

The Esquimalt & Nanaimo Railway

Victoria was supposed to be the terminus of Canada's first transcontinental railway; with that promise of prosperity, the residents of Vancouver Island voted to forsake their colonial status and join Canada in 1871. The railway was to have come through central British Columbia, down Bute Inlet, across the islands and channels north of Campbell River in the Strait of Georgia—though no-one had ever built bridges that long before—then down the Island through Nanaimo to a terminus at Esquimalt harbour and Victoria. The southern end of Vancouver Island was the logical location of a terminus, as it was the only part of the province with any substantial number of voters. Thus, in June, 1873, Esquimalt was named the terminus in "a flagrant bribe to the voters of Victoria." Premier George Walkem's political machinations (pages 84 and 85) to force Canada to start the railway practically tore confederation apart; the "Carnarvon Terms," including an immediate start on a railroad between Esquimalt and Nanaimo, were negotiated to keep British Columbia happily within confederation. Despite this, the Canadian Senate felt that the E&NR was an absurdity, and refused in March, 1875, to pass the bill authorizing its construction.

When Prime Minister Sir John A. Macdonald was defeated in his Kingston, Ontario riding in the 1878 election, he took the opportunity to run in a by-election in Esquimalt, where he was easily elected, and briefly showed his gratitude by promising to again name Esquimalt as the terminus. He explained his about-face of October, 1879, by claiming that American commercial expansion via the Northern Pacific Railway and Imperial strategic concerns made the Burrard Inlet route—and thus the creation of Vancouver as the province's commercial centre—necessary.

Vancouver Island voters still wanted a railway which was part of the transcontinental system, to ease them out of the depression which had stifled business for most of the 1870s. During the autumn of 1882, Canada's governor general, the Marquis of Lorne, threw all of his diplomatic skills into convincing the coy Robert Dunsmuir to build the line. (A representative of the Canadian Pacific Railway syndicate had visited Vancouver Island in February, 1882, to examine the route from Esquimalt to Nanaimo, and told the Dominion government they weren't interested in building or operating it.)

Dunsmuir put together a syndicate including Vancouver Island investor John Bryden and the surviving three "bonanza kings" of the Southern Pacific Railroad—Charles Crocker, Leland Stanford and Collis Huntington. He had arranged the syndicate so that he put up only a fraction of the capital but still controlled the nomination of a majority of the railway's directors. He then announced to the Marquis of Lorne that he would build the railway, but set some extraordinary terms, including the granting of coalfields, construction subsidies, tax relief, and nearly two million acres of Vancouver Island. Premier William Smithe, who defeated Walkem's crony and successor Robert Beaven, introduced the necessary legislation in early 1883 to hand the land over to Dunsmuir's E&NR syndicate. The contract was signed on August 20, 1883.

Most people in B.C. thought that Smithe's policy of granting land to capitalists to stimulate construction of public works was worthwhile. The province had few assets other than land, and little ability to raise money through taxes, as there was little business to tax (personal income tax was first levied as a temporary war-financing measure in 1917). A grant of 6,000 acres on Burrard Inlet the following year to the CPR was the "incentive" for the railway to build its terminus at the little town of Granville, where it probably would have built anyway. The CPR used the land to develop most of the downtown and west side of the city of Vancouver. Most of the other land grants made by Smithe and successive governments over the ensuing decades to speculative pipe-dream railroad entrepreneurs amounted to nothing.

Many doubted whether the E&NR could ever be built. The Malahat grade was said to be impossible. Dunsmuir hired John Robson's brother-in-law Joseph Hunter as chief engineer, and supposedly gave him these brief directions: "You are instructed to build a railroad from Esquimalt to Nanaimo." Prime Minister John A. Macdonald drove the last spike on August 13, 1886.

The service originally ran from Russell's station in Esquimalt, near the modern Victoria West station at Catherine Street and Esquimalt Road. A train left at 8 a.m. and arrived in Nanaimo at 11:40 a.m., then left for the return journey at 2:00 p.m. Islanders were thrilled with the speed and comfort. Agriculture became more profitable, settlement was stimulated, and the old isolation of the little communities ceased. An extension was built to connect Dunsmuir's new Wellington mines with the main line in 1887. The next year, a bridge was thrown across the Inner Harbour at Johnson Street, and a masonry station and several freight sheds were erected on Store Street, just north of Johnson.

The E&NR was a closed, private company, and issued no public stock. It wasn't directly profitable—although it made the Dunsmuir mines profitable—until James Dunsmuir added a ferry link between Vancouver and his Ladysmith mines. This re-stimulated the CPR's interest in the system, and Dunsmuir sold out in 1905 for \$3 million.

A number of attractive resorts were established on the E&NR line before the First World War. At mile eleven, the Goldstream Hotel was a popular drinking and picnicking spot for Victorians. Further north, the trains climbed the Malahat—a trip at least as far as Malahat Station was "a must" for visitors, and many continued further for a view of the spectacular trestles and canyons between there and Duncan. Weekenders and picnickers flocked to the resort hotels at Shawnigan Lake (the Strathcona Hotel) and Cameron Lake. Tourist use of the line declined in the early twenties, due to improved roads in the area and more widespread automobile use, but the main line was still busy with freight, and was extended northward during the McBride years. It eventually reached Courtenay, but never achieved the great ambition of crossing the Seymour Narrows to the mainland.

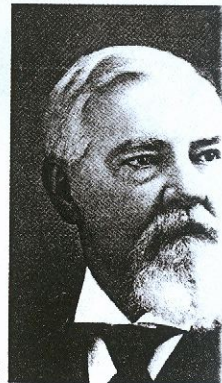


William Smithe, the premier of B.C. whose land deals brought the E&NR into existence and gave much of Vancouver to the Canadian Pacific Railway.



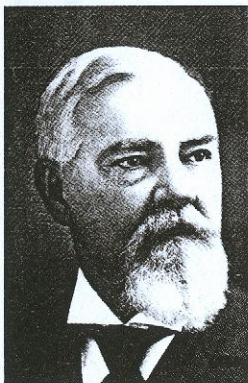
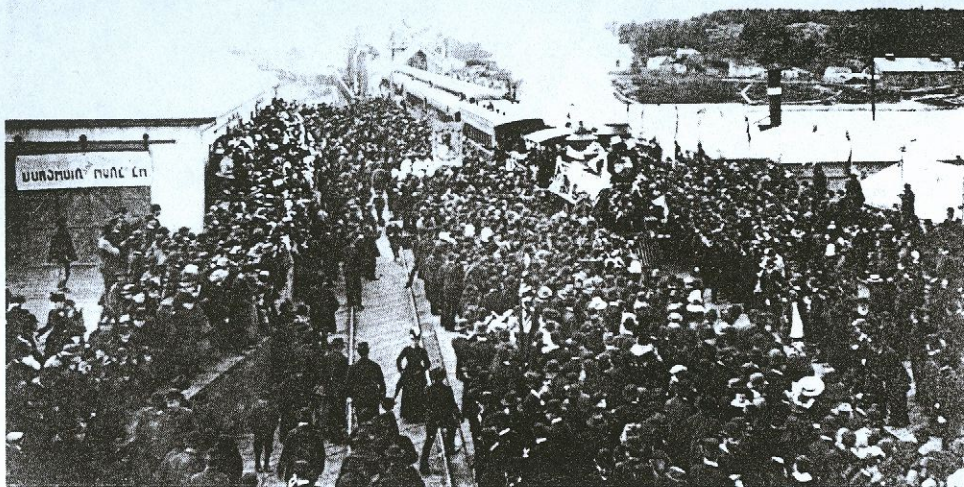
Prime Minister John A. Macdonald's national railway policy was the last hope for Victorians who wanted the transcontinental railway to terminate at Esquimalt. When he was defeated in his Kingston riding in the 1878 election, Victoria voters offered him a safe seat in a by-election. Late in the year, he restored Esquimalt as the terminus (though his predecessor Alexander MacKenzie had said it was impractical), then promptly contradicted himself by affirming the Fraser River route which eventually created the City of Vancouver.

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Taxation of the 1,900,000-acre E&N land grant became an issue in the mid-1940s. It was a massive piece of the island—all the land east of a line running northwest from a point on the Pacific coast west of Victoria, through Alberni Inlet and Sproat Lake to Upper Campbell Lake, then on a right-angle to Campbell River. The land had been handed over by B.C. to the Dominion, which had given it to the E&N syndicate as part of the railway deal. The agreement was made that none of the resources in the land grant could be taxed, unless sold or used by the company for other than railway purposes. Later, on April 7, 1887, the province decided to put a royalty on all timber sold in the province.

The Sloan Commission on Forestry in 1945 had recommended that the timber cut within the railway belt be taxed. The Commission pointed out that one-third of the total timber cut in B.C. came from the E&N grant, that more than \$14 million worth of timber had been sold by the E&N since 1905, that an estimated \$17-\$24 million worth remained, and that the E&N was paying only taxes of only \$10,759 on all its operations within the railway lands. CCF Opposition leader Harold Winch took up the issue, and pressured the provincial government to take the E&N to court. The railway's defence, presented by J.E. McMullen, was that the land deal "was part of the bargain of confederation." B.C.'s case was presented by former Attorney General J.W. deB. Farris. Following months of wrangling, a clear decision came from the Appeal Court in June, 1947, that B.C. could legally tax all railway belt lands "not specifically used for railway purposes." The railway appealed to the Supreme Court of Can-

ada, which reversed the Appeal Court's decision on June 25, 1948. B.C. then proceeded with its case to the Privy Council in London, and opened arguments the following June 27. On November 2, the B.C. government won—the Privy Council said that no contract existed between B.C. and the E&N over the railway. Premier Byron Johnson hailed it as an important victory. However, the Privy Council also ruled that because there was an agreement between B.C. and Ottawa, and between Ottawa and the E&N, any tax levied by B.C. might be disallowed by Ottawa. In 1950, the right of appeal by Canadians to the Privy Council was discontinued. Thus, the decision of the Canadian Supreme Court would be final, and not necessarily subject to the precedent set by the earlier decision. The B.C. government found itself in a conundrum, as it would likely be in breach of contract with Ottawa if it attempted to tax the E&N. It decided to try anyway, and Finance Minister Anscomb introduced a bill to tax the railway lands in March, 1950. The E&N petitioned Ottawa for disallowance, but lost on December 30, 1950. The decision was worth, at the time, about \$6 million a year in new revenue.

Like most passenger train systems in Canada, the E&N suffered declining traffic after the fifties. Repeated attempts by the railway to discontinue its Victoria-Courtenay "Dayliner" were always blocked, and the service still operates under the VIA Rail banner. The old Store Street station was demolished in 1972, to improve auto access to the Johnson Street bridge.

ESQUIMALT & NANAIMO RAILWAY

Although the E&N Railway is operated as a division of CP Rail's Pacific Region (which extends from Swift Current, Saskatchewan to Port Alberni, B.C.) it has always maintained its own name and special identity. Its 200 odd miles of track in southeastern Vancouver Island have never experienced the huge tonnages and heavy usage seen on the CP's mainland operations, because grain is not a crop for the island and mining has almost disappeared. Most of the E&N's freight to-day is composed of forest products and passenger service has dwindled to a single train a day each way between Victoria and Courtenay.

The history of the E&N is of singular interest. Its inception lay in the confederation of British Columbia with Canada in 1871, an agreement that hinged upon a promise of a rail link to the eastern provinces. Subsequent surveys indicated that a direct rail line from Vancouver Island to the mainland would be excessively costly, so the western terminus of the proposed transcontinental railway was changed from Victoria to Burrard Inlet (the Vancouver area). Thus the E&N failed to begin its operating life as part of the CPR. Instead, it was an independent line owned by a small syndicate headed by two Scottish immigrants, Robert and James Dunsmuir, backed by American railroad tycoons Charles Crocker, Leland Stanford and Collis P. Huntington.

By 1884, work had begun on the railway and on August 13th, 1886 the last spike was driven at Cliffside, about 25 miles north of Victoria, by no less a personage than the Prime Minister of Canada, John A. Macdonald. The city of Victoria remained unconnected for another two years, because of the need for bridgework over the Inner Harbour.

The Dunsmuir family, heavily involved in coal mining on the island, decided to sell the E&N to the Canadian Pacific Railway in 1905. For various reasons, however, the E&N was not absorbed directly into the CPR. Rather, it was leased for a period of 999 years, starting in 1912. Documents and advertising continued to refer to the E&N as a distinct entity but except for a few boxcars with E&N initials within otherwise standard CP Rail decoration, the name disappeared from equipment.

The CPR planned much greater expansion of the E&N than was actually realized. Branches were built to Port Alberni and to Cowichan Lake in 1911 but lines beyond, to Comox Lake and to Long Beach halted at Great Central. The Campbell River extension stopped at Courtenay, well short of its intended destination.

Since undisturbed movement of certain freight is commonly necessary, rail car ferries have long connected the E&N to the mainland. A ferry slip was built at Ladysmith, south of Nanaimo in 1899 to serve both the E&N and the Wellington Colliery Railway (another Dunsmuir enterprise). A ferry terminal was also opened at Nanoose Bay, north of Wellington in 1921 but both of these facilities were later replaced by the Nanaimo slip, opened in 1953. Containers and trailers may move through Victoria or other ports on the island but the main rail connection point to-day remains Nanaimo.

In early years, regular passenger trains were well patronized and at the turn of the century some even carried luxurious parlor cars. All the branches were served by 1913 but with the advent of bus and automobile competition soon afterward, rail service went into a steady decline. An application to abandon passenger service altogether was made in the 1960s but