

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

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surplus production...".⁷³

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.⁷⁴ 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".¹ 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.

all too aware that many readers of this journal share James Forbes' view of this whole subject. Nevertheless, I did ask for this opportunity to clarify some of my arguments, and, perhaps by doing so, point to directions for further research.²

Did the managers of the Intercolonial Railway consciously play a role in the economic development of the Maritimes? Rate policy on the Intercolonial, Forbes argues, "took shape as the pragmatic and cumulative results of the interaction between producers and politicians" (p. 5). If he includes the railway's managers with the politicians, I agree. However, I disagree that the process so described constituted "conscious, direct and effective" policy. No doubt every shipper in the Maritimes and the rest of Canada would support a "policy" of lower railway rates, but the actual working out of such a policy could and did lead to conflicts between shippers. When granting lower rates to others appeared to or did place a shipper at a disadvantage — when rates made the raw materials of a competitor cheaper, when rates favoured larger industries and merchants or when rate concessions were seen to limit the ability of the railway to offer other concessions — conflicts emerged. Conflicting and competing visions of economic development among the different economic regions of the Maritimes have always been minimized in Forbes' discussion of the Intercolonial, even though his own study of the Maritime Rights movement of the 1920s takes class, local and metropolitan conflicts into account.

The extension of the Intercolonial to Montreal further complicated the interests with which Intercolonial managers contended; after 1898, the "region" that could produce revenue-generating traffic for the railway included most of Quebec up to and including Montreal. Montreal was not just an important destination; it was an important source of traffic for the Intercolonial. While strengthening connections to Montreal and points west, the extension also ensured that the Intercolonial's managers would no longer limit their concerns to representing and promoting the economic interests of Maritime shippers.

More significantly, Forbes fails to consider the competitive environment within which Intercolonial Railway managers responded to the demands of shippers and politicians. This creates some confusion with respect to at least one of my arguments. According to Forbes, I argue that the Intercolonial was "too small and weak" to be an instrument of regional development (p. 10). Too small? Freight traffic density — the measure is ton miles per mile of line, not the freight tons per mile of line adopted by Forbes — is a measure of work performed by the railway; heavier densities are associated with economies in expenditures since the railway carries more freight while performing a similar amount of work. Comparatively "light" traffic density meant that the Intercolonial, and, I would emphasize, other Canadian railways, were unable to enjoy some of the economies associated with the new larger trains and freight cars adopted throughout North America in the late

2 For a more extended response, see "E.R. Forbes and the Intercolonial Railway: A Rejoinder", unpublished paper, Business History Conference, Peterborough, October 1994. I would like to thank participants at the conference, and particularly my commentator, Rosemary Ommer, for reminding me that something positive could come out of this debate.

19th and early 20th centuries.³

What purpose is served by comparing freight density on the Intercolonial, or the Canadian Pacific's eastern operations or the Grand Trunk, with the freight density of "busy" American railroads? First, each of these railways had the ability to carry freight from the seaboard to the interior of North America, including Ontario and the West. Shippers could, and did, threaten to ship their goods via steamers and U.S. railways between Maritime and western interior points. Second, import and export rates to and from points west of Montreal were constructed as a proportion of freight rates between New York and Chicago.⁴ Shippers within the Maritimes could at least use those rates as a baseline for seeking concessions on their own rates. Yet American railways like the New York Central spent less to move a ton of freight by the 20th century than did railways such as the Intercolonial, so could better afford to offer lower rates. The Intercolonial, Grand Trunk and Canadian Pacific railways all had to struggle with a rate, and therefore an earnings, structure that, in part, was determined by these busier northeastern American railways.

Therefore, a comparison of traffic densities on different eastern North American railways helps to identify differences in operations that might affect costs. The railways selected for comparison had some direct and indirect influence on rate structures in northeastern North America. In contrast, a comparison of the tons of freight per mile of line on the Intercolonial with that of three transcontinental railways serving various parts of Canada serves little purpose. The operating situation of the Intercolonial was not affected by shifts in the traffic densities on the Canadian Northern or the Canadian Pacific's western lines.

This confusion is symptomatic of Forbes' reading of my arguments. Contrary to what he continues to assert, the Intercolonial's managers were not uniquely situated to be the leading rate setters for the Maritimes. They did not fix import and export rates on traffic carried to points beyond Montreal. Nor did they unilaterally set rates on traffic destined beyond their line. They depended upon but did not always get co-operation from connecting railways in arranging for special through rates requested by Maritime shippers. And they did face Canadian railway competition. The Canadian Pacific did, at times, offer lower rates than the Intercolonial on goods travelling west, and Intercolonial managers worked very hard, despite serious difficulties, to offer Maritime shippers as timely delivery as the Canadian Pacific could offer.⁵ As well, the Intercolonial's managers did face competition from water carriers. Some long and shorter distance special rates on the Intercolonial were set in response both to the real and potential competition of water carriers. Like the Grand Trunk in Ontario and Quebec, the Intercolonial was open to competition from water carriers on most parts of its line, which had the effect of keeping a

3 For these arguments applied to other railways, see Ken Cruikshank, "Managing A Fragile North American Industry: The Canadian Railway Problem Revisited", unpublished paper presented to the Canadian Business History Conference, Victoria, March 1988.

4 Cruikshank, "Managing a Fragile North American Industry", p. 11.

5 For examples of the Canadian Pacific offering lower rates, see David Pottinger to Collingwood Schreiber, 9 March 1891, Pottinger to A.G. Blair, 24 June 1897, Pottinger to D.G. Jones, 2 May 1900, Records of the Canadian National Railways System, RG 30, National Archives of Canada [NAC].

number of rates low. Finally, they did face United States rail competition. Coastal water carriers could connect Maritime shippers with Boston, and therefore with the America rail system, as an alternative route.

As for the local standard tariff of rates adopted by the Intercolonial, which was lower than anywhere else in Canada, its origins are less clear than Forbes contends. In 1876, the government of Alexander Mackenzie appears to have opted for an older tariff, after having briefly introduced a tariff of rates similar to those established on other railways two years earlier. The decision to lower standard rates, then, was not initiated by Charles Tupper, and cannot be readily linked to the National Policy of the Macdonald government and the establishment of new industries in the Maritimes in the early 1880s.

Forbes asks why, if the Intercolonial was not the rate setter, rates on the Intercolonial did not change until after the change in management of the railway? But, the Intercolonial's managers *did* begin to advance some of those local rates under their control, as early as 1905. For the most part, however, the Intercolonial's managers followed changes being made elsewhere. The elimination of the lower westbound freight rates from Maritime points to stations west of Montreal occurred in 1908 because of changes ordered by the Board of Railway Commissioners on rates between Montreal and southwestern Ontario. Most of the other increases on the Intercolonial took place at a time when all North American railways were advancing their rates, beginning in 1915 and peaking in 1920. Some of the advances sought by other railways after 1915 appear to have been related to changes in the freight rates offered by water carriers.⁶ If anything, the general pattern of rate changes underlines the importance of situating the Intercolonial in the northeastern transportation network.

There is a danger in seeing rate structures on the Intercolonial or on other railways simply as neat and rational responses to competitive pressures. On all railways, shippers attempted to use their economic or political bargaining power to win special concessions. This was particularly true on the government-operated Intercolonial, although we should not forget how dependent many private railways were on political goodwill. Moreover, local freight officials also came under pressure and sometimes misjudged the seriousness of water or other competitive influences. There always was "political" bargaining over freight rates between shippers and various railway and government officials. Once in place, railway rates often outlived the competitive or other influences that had originally produced them. It was always difficult to get rid of special rates once they were introduced. By the early 20th century, facing difficulties in capturing economies of traffic densities, freight officials on the Intercolonial believed that some of their rates, including the local tariff and the lower westbound than eastbound rates between the Maritimes and Montreal, had long outlived whatever initial rationale had governed them. In making changes, they had to negotiate with shippers and politicians; but they also responded to changes in the complex eastern North American rate

⁶ On the rate advances, see Ken Cruikshank, *Close Ties: Railways, Government and the Board of Railway Commissioners, 1851-1933* (Montreal, 1991), pp. 127-55

structure, which neither the politicians nor the Intercolonial's managers controlled.

In my article, I tried to document the freight rate changes on the Intercolonial in more detail, in order to improve upon H.A. Argo's comparison of the standard tariff rate in different regions. I hoped to show the changing situation facing shippers from different regions, competing in similar markets, using the actual competitive rates existing between these major urban centres. Since only small and infrequent shippers living in small towns and villages in any region of Canada would have used the standard tariffs to ship goods 700 miles, Argo's graph affords little insight concerning the reality of long haul rates.

I also asked the question, what did the Intercolonial railway do? Historians have largely accepted the idea, consistent with the ideals of the promoters of the railway, that the Intercolonial promoted interregional trade. So I looked at a range of statistical evidence on freight traffic, some of which I summarized in my article. My main intent was modest: to raise questions about any simple linking of freight rate changes and economic development. Admittedly, the Intercolonial's traffic is a very crude measure of the impact of freight rate changes on the Maritime economy. So why bother? For the most part, the previous arguments about the impact of rate changes have been based on the testimony of business leaders who appeared in railway commission cases in the 1920s, seeking a reduction in railway rates.⁷ One problem with this evidence ought to be obvious; manufacturers had a vested interest in showing that the rate increases had been damaging to their business. Moreover, those manufacturers who measured their "freight burden" for the railway commission, did so by applying pre- and postwar freight rates to their 1920s shipments. None indicated whether the level of freight they were shipping west of Montreal by the early 1920s had increased, decreased or changed at all. Nor were they precise about the proportion of their business that these shipments represented. We cannot tell whether trade via the Intercolonial with the rest of Canada always had been an important part of their business, or whether it had become more important as a result of wartime opportunities or the growing problems in local markets. I would argue that the *absolute* increase in through freight and decline in local traffic after 1919 indicated in my original graph at least makes the latter proposition worth exploring.

At its core, Forbes' argument rests on two observations: freight rates increased after World War I and during the same period Maritime businesses encountered difficulties. Is there a connection? Perhaps for some industries. Forbes cites my research on the sugar industry to try to document the connection between freight rate increases and business difficulties. Yet it does not support his case. Atlantic Sugar, established during World War I, appears to have been exceptionally active in its efforts to penetrate markets beyond the Maritimes; most accounts indicate that, whatever the rates, the older Acadia refinery had been content to serve the regional market. And although the special rate on sugar was eliminated in the spring of 1919, Atlantic Sugar continued to carry on a vigorous trade beyond the Maritimes

7 As well as Forbes' works, see L.D. McCann, "The Mercantile-Industrial Transition in the Metal Towns of Pictou County, 1857-1931", *Acadiensis*, X, 2 (Spring 1981), pp. 29-64.

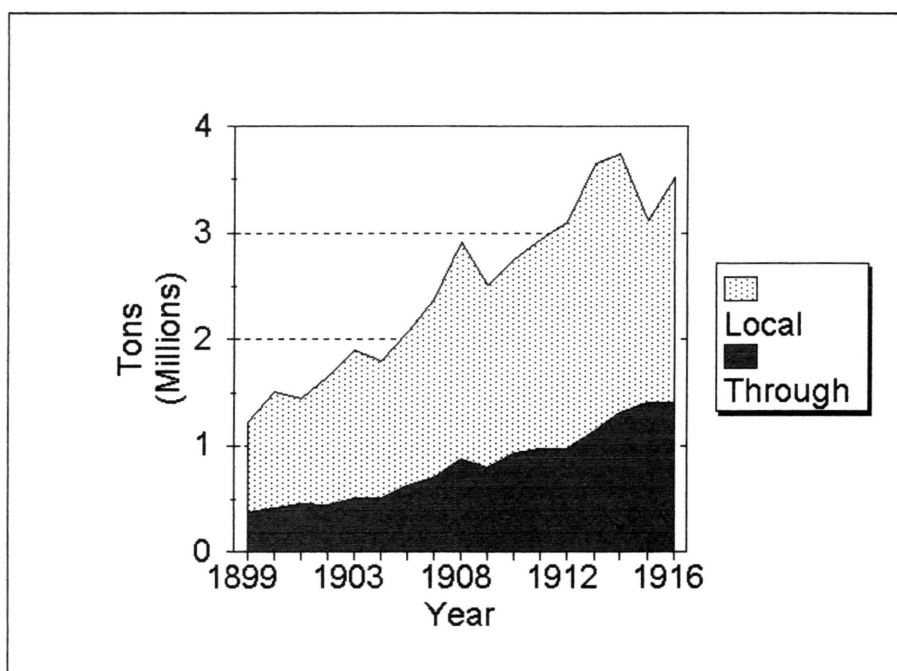
throughout that year. Atlantic Sugar almost went bankrupt in the fall of 1919, but there is little contemporary evidence that would suggest that the firm's financial difficulties had anything to do with operating — particularly freight transportation — costs. Similarly, there is no particular evidence to suggest that the infamous decision of the Montreal-based Canadian Car and Foundry Company to close its Amherst branch was related to freight transportation costs.

The statistics I used, therefore, were an attempt to overcome some of the difficulties with the evidence currently available on the impact of freight rate changes. And I think Forbes is correct in pointing out that the one graph I chose to use from the various ones produced in my original conference paper, and which I regret has been reproduced yet again, may obscure what I actually say about through and local traffic in the text of my article. In response to Forbes' critique, I offer Figure 1.1. I have made four changes. This graph begins with the fiscal year 1898-99, the first full year of operation to Montreal. I agree that trade between the Maritimes and Montreal may have been significant, although I can find few ways to prove it. Forbes estimates that at least two-thirds of what had been previously "through" traffic was deemed "local" traffic after 1899. This estimate would be more persuasive if there were some corresponding downward shift or significant change in the pattern of through traffic, however temporary. Instead, as I think both Forbes' table and my original graph suggest, local and through traffic patterns remained comparable before and after 1899. It would be equally logical to argue that Montreal became a more important destination for freight after 1899, since then the Intercolonial finally had more control over the freight rates offered to shippers. This would account for the relatively strong performance of "local" freight after 1899. That performance, however, may also testify to the vitality of the local trading economy within the Maritimes in this period.

In Figure 1.1, I have eliminated coal traffic from consideration, because the large local traffic in this weighty commodity may exaggerate the volume of local traffic after 1899. I do not, however, accept the argument that through traffic was composed mainly of high value, manufactured products. We simply do not know what proportion of through railway freight was composed of pulpwood, lumber or other forest products, which generally accounted for 25 per cent of all freight on the Intercolonial. For example, "through" pulpwood and lumber shipments, often originating on the Quebec portions of the Intercolonial and destined for New England factories, were regularly blamed for creating freight car shortages on the Intercolonial.⁸ I have also eliminated through eastbound grain traffic, as well as both through and local imports and exports of European goods, via the ports of Halifax and Saint John. I have done so in order to improve the ability of "through" traffic to provide a reasonable, if somewhat crude, measure of traffic from stations on the Intercolonial to points beyond its line, mainly west and south of Montreal or Saint John, and for "local" traffic to offer some guide to the amount of traffic

8 See, for example, David Pottinger to L.W. Donnelley, Traffic Mngr, United Box Board and Paper Co., New York, 29 Oct. 1904, p. 125, Pottinger to C.B. Hibbard, GM, Quebec Southern Ry, Montreal, 1 Nov. 1904, p. 294, vol. 12068, Pottinger to D.W. Sanborn, Boston & Maine RR, 22 Nov. 1905, p. 720, RG 30, vol. 12073, NAC.

Figure 1.1
Intercolonial Railway, 1899-1916
Selected Local and Through Freight Traffic



Note: Freight Traffic Excluded from Graph: Local and Through Coal, Merchandise Exports to and Imports from Europe via Halifax and Saint John, Grain Exports via Halifax and Saint John

Source: Annual Reports, Department of Railways and Canals, 1900-1917

carried between stations on the Intercolonial. Finally, in order to encompass these more detailed changes, I have had to conclude the graph in the fiscal year 1915-16, when such statistics stop being available.

The resulting Figure 1.1 demonstrates that through traffic grew rather slowly after the extension to Montreal, and, as importantly for the case I was making, its growth appears to have been unaffected by the readjustment of freight rates between the Maritimes and Ontario that began to take effect in 1908. Forbes contends that "in the context of the period, half a million tons, or, by 1911, a million tons, of freight was a substantial volume to be moving between the Maritimes and Ontario on a single railway" (p. 11). He then offers a series of comparisons, including comparisons with the amount of freight carried by the Canadian Northern Railway in 1903, at a time when that railway did not operate a fully developed system. Although I am not sure how useful such an exercise is, half a million tons, or one million tons, amounts to about four to six per cent of the total freight carried by either the Grand Trunk or the Canadian Pacific in 1903 or 1911 respectively.⁹ I originally chose a comparison with the canals, thinking that it gave some indication of the amount of traffic flowing through a similar transportation corridor directly west of Montreal.

Of course, from the point of view of individual firms, one million tons does represent a substantial volume of freight. In 1919, Atlantic Sugar sold 41 thousand tons of sugar in Ontario and points west, an amount that represented 42 per cent of the total output of the firm.¹⁰ In 1921, the Enterprise Foundry Company shipped 1.32 thousand tons of stoves to the Prairie West and British Columbia, Ganong's sent 1.3 thousand tons of confectionery goods to Ontario and western Canada.¹¹ So I do not want to be misunderstood as minimizing the importance of one million tons. But to me it seems more important that, in a decade of dynamic growth, between 1900 and 1910, there was relatively slow growth in through traffic, a good proportion of which would be freight from points on the Intercolonial to points in Ontario and further west. And it is, I think, equally significant that freight traffic patterns, at least prior to 1916, seem unaffected by changes in the rate structure.

There are real limits to what these or any other numbers can tell us. Nevertheless, I remain convinced that the numbers raise some legitimate questions about attempts to link freight rates and economic difficulties in the Maritimes, and about our images of the role played by the Intercolonial in trade between the region and central Canadian points. My 1992 article was intended as an invitation to be sceptical of, not to dismiss, the Maritime Rights freight rate thesis.

Where can this debate take us? The debate over economic development needs more insights from the study of individual Maritime firms and industrial sectors.

9 Calculated from statistics in Tables B.2, B.3, "Appendix B: Statistics on Railway Freight Operations", Cruikshank, *Close Ties*, pp. 219-20.

10 Ken Cruikshank, "Taking the Bitter with the Sweet: Sugar Refiners and the Canadian Regulatory State, 1904-20", *Canadian Historical Review*, LXXIV, 3 (September 1993), Tables I and II.

11 Exhibits File, Application of Governments of Nova Scotia and New Brunswick to Board of Railway Commissioners, January 1922, Records of the Canadian Transport Commission, RG 46, vol. 618, file #30531, NAC.

How significant were Ontario or Montreal or American or local markets to different Maritime industries? Did the significance of the markets, and therefore of freight transportation costs, change at all? Where did industries acquire their raw materials? A number of manufacturers in the 1920s complained of the increases in eastbound freight rates on iron and steel materials from Ontario. Was this importation of key materials a traditional, or a new, development? Further, the debate over transportation needs to be widened to consider the other parts of the transportation network of the Maritime provinces. What role did coastal and other water carriers play in assisting Maritime businesses in acquiring and shipping materials, and were there significant changes in their role? Then, too, the debate over the role of the Intercolonial needs to be extended geographically to consider the railway's presence in, and impact on, important regions of the province of Quebec. Finally, the debate over the role of the Intercolonial needs to be extended thematically, to consider the other ways, beyond offering freight transportation, that the railway may have contributed to the social and economic development of the regions it served. I would like to think that the current debate has shed a little light; nevertheless, this particular tunnel, which promises to lead us to a better understanding of the general process of economic development, is still pretty dark. And it will remain dark if either Forbes' or my own arguments remain unrevised and unquestioned.

KEN CRUIKSHANK