R. Forbes, *Challenging the Regional Stereotype: Essays on the 20th Century Maritimes* (Fredericton, 1989), pp. 136-9.

48 The number employed in manufacturing in the Maritimes dropped from 46,994 in 1919 to 27,955 in 1921. By 1924 it had recovered to 34,169. "Historical Summary of Statistics of Manufactures by Provinces, 1870-1927", *Canada Year Book* (1929), p. 401. In a "Research Note" in *Acadiensis*, Phillip J. Wood has pointed out that the *Canada Year Book* in 1922 "stopped including in its manufacturing statistics data on four types of enterprise: hand trades; repair shops; custom clothing and construction industry" thus making comparisons of its statistics before and after that date inaccurate. Phillip J. Wood, "The Dominion Bureau of Statistics and the Deindustrialization of the Maritimes, 1919-1922", *Acadiensis*, XXII, 2 (Spring 1993), p. 140. Not until 1929 did the Dominion Bureau of Statistics provide "a complete revision of all figures from 1917 to 1924" to restore their "desired comparability". See *Canada Yearbook* (1929), p. 398. The DBS revisions reduced the magnitude of the decline in regional manufacturing suggested by the earlier statistics by 5.26 percent. The regional totals for those employed in manufacturing given here and in my earlier article, "Misguided Symmetry", p. 71 are based on the revised DBS statistics and should be accurate. Those given for particular communities ("Misguided Symmetry", p. 84), are subject to the error which Wood has pointed out.

49 To this point, scholars have tended to rely on the testimony of individual entrepreneurs, factory owners, pulp producers, farmers, fishermen and merchants on the negative impact of the rate increases on their particular businesses. Examples of such testimony are available in the transcripts of the hearings of the Board of Railway Commission, especially for 1922, the Pulpwood Commission of 1923, the Duncan Commission of 1926 and the McLean Commission of 1928. For a discussion of the rate increases and their significance for one particular industry, see Margaret E. McCallum, "Family, Factory and Community: A Social History of Ganong Bros., Confectionary Manufacturers, St. Stephen, New Brunswick, 1873-1946", Ph.D. thesis, University of Toronto, 1987, pp. 273-5.

road. Rates for fifth class seem to have been about half of those in first class and tenth class rates were about 50 per cent lower again. The class was determined by the relative value of the product. Thus it would not take much of an addition to tonnage totals in the form of tenth class freight, e.g. logs, cement, or coal, to mask vital declines in textiles and confectionaries or even in pianos, caskets and engines for farm tractors. Assuming that the proportions of low and high value tonnage remained relatively constant, to judge the cause of changes in traffic trends on the Intercolonial intelligently, one would still need some information on the traffic trends on the other carriers from the region, such as the CPR, the water carriers and the new National Transcontinental. This Cruikshank does not supply.

To begin with the premise that any negative impact of rate increases on regional trade should have been reflected in a decline in the so-called "through" tonnage totals of the Intercolonial is to over-simplify the issue. In the first place it takes no cognizance of the growth in the Canadian economy during the years of war and recovery. Then, too, in discussing his graph Cruikshank draws no distinction between the wartime trend and the post-war pattern. Thus he argues not only that "through traffic grew quite dramatically" during the First World War, but also that "this trend continued into 1922".<sup>50</sup> What the graph actually shows, however, is an increase of about two million tons annually of so-called "through" traffic during the war followed by a decline of about a million tons, beginning in 1920 and bottoming out in 1921. (See Figure Two on page 12 above.) Perhaps he means to suggest that one would have expected the traffic to go all the way back to its prewar levels and its failure to do so represents an upward "trend". But in view of the general economic growth of Canada in this period, this would have been an unreasonable expectation.

The assumption that "local" traffic should have been encouraged by the greater increases in the "through" rates is also unrealistic. Canada suffered a recession in the early 1920s, production figures in the Maritimes dropped further than the national average, and they recovered more slowly with much of the decline coming from the permanent closure of manufacturing in the region.<sup>51</sup> Such manufacturers were hurt not only by the relative increase in the rates on their products to distant markets, but also by the increased costs relative to their external competitors in assembling their raw materials locally. Some of the most compelling evidence of the dislocation of the Maritime economy is to be found in the figures for the "local" consumption of coal, whose five year averages declined by one-third between 1920 and 1925, a decline which proved to be permanent.<sup>52</sup> That such declines would be reflected in the decrease of local traffic on the Intercolonial is hardly surprising.

In short, the data which Cruikshank provided and the trends described are not so much "surprising" as inconclusive. If they prove anything at all, it is that tonnage totals on the Intercolonial are a hopelessly blunt instrument with which to assess the impact of rate increases on the Maritime economy. Through none of this has he

50 Cruikshank, "The Intercolonial", p. 108.

51 See S.A. Saunders, *The Economic History of the Maritime Provinces* (Fredericton, 1984), ch. 7.

52 *Ibid.*, p. 127.



explained away the disadvantages in transportation costs, especially in extra-regional markets, which, as his charts show, the rate changes created for Maritime manufacturers. Certainly he has told us nothing to justify his conclusion that the relatively greater rate increases for the Maritimes may not have “had any impact on trade”.<sup>53</sup>

Table Two

Canada's Manufacturing Production: values in thousands of dollars	Wholesale Price index (base 1913)	Per Cent of real growth over 1915	Canada's trade in millions of dollars	Per Cent of real growth over 1915
1915 1,381	109.9		917	
1918 3,289	199	32%	2,549	53%
1921 2,576	171.8	19%	2,450	71%
1922 2,482	152	30%	1,501	18%
1923 2,781	155.2	43%	1,747	35%

Source: *Canada Yearbook* (1921), pp. 401 and 494.

More substantial is Cruikshank's contribution to the debate over why the Intercolonial was terminated as a separate regional railway. Indeed, whether or not one agrees with all of its conclusions, his 1986 article is an important addition. My earlier studies mentioned a number of factors in the railway's demise, including ideological opposition to government ownership, a patronage-ridden image, regional jealousy, the railway over-expansion of the period and the shift of political power westward.<sup>54</sup> Cruikshank looks instead at the changes in the management structure of the Intercolonial between 1911 and 1918 — from a manager to a board, back to a manager again, then to another board and finally to the jurisdiction of the Board of Railway commissioners — all of which he suggests arose from the normal internal operations of the road. Costs were rising, deficits were “politically embarrassing” and management wanted to raise rates in order to break even. Local political pressure or “accountability” prevented them from doing so. Thus, governments experimented with a variety of strategies to protect the management from such pressure so that it could follow a more “businesslike” policy.<sup>55</sup>

The argument is plausible, especially when accompanied by so much useful information about the operations of the railway. One can easily imagine that the call for more businesslike management had an appeal in that “progressive” era.

53 Cruikshank, “The Intercolonial”, p. 110. The emphasis is mine.

54 Perhaps I should note, for the record, that I have never argued or suggested that the Intercolonial's fate was “simply the result of the dominance of any regional interest in federal politics”. See Cruikshank, “The People's Railway”, p. 99. Nor have I based my arguments uncritically upon “the claims of the advocates of Maritime Rights in the 1920s”. See Cruikshank, “The Intercolonial”, p. 110. Cruikshank makes the latter charge obliquely in both articles but cites no specific evidence or examples. Like any other piece of innuendo, this one is difficult to evaluate or refute.

55 Cruikshank, “The People's Railway”, pp. 93-100.

But whether costs were the primary motive force in the changes attempted is doubtful. Cruikshank pointed to substantial operating deficits beginning in 1904 and 1905 as the chief culprits. He later described the finances of the railway throughout this period as “volatile”.<sup>56</sup> This impression of acute or worsening deficits, coinciding with the changes in managerial structures and rate increases, is not borne out by an analysis of the financial figures for the intercolonial provided in the “Report of the Department of Railways and Canals” for 1917. According to this report, in the 18 years following its extension to Montreal, the Intercolonial incurred just four, admittedly substantial, deficits, the last of these for the year ending 31 March 1909. Moving five-year averages, which incorporate the four deficits, provide the most accurate measure of emerging trends during the 16 years prior to World War One. (See Table Three.) These indicate a steady growth in gross earnings and a trend away from operating deficits and towards consistent, if modest, surpluses.

This is not to suggest, of course, that the Intercolonial, like the St. Lawrence canals with which it was so often compared, was anything more or less than a partially subsidized public service. The federal government had paid for its initial construction and had continued to pay each year for expansion and upgrading through a capital account. That account grew at an annual rate which, in 1898, approximated 30 per cent of the railway’s revenues. By 1914 the rate was up to 33.6 per cent.<sup>57</sup>

If spiralling costs do not explain the sudden pressure to change management structures and government policies what does? It is important to remember, given Cruikshank’s wealth of information on the internal operations of the road, that the critical decisions were still made in the cabinet or within the caucus of the ruling party. Since both were pledged to secrecy, establishing clear motivation is not easy. Here one has to keep in mind the broad political history of the period. One of the biggest changes in the political scene was the rise of the West. Two new provinces had emerged and federal representation increased sharply. A farmers’ movement was brewing, which, by 1916, was threatening to contest the next federal election. (It would be headed off temporarily by T.A. Crerar’s entry into the Union Government.) One issue high on the farmers’ agenda was their campaign against the higher freight rates in Western Canada. The emergence of the West as another regional player tended to invalidate traditional defences of the Intercolonial which balanced its expenditures against those of central Canadian canals. Moreover, talk of the Intercolonial’s deficits and lower rates rubbed salt into Western wounds.

Meanwhile, governments confronted the political problem of a looming railway crisis. With the Intercolonial barely meeting operating expenses, the federal government had plunged ahead, over the opposition of the railway minister, A.G. Blair, to create another competing trunk line, the National Transcontinental. Unable to pass it on to the Grand Trunk as planned, the government was left to run

<sup>56</sup> Cruikshank, “The Intercolonial”, pp. 95-6.

<sup>57</sup> Canada, *Sessional Papers*, (Ottawa, 1917), No. 20, “Report of the Department of Railways and Canals”, pp. 37, 47, 56.

it in partial competition with the Intercolonial.<sup>58</sup> With the Canadian Northern and Grand Trunk in financial trouble and the Canadian Pacific facing competition from them all, the pressure on the federal government to eliminate the anomaly of the Intercolonial's lower rate structure was formidable.

Table Three

Years Averaged	Average Gross Earnings	Average Surplus	Average Deficit
1898-1903	5,051,669.00		16,076.40
1899-1904	5,571,849.00		208,757.40
1900-1905	6,006,495.40		577,951.40
1901-1906	6,540,814.20		467,931.20
1902-1907	6,656,199.40		443,667.80
1903-1908	7,226,046.40		465,977.20
1904-1909	7,663,614.00		446,015.60
1905-1910	8,172,200.20	23,677.80	
1906-1911	8,616,191.00	64,856.00	
1907-1912	9,485,285.80	21,778.20	
1908-1913	10,047,470.00	18,553.60	
1909-1914	10,917,766.00	178,744.00	

Calculations based on "Report of the Department of Railways and Canals", *Sessional Papers* (1917), No. 20, p. 401.

A third factor in the changing equation was the sharp decline in the political influence of the Maritimes. Their Commons' representation had fallen from about 20 to 12 per cent by the mid-1920s and their cabinet representation was down by more than one third. With the opposition to the policies on which the Intercolonial had traditionally operated building and its defenders weaker than ever before, the railway was clearly in jeopardy.

In rejecting the regional perspective, Cruikshank questioned whether a Maritime regional interest in rate-making ever actually existed. He cited the example of two local firms calling for increased rates on coal when the others were pressing for reductions.<sup>59</sup> While it may be a useful reminder that consensus as to what constitutes the regional, or national, or even provincial interest seldom equals unanimity, such consensuses, nevertheless, did exist. There was consensus among Maritimers as to transportation goals; they wanted the best service at the cheapest rates with the maximum construction in their region. These goals they initially pursued through the Intercolonial. The view of the "People's Railway" as the region's *quid pro quo* for Confederation was widely accepted and repeatedly

58 R.C. Brown, *Robert Laird Borden: A Biography*, Vol. I: 1854-1914, (Toronto, 1975), p. 224.

59 Cruikshank, "The People's Railway", p. 91, f.n. 42.

invoked by both shippers and politicians. Cruikshank suggests that rates were lowered and held down through the influence of certain “powerful maritime shippers”.<sup>60</sup> One might add that at least part of their “power” came from their ability to invoke already widely accepted rationales as to the purpose of the “People’s Railway” and to rally public support for their cause.

It was no reflection on Maritime leaders’ “views of the effectiveness of the Intercolonial” that they sought the construction of other railways at almost every opportunity. Given the North American hunger to eliminate isolation through railways and the business opportunities and the political advantages which accompanied their construction, no other explanation is required. The Maritime caucus of the Conservative party lobbied hard for the CPR Short Line. The new line promised competition and new elements of service without unduly threatening existing facilities. But if one could claim the traffic potential for two trunk lines from the region, a third was surely problematic. In 1903, A.G. Blair, reacting to Laurier’s railway policy which would add another competitor for the Intercolonial, resigned from the cabinet.<sup>61</sup> It was not surprising that Maritimers failed to unite behind Blair and the Intercolonial. Though time would vindicate Blair, one could hardly expect a comparable farsightedness on the part of the public, and Laurier’s promises of new railway construction and the greater use of Maritime ports, were powerfully beguiling.

Certainly, there were differences of opinion in the region regarding the Intercolonial. But most controversy was not about whether the Intercolonial should play a role in regional development — that was taken for granted — but rather how it could do so most effectively.<sup>62</sup> Moreover, much of the apparent controversy was partisan-based. The Stanfield Brothers’ preference for the CPR, cited by Cruikshank as indicative of the Intercolonial’s deficiencies,<sup>63</sup> is a case in point. Within a couple of years of the Conservatives’ taking charge, the two principal owners of that firm were to be numbered among the Intercolonial’s strongest supporters. John Stanfield led the successful protest against the attempted rate increases of 1913<sup>64</sup> and three years later he submitted his resignation from the provincial caucus, and his brother Frank from the federal, as part of a protest against F.P. Gutelius’ practice of hiring managers unfamiliar with the traditional policies of the Intercolonial.<sup>65</sup>

Cruikshank raised the related question of whether residents of the region perceived that they had a collective interest in the Intercolonial’s ratemaking policies. It is true that, compared to the Prairies, there was little popular agitation

60 *Ibid.*, p. 91.

61 D.M. Young, “Blair, Andrew George”, *Dictionary of Canadian Biography*, Vol. XIII, pp. 82-3.

62 Leo Blaise Doyle, “Politics, Policy Making, and the Role of Local Elites: The Amherst Board of Trade and the Formation of Transportation Policy for the Maritimes, 1906-1918”, Graduate Research essay, Carleton University, 1991, pp. 27-35.

63 Cruikshank, “The Intercolonial”, p. 91.

64 See *Halifax Herald*, 13 Aug. 1913; *Daily News* (Truro), 9 August 1913 as cited in Doyle, “The Amherst Board of Trade”, p. 42.

65 Canada, House of Commons *Debates* (1917), pp. 759, 777-9.

regarding the lower rate structure in the Maritimes before the Great War. But why should there have been? Unlike the Prairies, the Maritimes already enjoyed the lower rate structure to which they believed they were entitled. The real test of their commitment was not the attention that it received while in place, but the popular reaction to its loss.

Governments sought to delay and mitigate this reaction by making their line of attack as oblique as possible. At no time did they ever admit that their goal was the elimination of the Intercolonial's low and flexible rate structure. Instead, as Cruikshank shows, they talked of more "businesslike" management, brought in officials to operate the line who were largely ignorant of and unsympathetic to the traditional structures, and alternated managers with management boards in various experiments to divert public pressure and criticism. Each time the opposition in caucus or Commons appeared too strong they would publicly retreat, only to continue the implementation of their policies behind the scenes. Thus, in 1917, a resolution of the House of Commons instructed the general manager to promote to positions of management only those whose previous experience was with the Intercolonial. Later in the session, a bill to bring the line under the jurisdiction of the Board of Railway Commissioners — a proposal which seemed innocent on the surface, but ensured the ultimate termination of the lower rate structure — was not proclaimed in the face of regional opposition. But, nevertheless, Borden privately instructed the Intercolonial's managers to treat the Intercolonial, for purposes of rate making, as though it was in fact under the jurisdiction of the Board.<sup>66</sup>

In retrospect, it seems clear that the critical decision regarding the dismantling of the Intercolonial and the traditional rate policies came in 1913. In that year the Borden government made its sympathies clear with the replacement of general manager David Pottinger, a local resident who had spent half a century with the Intercolonial, with F.P. Gutelius who was fresh from 16 years of service with its chief competitor, the CPR.<sup>67</sup> While the Borden government coyly flirted with the legislative steps which would dismantle the traditional rate structures, Gutelius, replaced traffic officers with the experience to operate under the old system, raised general rates and cancelled some special rates. By the time the Intercolonial came formally under the jurisdiction of the Board of Railway Commissioners in January of 1923, the new officers were well on the way to eliminating the rate structures and pro-active development policies which had identified the Intercolonial with the region. Thus, the suggestion that the changes in the traditional policies of the railway emerged from the needs of the Intercolonial as interpreted by the local management is misleading. From 1913 that management was no longer local in origins or sympathies; increasingly it was made up of and directed by individuals ignorant of and even hostile to the traditional practices of the road.

What, then, was the motivation of the Borden government? Cruikshank's attempt to link the flirtation of Halifax businessmen with the CPR in the 1890s to

66 Transcript of Evidence, Royal Commission on Maritime Claims, 1926, p. 465. Author's copy. Other copies are available at the NAC, the Public Archives of Nova Scotia [PANS] and the Provincial Archives of New Brunswick [PANB].

67 Cruikshank, "The People's Railway", p. 96.

Borden's actions two decades later seems tenuous.<sup>68</sup> Nor, probably, did it matter much that Borden moved to Ontario after his defeat in the election of 1904.<sup>69</sup> His biographer, Craig Brown, tells us that, once he was in power, Borden's railway policy was "developed by a small group of Cabinet members" from central and western Canada in consultation with a few prominent businessmen.<sup>70</sup> John English makes a plausible case that Borden and his associates were influenced by the progressive ideology of the era. But Borden was primarily a politician. When the Liberals appeared to split on their railway policy in 1903, Borden emerged as an advocate for the expansion of the Intercolonial along the lines proposed by Blair.<sup>71</sup> The explanation for Borden's later actions is strongly suggested in English's analysis of the composition of the Conservative caucus. The federal Conservatives in the early 1900s were basically an Ontario party with aspirations in a growing west. Each election saw majorities in Ontario, breakthroughs in Western provinces and minorities only from the Maritimes. This pattern continued into the election of 1911 with the Conservatives winning 85% of the Seats in Ontario and their only other majorities coming from Manitoba and British Columbia. (See Table Four.) It was, then, the perspective of a caucus increasingly dominated by Ontario and the West which found expression in the government's suppression of the Intercolonial and the dismantling of its rate structure during and after the War.

Table Four  
Regional Composition of Conservative Caucus

	1904	1908	1911
Maritimes	9	9	16
Quebec	11	11	27
Ontario	48	48	73
The West	7	17	18

Source: John English, *The Decline of Politics: The Conservatives and the Party System, 1901-20* (Toronto, 1977), pp. 38, 67.

Although initially diverted by the obliqueness of the government's approach, its apparent retreat on key issues and a climate of crisis caused by the War, Maritimers' reaction to the loss of the Intercolonial could hardly have been more suggestive of regional consensus. Lacking a single representative structure through which to express consensus, the Maritimes did surprisingly well with what was available. Reactivating the Maritime Board of Trade in 1919, the region's business leaders passed a resolution demanding the restoration of the Intercolonial to its

68 *Ibid.*, pp. 94 and 99.

69 Colin Howell, "The 1900s: Industry, Urbanization, and Reform" in E.R. Forbes and D.A. Muise, eds., *The Atlantic Provinces in Confederation* (Toronto and Fredericton, 1993), p. 162.

70 Brown, *Robert Laird Borden*, p. 224.

71 Henry Borden, ed., *Robert Laird Borden: His Memoirs* (Toronto, 1938), ch. vi.

previous status and secured similar resolutions from the Nova Scotian and New Brunswick legislatures and the Acadian National Convention.<sup>72</sup>

To recapitulate, for most of its existence the Intercolonial's management consistently sought the economic development of the Maritime region as the means of building traffic and enhancing the railway's viability. To this end, and in response to political input from the region, they developed the lowest rate structures in the country and responded in a sensitive manner to the changing needs of Maritime producers and merchants. Their propaganda campaign to attract industry implied their conscious commitment to regional development — a commitment already suggested by the long-term policies of the road.

The dissolution of the Intercolonial came not because of any new surge in costs or deficits; there were no operating deficits from 1909 to 1917, and by then the dismantling of traditional policies was already in progress. The critical factors spurring the government to action included the crisis over railway over-expansion and the shift in political power westwards. Borden, by 1913, was presiding over an Ontario and Western dominated caucus and was taking his advice in railway matters from a little group of central Canadian and western politicians. With the appointment of Gutelius, Borden put in train a process which would not be completed until 1923 with the formal integration of the Intercolonial into the Canadian National Railways. This was a policy which had the support of no recognizable faction in the Maritimes. Indeed its completion would see the region arrayed against it in a protest movement which became known for its slogan, "Maritime Rights".

From its construction in 1876, the Intercolonial served as a major artery for inter-regional trade between the Maritimes and central Canada. In traffic density, for much of its existence, it ranked first in the region and second nationally. As Argo's graph illustrates, between 1889 and 1913 its rates on interregional trade were approximately 50 per cent lower than those on railways in central Ontario and Quebec. The lower rates resulted in a greater trade which, in turn, allowed a volume of production which made Maritime industries more competitive. These industries benefitted not only from what the Intercolonial carried itself, but also from its competition in forcing down the rates on the other carriers.

The dissolution of the Intercolonial was destructive to Maritime industries. It cost them a partner which had shared their interests and worked to protect their access to key markets. It greatly increased their transportation costs *vis à vis* competitors in other regions. In a booming economy most had been able to absorb increased transportation charges. But, with the economic downturn in the summer of 1920, this became increasingly difficult. As a resolution in the Nova Scotia Legislature put it in May of 1921, with "conditions... becoming normal and competition more keen, the Maritime Provinces can no longer successfully compete in the markets of Central and Western Canada, which they must do to market their

72 *The Busy East of Canada* (Sackville), September 1919, New Brunswick, *Journals of the Legislative Assembly* (1921), pp. 146-9; Nova Scotia, *Journal and Proceedings of the House of Assembly* (1921); "Rapport de la Commission sur le Commerce et l'Industrie", *L'Evangeline*, (Moncton), 22 August 1921.

surplus production...".<sup>73</sup>

The economic decline of the Maritimes relative to the rest of the country in the early 1920s is well documented. The impact of the rate increases and the loss of the Intercolonial was an obvious contributing factor. Of course, no one has ever suggested that it was the only factor. Indeed, academics in a growing body of literature have argued plausible cases for several other causes.<sup>74</sup> But when a scholar like Larry McCann, who has reviewed that literature and is familiar with much of the primary material, concludes that the rate changes were a "major" factor in the region's decline, his judgment should not be too hastily discounted.

Cruikshank is correct in his suggestion that we need more work on the Intercolonial Railway. We need specialized studies over more limited time periods — studies which can outline in detail the policies of particular ministers and the managers subordinate to them, and which can evaluate the importance of transportation policies in the success or failure of particular industries. Cruikshank has shown the wealth of primary materials available on the daily operations of the railway and these promise much in clarifying grey areas in our understanding. But we should not be beguiled by the relative richness of these sources into thinking that they explain the fundamental policy decisions for the road. The Intercolonial was a creation of government and remained subject to government policy. For the understanding of that policy one must often look beyond the discussions of the civil servants to the decisions of cabinet and to the sometimes widely scattered bits and pieces of evidence which aid in reconstructing the political history of the period.

E.R. FORBES

### With Apologies to James: A Response to E.R. Forbes

I did say I wanted to "reactivate debate"! E.R. Forbes has launched a spirited defence of the conclusions he reached almost two decades ago. Indeed, he now appears prepared to abandon some of his earlier qualifications, arguing that the Intercolonial "played an even more conscious, direct and effective role in regional development than I previously suggested" (p. 3). In the course of his defence, Forbes takes issue with the arguments I developed in my 1992 *Acadiensis* article, "The Intercolonial Railway, Freight Rates, and the Maritime Economy".<sup>1</sup> I am somewhat reluctant to engage in a formal debate. The intent of my article was to generate further research on the Intercolonial and the businesses it served, and I am

73 Nova Scotia, *Journal and Proceedings of the House of Assembly* (1921), p. 360.

74 See P.J. Wylie, "When Markets Fail: Electrification and Maritime Industrial Decline in the 1920s", *Acadiensis*, XVII, 1 (Autumn 1987), pp. 74-96; several essays in Kris Inwood, ed., *Farm, Factory and Fortune* (Fredericton, 1993) and E.R. Forbes, "Looking Backward: Reflections on the Maritime Experience in an Evolving Canadian Constitution", in D.J. Savoie and Ralph Winter, eds., *The Maritime Provinces: Looking to the Future* (Moncton, 1993), pp. 13-37.

1 Ken Cruikshank, "The Intercolonial Railway, Freight Rates and the Maritime Economy", *Acadiensis*, XXII, 1 (Autumn 1992), pp. 87-110. I want to thank Professor Forbes for generously sharing his response to my work with me. I could not ask for a more generous or considerate critic.