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A. A. den Otter
Memorial University of Newfoundland

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TRANSPORTATION AND TRANSFORMATION

THE HUDSON'S BAY COMPANY, 1857-1885

A. A. DEN OTTER

Transportation was a prime consideration in the business policies of the Hudson's Bay Company from its inception. Although the company legally enjoyed the position of monopoly by virtue of the Royal Charter of 1670, which granted to the Hudson's Bay Company the Canadian territory called Rupert's Land, this privilege had to be defended from commercial intruders. From the earliest days the company developed its own transportation network in order to maintain a competitive edge over its opponents. During its first century, when business ventured hardly beyond the shores of the Hudson Bay, the company perfected its transatlantic shipping. Later, when competitors from Montreal moved into the western interior, the Hudson's Bay Company countered by opening several inland rivers, developing a unique wooden craft, the Yorkboat, and constructing rollered passage ways around several rapids. The efficiency of its transportation system enabled the company to defeat all challengers, including the Montreal traders, who were absorbed in 1821. Starving the competition by slashing prices, trading liquor, and deploying its best servants to critical areas were other tactics the company employed to preserve its fur empire.[1] The principal means by which the Hudson's Bay Company defended its trade monopoly, nevertheless, was to maintain an efficient transportation system into Rupert's Land.

By the 1850s the company's policy of controlling access to its fur preserve faced an entirely new and potentially fatal challenge. Settlement, with technology based on an expanding agricultural-industrial economy, was rapidly approaching the undeveloped plains. The economic activities of this encroaching civilization foretold death for the fur trade. Several fur empires in other parts of North America had already yielded to the relentless advance of settlement; company officials knew that theirs would also eventually succumb. As early as 1849 Peter Skene Ogden, the chief factor in Oregon, wrote George Simpson, the resident governor of the Hudson's Bay Company, "You are I presume fully aware that the fur trade and civilization can never blend

A. A. den Otter is associate professor of history at the Memorial University of Newfoundland. He has published several articles on western Canadian energy and transportation issues, as well as Civilizing the West: The Galts and the Development of Western Canada *(1982).*

together and experience teaches us that the former invariably gives way to the latter."[2]

Understanding that the fall of the fertile portion of Rupert's Land to agricultural settlement was inevitable, the Hudson's Bay Company developed a strategy to retain its hold over the fur trade wherever possible and to dominate the commercial potential of the new economic order.[3] Accessibility was the key to the survival plan; realizing that transportation was the vanguard of the new civilization, the company once again decided to control this technology within its domain and to develop it to the company's own advantage.

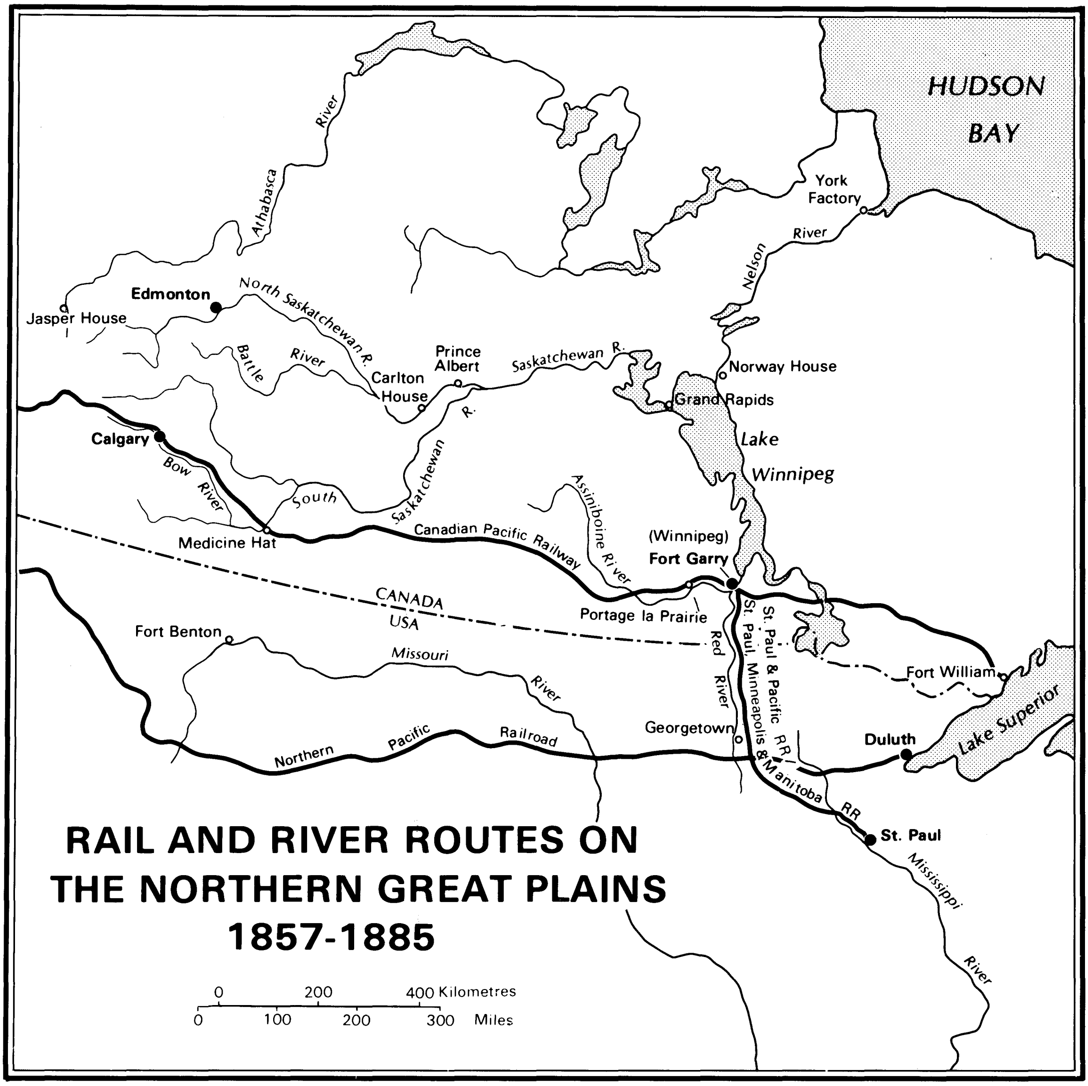
The most obvious legal threat to the company's charter came from the province of Canada. This British colony could claim historical, imperial, and juridical ties with Rupert's Land. During the 1850s, however, the provincial government did not press claims to the territories. The editor of the *Toronto Globe,* George Brown, tried to rally his readers to the cause of western annexation—for years his strident editorials praised the Northwest as a panacea for the stagnating economy of Upper Canada—but his proposal remained a minor issue even in his own Clear Grit party and was dismissed as unimportant by the Montreal press.[4] In 1857 a legislative committee, established to investigate the worrisome emigration of young Canadians to the United States, completely ignored the prairies as a haven for prospective farmers and urged instead that they be retained in Canada by means of a vigorous industrialization policy.[5] That same year Canada's position at the British parliamentary inquiry into the Hudson's Bay Company license was timid and noncommittal. Canada simply could not afford to buy out the company's charter and trading rights nor could it finance the administration of such a vast domain.[6]

Overshadowing these political considerations was a formidable geographical barrier. Eight hundred miles of uninhabitable swamps, forests, and hills separated Canada from the fertile prairies. Although several Canadian enthusiasts proposed grandiose schemes to bridge the Canadian Shield, none were able to gather enough support to construct an efficient, profitable system of transportation. Of all the projects, only the North West Transportation, Navigation, and Railway Company was put into operation. In summer 1858 the firm inaugurated an agonizingly slow mail and transport link between Canada and the prairies. But the next year, when the Hudson's Bay Company withdrew its cooperation, the attempt collapsed.[7] The eastern approach to the company's empire was safe for the time being.

On the southern flank, however, the situation was radically different. In the United States, entrepreneurs had backed the new steampower technology with enough capital to fuel a transportation revolution. Throughout the 1850s innovative promoters utilized steamboats and railways to open the interior of the continent. Early in the decade, after American railways reached the Mississippi River, merchants in Saint Paul, Minnesota, began to combine river and rail to transport their merchandise. In this way they doubled the length of the shipping season and, by using carts north of the city, penetrated deep into the territory monopolized by the Hudson's Bay Company. By 1854 they were at the gates of the rich Athabasca district.[8]

The company responded by improving the river route from York Factory on the Hudson Bay, but by 1857 the northern route was too slow and the required labor too expensive to compete with the Saint Paul approach. Moreover, it could not manage the rapidly increasing traffic load. Consequently, in 1858, Governor George Simpson authorized a trial shipment of soap and sugar via Saint Paul. The experiment was successful and saved the company considerable time and money.[9]

The company's move spurred the Saint Paul merchants to greater efforts. In 1859 the newly formed Saint Paul chamber of commerce offered one thousand dollars to the first captain to steam a vessel down the Red River of the North to Fort Garry. Captain Anson Northup took up the challenge: he carted a dismantled stern-wheeler from the Mississippi to the Red River, reassembled it inside a new hull,



christened the vessel the *Anson Northup,* and on 10 June 1859, reached Fort Garry.[10] The settlement bells and cannons that welcomed the *Anson Northup* signalled a serious breach in the transportation monopoly of the Hudson's Bay Company.

The company responded to the threat by buying Northup's steamer. Possession of his vessel, however, did not mean complete control over the Red River, because American law prohibited foreign companies from owning property in the United States. To circumvent this law, the company worked out a secret partnership with the Saint Paul firm of R. C. and J. C. Burbank. The Minnesota company agreed to carry Hudson's Bay Company goods overland with carts from Saint Paul to Georgetown on the Red River, and with two steamers (the *Anson Northup,* refurbished and renamed the *Pioneer*, and the *International*) to Fort Garry. The Burbanks retained the right to carry free-trade goods, but at substantially higher prices.[11] Governor Simpson reported on what appeared to be a satisfactory arrangement:

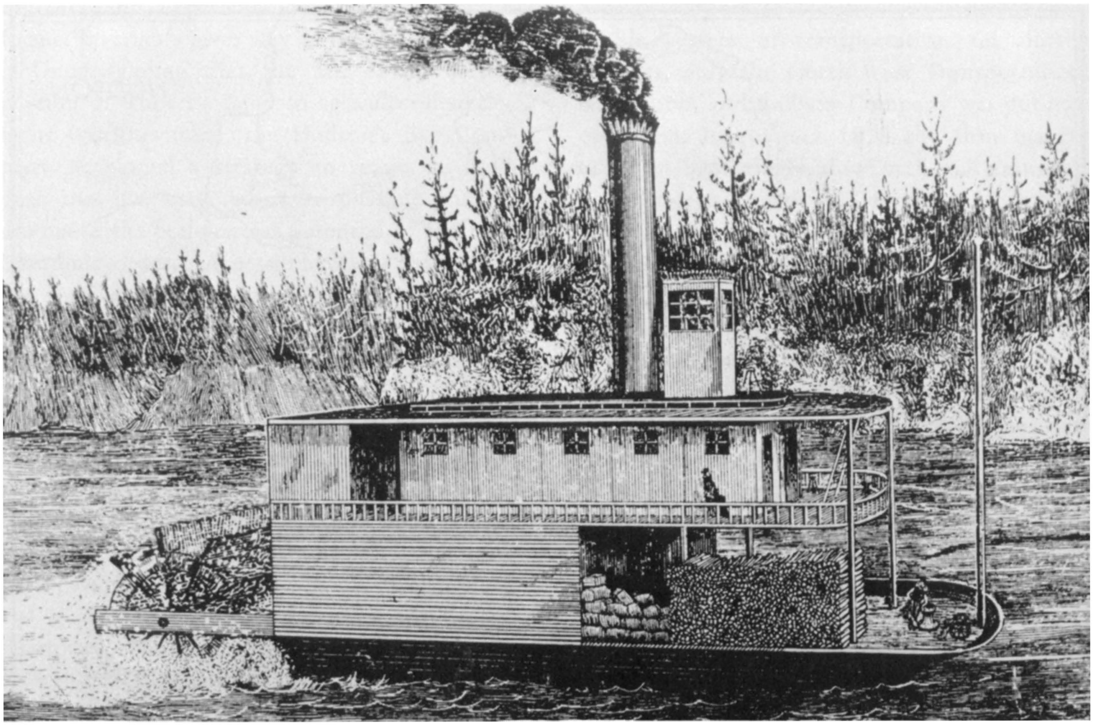


FIG. 1. *The* Anson Northup, *first steamer on the Red River, from an engraving in* The Winnipeg Country, *1859. Manitoba Archives.*

Our overland transport is likely to work quite a revolution in the business & be attended with economy & other advantages—By getting in abundant supplies, with dispatch & at a reduced rate we are able to drive the free traders & Americans out of the field, & to turn our position to account, by effecting large sales at remunerative rates. With proper energy in our arrangements, I feel satisfied we can hold the command of the trade against all the world.[12]

Despite the obvious advantages of the Minnesota route, the arrangements with the Burbanks were not satisfactory. The American partners were primarily interested in general trade and therefore actively promoted the settlement of the plains. This fundamental conflict of interests led to numerous squabbles and disagreements; thus, when the Sioux uprisings blocked the Minnesota route in 1863, the companies broke their pact.[13] A subsequent contract with another American firm also failed and so the company undertook its own freighting operations under the name of its agent, Norman W. Kittson. Low waters allowed only intermittent use of the steamers, but even when the boats were supplemented with Red River carts, the company realized significant savings. By the end of the decade, the Minnesota route was an important addition to the Hudson Bay ports and the company had retained control over a vital access to its empire.[14]

Soon after the company's officers had neutralized the encroachment of Saint Paul business interests, they became involved in an attempt by several British financiers to open communications with the Northwest and to develop its fertile soil. Edward Watkin, the president of Canada's ailing Grand Trunk

Railway, initiated the move. An idealistic visionary, Watkin proposed to save his company from collapse by incorporating the existing lines of the Grand Trunk into a transcontinental railway through British North America. To facilitate the plan, he also suggested the unification of British North America, the annexation of the Northwest, and the settlement of the prairies.[15] As the first step Watkin organized the Atlantic and Pacific Postal and Telegraph Company to build a telegraph line across the continent. He petitioned the colonial office for a subsidy and the Hudson's Bay Company for a vaguely defined but broad right-of-way. The government emphatically refused his request but the company tentatively agreed to a very narrow thoroughfare. To Watkin's surprise, company officials hinted that he should buy up all the company's shares and thus control its policies directly.[16]

Watkin leaped at the opportunity and by the summer of 1863 had worked out an arrangement to buy the Hudson's Bay Company. To finance the purchase, he turned to the International Financial Society, an association formed by London bankers to make investments across the globe.[17] One of the society's first purchases was a majority of the shares of the Hudson's Bay Company. Thus, on 15 June 1863, this influential society named a new board of governors for the old, closed company and for the first time put its stock on the open market. Although the deal was primarily a lucrative refinancing operation, a society brochure spoke in glowing terms of the settlement potential of the Northwest while scarcely mentioning the enormous cost of establishing communications or civil government in the territories.[18] The brochure marked the dramatic change in a fundamental policy of the Hudson's Bay Company: instead of blocking the approach of settlement, the company, under its new management, intended to establish modern communications in its territories and to control the development of resources.

Colonizing the southwestern portion of Rupert's Land was a venture beset by complex political considerations and costly long-term investments, and Watkin was moving too quickly for the cautious London bankers. Already in July 1863 he was in Canada negotiating a deal whereby the Montreal Telegraph Company would undertake the construction of a telegraph line from Halifax to Sault Ste. Marie if the Hudson's Bay Company would complete a line from Fort Langley to Pembina by way of Fort Garry. Watkin proposed that either the Canadian government subsidize the Fort Garry and Sault Ste. Marie section or his company would utilize existing American telegraph lines south of the Great Lakes. Confident of success, Watkin authorized D. S. Wood of the Montreal Telegraph Company to construct the line from Fort Garry to Jasper House under a Hudson's Bay Company contract. Although all these proposals awaited the approval of the governing committee, Watkin placed a provisional order for copper wire.[19] Watkin's enthusiasm temporarily overwhelmed the committee, and although angry about his unauthorized actions, it approved his order for nearly two hundred tons of copper wire to be delivered to several points in the Northwest.[20] The committee's move was especially precipitous, because the Canadian government had just refused to make any financial commitments for western communications. More ominously, Canada was once again challenging the validity of the company's charter; soon the telegraph project was lost in the prolonged and complex debate about the future of Rupert's Land.

The negotiations that led to the termination of the Hudson's Bay Company's charter consumed more than a decade. All parties involved agreed that Canada should control at least the fertile portion of Rupert's Land, but they could not concur on the terms of the transfer. Company officials wanted as large an indemnity for the charter as they could get, while Canadian politicians refused to pay out large sums of money for the territories or assume the enormous cost of administering and settling the region without a substantial imperial subsidy. The British negotiators, hamstrung by the chaotic politics of the period, knew that Parliament would not approve expenditures for the economic benefit of a colony nor would it defend the rights of an anachronistic fur monopoly. The result was a war of words, couched in diplomacy and fought with memoranda.

Time and circumstance were on the side of the colonial office. The rapid influx of settlers into Minnesota and the Dakotas threatened to spill over into Canada. Indeed, several influential Americans were calling for the annexation of Rupert's Land to the United States. In Ontario, meanwhile, political pressure was mounting for the Canadian government to act quickly to reserve the Northwest for Canadians. The Hudson's Bay Company realized that it had lost administrative control over the territories and would eventually lose economic dominance over at least the fertile portion. The colonial office, using these conditions to its advantage, gradually whittled down the extreme positions of both sides and in March 1869 imposed a settlement. In exchange for ceding Rupert's Land to Canada, the company would retain title to some land surrounding its posts and to one-twentieth of the land in the fertile belt, receiving a compensation of three hundred thousand pounds. The Canadian government quickly accepted the settlement, but the Hudson's Bay Company acquiesced only after unsuccessfully seeking some major improvements in the terms.[21]

The company's surrender of the charter meant the defeat of the colonizers among its shareholders. For the past five years, Edward Watkin and his supporters had tried to transform a fur-trade business into a huge colonization company.[22] They failed because, as Sir Stafford Northcote, the governor, explained, private corporations no longer possessed the moral authority to maintain law and government in a populated region. Without properly constituted civil administration and law courts, the company dared not even sell land, especially on credit. Moreover, the governor pointed out, the Hudson's Bay Company did not command the resources to finance the infrastructure—government, telegraphs, railways, and warehouses—necessary to support colonization.[23] The settlement of 1869 decided abandonment of colonization.

The loss of the charter significantly altered the position of the Hudson's Bay Company. Although the charter had never prevented the incursion of free traders, its abrogation opened the territories to all business interests as well as settlers. Throughout the negotiations, senior company officials had debated among themselves "the future position of the company with reference not only to its business as a fur trade company but with reference to its position as a great commercial company supplying this settlement which is likely to be formed with a view to dealing with the land that is left to it, and with a view to its assisting in opening up that country."[24] By 1871 the Hudson's Bay Company had decided not to abandon the fur trade but to modernize its management. The company also determined to capture a large share of the general trade that would be created by the settlement of the prairies. But, as Governor Northcote cautioned the company's shareholders, profits would dwindle unless the company offset the shrewd business practices of its competitors. The only advantage the company had, according to Northcote, was its expertise in wilderness transportation. It was time, he declared, to streamline all parts of the company's transportation system in order to preserve its dominant place in the commerce of the Northwest.[25]

Northcote's call for the modernization of the company's transportation system carried a note of urgency. Several railways were already approaching its business empire. In 1871 the Northern Pacific reached the Red River from its terminal at Duluth; the same year, the St. Paul and Pacific arrived at the river from Saint Paul. The St. Paul and Pacific planned to push northward as far as the international border at Pembina and asked the Hudson's Bay Company to complete the line to Fort Garry.[26] The company's chief commissioner, Donald Smith, petitioned the Canadian government for a charter to construct a railway from Pembina to Fort Garry and thence to Fort William on Lake Superior. Parliament never considered the charter, probably because the administration was then planning the Canadian transcontinental railway.[27] Financial difficulties further hampered the St. Paul and Pacific's plans, and in 1873 the railroad went into receivership

along with the Northern Pacific. Despite their financial problems, the two railways provided western businesses with fast and efficient transportation between the head of navigation of the Red River and all major eastern American and Canadian cities.

Meanwhile, steamboat transportation on the Red River also improved. In 1871 James J. Hill, an ambitious partner of the Saint Paul firm of Hill, Griggs and Company, launched the *Selkirk* on the river. After the Hudson's Bay Company refused to pay his high rates, Hill declared that American law permitted only domestic ships to ply the rivers of the United States. The British-owned Hudson's Bay Company successfully thwarted Hill by transferring the ownership of the *International* to its agent, Norman Kittson, an American citizen. Competition, however, served only to reduce rates and profits; therefore, in 1872 the two rivals founded the Red River Transportation Company, which set preferential tariffs for the Hudson's Bay Company and ruled the river virtually unchallenged until 1878. The consolidation of the two competitors proved to be an extremely lucrative transportation monopoly. In 1878, for example, the Red River Transportation Company paid a dividend of 80 percent to all its shareholders, including the Hudson's Bay Company.[28]

The introduction of reliable train and steamship service to Fort Garry forced the Hudson's Bay Company to undertake a comprehensive renovation of its transport network. As long as the company had held imperial sway over the unsettled expanse of Rupert's Land, it could safely neglect to revamp its interior transportation system. But with the modernization of the Red River route, the company could no longer afford to rely on old carrying methods. The complex Yorkboat shuttle from the fur-trading posts York Factory or Moose Factory on the Hudson Bay, or from Fort Garry via Norway House to the outlying plains and forests of the Northwest, was too slow and expensive. At best, four years were required to realize a return on capital invested in trade goods. In 1869 and again in 1870, valuable furs had been left to winter in the country, accumulating interest charges and eroding profits. Moreover, this fragile system of moving goods depended upon Indians and métis, who were expensive to pay and feed and difficult to recruit for the backbreaking work.[29]

To meet the challenge of improved rail and river transportation and increased competition, the Hudson's Bay Company attempted to reduce operating costs by using its own fleet of steamships on Lake Winnipeg and the Saskatchewan River. In May 1872 it launched the *Chief Commissioner,* but the boat was ill suited for the rough waters of Lake Winnipeg and was retired only three years later. The next year an unnamed boat foundered on the first rapids it encountered on the Saskatchewan River.[30] Undeterred by these misfortunes, the company commissioned the *Colville* to replace the *Chief Commissioner* on Lake Winnipeg and built the *Northcote* to ply the Saskatchewan. The *Northcote,* a Mississippi River type of stern-wheeler, reached Carlton House late in 1874.[31] The following summer, even though the company still needed to deploy the traditional flotilla of Yorkboats for the bulk of its trade goods and supplies, the steamers demonstrated their cost efficiency and the company nearly recovered its investment.[32]

As the general economic depression of the 1870s drove down fur prices, Hudson's Bay Company officials were more determined than ever to cut their transport expenses. The firm built a 3½-mile tramway around the Grand Rapids as an efficient transshipping point between Lake Winnipeg and the Saskatchewan River. The company also planned to place steamers on the Clearwater and Athabasca rivers in its far northern domain and worked to improve several portages and overland routes.[33] In 1876 the company purchased the *Lily* from a Clyde shipyard and carried it in sections to the Northwest. The *Lily,* which was equipped with a steel hull as a protection against rocks, had a deeper draft than intended. Ironically, it often grounded on the shallow river bottom and in 1883 hit a rock near Medicine Hat and sank.[34] The *Northcote,* although better

designed, also experienced difficulties navigating the shallow Saskatchewan. By the end of the decade, modern steamship technology had not yet conquered the capricious northern rivers.

It was apparent that the Saskatchewan River's channel required extensive modifications before it could serve as an efficient waterway for the company's steamboats. The task fell to C. J. Brydges, who in 1879 was appointed the company's land commissioner as part of a general shake-up of the senior administration.[35] Brydges lobbied the Canadian government to remove the most troublesome boulders from various rapids and to build warping piers and wingdams at several small waterfalls on the Saskatchewan. Despite his close friendship with such leading politicians as Prime Minister John A. Macdonald, Brydges had little success. All he gained was the reimbursement of the twenty-five thousand dollars his company had spent in 1882 and 1883 on a haphazard boulder removal program. The federal government subsequently spent another thirty-five thousand dollars on the river.[36] Compared to the massive subsidies to railroads, the expenditures on navigational improvements were minuscule and clearly betrayed the government's priorities.

To back his lobbying efforts, Brydges committed the Hudson's Bay Company to a substantial expansion in its steamboat operations. If the government would agree to underwrite the river improvements, then Brydges promised not only to open the company's ships to public traffic but to increase the size of the fleet.[37] Brydges's pledge marked a significant change in company policy because the boats had been built primarily for the company's own benefit, to cripple the opposition. Brydges, however, saw the issue from a different perspective. He explained his view to the governor's committee. "Unless the company is prepared to make its boats available for public traffic and especially in regards for the Indian department, . . . there will undoubtedly be an opposition line of boats put upon the river, which will have the effect of opening up the whole of the northern country for supplies for fur trading purposes in direct opposition to the Hudson's Bay Company."[38] The argument was not lost on the board. Indeed, Chief Commissioner James A. Grahame, the executive largely responsible for steamboat policy, had on occasion permitted the fleet to carry public goods. But, because present vessels could not handle even all of the Hudson's Bay Company's requirements, he realized that creating a general steam transport system would require expensive investments in new ships. That was a task few committee members wanted to take on, particularly at a time when a prolonged economic depression had seriously eroded fur prices. The committee emphatically warned Brydges not to undertake major investments to expand the fleet.[39]

Brydges's fears of competing steamboats were well founded—and a direct result of the continuing expansion of the railroads in the 1870s. In 1877 Donald A. Smith and James J. Hill, with the cooperation of George Stephen, the president of the Bank of Montreal, and John S. Kennedy, a prominent New York banker, had gained control of the assets of the bankrupt St. Paul and Pacific Railroad. The following year they completed the road to Winnipeg (formerly Fort Garry) and renamed it the St. Paul, Minneapolis, and Manitoba Railroad.[40] The establishment of a rail link between Winnipeg and Saint Paul rendered the Red River steamboat service obsolete. Thus, in 1878 the Red River Transportation Company sold the bulk of its fleet to the Winnipeg and Western Transportation Company, formed by a group of Montreal, Winnipeg, and Saint Paul businessmen to operate the ships on the Assiniboine River. Late in 1879, however, Hill, Smith, and Stephen became the principal members of the Canadian Pacific Railway Syndicate, founded to build Canada's transcontinental railway. When the Canadian Pacific decided to build its mainline through the southern portion of the prairies, parallel to the Assiniboine, the Winnipeg and Western Transportation Company planned to transfer its ships to the Saskatchewan River.[41] Meanwhile, a second firm, called the North West Navigation Company, formed in 1880 by Montreal, Winnipeg, and Scottish

FIG. 2. *The Hudson's Bay Company's steamer* North West, *moored at Edmonton, 1896. E. Brown Collection, Provincial Archives of Alberta.*

financiers, also proposed to place several steamers on the river, as well as on Lake Winnipeg.[42]

To meet the threat of competition, Grahame and Brydges sold the Hudson's Bay Company fleet to the two newcomers, used the revenue from the sale to buy a majority interest in both companies, and early in 1881 concluded a freighting agreement to their mutual advantage. The collusion limited the operations of the Winnipeg and Western Transportation Company to the Saskatchewan River and those of the North West Navigation Company to Lake Winnipeg. Both firms agreed to grant the Hudson's Bay Company a 10 percent rebate on their freight rates.[43] Therefore, with no heavy capital expenditures for ship construction, Grahame and Brydges created a transportation monopoly on both Lake Winnipeg and the Saskatchewan River, won a preferential position for the Hudson's Bay Company, maintained general control over a fleet of five river and three lake steamers, and delegated daily management responsibilities to experienced personnel.

The monopoly was not as profitable as the collaborators had envisioned. Without extensive work on the falls and rapids of the Saskatchewan River, which Brydges had so strenuously promoted earlier, navigation was not reliable. Moreover, because water levels on the river remained low for the next few years, the Winnipeg and Western Transportation Company consistently failed to deliver vital supplies to the small communities along the Saskatchewan River. These shortfalls caused hardships among the settlers and destroyed the confidence of retailers.[44] Increasingly, western merchants turned to the Canadian Pacific Railway, which was then being laid across the prairies. Even the Hudson's Bay Company deserted the steamboats: in 1884 and 1885 the company shipped most of its Edmonton and some of its Mackenzie and Athabasca outfits with the Pacific railway via Calgary.[45] Although the overland route was more costly, it was much faster and finally enabled the company to distribute its trade goods within a single season. In a highly

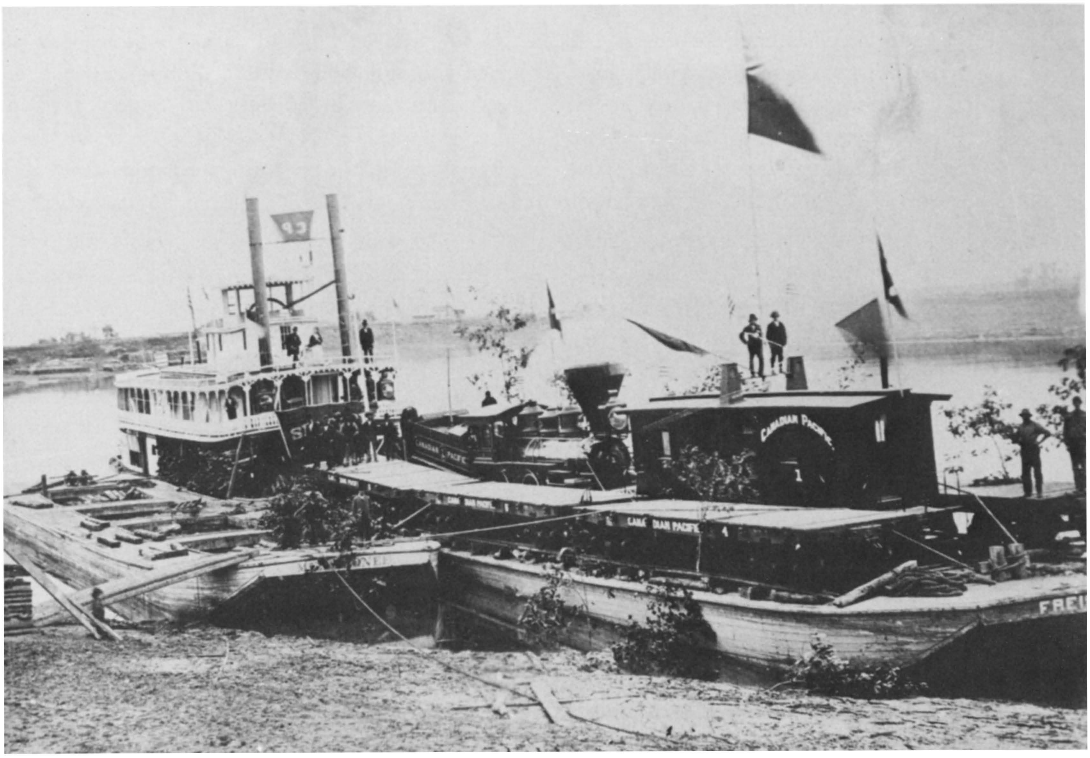


FIG. 3. *The Canadian Pacific Railway's* Countess of Dufferin *arrives by steamer in Winnipeg, 1877. Manitoba Archives.*

competitive business based on luxury goods and fluctuating prices, speed and reliability were absolute requirements for success. The river steamers delivered neither, and over the years they were phased out of existence, replaced by the more efficient railroads.

Although the steamboat program represented a last-ditch effort to control access to the fur domain, the company finally surrendered its transportation monopoly to the controller of a more modern technology. Railway technology was beyond the financial resources of the Hudson's Bay Company. The company could not afford to purchase a controlling interest in such large enterprises as the St. Paul and Pacific and the Canadian Pacific railways, nor could it generate the traffic to warrant such massive investments. Railways, unlike steamboats, could not be used to shut competitors out of its fur domain. In fact, railways depended on expanding commerce and growing settlement, the very antithesis of the best conditions for the fur trade. For the first time, the Hudson's Bay Company lost control over the transportation of its trade goods, one of the most vital aspects of its operations.

The construction of the Canadian Pacific Railway completed the transformation of the Hudson's Bay Company from a privileged monopoly to a diversified business struggling to be competitive. The London committee abolished the post of chief commissioner and created a subcommittee of two Canadian residents to oversee the entire Canadian operations. The committee also appointed Joseph Wrigley to the new chief executive post of trade commissioner.[46] Wrigley was keenly aware of how drastically the Canadian Pacific had altered the business environment in western Canada, and he believed that the change should be harnessed

for the benefit of the Hudson's Bay Company. "I would suggest," he wrote, "that the company should endeavour to adopt its business to altered circumstances and make vigorous effort not only to hold its own, but to advance and try to increase in the north the collection of Furs, and in the south general business."[47]

Wrigley's northern policy emphasized cost reductions and modern business techniques, particularly necessary because by 1885 fur prices had fallen to all-time lows. Since demand was not likely to grow, but competition would, productivity had to be increased. The railway made Wrigley's task easier because he could instruct the nearer districts to order merchandise twice a year instead of two years in advance as before. Careful inventory control reduced capital investments, prevented the buildup of unpopular stock, and broadened the selection of goods. Wrigley also instructed all posts and stores to adopt modern accounting procedures and instituted a formal inspectorate to ensure efficient operations.[48]

The Hudson's Bay Company's southern policy was more complex and aggressive. For example, even as the Canadian Pacific Railway advanced across the plains, the company expanded its bids on government supply contracts to include the southwestern corner of the Canadian prairies. Traditionally, two Fort Benton firms, I. G. Baker and Company and T. C. Power and Brother, had dominated the region. The Hudson's Bay Company had tolerated the invasion of its commercial territory because its supply lines could not equal the more efficient Missouri River system.[49] By 1879 the situation began to change. The Hudson's Bay Company's fleet on the Saskatchewan River could tender for Indian department contracts recently swollen by the privation among prairie Indians. The company changed its policy and from 1880 on annually captured most of the government's business along the Saskatchewan. The southwestern area was left to the Fort Benton merchants because the company's overland system still could not match their transport economy.[50] The arrival of the Canadian Pacific changed even that approach. With freight expenses dramatically reduced, the Hudson's Bay Company could tender for all government contracts in the Northwest.[51]

The ability to bid on all prairie contracts was a mixed blessing. Since rail transportation opened the hinterland to all companies, the government began to parcel out its contracts to various firms; in return, the increased competition lowered prices and profits. To meet the new situation, the two Fort Benton firms divided their American and Canadian government business between themselves, excluded all opponents from their transport system, and even equalized profits.[52] I. G. Baker, who had taken the Canadian portion, approached the Hudson's Bay Company for a similar division of territory, but the latter company refused.[53] Although the Hudson's Bay Company still viewed government contracts as "a delusion and snare" because they diverted too much capital and time from the regular trade, it nevertheless determined to eliminate the American firm from its traditional domain.[54] The company enjoyed the significant advantages of size, British connections, and all-Canadian transport, and eventually squeezed I. G. Baker out of the government supply business.

The Hudson's Bay Company also clashed with the I. G. Baker firm in the retail trade. In addition to its large department store in Winnipeg, the company operated smaller concerns at Portage la Prairie and other Manitoba centers. As the Canadian Pacific Railway moved westward, so did the company. In 1884, for example, the company built a warehouse and retail store on several town lots purchased in Calgary. It also constructed a small outlet at Battle River Crossing north of Calgary specifically to compete with I. G. Baker. In fact, the company intended to drive the American firm south of the Canadian Pacific mainline. That objective was not lost on the Fort Benton merchants. I. G. Baker and Company offered to sell its Calgary store at a 40 percent discount on its stock and promised not to open another establishment in Calgary or points north. The Hudson's Bay Company accepted the offer with only minor amendments.[55] The Calgary deal

became the prelude to the eventual takeover of all of I. G. Baker's Canadian operations.

One of the reasons the Hudson's Bay Company was able to beat the American competition was the special arrangement made with the Canadian Pacific Railway. The company had been able to wrest extra concessions from the railroad because of the size of its shipments and the long distances involved. In addition, Donald Smith, the company's largest shareholder, was also a Canadian Pacific director. Smith was only one of the policy makers in the railway corporation, however, and his railway ties would preclude the company from using American rail lines to reach the Canadian Northwest. Consequently, mutual interest suggested that the company ship by steamer to Montreal, use the Canadian Pacific to western Canadian stations, and in return receive a modest rebate. In June 1885 the Canadian Pacific secretly granted the Hudson's Bay Company a 12½ percent rebate on all freight east of Winnipeg. The Hudson's Bay Company had wanted to include flour exports, but the railroad refused, ostensibly because the rate on flour was already low, but probably because it did not want to give the company a special advantage on such an important export item.[56] Nevertheless, the agreement once again made Montreal the gateway to the Northwest.

The failure to secure a freight rate concession on flour shipments was a disappointment to company officials. Although milling was only an incidental part of the company's total business, Trade Commissioner Wrigley planned to test the Montreal and London markets in the hope that flour sales would eventually replace the lost fur-trade revenues. Unfortunately, the company's mills at Fort Garry and West Lynne were badly outdated. Wrigley lamented the fact that even the new mill at Prince Albert was being built "on the old and nearly obsolete [stone] principle" and feared that if anyone erected a modern roller mill nearby, the company's plant would soon be out of business. Despite the company's retrenchment program, Wrigley strongly recommended that the board install roller machinery at Prince Albert and spend an additional twelve thousand dollars to convert the Fort Garry mill. Although the committee was initially reluctant, it finally agreed that flour milling was potentially a big money-maker and approved the modernization of the two mills.[57]

Flour milling was not the only avenue for profit that the Canadian Pacific opened to the Hudson's Bay Company. The start of prairie construction sparked a real estate boom that dramatically boosted the company's land sales. Even though the land rush eventually collapsed, sales continued, although at a slower pace. The westward progress of the railway steadily increased land values and enhanced company profits. The governing committee decided to return the bonus revenues directly to shareholders by lowering the nominal value of company shares and by paying out the reduction in cash. In this manner, the company wrote down the value of its shares from twenty to thirteen pounds and disbursed the seven hundred thousand pounds of profit its land account had earned in the fifteen years after the surrender of its charter.[58] Land sales promised to offset the loss of the fur monopoly for the Hudson's Bay Company after the opening of the Northwest by the Canadian Pacific.

The loss of the fur and transportation monopoly, therefore, had not adversely affected the balance sheet of the Hudson's Bay Company. Rather, it was the general economic depression of the 1870s and 1880s that caused the company's lean years. Dwindling profits coincided with a transformation in business policies occasioned by a drastically changed environment. Traditionally, the Hudson's Bay Company had operated in splendid isolation, countering challengers with a formal policy of shrewd trading techniques on the fringes of its fur empire and an implicit strategy of managing transportation within this domain. The arrival of fast and efficient means of transport made its territory even more vulnerable to interlopers; consequently, restraint of access became increasingly important. As long as the Hudson's Bay Company was able to control the approaches to its business realm, it could to some

extent manage its rate of development and curb free trade. By making its own transportation systems as efficient as possible, the company could undercut opponents and prevent the rise of competing systems. This had been the rationale for the company's Minnesota route, the involvement with the Atlantic and Pacific Postal and Telegraph Company, and the construction of the Saskatchewan River steamboats. By 1880, with the advent of western Canadian railways, the company's transportation monopoly disintegrated. The Hudson's Bay Company could not afford the enormous investment that railroad technology required; therefore, the company could no longer transport its own trade goods and supplies. Yet, even as the Canadian Pacific ended the fur-trade era on the prairies and contiguous forest, the railroad also ushered in a new age for the Hudson's Bay Company. Access to the far northern fur forest was cheapened and the company became more competitive on the world market. In the south the railway opened new opportunities in land sales, retailing, government supply contracts, and flour milling. Backed by a centuries-old business, newly appointed managers readily adjusted the company to the new order.

NOTES

1. John A. Alwin, "Mode, Pattern, and Pulse: Hudson's Bay Company Transport, 1670-1821" (Ph.D. diss., University of Manitoba, 1978); John S. Galbraith, *The Hudson's Bay Company as an Imperial Factor* (Berkeley: University of California Press, 1957), p. 10.

2. Ogden to Simpson, 10 March 1849, Hudson's Bay Company Archives, Public Archives of Canada (hereafter cited as HBCA, PAC), D5/24.

3. Ross to Simpson, 21 August 1848, HBCA, PAC, D5/22; Transcript of Verbatim Reports of Proceedings at General Court, 24 March 1869, HBCA, PAC, A2/11; Dallas to Watkin, 12 July 1863, Watkin Papers, Public Archives of Canada (hereafter cited as PAC).

4. Doug Owram, *Promise of Eden: The Canadian Expansionist Movement and the Idea of the West, 1856-1900* (Toronto: University of Toronto Press, 1980); *Montreal Gazette,* 13 January 1857; *Montreal Leader,* 13 January 1857.

5. Canada, Legislative Assembly, Report of the Special Legislative Committee on Emigration, *Journals,* 1857, Appendix 47.

6. W. L. Morton, *The Critical Years: The Union of British North America 1857-1873* (Toronto: McClelland and Stewart, 1964), pp. 33-36; Gerald Egerton Boyce, "Canadian Interest in the North West" (M.A. thesis, University of Manitoba, 1960).

7. Galbraith, *Hudson's Bay Company,* pp. 359-61.

8. Alvin C. Gluek, Jr., "The Minnesota Route," *The Beaver,* Outfit 286 (Spring 1956): 45.

9. Simpson to Fraser, 1 March 1858, HBCA, PAC, A12/9, folio 93; Simpson to Smith, 2 October 1858, folios 268-69.

10. Theodore Barris, *Fire Canoe: Prairie Steamboat Days Revisited* (Toronto: McClelland and Stewart, 1977), pp. 25-30.

11. Simpson to Fraser, 29 June 1860, HBCA, PAC, A12/10, folio 539; Alvin C. Gluek, Jr., *Minnesota and the Manifest Destiny of the Canadian Northwest* (Toronto: McClelland and Stewart, 1964), pp. 144-45.

12. Simpson to Dallas, 23 July 1859, HBCA, PAC, D4/84A, folio 266. The statistics in the company's records are too spotty to make an accurate assessment of amounts of cargo and numbers of persons carried on either the Minnesota or York routes. In 1860, however, the *Pioneer* made three trips downriver carrying an average of 50 tons of goods and completed four trips up the river with an average load of 130 bales of furs. Simpson to Dallas, 22 June 1860, HBCA, PAC, A12/10, folio 530.

13. See, for example, Fraser to Simpson, 18 July 1860, HBCA, PAC, A6/35, folio 257.

14. Gluek, "Minnesota Route," p. 50; see also Gluek, *Minnesota and Manifest Destiny.*

15. Edward William Watkin, *Canada and the States: Recollections, 1851-1886* (London: Ward, Lock, & Co., 1887).

16. Confidential Proof Prospective, Atlantic and Pacific Postal and Telegraph Company Limited, Watkin Papers, PAC; Correspondence with His Grace the Duke of Newcastle and the Hudson's Bay Company, in Reference to the

establishment of Overland Passenger and Telegraphic Communication with British Columbia, 5 July to 8 November 1862; Newcastle to Berens, 21 November 1862; Elliot to Berens, 21 November 1862.

17. Karen Anderson, "The Organization of Capital for the Development of the Canadian West" (M.A. thesis, University of Regina, 1974), pp. 36-74; Elaine A. Mitchell, "Edward Watkin and the Buying-Out of the Hudson's Bay Company," *Canadian Historical Review* 34 (September 1953): 219-44.

18. Prospectus, The International Financial Society Limited, Watkin Papers, PAC.

19. Memorandum of Agreement Between Edward W. Watkin and O. S. Wood, 10 August 1863, Watkin Papers, PAC; Head to Watkin, 18 August 1863.

20. Head to Watkin, 18 August 1863, HBCA, PAC, A7/4, folio 6; General Court Minutes, 21 June 1864, A2/3.

21. For an excellent account of the negotiations for the transfer of Rupert's Land, see Arthur S. Morton, *A History of the Canadian West to 1870-71,* 2d ed. (Toronto: University of Toronto Press, 1973) and Galbraith, *Hudson's Bay Company.* See also E. E. Rich, *The Fur Trade and the Northwest to 1857* (Toronto: McClelland and Stewart, 1967) and W. L. Morton, *The Critical Years.*

22. See, for example, General Court Minutes, 20 November 1866, HBCA, PAC; Paper on the Vote of the Colonization of Rupert's Land.

23. Minutes of the General Court, 24 March 1869, HBCA, PAC, A2/4.

24. Report of the General Court, 5 July 1870, HBCA, PAC, A2/16, folio 57.

25. Proceedings of the General Court of the Hudson's Bay Company, 28 June and 12 July 1871, HBCA, Public Archives of Manitoba (hereafter cited as PAM).

26. Edmund Rice to Donnelly, 6 February 1864, Donnelly Papers, cited in John L. Harnsberger, "Jay Cooke and Minnesota: The Formative Years of the Northern Pacific Railroad, 1868-1873" (Ph.D. diss., University of Minnesota, 1956).

27. Leonard Bertram Irwin, *Pacific Railways and Nationalism in the Canadian Northwest, 1845-1873* (New York: Greenwood Press, 1968), p. 169.

28. Albro Martin, *James J. Hill and the Opening of the Northwest* (New York: Oxford University Press, 1976), pp. 76-84; Barris, *Fire Canoe,* pp. 25-40. The Hudson's Bay Company probably had about eight hundred shares worth forty thousand dollars in the Red River Company. See Grahame to Armit, 1 November 1876, HBCA, PAM, A12/17, folio 304; Grahame to Armit, 20 March 1878, A12/46, folio 115.

29. Report of the Governor and Committee of the Hudson's Bay Company, 28 June 1871, 22 November 1870, HBCA, PAM; Smith to Smith, 1 November 1870, HBCA, PAC, A6/44, folio 167.

30. Bruce Peel, *Steamboats on the Saskatchewan* (Saskatoon: Western Producer Prairie Books, 1972), pp. 13-23.

31. Grahame to Armit, 15 June, 29 July, and 24 August 1874, HBCA, PAM, D13/1, folios 6, 13, and 24; 21 September 1874, folio 60.

32. By 1870 the company had reduced its need for Hudson Bay shipments to only two vessels per year. The bulk of its trade goods for the northern department was sent by way of Minnesota. In 1874 the *Lady Head* and the *Walrus* carried both the 1873 and the 1874 furs. See Smith to Smith, 1 November 1870, HBCA, PAC, A6/44, and Report of the Governor and Committee, 24 November 1974, HBCA, PAM.

33. Grahame to Belanger, 10 December 1974, HBCA, PAM, D14/1, folio 275; Grahame to McMurray, 7 April 1875, D14/2, folio 307; Grahame to Clark, 15 May 1875, folio 423; Report of the Governor and Committee, 29 June and 10 November 1875; Grahame to Armit, 30 October 1875, A12/16, folio 699; Grahame to Armit, 22 May 1877, A1/17, folio 529; Canada, Parliament, *Sessional Papers,* 1882, no. 139; Ron Vastokas, "The Grand Rapids Portage," *The Beaver* (Autumn 1961): 22-26; C. S. MacKinnon, "Some Logistics of Portage La Loche (Methy)," *Prairie Forum* 5 (Spring 1980): 51-66.

34. Grahame to Armit, 16 August 1876, HBCA, PAM, A12/17, folio 287; Peel, *Steamboats,* pp. 47-56, 123-41.

35. Alan Wilson, "'In a Business Way': C. J. Brydges and the Hudson's Bay Company, 1879-1889," in *The West and the Nation: Essays in Honour of W. L. Morton,* ed. by Carl

Berger and Ramsey Cook (Toronto: McClelland and Stewart, 1976), p. 185.

36. Canada, Parliament, *Sessional Papers,* 1885, no. 138.

37. Ibid., Brydges to Langevin, 28 September 1880.

38. Brydges to Armit, 8 January 1880, cited in Hartwell Bowsfield, ed., *The Letters of Charles John Brydges, 1879–1882: Hudson's Bay Company Land Commissioner* (Winnipeg: Hudson's Bay Record Society, 1977), p. 47.

39. Grahame to Armit, 16 November 1877, HBCA, PAM, A12/17, folio 720; Armit to Grahame, 27 June 1877, A6/507, folio 538; Brydges to Colville, 1 November 1880, cited in Bowsfield, *Letters of C. J. Brydges,* pp. 103–5.

40. Martin, *James J. Hill,* pp. 114–98.

41. The fact that the Winnipeg and Western Transportation Company decided to transfer its fleet to the Saskatchewan River as early as the late fall of 1880 is surprising in light of the fact that the Canadian Pacific Railway did not announce its decision to take a more southerly route than originally planned until the spring of 1881. Perhaps the railroad's decision was made earlier than has traditionally been assumed. The close connections among Hill, Smith, the steamboat companies, and the Hudson's Bay Company make a leak of information quite possible. For details of the transfer of ships, see John Macoun, *Manitoba and the Great Northwest* (Guelph: World Publishing Co., 1882), pp. 582–85; Peel, *Steamboats,* pp. 76–78.

42. Barris, *Fire Canoe,* pp. 61–62.

43. Grahame to Armit, 11 August 1881, HBCA, PAM, A12/64, folio 130; 18 November 1881, folio 407; 29 December 1881, folio 525; 16 March 1882, A12/50, folio 95.

44. Canada, Parliament, Petition of the Merchants of Prince Albert, *Sessional Papers,* 1885, no. 138.

45. Grahame to Armit, 2 August 1884, HBCA, PAM, A12/51, folio 243; Wrigley to Armit, 20 February 1885, A12/27, folio 195.

46. Report of the Governor and Committee of the Hudson's Bay Company, 1 July 1884, HBCA, PAM.

47. Wrigley to Armit, 17 November 1884, HBCA, PAM, A12/27, folio 94.

48. Report of the Governor and Committee of the Hudson's Bay Company, 30 June 1885, HBCA, PAM; Wrigley to Armit, 10 November 1885, A12/27, folio 456; Memorandum on Supplies for the Northern Department, folio 76.

49. Grahame to Armit, 16 November 1877, HBCA/PAM, A12/57, folio 720. See also Paul F. Sharp, *Whoop-Up Country: The Canadian-American West, 1865–1885* (Norman: University of Oklahoma Press, 1973), pp. 207–28.

50. Grahame to Armit, 22 January 1880, HBCA/PAM, A12/48, folio 125; Grahame to Armit, 14 May 1880, folio 327.

51. Grahame to Wrigley, 2 May 1884, HBCA, PAM, A12/52, folio 134; Wrigley to Armit, 6 July 1884, A12/27, folio 376.

52. Grahame to Wrigley, 2 May 1884, HBCA, PAM, A12/52, folio 134. For example, Ogilvie Mills slashed prices on its flour surplus and captured most flour contracts west of Manitoba; James M. Francis, "Montana Business and Canadian Regionalism in the 1870s and 1880s," *Western Historical Quarterly* 12 (July 1981): 296–97; see also James M. Francis, "Business, Enterprise, and the National Policy: The Role of T. C. Power & Brother and I. G. Baker & Company in the Political and Economic Development of the Southwestern Prairies and Northern Montana" (M.A. thesis, University of British Columbia, 1978).

53. Wrigley to Armit, 3 November 1884, HBCA, PAM, A12/27, folio 89.

54. Grahame to Wrigley, 2 May 1884, HBCA, PAM, A12/52, folio 134; 22 July 1884, folio 241.

55. Grahame to Armit, 28 January 1884, HBCA, PAM, A12/52, folio 55; 18 April 1884, folio 126; 2 May 1884, folio 134; Wrigley to Armit, 6 October and 3 November 1884, A12/27, folios 52 and 87; 14 February 1885, folio 188.

56. Wrigley to Armit, 3 November 1884, HBCA, PAM, A12/27; Wrigley to Kerr, 9 June 1885, folio 354; Kerr to Wrigley, 10 June 1888, folio 354.

57. Wrigley to Armit, 13 October 1884, HBCA, PAM, A12/27, folio 60; 12 March 1885, folio 233; 12 September 1885, folio 396.

58. See the semiannual Reports of the Governor and Committee of the Hudson's Bay Company, 1870 to 1885, especially 30 June 1885, HBCA, PAM.