

## Subsidized Steamers to a Foreign Country: Canada and Newfoundland, 1892-1949

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Volume 14, numéro 2, spring 1985

URI : [https://id.erudit.org/iderudit/acad14\\_2art04](https://id.erudit.org/iderudit/acad14_2art04)

[Aller au sommaire du numéro](#)

### Éditeur(s)

The Department of History of the University of New Brunswick

### ISSN

0044-5851 (imprimé)

1712-7432 (numérique)

[Découvrir la revue](#)

### Citer cet article

Macleod, M. (1985). Subsidized Steamers to a Foreign Country:: Canada and Newfoundland, 1892-1949. *Acadiensis*, 14(2), 66–92.

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## Subsidized Steamers to a Foreign Country: Canada and Newfoundland, 1892-1949

SOME OF THE CANADIAN CONFEDERATION'S most important policies have had to do with transportation. Although Newfoundland was not directly involved in the famous nation-knitting programme of railroad development, the foreign country next door was affected by another of Ottawa's transportation policies, the awarding of subsidies for steamship services. By 1910 the dominion was assisting operations on five dozen different routes, including several services to Newfoundland. Altogether the Newfoundland economy enjoyed 83 subsidized ship-years before 1925, and another ten in the following quarter-century up to Confederation; Canadian exports to Newfoundland increased about four-fold between the 1890s and 1930s.

Some services to Newfoundland were included in a "foreign-going" category, while others were listed as "local" services. This interesting ambivalence underlines the unusual nature of the arrangements between Canada and Newfoundland in pre-Confederation years. Once decided upon, often in chaotic backroom bargaining from which patronage considerations were by no means excluded, subsidy arrangements were rigorously policed and administered by Canadian officials. Yet what emerges from a study of this aspect of Canada-Newfoundland relations is not a portrait of expansionist Canadian steamboat diplomacy but rather one of Canadian indifference towards the needs of the smaller country. For her part, Newfoundland frequently assumed a posture of self-reliance, when necessary mounting campaigns of pressure and persuasion against the Dominion government. One might almost have thought it was dominion-provincial relations they were conducting.

The first subvention for a steamer link between Canada and Newfoundland was introduced in 1892, when the Canadian Department of Trade and Commerce took over responsibility for negotiating steamship subsidies from the Department of Finance.<sup>1</sup> One of the new arrangements that year assisted Pickford and Black of Halifax in operating a service to the west coast of Newfoundland. At least ten round trips were to be made during the May-December navigation season. For the first several years the SS Harlaw left Halifax every second Tuesday at noon, delivered Canadian mail at Port aux Basques after calling at eight Cape Breton ports, and on most trips reached down north as far

1 Chairman, Canadian Maritime Commission to Secretary, Washington Embassy, 15 November 1948, File 700.1, Vol. 1265, Series E, RG 46 (Records of the Canadian Transport Commission), Public Archives of Canada [PAC]. Some of the research for this article was made possible by financial assistance from the Social Sciences and Humanities Research Council, gratefully acknowledged.

## *Steamers to Newfoundland 67*

as Bonne Bay.<sup>2</sup> Cargoes ranged from only 42 cases of lobster on one trip, to another voyage with more than 1000 barrels, boxes, bags, casks and packages: these were mostly salt cod and cod oil, but also included pickled herring, salmon, seal skins, geese, furs, minerals, tar paper, molasses, junk, live foxes and one baby carriage.<sup>3</sup>

Towards the end of the decade, as the Newfoundland trans-island railroad neared completion, there was talk of a possible Ottawa subsidy for steamship operations joining that service with Canada's transcontinental rail system. October 19th 1897 was the red letter day when North Sydney, gaily decked in bunting, welcomed the first arrival of the Reid Newfoundland Company Steamer Bruce. "The placing of the boat on the Newfoundland route", recognized the *Montreal Star*, "marks an important event in the trade and commerce between the Dominion and the Ancient Colony".<sup>4</sup> R.G. Reid, Jr., who crossed on the ship, joined the Minister of Railways and Canals A.G. Blair and the local board of trade at a banquet to celebrate hands linked across Cabot Strait. However, another decade would pass before Ottawa extended financial assistance to the new service.

In 1898 the Cape Breton Conservative MP H.F. McDougall urged that Canada should financially assist the three round trips per week which the Bruce was making, carrying general cargo, passengers and both countries' mail. In response Minister of Trade and Commerce Richard Cartwright callously observed that the Reid firm was obliged (by self-interest) to provide the service whether Canada contributed or not, and Ottawa was already putting out too much for steamship subsidies.<sup>5</sup> Such scruples notwithstanding, another route affecting Newfoundland was newly subsidized that year: Halifax to Liverpool with a mid-passage call at St. John's, operated by the Canada & Newfoundland Steamship Company. In 1899 Sir Charles Tupper, the second Cape Breton MP, again went to bat for the Bruce, orating on the ship's "inestimable service", and the "large amount of additional revenue being received by the Government on the Intercolonial Railway" because of the realignment of Canada-Newfoundland trade away from the deep ocean which Newfoundland's railroad and the Bruce were promoting. Negotiations were going on, said Cartwright, but had not yet eventuated in an agreement: "It has not escaped our observation that since the completion of the Newfoundland railroad there is a chance for carrying on a considerable traffic with Newfoundland".<sup>6</sup> The following year, McDougall

2 File 3089, Vol. 1137, A1, RG 20 (Records of the Department of Trade and Commerce), PAC.

3 Vol. 1715, MG 3, (Pickford and Black Papers), Public Archives of Nova Scotia [PANS].

4 *Daily Star* (Montreal), 19 October 1897. For the importance of the Newfoundland Railway and Cabot Strait ferries in Atlantic regional transportation, see James K. Hiller, *The Newfoundland Railway 1881-1949* (St. John's, 1981) and Harry Bruce, *Lifeline: The Story of the Atlantic Ferries and Coastal Boats* (Toronto, 1977), pp. 3-97.

5 *House of Commons Debates*, 1898, p. 7282 (7 June 1898).

6 *Debates*, 1899, pp. 8665-8666 (27 June 1899).

complained that the Reid boat had been plying the summer Strait, and shouldering ice aside winters, for nearly four years without receiving one cent of Canadian subsidy. Finance Minister W.S. Fielding replied that since the service was faithfully performed without Ottawa's help, there was no need of a subsidy. He added that Canada did pay for the mails carried.<sup>7</sup> Indeed, in order to be free of this expense, which amounted to more than \$12,000 in 1899, the Post Office soon joined in trying to budge Trade and Commerce into extending a subvention. The department parried this thrust as easily as all the others, and for several years yet continued to maintain that Reid's "Line is unquestionably self-supporting", and therefore "requires no aid from the Dominion Government".<sup>8</sup>

Meanwhile, the Reid Newfoundland Company had launched its own lobby for a subsidy, engaging friendly forces from the Canadian business world. In May 1897 Joseph Wood, a shipping agent and commission merchant of Halifax, first met on the subject with the Minister of Trade and Commerce in Ottawa. On behalf of the Reid interests he requested the federal government to subsidize a steamer service running from the Newfoundland Railway Port aux Basques terminus to Halifax, 307 miles, twice a week. Goods would reach St. John's 40 hours out of Halifax. The request was for \$200 per round trip, 40 weeks a year, a total of \$16,000. Wood hoped "the Canadian Government will see that it is in their interest to secure the best possible communications, which are so necessary and important to the prosperity and development of Canadian trade and commerce".<sup>9</sup> In further correspondence in the next three weeks, he softened the pitch. The subsidy need not be for the expensive Halifax proposition, for the ship could run to a Cape Breton port in most seasons, except "in winter for a few months when the ice closes in" and "in any case the wishes of the Canadian Government and Newfoundland government will be considered as to the terminal port in Nova Scotia".<sup>10</sup>

By October bigger artillery had been brought into range. T.G. Shaughnessy, vice-president of the Canadian Pacific Railway, wrote to Cartwright from Montreal on behalf of R.G. Reid, "one of our most substantial Canadian citizens" (and a director of Canadian Pacific and the Bank of Montreal). Shaughnessy conveyed Reid's request "that the Canadian mails be sent by way

7 *Debates*, 1900, p. 9578 (9 June 1900).

8 From the beginning the Newfoundland post office sent all its North America-bound mail by the Bruce. The island government paid \$130 per trip (a total of \$20,280 for 1899) and also stationed on the ship a mail clerk who sorted during the voyage: Controller of Railway Mail Service to William Mulock, 27 September 1900, Minister of Trade and Commerce to Postmaster General, 27 November 1900, Deputy Minister to Minister of Trade and Commerce, 29 November 1900, File 7054, Vol. 1214, A1, RG 20, PAC.

9 Joseph Wood to Richard Cartwright, 11 May 1897, File 5100, Vol. 1154, A1, RG 20, PAC. On Wood himself, see *McAlpine's Nova Scotia Directory 1890-1897* (Halifax, [1897]), pp. 283, 289, 295.

10 Wood to Cartwright, 2 June 1897, *ibid.*

of North Sydney".<sup>11</sup> He was back at Ottawa's doorstep again just before Christmas. "I do not often interfere in matters which are not directly connected with the CPR", Shaughnessy wrote to Cartwright, "but in the case which I am about to bring under your notice circumstances seem to warrant me in bothering you". The Bruce had been running North Sydney to Placentia all autumn but with the opening of the Newfoundland Railway's trans-Island route would switch her Newfoundland terminus to Port aux Basques the following spring, providing a "service which cannot fail to bring the merchants of Newfoundland into very much closer communication with the merchants of Canada with the result that this country would receive a very considerable portion of the trade of Newfoundland which heretofore went to New England...Newfoundland which heretofore seemed far away because of the delay involved in the transportation of passengers and mails is now comparatively speaking at our threshold".<sup>12</sup>

Meanwhile, Canadian cabinet ministers also considered petitions from the town council and board of trade at Sydney. Their complaint was that the Bruce was handling cargo only at North Sydney. Although the ship came on to Whitney Pier to coal up, she did not steam the further mile to Barrack Point wharf, where an expensive Intercolonial extension (which Sydney had paid for with Newfoundland trade in view) was not being fully utilized. The government was requested to make calling at Sydney a condition of any subsidy that might be granted.<sup>13</sup>

"Numerous representations have been made urging the Government to grant a subsidy to that Vessel",<sup>14</sup> a Trade and Commerce official wrote to the Undersecretary of State in April 1898. There were several others yet to press the case. Later that spring Sir Charles Tupper wrote to the elder Reid at Montreal, reminding him of Sydney's anxiety to become a port of call, and offering Reid any service he could do for him, in Parliament or out of it.<sup>15</sup> A year later Shaughnessy wrote directly to Prime Minister Sir Wilfrid Laurier. R.G. Reid was now in Algiers for his health, but his son W.D. Reid was planning to call at Laurier's office the following week:

It will no doubt be of great advantage to every Canadian interested if Mr. Reid can succeed in diverting the business which is now handled through the port of New York to Canadian channels. To accomplish this it will be necessary for him to carry a considerable tonnage by his steamer from Sydney to Port aux Basques and thence by rail to St. John's...at nominal figures, — practically at the same rates that the steamers get from New

11 T.G. Shaughnessy to Cartwright, 10 October 1897, File 5488, Vol. 1160, A1, RG 20, PAC.

12 Shaughnessy to Cartwright, 16 December 1897, File 5488, Vol. 1160, A1, RG 20, PAC.

13 File 5538, Vol. 1162, A1, RG 20, PAC.

14 Parmalee to J. Pope, 5 April 1898, *ibid.*

15 Charles Tupper to R.G. Reid, 28 May 1898, p. 8976, (Reel C-3209), Charles Tupper Papers, PAC.

York to St. John's...Then too with his steamers plying to all the bays along the coast of Newfoundland he must endeavour to establish Port aux Basques, instead of St. John's, as the distributing centre for all the Western portion of the Island. I feel very confident that it will be good policy to have Mr. Reid's confidence and co-operation towards establishing cordial relations of a business character (if not of a political character as well) with the Island.<sup>16</sup>

Laurier seemed to take this confederationist bait: "This is a subject to which we will give our best attention".<sup>17</sup> After he and Reid had their talk about promoting Newfoundland-Canada trade, however, he indicated that Canada was disposed to grant an annual subsidy of \$50,000, but only if "Newfoundland did extend to us a preferential tariff of 15 cents per barrel on flour, and of 25 per cent on every other item".<sup>18</sup>

The intervention of Shaughnessy — who after his elevation to the CPR presidency in 1898 was the most powerful businessman in all of Canada — was not successful in getting the Reid company the desired subsidy. Perhaps if the CPR had more fully recovered from its previous very close identification with the Conservative Party Shaughnessy would have had more weight. Another political factor which might have interfered with quick granting of the initial request was the fact that both members from Cape Breton County, the Canadian terminus, were Conservatives, one of them indeed Leader of the Opposition. When Tupper and McDougall were defeated in the 1900 election, however, replaced by a pair of government-supporting Liberal members who now took over responsibility for heckling the cabinet into awarding bonuses for navigation into North Sydney, the situation slowly began to change.<sup>19</sup>

A federal subsidy to a coastal boat service carrying Prince Edward Island farm products and Cape Breton coal to Placentia and St. John's was inaugurated in 1904. This was the third assisted service linking the two Dominions, and Fielding publicly defended the multiplication of subsidies. In Canada's trade relations with Newfoundland, he explained, "It is much better that we should err on the side of liberality than in the other direction".<sup>20</sup> Finally in 1906 the estimates included \$20,000 "to promote direct steamship communication between Canada and Newfoundland". Fielding explained that whereas the Bruce now sailed three times weekly from each side, Canada's subsidy was meant to encourage provision of a second vessel and near-daily service.<sup>21</sup> Ottawa

16 Shaughnessy to Wilfrid Laurier, 30 March 1899, p. 31867, Wilfrid Laurier Papers.

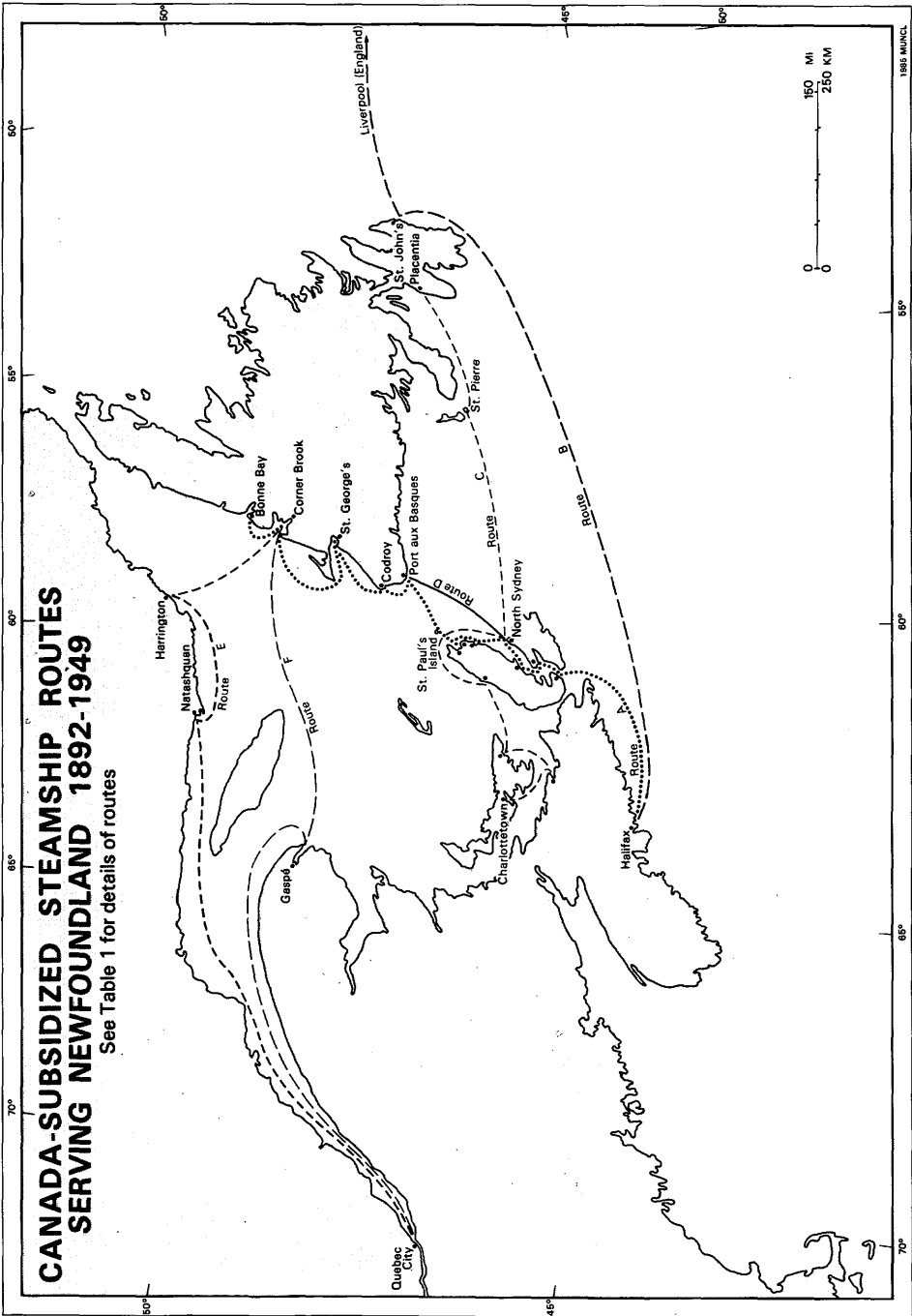
17 Laurier to Shaughnessy, 3 April 1899, p. 31868, *ibid.*

18 Laurier to W.D. Reid, 15 April 1899, p. 32559, *ibid.*

19 The new Liberal members were A. Johnstone and A.S. Kendall, after 1904 Johnstone and D.D. McKenzie: *Canadian Parliamentary Guide*, 1897, 1903, 1908, 1909.

20 *Debates*, 1904, pp. 6212-3 (7 June 1904).

21 *Debates*, 1906, pp. 7557-8 (9 July 1906).



had finally yielded to a lobbying effort of a decade's persistence, but the subsidy provided was much less generous than the \$50,000 Laurier had referred to in 1899.

The decade starting in 1906 was the heyday of Canadian subsidies for steamship links with Newfoundland. Halifax had a subsidized connection with St. John's about once every two weeks and there were sailings between North Sydney (or Louisbourg) and Port aux Basques (or Placentia) several times a week. In summer these year-round services were joined by fortnightly operations on routes linking Halifax to western Newfoundland, and Prince Edward Island to the eastern end of the island, both routes having several stops in Cape Breton. Canadian payment per piece or pound for carriage of mails was phased out, replaced by a clause common to all contracts between Ottawa and the various steamship companies, that Canadian mail was to be carried free as one condition of the subvention.<sup>22</sup> Other standard conditions were the duration of the navigational season, number of trips, rates to be charged, and most rigidly, what ports would be visited.

The Cabot Strait crossing continued to be the subject of intermittent discussion in the House of Commons. In 1911 the Bruce was declared a total wreck after driving onto rocks near Louisbourg one March night when North Sydney was blocked by ice. Of two hundred persons on board only one life was lost.<sup>23</sup> Reid Newfoundland authorities took up the slack by sparing two vessels for the run. The Invermore and Glencoe provided a daily service Monday to Saturday, and on the seventh day they rusted. Despite the assignment of two ships, cargo on the North Sydney-Port aux Basques route was sometimes badly backed up. G.E. Foster, the new Minister of Trade and Commerce, told the Commons in 1912 that "freight at North Sydney accumulated to such an extent that the Intercolonial Railway has been compelled to refuse freight for shipment at certain seasons of the year".<sup>24</sup> In defence, D.D. Mackenzie, MP for Cape Breton North, boasted that the Northside was one of three great harbours in the Maritimes, chosen by Reid as terminus of a vital tie between two nations because it was the "most effective point": some winters were ice-free, and in others the coming and going of Newfoundland steamers "practically keeps it open all the time".<sup>25</sup> Even if this rotarian gospel were true, port facilities at North Sydney

22 The contracts also called for free passage for Canadian trade commissioners — which would not affect the routes serving Newfoundland very much because there usually was no such official appointed to the island. The Minister of Trade and Commerce explained in the House of Commons in 1929 that there had once been a trade commissioner appointed to Newfoundland, but the post was discontinued due to insufficient work. It was the less necessary because Newfoundland business tended to be localized in just one city. A commissioner based elsewhere visited Newfoundland "occasionally": *Debates*, 1929, p. 3288 (5 June 1929).

23 M. Harrington, "The wreck of the Bruce", *Evening Telegram* (St. John's), 9, 16 March 1981. Harry Bruce, *Lifeline*, pp. 33-8, says two lives were lost.

24 *Debates*, 1912, pp. 4725-6 (8 March 1912).

25 *Ibid.*, pp. 5650-3 (20 March 1912).



## *Steamers to Newfoundland 73*

were inadequate, and conditions on the Newfoundland side were no better. During 1915-1917 there were times when 50 to 100 railway cars full of cargo for Newfoundland were waiting to be handled.<sup>26</sup> The Reid Company was declining towards bankruptcy. The winter of 1920-1921 was a bad one and the Newfoundland railroad was out of commission for weeks at a time. With just one ship now despairingly plying the route, the maximum Canadian subsidy was reduced to \$35,000. Cape Breton's Mackenzie was Newfoundland's stoutest defender. Cutting the grant would paralyze the service and do nobody any good: "If the people of Canada find that their trade with Newfoundland is falling off, they will know that the cause to some extent is that we are not in a proper position to handle expeditiously the traffic that now exists and that has been growing very satisfactorily during the last twenty-five years". Foster refused, however, to throw more Canadian taxpayers' money into a muddle of "poor equipment, a bad road, no accommodation at Port aux Basques and only a tri-weekly service".<sup>27</sup>

By the beginning of the First World War Canadian government steamship subsidies, which had been growing in value for several decades, reached a peak and began to decline. The top year seems to have been 1915-1916, when the total appropriation was \$2,641,234, in support of operations on 17 foreign-going routes (including two to Newfoundland) and 46 "local services" (including two to Newfoundland). Assistance to links with Newfoundland began to be phased out in 1918, when the subsidy to Furness Withy's Halifax-St. John's-Liverpool route was discontinued. Also discontinued was the grant for the service originating at Montreal and calling at PEI and Cape Breton coal ports en route to St. John's.

Troubles plaguing Reid Newfoundland's operations between Port aux Basques and Cape Breton came to a climax in the spring of 1922, when the ferry service was suspended. This crisis was solved when the Newfoundland Railway Commission was established to operate the entire transport network. Besides financial and operational difficulties, another factor that imperilled Ottawa's subvention to the route was the fact that the Canadian government had itself become a proprietor of steamships. In 1920-1921, seven of 71 voyages performed by vessels of the Canadian Government Marine Services linked Canada with Newfoundland (Halifax-St. John's). Should subsidies to steamship routes in competition with the government's own marine services be terminated?<sup>28</sup> Several members criticized the new Liberal administration's continuation of these subsidies. None was so blunt as J.H. Sinclair, MP for Guysborough, Nova Scotia: "The insane part is that the government is paying a competitor....[T]hat is true not only of the New Zealand trade but of the trade with South America

<sup>26</sup> *Debates, 1917*, pp. 2286-7 (13 June 1917).

<sup>27</sup> *Debates, 1921*, pp. 1485-7 (1 April 1921).

<sup>28</sup> *Ibid.*, pp. 1485-6 (1 April 1921).

and with Newfoundland...the most unbusinesslike proceeding imaginable".<sup>29</sup>

Culmination of all doubts and disillusionment with the Cabot Strait ferries came in 1924 when the budget-slashing Mackenzie King regime reduced steamship subsidies by \$42,000 — eliminating Sydney to Bay St. Lawrence, Cape Breton (\$5,000), Cheticamp to Port Hawkesbury (\$2,000), and North Sydney to Port aux Basques (\$35,000). The new Minister of Trade and Commerce, T.A. Low, stated the official reason: "We found that the Newfoundland government had taken over the service and on account of that...we declined to continue" the subsidy.<sup>30</sup> The following year support for the original Halifax-Cape Breton-Western Newfoundland route now operated by Farquhar and Company, was also cut off. The reason given for this deletion was that the SS Seal carried too much of Farquhar's own freight instead of offering general carriage. Low reiterated Ottawa's position on discontinuation of assistance to the Cabot Strait ferry: "We paid a subsidy when the service was under private ownership, but when the government took it over we dropped the subsidy feeling that it was not proper to pay a subsidy to another government".<sup>31</sup> After 1925 the only steamers to Newfoundland which Ottawa agreed to assist were Clarke steamship routes from Quebec to Corner Brook via both the north and south shores of the Saint Lawrence — in 1930 only — and a reestablished route linking Charlottetown to St. John's in 1942-1949.<sup>32</sup>

Subsidized steamship routes serving Newfoundland belonged to two categories. Services which called at numerous outports in Cape Breton or Prince Edward Island before proceeding to Newfoundland were easy extensions of Canadian local services. These subsidies were meant to ensure transportation facilities for moving supplies into and away from isolated areas, to provide free carriage of the mails and assistance to tourism.<sup>33</sup> Ottawa's purpose in subsidizing foreign-going vessels was quite different: to increase the sale of Canadian products abroad. In this category services eligible for assistance were those "which supply necessary trade connections between Canada and other countries", but which would not be offered without a subsidy because of low revenues. Trade and Commerce sought to help exporters by ensuring reasonable charges and regular service.<sup>34</sup> Yet it is difficult to assess the success of the

29 *Ibid.*, pp. 1686, 1712, 1735 (7 April 1921).

30 *Debates*, 1924, p. 3363 (18 June 1924).

31 *Debates*, 1925, p. 4044 (9 June 1925).

32 See Table One, routes E, F and C. The restored subsidy for a PEI-Newfoundland service in the 1940s provides a good example of strenuous lobbying from both commercial and political interests. All the PEI MPs, a senator and the provincial premier became involved, along with several representatives of shippers and rivals of Clarke Steamships, who were eventually given a lucrative deal. Documents are in File T 10465, Vol. 303, and File 22962, Vol. 1360, A 1, RG 20, and in File 313.1, Vol. 1209, File 425.1, Vol. 1259, and File T53, Vol. 1314, E, RG 46, PAC.

33 Director, Trade Routes and Subsidies to O. Master, 9 July 1938, File T54, Vol. 1314, E, RG 46, PAC.

34 Director, Trade Routes to Agnew, 18 March 1946, File T53, *ibid.*

## *Steamers to Newfoundland 75*

programme in increasing the flow of trade from Canada to Newfoundland. The total value of Canadian exports to Newfoundland, chiefly flour, coal, and provisions, grew seven or eight-fold during the first quarter of the century when several subsidies were usually in effect. On the other hand, these export figures continued to stay relatively high during the second half of the 1920s when all subsidies had been cancelled. A serious decline in the next decade was probably chiefly due to the Depression. Nevertheless, it is clear that the main force at work expanding this international trade was the provision of basic steamer services between the two countries, whether subsidized or not. During the whole period after 1900 the principal carrier was the Newfoundland Railway's ferry service. This operation promoted growth of Canadian trade to Newfoundland before 1906, when Ottawa first agreed to extend some financial assistance, and continued to do so after 1924, when the subsidy was cancelled. The Cabot Strait ferry — an extension of the island colony's economy, provided by Newfoundland investment and managed by Newfoundland interests — was much more potent in causing this expansion of Canadian trade than was the modest subsidy which Ottawa temporarily provided.

Much more was involved in the arrangement of steamship subventions than met the eye in newspapers or hit the ear in parliamentary debate. When decisions were made officially-stated reasons were not the only or even the key ones. Governments received frequent advice, most of it highly interested, on what subsidies to grant and to whom. Lobbying efforts involved a wide spectrum of mercantile, transport and political interests, and were mounted from both sides of the international border with Newfoundland. While politicians made deals that no doubt sometimes rewarded old friends and supporters, it was more impartial public servants who studied ships' logs with a critical eye to see if the voyages that were performed fulfilled the requirements of contracts. Whereas the initial bargaining process was quite volatile and chaotic, administration of steamship subsidies by the Department of Trade and Commerce was surprisingly impersonal and even severe. The thoroughness of the bureaucratic check was greatly improved after 1912 when the first supervisor of subsidized services was appointed, W.E. Tupper of Digby, Nova Scotia. Digby remained his headquarters, though by 1936 his successor, F.E. Bawden, was based in Ottawa. The supervisor's main job was to move around. In 1919, for example, Tupper logged 5,000 miles and inspected 31 of 43 subsidized services.<sup>35</sup>

After 1912 disinterested and well-informed suggestions generated in the supervisor's annual reports were among the forces that influenced decisions on subsidy matters, although a civil servant's recommendations were not always followed. Tupper's 1924 review of the routes serving Newfoundland was quite favourable. He found that the Farquhar and Company service from Halifax to

<sup>35</sup> Department of Trade and Commerce, *Report 1920*, Supplement, pp. 83-5, and *Report 1922*, Supplement, pp. 77-9; *Debates*, 1936, pp. 3519 (8 June 1936). As late as 1928, however, the Pacific Coast services had never been inspected: File T40, Vol. 1313, E, RG 46, PAC.

Bonne Bay, 596 miles, produced very small profit on the steamer operation, from which point of view the subsidy (reduced in 1920 to \$5,000 per year) was not adequate. But "in view of the fact that the contractors themselves carry on a large export flour and feed business and either purchase outright or handle on commission all the fish carried inward" (to Halifax) and had to realize that the proprietors made a good profit over and above what the balance sheet of the ship's operation showed. "Viewed from the standpoint that the service promotes trade between Canada and Newfoundland, the present subsidy cannot be considered excessive". With regard to the North Sydney-Port aux Basques route, "This service would be performed irrespective of the fact whether or not a subsidy was granted". However, since it was the most patronized communication between two countries, the operation "deserves support from us".<sup>36</sup> Within a few months, though, both subsidies were phased out. The government seized upon the more untoward rather than the positive aspects of the supervisor's recommendations, no doubt finding it politically less unpleasant to cancel these particular payments because many constituents who would be inconvenienced by the decisions were voters in a different country.

Where Trade and Commerce administrators really showed their mettle was in dealing with companies that held subvention contracts but did not hew precisely to their provisions. In 1894 Pickford and Black, whose vessel *Harlaw* sailed regularly to the west coast of Newfoundland, wrote asking to be entrusted with the mail on every voyage, not just the July-December trips.<sup>37</sup> The request was denied. The following year the company requested permission to finish only half its voyages to Newfoundland with calls at the usual ports of Codroy, Bay St. George, Bay of Islands and Bonne Bay, and on every second trip to turn east after reaching Port aux Basques and call at Burgeo, Grand Bank, Fortune and Placentia. Permission was not granted. The company responded in September that they had already begun to follow the new routine. Trade was dull, and this way they could tap the traffic of two routes to keep their operation solvent. Trade and Commerce replied that so long as ten trips from Halifax to Bonne Bay were made — the contracted-for obligation — what other calls the vessel might make was of no concern.<sup>38</sup>

Pickford and Black performed the subsidized ten trips to the west coast that year, but in 1896 they made an even more strenuous effort to get the federal department to change its thinking. Before entering annual subsidy negotiations with Ottawa, the Halifax firm distributed handbills announcing the schedule for April-December: sailings every two weeks, with the Newfoundland turnaround alternating between Bonne Bay on one trip and Placentia the next. The plan envisaged nine trips to the Newfoundland west coast, and eight along the south coast. The Deputy Minister pointed out that the contract called for ten trips

36 Report by W.E. Tupper, 1924, *ibid.*

37 Correspondence of June-August 1894 is in File 1348, Vol. 1094, A1, RG 20, PAC.

38 Correspondence August-September 1895, File 3007, Vol. 1123, *ibid.*

## *Steamers to Newfoundland 77*

along the west coast. Pickford and Black replied their run to Placentia was filling a vacuum left by the collapse of a service previously offered by the steamer *St-Pierre*, now defunct after a Newfoundland colonial subsidy was dropped. In 1895, they also revealed, not only was there no dividend on the steamer operations, but they had fallen \$1,200 short of covering expenses. Pickford and Black offered to carry Canadian mail to Port aux Basques on all 17 planned voyages, even though the subsidy contract specified only ten trips.<sup>39</sup> At the end of the season, the company submitted Newfoundland customs slips showing that Harlaw had in fact made a total of 14 trips, half of them to Bonne Bay. W.M. Macpherson, president of Pickford and Black, travelled to Ottawa and interested Finance Minister W.S. Fielding in trying to make sure his firm received the expected \$2,000. Fielding interceded with Richard Cartwright, asking that the subsidy be paid in respect of voyages to either Bonne Bay or Placentia, but the strictest letter of the contract was upheld and the company received no subsidy at all for 1896. Ottawa then showed how hard-nosed it was by inserting in the contract for subsequent years a requirement to perform 14 round trips during the season, weather permitting, all of them to call at Bonne Bay.

An outstanding example of administrative difficulties were the problems faced by proprietors of the Canada-Newfoundland Steamship Company, as they tried to wrest agreed-upon subsidy funds out of the Ottawa treasury in the early years of Dominion support for the Halifax-St. John's-Liverpool service. Government was alerted to their shortcomings by a jealous rival, Furness-Withy. Furness kept a close watch on what happened after the first subsidy contract came into effect in July 1896, and the following winter took the initiative in reporting defects. When 14 round trips should have been made, only nine were completed; of these only three called at St. John's and terminated at Liverpool as had been agreed. They protested any subsidy that would undermine their own service to London. When Fielding that summer called upon Cartwright to expedite payment of the subsidy to his constituents' firm, he received a reply from the department that the company's claim was not valid. No customs certificates or sailing details had been provided: "The vote is specifically for a fortnightly service. They have not performed a fortnightly service nor do they claim to have done so, but state definitely that they never intended to do so".<sup>40</sup> In 1897-98 as well, the company failed to live up to the agreement and received none of the \$15,000 that had been contracted for. Subsequently the subsidy was switched over to Furness-Withy, who absorbed the smaller firm and its ships. The new

39 Correspondence April-May 1896, File 3809, Vol. 1137. *ibid.*

40 Correspondence in File 4774, Vol. 1150, A1, RG 20, PAC. The vessels operated by Canada-Newfoundland Steamships were *Barcelona*, *Ulunda*, and *Benedict*. The company also chartered *SS Capulet* which sailed from Britain in May and cleared Halifax 21 June 1896 but was wrecked at St. Shotts the next day. There was no loss of life, although 5,000 cases of lobster, a load of deals and 53 out of 62 bags of mail were not recovered. See file "Shipwrecks 4", Newfoundland Historical Society, St. John's.

Table One

Canada-Subsidized Steamship Routes  
Serving Newfoundland, 1892-1949

Route	Duration, Proprietor, Value of Subsidy	Remarks
A. Halifax - west coast Newfoundland via Antigonish, North Sydney, Grand Narrows & several Newfoundland ports. After 1912 Halifax - Bonne Bay via St. Peters, Grand Narrows, Baddeck, North Sydney, South Sydney, Ingonish, Neil's Harbour, Aspy, St. Paul's Island, Channel, St. George's, Codroy & Bay of Islands. In 1919, Halifax -south shore Cape Breton - Sydney - North Sydney - Marble Mountain - Baddeck - Ingonish - Neil's - White Pt. - St. Paul's - Channel - Codroy - Sandy Pt. - Bay Islands - "Bonne Baie".	1892-95 Pickford & Black, Halifax \$ 2000 1897-1907 P & B 2000 1908-10 P & B 4000 1911 J.A. Farquhar, Halifax 4000 1912-17 Farquhar 10 000 1918 Farquhar 8000 1919 Farquhar 10 000 1920-24 Farquhar 5000	Frequency: sailings every 14 days in good season (10, after 1897 14 round trips per year). Ships employed: Harlaw, Seal, Stella Maris
B. Halifax - Liverpool, England via St. John's. (The subsidy continued after 1918, but calling at St. John's was no longer a condition.)	1898 Canada & Newfoundland Steamship Company \$15 000 1899-1918 Furness & Withy, Halifax Value of subsidy usually 20 000 1907 \$17 500 1912 19 583 1913 19 000 1914 17 667	Sailings every 17 days; after 1912 25 round trips per year. Sixty hours be - Halifax & St. John's (1898). In 1904 ships employed were Damara, Peruvian, Rhenania & Ulunda. Later on, London City, Halifax City, St. John City, Evangeline, Shenandoah, Almeriana, Digby, Durango, Florence, Tabasco, Vanango & Queen Wilhemina.

## Steamers to Newfoundland 79

C. Charlottetown - St. John's via Bridgetown, Annandale & Souris, PEI, Glace Bay & Sydney. After 1905, Charlottetown - Placentia via Pictou, Souris, Cheticamp North Sydney & Sydney (St. Pierre optional). In 1914 Montreal - Summerside - Charlottetown - North Sydney - Sydney - St. John's. In 1942 Charlottetown - St. Pierre optional - St. John's. By 1949 the route was Montreal - Magdalen Islands - Charlottetown - St. John's, calling at St. Lawrence, Nfld. for flourspar on the return trip.	1904	Hugh McMillan & Henry Aitken (Ch'town?)	\$8000	Every 2 weeks; in the 1940's every 3 weeks.
	1905-06	R.J. Leslie, Halifax	8000	Vessels employed:
	1907-10	Dominion Coal Co.	8000	1904 Elliott
	1911-12	Dominion	12 000	1905 Amelia
	1913	Dominion	16 500	1907 Bonavista
	1914	Dominion	14 279	1911 City of Sydney, Morwenna
	1915	W.N. Macdonald, Sydney	15 000	1914 Morwenna, Cacouna
	1916-18	J.A. Farquhar, Halifax	20 000	1915 Senlac
	1942	Shaw Steamship Co.	10 000	1916 Sable I.
	1943	PEI Govt. (W.B. Moriarty)	4500	1942 Meigle
	1944	Newfoundland Railway	17 500	1943 Moyle River
	1945	Newfoundland Railway	49 500	1944 H.W. Stone
	1946-49	Clarke Steamships	54 000	1945 John Cabot
				1946 Island Connector
D. Port aux Basques - North Sydney (alternate ports in case of ice: Placentia, Argentina, Louisbourg)	1906	Reid Newfoundland Co.	\$20 000	Standard frequency was
	1907	no service		3 round trips per week,
	1908	Reid Newfoundland Co.	12 272	doubled to "daily" service during 1912-1919.
	1909	"	9 647	Vessels:
	1910	"	9 993	1906 Bruce
	1911	"	9 007	1911 Glencoe, Inver-
	1912	"	31 874	more
	1913	"	58 829	1913 the second Bruce,
	1914	"	64 683	Lintrose
	1915	"	48 418	1922 Kyle, Sagona,
	1916	"	63 626	Meigle
	1917	"	55 383	1925 Caribou
	1918	"	57 140	
	1919	"	55 808	
	1920	"	27 731	On this route, traffic for

1921	"	29 435	St. John's reached there
1922	"	29 167	only 38 hours out of
1923	Newfoundland Government Railway Commission	35 000	Halifax, compared with 60 hours on route B.
E. Quebec - Corner Brook via Natashquan, Harrington & other north shore ports			
1930-31	Clarke Steamships	\$85 000	Every 2 weeks (in good season). Vessels: North Shore, Voyageur
F. Montreal or Quebec - Corner Brook via Gaspé & other south shore ports			
1930-31	Clarke Steamships	\$60 000	SS New Northland

SOURCES: Canada, House of Commons *Debates* and Department of Trade and Commerce *Reports* (and supplements), for the appropriate years; O. Mary Hill, *Canada's Salesman to the World* (Montreal, 1977), 88, 164.

Also: route A: file 3809, vol. 1137, A1, RG 20, PAC; vol. 1715, MG 3, PANS, Route B: file 3, vol. 1296, E, RG 46, PAC. Route C: file 36, vol. 1302, file 313.3, vol. 1209, file T53, vol. 1314, *ibid.* Route D: file 60, vol. 1306, *ibid.* The memorandum dated 9 January 1929, in file 17i; GN 8/2, PANL, which purports to relate the financial history of this subsidy, is not accurate except in general outline.



combination also found Trade and Commerce people quite firm in their interpretation and administration of the contract. The subsidy agreement, which aimed to promote general trade of Canadian products in England, specified that on the eastward voyage no more than 50 per cent of the cargo could be lumber "deals". The company began by leaving Nova Scotia with cargoes mostly lumber, but diluting the load with fish, skins and other items taken on at St. John's. Ottawa insisted the 50 per cent rule applied to the cargo as it cleared Halifax, not at mid-ocean. Trade and Commerce also came down strenuously on the company with respect to how sailing dates were advertised, and the number of trips. Furness-Withy's work in trying to collect the July-December 1898 half-yearly installment of their subsidy was considerable. They wrote asking for payment on 6 and 10 January 1899, and also on 6, 9, 22 and 28 February, and 1, 10, 15 and 17 March. A representative of the firm visited Ottawa from Montreal on 21 March to discuss the matter. More correspondence followed on 12 and 17 April. The Montreal executive came to the capital again, accompanied by the Halifax manager, a week later, followed by one last plea 27 April. On 28 April the Deputy Minister finally wrote to say the subsidy would be paid.<sup>41</sup>

In a later period the department was not quite so stiff. Farquhar and Company, which by the 1920s had inherited the same Halifax-Bonne Bay route, became quite nonchalant about submitting the annual financial statement required by the contract. In 1924 the Deputy Minister wrote the company that "no subsidy will be paid them on this year's account until the same financial statements have been received".<sup>42</sup> This followed three years for which no such statements had appeared either, but subsidies had been paid nevertheless. The general experience during the half-century after 1892, however, was that shipping

41 Deputy Minister, Trade and Commerce to Furness-Withy, 17 April 1899, File 6185, Vol. 1183, A 1, RG 20, PAC. The only circumstance that could make the steamship subvention branch of Trade and Commerce more rigorous than dealing with delinquent subsidy-claimants was getting into a jurisdictional dispute with another branch of the federal apparatus. When the Post Office tried to persuade the Department to absorb the cost of sending Canadian mail to Newfoundland within the scheme for steamship subventions, it took six years to make the change (1900-1906). In an 1898 rearguard action against the Department of Finance, Trade and Commerce administrators refused to cooperate in suggested procedures to audit the performance of a company claiming a subsidy for the route from Saint John to Dublin or Belfast. When the Auditor General requested to see all documents that had been submitted, the Department insisted the auditor had the right to be enlightened on only two points: whether there was Parliamentary authority for the expenditure, and "whether the service as expressed in the vote has been rendered" — of which the Minister of Trade and Commerce was sole judge. "I must submit that there is a difference between an audit and mere hair splitting, irrelevant or technical objections which can have no other result than that of delaying payment of monies justly due", wrote the Deputy Minister. "Neither of us has time to enter into arguments on the general subject, if therefore you object to the payment for this service kindly state it in explicit terms and the matter will be referred to Treasury Board": letters of 15 and 16 June 1898, File 5383, Vol. 1172, A1, RG 20, PAC.

42 Shaughnessy to Laurier, 30 March, Laurier to W.D. Reid, 15 April 1899, pp. 31867, 32559, Laurier Papers.

firms found they had to lobby the administrators, after the navigation, just as strenuously as the politicians beforehand.

Steamship subventions occasioned an important part of the diplomatic contacts between Canada and Newfoundland in this period. Associated issues that were dragged into subsidy talks ranged from trivial complaints about Newfoundland coins pooling in Canada to attempts by Ottawa to secure major tariff revisions. Characteristic postures emerged. Newfoundland was not too proud to make requests, even repeatedly, parading the colony's needs as well as its strengths. Devoid of any particular policy towards the smaller neighbour — neither friendly nor hostile, imperial nor aversive — Canada easily said no to the island's requests, repeatedly, and was apparently indifferent as to whether satisfactory arrangements were made or not. The subsidized routes — especially the regular ferry service linking the Newfoundland railroad with Canada's transcontinental system — always had political as well as straightforward economic implications. Shaughnessy had recognized this when he argued the Reid Company should be given a subsidy as a means of buying influence, and Laurier's riposte was that such a subvention deal should be sweetened for Canada by lower Newfoundland tariffs on goods imported from the mainland.<sup>43</sup> Although not acted upon at the time, the idea of a connection between subsidies and tariff rates remained in the background of future Canada-Newfoundland transportation talks. Another episode linking steamship subventions with generally closer relations between the two countries was an initiative undertaken in 1910 by W.M. Macpherson — actively involved with several marine companies and a frequent lobbyist on subsidy matters. Amateur diplomat, he explained to Laurier how he had brought together Lomer Gouin and Edward Morris, premiers of Quebec and Newfoundland respectively, in support of a scheme to weaken the offshore island's economic ties to Boston and New York by more regular communications with Saint Lawrence river ports.<sup>44</sup> Laurier — “glad to note from your letter that you are full of hope as to the extension of our relations with Newfoundland” — squelched his expansionism: “I regret to say that I am not so confident”.<sup>45</sup>

Even Laurier, however, could sometimes be talked around. In a flurry of telegrams exchanged between St. John's and Ottawa in April 1911, Prime Minister Morris persuaded the Canadian leader to increase the amount of Canadian assistance to the Cabot Strait ferry service. In his first message he pointed out that the Newfoundland government which had for some time contributed \$20,000 annually while Canada offered a similar amount, now planned to double its subsidy if the Reid Company would put two vessels on the run.<sup>46</sup>

43 F.C.T. O'Hara to W.E. Tupper, 22 November 1924, File T40, Vol. 1313, E, RG 46, PAC.

44 W.M. Macpherson to Laurier, 12 September 1910, pp. 174647-9, Laurier Papers.

45 Laurier to Macpherson, 14 September 1910, p. 174650, *ibid.*

46 A flurry of messages and draft messages, 17-26 April 1911, are in the Laurier Papers, pp. 184900-4, 185381.

## *Steamers to Newfoundland 83*

When Laurier did not jump at the chance to also double Ottawa's contribution, the Newfoundland leader sent him a strong message:

RE DAILY SERVICE THINK AMOUNT ASKED REASONABLE SERVICE REQUIRES SPECIALLY EXPENSIVELY CONSTRUCTED STEAMER OF GREAT STRENGTH AND POWER NAVIGATION VERY RISKY OPERATION AND REPAIRS EXPENSIVE INSURANCE RATES PROHIBITIVE YOUR PEI SERVICE SIMILAR AND WILL GIVE YOU SOME IDEA OF EXPENSE INCURRED HOPE YOU WILL SEE YOUR WAY CLEAR TO GRANT SUBSIDY AS WE ARE VERY ANXIOUS TO GET...EXTRA SERVICE AND REQUIRE YOUR ASSISTANCE.<sup>47</sup>

This Newfoundland demarche apparently carried weight with Ottawa. Within a few months the base rate of the Canadian subsidy was raised handsomely to \$35,000 per vessel, and in 1914 the company collected \$65,000 of a possible \$70,000.<sup>48</sup>

The most serious of all Newfoundland-Canada negotiations related to steamship subventions was triggered by the shock of Ottawa cutting off the subsidy to the Cabot Strait service in 1924. Newfoundland mounted a strenuous diplomatic offensive, which stretched over eight years, to have the subsidy restored. Talks on the issue became very complex. Around the central problem there came to cluster questions concerning tariffs, the sorting of mail and the fate of mailbags, repatriation of Newfoundland coinage from Canada, freight rates on the CNR east of Montreal, and even the vexed conundrum of whether beans in tomato sauce qualified as tinned vegetables. The subsidy became the most important dispute in Newfoundland's relations with Canada after the Labrador boundary was settled in 1927.

The smaller country's first reaction when the North Sydney-Port aux Basques subvention was cancelled was to humbly ask for less. A message in August 1924 requested a subsidy of merely \$25,000 in place of \$35,000 per ship. J.R. Bennett, Newfoundland's Colonial Secretary, pointed out to the Canadian Minister of Trade and Commerce the danger that the United States might reap the benefits of the island's increasing trade, if a regular St. John's-New York service inherited the cargoes that used to go to Cape Breton. "We really think it would be to the advantage of Canada to assist us in making the route to North Sydney as popular and as profitable as possible",<sup>49</sup> he argued. "Our trade and social connections with Canada are increasing more and more as the years go by,...Nature seems to have intended that Newfoundland and Cape Breton should be linked

47 Morris to Laurier, 26 April 1911, p. 185380, *ibid.*

48 See figures in Table One, route D.

49 Colonial Secretary to T.A. Low, 25 August 1924, File 17 ii, GN 8/2, Provincial Archives of Newfoundland and Labrador [PANL].

together as one has the iron and the other has the coal, the one being the complement of the other".<sup>50</sup> As the correspondence between capitals lengthened, Bennett multiplied his arguments. The Railway Commission that ran the ferry was not a regular government department but operated at arm's length, he pointed out. Also, the service was much improved: Canadian National now had a new terminal at North Sydney, the Newfoundland Railway had new sleeping cars on the tracks and a splendid new ship the Caribou, now performed the shuttle between Port aux Basques and the mainland.<sup>51</sup> The chief argument, however, said Bennett, was "the amount of business that is passing over the route".<sup>52</sup>

As Ottawa remained stubborn, the permanent bargaining position which Newfoundland adopted stressed resumption of the subsidy at the traditional rate of \$35,000 per vessel per year, plus payment of arrears since the cancellation. J.R. Bennett inquired of the Minister of Trade and Commerce which would be the most apt channel for a diplomacy of dogged persistence: "I naturally prefer to go through you which is the regular official channel in such matters, but...I am wondering whether it might be well for this Government to take up the question formally with the Government of the Dominion of Canada through the Governor General. I shall be glad to learn your views".<sup>53</sup> In the end, all channels were tried, and St. John's employed the widest variety of tactics. Acting on the human wave principle, throughout 1927-1931 island emissaries repeatedly journeyed to Ottawa to cajole and explain. Indeed, Prime Minister Frederick C. Alderdice was still fretting over the subsidy, defunct eight years, while attending the Imperial Economic Conference in Ottawa in 1932.<sup>54</sup> Letters and telegrams flowed endlessly between Ottawa, St. John's and New York (when Newfound-

50 Colonial Secretary to Low, 30 January 1926, *ibid.*

51 *Ibid.* The Newfoundland government had the Caribou built in the Netherlands for 8 per cent less than the cost of construction in Britain. But according to Col. Thomas Cantley (MP for Pictou), island authorities "have never ceased to regret having purchased the ship from a continental yard...All the measurements in connection with the machinery are metric. There is nothing standardized about the vessel corresponding with the standards obtaining in this country or in Great Britain, and when a piece, be it valve, piston ring or boiler tube ferule, is wanted", they had to send to Holland and just wait for it to arrive: *Debates, 1927*, p. 1094 (10 March 1927). Metric or not, Caribou valuably plied between Port aux Basques and North Sydney from 1926 until 1942, when she was torpedoed and sunk by U-69 with the loss of 136 lives: Malcolm MacLeod, "Royal Canadian Newfoundland Navy", *Newfoundland Quarterly* (Spring 1980), p. 8.

52 Colonial Secretary to the Minister of Trade and Commerce, 14 February 1925, File 17 ii, GN 8/2, PANL.

53 Colonial Secretary to Minister of Trade and Commerce, 25 August 1924, *ibid.* Some general comments on characteristic mechanisms and channels of pre-confederation Newfoundland-Canada diplomacy are in Malcolm MacLeod, *Nearer than Neighbours* (St. John's, 1982), pp. 51-3.

54 Face to face talks seem always to have taken place in Ottawa. On one occasion Canadian authorities tentatively suggested having a meeting in St. John's, but Newfoundland's leaders did not agree: McGrath memorandum on talks with Canadian officials, 22 November 1928, File 17 ii, GN 8/2, PANL.

land leaders happened to be visiting there on promotion tours). The wily Prime Minister Richard Squires used Canada's own newspaper press to put pressure on the Canadian government.<sup>55</sup> And P.T. McGrath — member of the Legislative Council and major architect of the island's victory in Labrador — inaugurated a portentous new era when on 19 November 1928, he made the first recorded use of long distance telephone for the purpose of Newfoundland-Ottawa negotiations. Typical of the careful way Newfoundland adjusted itself within the Canadian system, McGrath placed the call but Ottawa paid for it.<sup>56</sup>

Although none of these tactics and tools worked, they did come close. Three times — in 1928, 1930 and 1931 — Newfoundland and Canadian representatives initialled agreements which, however, failed to be ratified and come into effect. What spoiled these deals was that the two governments were unable to agree on tariff matters. It was in 1923 that Ottawa first asked for a preferential tariff on Canadian goods imported into Newfoundland.<sup>57</sup> The next year Canada's subsidy to the Cabot Strait ferry service was discontinued. Then, after letting the island colony's leaders fuss and fume for quite some time, Minister of Trade and Commerce James Malcolm reintroduced Laurier's old idea that a subvention advantage for Newfoundland should be balanced by tariff revisions favouring Canada.<sup>58</sup> Bennett followed up this hint in talks with Minister of Finance J.A. Robb at the Chateau Laurier after New Years 1928. The two agreed that Canada would admit Newfoundland fish duty-free (iron ore was already free) and apply only the British preferential tariff (25 per cent lower than ordinary duties) on other imports. For its part, Newfoundland would "extend to goods the produce or manufacture of Canada the benefit of the most favourable treatment in duties and charges granted in the respect of like goods imported from any British or foreign country".<sup>59</sup> For a time everything went smoothly. The Newfoundland Government accepted the tariff arrangements as part of a package to restore the subsidy.<sup>60</sup> Malcolm was glad to explain in the Canadian House of Commons that the greater part of that year's overall increase in steamship subventions was \$35,000 for the link with Newfoundland. It was restored, he said, "in connection with the trade agreement which we have just made with Newfoundland...when the necessary legislation is passed in the Newfoundland House we will pay the money".<sup>61</sup> From the middle of June 1928, Newfoundland's customs collectors were instructed to give goods imported from Canada the most-favoured nation

55 *Debates, 1929*, pp. 842-3 (11 March 1929).

56 McGrath was in the Ottawa office of J.A. Robb, Minister of Finance, and called Robb at his home in Valleyfield, Quebec. See GN/2, file 17 ii.

57 Summary of trade talks 1923-30, File 13876C, Vol. 18, RG 20, PAC.

58 Malcolm to Bennett, 7 October 1927, File 17 ii, GN 8/2, PANL.

59 J.A. Robb to Bennett, 31 January 1928, *ibid.*

60 Bennett to Malcolm, 17 February 1928, *ibid.*

61 *Debates, 1928*, pp. 3755-6 (5 June 1928).

treatment.<sup>62</sup>

Within a month the agreement began to come unravelled. In July there were complaints from merchants in St. John's that tariffs were still being collected on tinned vegetables, although they had expected such goods should now enter Newfoundland free of tariff because tinned vegetables were on the free list in a British trade agreement governing Newfoundland's exchanges with Spain. Ottawa wired St. John's about this "disturbing communication". Did tinned vegetables include only dessicated vegetables, or was it a category commodious enough to embrace "vegetables in hermetically sealed packages known as canned vegetables"? This was a tough question and Newfoundland authorities wrestled with it for four months, wearing out pencils and patience as they sharpened distinctions. Meanwhile, Ottawa decided that Newfoundland was not faithfully implementing the treaty and cancelled plans to re-subsidize the Caribou.<sup>63</sup>

In fact, the Robb-Bennett pact of 1928 foundered chiefly on a clumsy error and clumsier attempt at deception on the part of the Newfoundland government. As the new Colonial Secretary, F.M. Sullivan, sheepishly explained to Robb in September 1928, the Newfoundland order-in-council adjusting tariffs did not give imports from Canada the most favourable treatment given any British or foreign goods, but only the treatment given "any foreign" goods. Embarrassingly, it was discovered there was a 1923 tariff arrangement with the British colony of Jamaica which had "escaped the memory of the Customs department, and of other Departments". It set the levy on imports from Jamaica at 25 per cent below standard rates. This affected only about \$7,000 worth of imports per year: "If, however, the same arrangement were to apply to the imports of Canada which amount to ten or twelve million per annum, it would mean such a heavy reduction in our Revenue that we should be unable to carry out the Agreement. The overlooking of this Jamaican Agreement is regretted but you no doubt appreciate the impossibility of applying the same to the Canadian imports".<sup>64</sup> All the pressures and worries eventually proved too much; Bennett was "now out of office and has gone to Montreal seeking medical advice".<sup>65</sup>

What Canada found wrong, Robb verbally told McGrath in November, was the unilateral alteration made in the agreement by the Newfoundland government. McGrath was asked "to place the Canadian viewpoint before the government of Newfoundland". He did so, and also told the Ottawa mandarins that Newfoundland could not possibly say a Jamaican farewell to up to \$1 million

62 Arthur Mews to J.C. Crosbie, 19 June 1928, File 17 i, GN 8/2, PANL, and other documents in that file and in 17 ii. See also *Financial Post*, 15 June 1928, predicting a comprehensive triangular trade treaty among Canada, Newfoundland and the West Indies: clipping in File T 60, Vol. 284, RG 20, PAC.

63 Files 17 i, 17 ii, GN 8/2, PANL.

64 Sullivan to Robb, 1 September 1928, File 17 ii, GN 8/2, PANL.

65 Deputy Colonial Secretary to W. Sellar, 3 September 1928, *ibid.*

## Steamers to Newfoundland 87

Table Two

Value of Canadian exports to Newfoundland, 1896-1949  
(in \$ millions)<sup>1</sup>

Year	Value	Year	Value
1896	1.5	1921	16.7
1898	2.1	1923	8.5
1900	2.0	1925	12.7
1904	2.8	1927	11.2
1908	3.2	1929	11.7
1910	3.8	1933	5.6
1911	3.7	1937	7.7
1913	4.5	1938	9.4
1915	4.0	1939	8.0
1917	6.5	1940 <sup>2</sup>	13
1919	11.3	1948 <sup>3</sup>	55

1. Figures for 1895-1939 are taken from O.M. Hill, *Canada's Salesman to the World* (Montreal, 1977), pp. 93, 166, 290, 562.
2. W. Gilchrist to Jordan Wine Co., 30 October 1941, File 26896, Vol. 165, RG 20, PAC.
3. Report of Newfoundland trade agent, File 313.1, Vol. 1209, E, RG 46, PAC.

annually in customs revenue, which would be the loss to the island treasury if the letter of the Robb-Bennett pact were followed. One Canadian spokesman agreed it would be "absurd" for Newfoundland to accept such an arrangement; Trade and Commerce, however, emphasized there would be no new subsidy for the Caribou until the tariff matter were settled.<sup>66</sup>

Documentation on a second round of tariff talks linked to the subsidy question begins with a telegram from Sullivan to Squires in New York, January 1929. "Would suggest your visiting Ottawa and conferring with Minister".<sup>67</sup> At the same time Newfoundland's Minister of Posts, W.W. Halfyard, had to inform his chief that the Canadians were turning even more unpleasant than usual. He had received a complaint from Ottawa that Newfoundland postal people were keeping Canadian mailbags. It was true — but also unavoidable.<sup>68</sup> Squires decided to confront the mainland leaders directly, and signalled for the colony's Deputy Minister of Customs to join him.<sup>69</sup> H.W. LeMessurier proceeded along

66 McGrath memorandum on conversation with Canadian officials, 22 November 1928, *ibid.*

67 Colonial Secretary to Richard Squires, 7 January 1929, File 17 i, GN 8/2, PANL.

68 W.W. Halfyard to Squires [January 1929], *ibid.*

69 Squires to Barnes, 8 January 1929, *ibid.*

the usual warpath of inter-Dominion diplomacy — railway, ferry (unsubsidised), and railway — right into the heart of enemy country, meeting the premier at Montreal. They advanced upon Ottawa in as high dudgeon as ever bedevilled federal-provincial relations, long before Confederation covered such encounters with a veneer of unity.

Negotiations got off to a hostile start. After the first session LeMessurier sent off seven pages of entrancing telegraphese telling how he and Squires were outnumbered, but not outgunned, by a five-man Canadian delegation: "FINANCE MINISTER ATTEMPTED TAKE CHARGE CONFERENCE WAS AGGRESSIVE ACCUSED NEWFOUNDLAND OF BAD FAITH DEMANDED POUND FLESH UNDER BENNETT'S ARRANGEMENT ...SQUIRES SAID HE WOULD NOT RATIFY SUCH A ONE SIDED ARRANGEMENT AND CLAIMED ONE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS ARREARS MAIL SUBSIDY SINCE 1924".<sup>70</sup> "Whole trouble", wrote Squires, "is that Bennett not knowing what he was doing gave Canada a two million dollar trade preference for a promise of a thirty-five thousand dollar mail subsidy which was due anyway".<sup>71</sup>

Bargaining dragged on through 1929-1930, with the Conservative Opposition challenging Canadian authorities to be more accommodating towards the Dominion next door. When Squires was recently on the mainland, R.B. Hanson told the House of Commons in March 1929, he told journalists that "he found Canada cold to any proposals for closer trade relations. What underlies this statement?...[Newfoundland is] one of our nearest neighbours. We have a large trade with that colony now. There is no reason why we should not have it all. But Sir Richard Squires went to the south of us and got a cordial reception and before we know it, he will have negotiated a trade treaty with the United States that will be altogether to the detriment of Canada as happened once before".<sup>72</sup> When R.B. Bennett pressed this theme, the Minister of Finance explained that there was indeed a difference of opinion temporarily holding up tariff adjustments and the subsidy renewal, but on-going discussions with Newfoundland were "mutually satisfactory".<sup>73</sup> Squires was optimistic too, and had the Governor of Newfoundland — when opening the 1929 House of Assembly — say that "Negotiations with respect to a Trade Agreement have been opened with the Government at Ottawa and it is hoped that these will result beneficially to the Colony".<sup>74</sup>

Newfoundland's aim was to find a formula that would give imports from Canada a tariff preference, but not one so sweeping as to wreck the island's treasury.

70 H.W. LeMessurier to Minister of Finance, 16 January 1929, *ibid.*

71 Squires to Halfyard, 18 January 1929, *ibid.*

72 *Debates, 1929*, pp. 842-3 (11 March 1929).

73 *Ibid.*, p. 1196 (22 March 1929).

74 Newfoundland House of Assembly, *Journal 1929*, p. 22.



## *Steamers to Newfoundland 89*

Finally in February 1930, at yet another meeting in Ottawa between Squires and Canadian cabinet members, a new deal was struck. Certain Canadian products would enter Newfoundland with a stated preference — refined sugar, educational materials, fishing tackle, farm implements, breeding livestock and apples. Other goods would pay the lowest tariff charged similar items from British countries. Canada would extend to the few Newfoundland goods entering the country its regular British preferential tariff. And, starting with fiscal year 1930-31, Canada would restore the \$35,000 per year subsidy for the Cabot Strait ferry. (A hidden saving here was that Ottawa would be relieved of the freight charges for carrying Canadian mail to Newfoundland, an annual expense averaging \$10,000 in those years).<sup>75</sup> Also, Canada agreed to recognize arrears owing since 1924 with a lump sum payment of \$120,000, amounting to nearly two-thirds of the subsidy for those missing years.<sup>76</sup> At the end of May the estimates for the department of Trade and Commerce once again included a \$35,000 appropriation for Canada-Newfoundland steamship services.<sup>77</sup>

Simultaneously, Newfoundland's Governor told the House of Assembly, "It is anticipated that some tariff adjustments will be suggested at this session".<sup>78</sup> None were. Even after Squires' calculations, more careful than J.R. Bennett's, the island government decided not to carry through with the proposed tariff changes. With the colony's finances declining desperately towards bankruptcy, however, they dared try one more time. Yet a third subsidy-tariff agreement was reached in 1931, at a bargaining session in Ottawa with Prime Minister Bennett and H.H. Stevens representing Canada, and Finance Minister Peter Cashin acting for Newfoundland. Both sides shifted position in reaching their third tentative agreement. Ottawa now offered a \$50,000 per year subsidy for the next nine years, based on three round trips per week, but including no arrears. Cashin agreed that for its part, Newfoundland would reduce or eliminate tariffs on the six items specified in the 1930 pact and on another eleven classes of imports as well: cotton, piecegoods, readymade clothing, shoes, beef, pork, fresh meats, ham, cars, paper and mining machinery. After Cashin agreed to these concessions in Ottawa, Canadian officials added yet three more when they had a fair copy typed up — cigarettes, tobacco, electrical apparatus. "It is probable that Newfoundland will object to such a number of items being included in the treaty from a revenue standpoint", reads a note in Trade and Commerce files; Canada would then suggest that the island raise some of its other duties so as to maintain cash flow while bringing into effect the rather thorough-going preference which

75 For 758 bags per week (10-year average). \$1,500 of the \$10,000 cost was recovered from the British and United States post offices: Memorandum for H.H. Stevens, 21 November 1932, Vol. 1270, E, RG 46, PAC.

76 Agreement signed 14 February 1930: see W.L.M. King to Squires, 7 March 1930, File 17 i, GN 8/2, PANL, and File 13876 C, Vol. 18, RG 20, PAC.

77 *Debates*, 1930, pp. 2857 (29 May 1930).

78 Throne Speech, 28 May 1930, in File 417 Q (p. 12), GN 2/5, PANL.

Ottawa desired.<sup>79</sup>

Canada's position remained: no tariff concessions, no Cabot Strait subsidy. Turning tough although with very little leverage, Newfoundland indicated: no cooperation in steamship matters, no cooperation in anything. For example, in 1932 the Canadian Department of Finance put on record a complaint that "Newfoundland refused to take back its silver coins which have accumulated in Canada, with a consequent expense to the Dominion, but a profit to Newfoundland".<sup>80</sup> A revision of the Newfoundland tariff schedule in March 1932 eliminated free entry of Canadian canned fish, imposing a duty of 50 per cent.<sup>81</sup>

That same summer a high-level Newfoundland delegation was in Ottawa for the Imperial Economic Conference. Prime Minister Alderdice button-holed H.H. Stevens about the dog-eared matter of a subsidy for SS Caribou. Back home in the autumn he followed up with a letter which summarized the whole tangle. Arrears for Caribou's tireless steaming now came to \$297,500 (8 1/2 years), he noted. He pointed out also that "The Government of each country is operating a railroad and the Government of one Country is supplying at its own expense the link which joins" them. Keeping in mind that it had cost the Newfoundland Railway a total of \$649,000 to operate its North Sydney terminus during the 1924-32 period in question, and that they were committed to a yearly rent of \$1,400 for premises there (and paid \$7,000 per year operating the Cape Breton sorting office where Canadian mailbags were lost), the Newfoundland position now was that Canada should restore the traditional ship subvention, pay full arrears, and one-half the cost of the Newfoundland organization's operations in North Sydney. To this expensive package, so unlikely of acceptance, Alderdice added some riders. Like provincial governments in the Maritimes during that interwar period, his administration too forcefully expressed concerns about freight rates in eastern Canada. The rates should be adjusted, he told Stevens, so that freight destined for Newfoundland would arrive at North Sydney with no greater rail transportation cost than an equal tonnage arriving at Halifax. He perhaps realized that his message was the final joust in a worn-out and hopeless crusade — so it could do no harm to throw in a threat. If the freight rate and subsidy matters were not properly settled, he added, Newfoundland's Railway Commission was thinking of running its steamers to a port in the United States.<sup>82</sup>

Stevens in the early 1930s paid no more attention to Newfoundland's pleas and menaces than had his predecessors in office since the middle 1920s. New-

79 "Proposed Canada-Newfoundland Trade Agreement", Vol. 1269, E, RG 46, PAC.

80 "Trade relations with Newfoundland", Vol. 1270, *ibid.* At this juncture both sides became quite unreasonable and spiteful. For Canadian smallmindedness, see Malcolm MacLeod, "You must go home again: a Newfoundland-Canada quarrel over deportations, 1932-33", *Newfoundland Quarterly* (Spring 1983), pp. 23-5.

81 Memo for H.H. Stevens, 21 November 1932, Vol. 1270, E, RG 46.

82 Alderdice to Stevens, 8 October 1932, File 6, GN 8/6, PANL.

## *Steamers to Newfoundland 91*

foundland's position on Canadian national freight rates was elaborately countered by a 13-point response, in which the clincher was that Canadian rates for commodities being railed into North Sydney were already lower than Newfoundland Railway rates onward from Port aux Basques.<sup>83</sup> By the autumn of 1932 the Canadian government had been involved, along with major Canadian banks, in talks about three last-minute loans, by which Newfoundland was staving off bankruptcy by continually narrowing margins.<sup>84</sup> Did full knowledge about a sister Dominion's desperation budge Ottawa back towards its former generosity, or recognition of responsibility, in the matter of steamship subsidies? Canada had its own financial worries, triggered by the Depression, and continued to exhibit indifference both to Newfoundland's diplomatic protests and to her constitutional fate. No form of financial assistance to the Cabot Strait ferry service was ever restored. In 1944, when a St. John's editorialist summarized the worst episodes in Newfoundland-Canada relations of the preceding half-century, one of three principal Canadian crimes he listed was this refusal to maintain a subsidy for the international steamship connection.<sup>85</sup>

Several aspects in the history of Canada's steamship subventions reveal Newfoundland behaving, and being treated, very much as if she were already part of the Canadian confederation. Annual reports from the Department of Trade and Commerce showed some routes serving Newfoundland as "local services". Ingonish-Neil's Harbour-Aspy Bay-Channel-Codroy-Bay of Islands-Bonne Bay was listed right alongside Halifax-Mahone Bay-Tancook Island-LaHave, just as if all the places were in the same country. The Port aux Basques-North Sydney ferries served not only as continental link-up for the Newfoundland Railway, but also as an eastern extension for Canada's Intercolonial. Newfoundland's Prime Minister was almost as interested in the scale of CN freight rates as was any Maritime provincial premier. And Newfoundland even seemed to have its own representatives in the Canadian House of Commons, for the members from Cape Breton often presented the interests of the Island Dominion and their own island as conjoint. It is evident that Canada was the foreign country which Newfoundland leaders visited most frequently and where they felt most at home. The intensive communication and connections between Canada and Newfoundland — official to official, cabinet minister to cabinet minister, premier to premier — entirely bypassed the usual formal route for inter-dominion affairs, and show the two countries conducting diplomacy as if it were Dominion-provincial relations,

83 For example, flour from Fort William (Thunder Bay) to North Sydney, 1861 miles: 33 cents/hundredweight; but from Port aux Basques to St. John's, 646 miles: 35 cents. CN rates on goods destined to Newfoundland were not the system's very lowest (export) rates because while there was great competition against Canadian goods in other foreign markets, that was not the case in Newfoundland. See Deputy Minister, Trade and Commerce to J.P. Powell, 29 September 1932, Vol. 1270, E, RG 46, PAC.

84 S.J.R. Noel, *Politics in Newfoundland* (Toronto, 1971), pp. 191-8.

85 *Daily News* (St. John's), 6 November 1944.

long before the formal union of 1949.

In the debates over steamship subsidies in Newfoundland-Canada relations, Newfoundland from the mid-1920s on was more or less consistently begging. But it would be false to conclude that the relationship on the smaller country's part was one of dependence. The Cabot Strait ferry service was important to railway and trade interests in both countries, but only during a relatively brief period of 18 out of 52 years (1906-1924) did Canada contribute to the general expenses of operation. No suggestion was ever made that the Canadian government should assume responsibility for this link. Instead, Canada reaped benefits from Newfoundland initiatives. The Intercolonial was topped up with cargoes. Steamers from Port aux Basques kept the ice broken in North Sydney harbour. Newfoundland contributed more than the Canadian Post Office in the mutual exchange of mail, sorting material moving in both directions. The connection was maintained from the Newfoundland end during the whole half-century, despite every type of obstacle including marine disaster, enemy action, overburdening of cargoes, and the untimely withdrawal of Ottawa's assistance just as the Reid Newfoundland Company was folding. The island government's posture in the long drawn-out negotiations that followed cancellation of the Canadian subsidy confirms an impression of official Newfoundland self-respect and self-reliance. It often seemed normal, or geographically inevitable, for Newfoundland to be treated as if she belonged to the confederation. In many aspects, however, she was left to fend for herself without any of the special concessions or privileges that could be expected to result if one country were trying to court the other into closer union. In the matter of support for steamship links, the smaller country was no client, and Ottawa was neither scheming expansionist nor charitable benefactor.