

## **Professional vs. Proprietor: Power Distribution in the Railroad World of Upper Canada/Ontario, 1850 to 1881**

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### Article abstract

A la lumière de l'évolution des techniques administratives britanniques et américaines, l'auteur analyse les structures administratives des chemins de fer ontariens Great Western et Northern durant la deuxième moitié du dix-neuvième siècle.

A prime abord, il appert que, bien que les chartes des deux organismes confiaient le pouvoir décisionnel à un groupe de directeurs élus par les actionnaires, les administrateurs désignés ne possédaient ni le talent, ni l'expérience, ni même le temps pour assumer convenablement ces lourdes responsabilités. Cette situation n'était en rien différente de celles qui prévalaient aux États-Unis et en Grande-Bretagne; cependant, elle était ici compliquée par le fait que les chemins de fer ontariens se devaient d'avoir deux conseils d'administration, l'un, canadien, et l'autre, britannique. Par la force des choses, on en vint à confier la charge de tout diriger à une seule personne, et, c'est ainsi que l'on retrouva Charles John Brydges, puis Thomas Swinyard à la tête de la Great Western et Fred C. Cumberland à celle de la Northern.

L'auteur décrit la carrière de chacun de ces hommes qu'il considère comme des professionnels de l'administration pour l'époque. Chacun, à sa façon, a tenté d'appliquer ce qu'il y avait d'innovateur dans les techniques administratives britanniques et américaines; chacun a de plus occupé d'autres postes que l'on peut qualifier de haute administration. Au fait, ils sont tous trois morts riches. En somme, à travers eux, on voit émerger un nouveau type d'homme, celui de l'administrateur qualifié travaillant à salaire.

Une restriction s'impose cependant: en dépit de leur compétence respective, ils n'ont pas réussi à assurer une véritable autonomie à l'administration telle qu'elle s'observe ailleurs, notamment aux États-Unis. Ceci reflète le sous-développement de l'économie ontarienne qui doit importer ses argents et ses compétences. L'auteur conclut en se demandant si cet état de chose n'a pas contribué à entretenir l'état de dépendance dans laquelle l'économie canadienne s'est développée.

# *Professional vs. Proprietor: Power Distribution in the Railroad World of Upper Canada/Ontario, 1850 to 1881*

PETER BASKERVILLE

In recent years scholars of both British and American history have examined the evolution of nineteenth-century railroad management. Both groups have discovered leaders and innovators. Neither group has been much concerned with the other.<sup>1</sup> Perhaps managerial techniques and philosophies were homegrown and interaction along these lines between the two railroad worlds was indeed minimal. As with many other aspects of Canada's development, however, the evolution of railroad management in Upper Canada/Ontario did not occur in a vacuum. From the perspective of British and American managerial development, this paper will examine the management structures of the Great Western railroad between 1850 and 1869 and the Northern railroad between 1850 and 1881.<sup>2</sup>

Although the charters of both railroads vested supreme management power in a directorate elected by a majority vote of shareholders, such a stipulation

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1. For American development see A.D. Chandler, Jr., *The Railroads: The Nation's First Big Business* (New York, 1965); "The Railroads: Pioneers in Modern Corporate Management", *Business History Review*, 39, 1965, pp. 16-40; *The Visible Hand: The Managerial Revolution in American Business* (Boston, 1977); T.C. Cochran, *Railroad Leaders, 1845-90: The Business Mind in Action* (Cambridge, 1953); and James A. Ward, "Power and Accountability on the Pennsylvania Railroad, 1846-1878", *Business History Review*, 49, 1975, pp. 37-59.

For British development see T.R. Gourvish, *Mark Huish and the London and North Western Railway* (Leicester, 1972); "Captain Mark Huish: A Pioneer in the Development of Railway Management", *Business History*, 12, 1970, pp. 46-58; and "A British Business Elite: The Chief Executive Managers of the Railway Industry, 1850-1922", *Business History Review*, 47, 1973, pp. 289-316.

An important work which does look at interaction is D. Adler, *British Investment in American Railways 1824-98* (Charlottesville, 1970). See also L. Jenks, *The Migration of British Capital to 1875* (New York, 1927). For a later period see P. Roy, "Direct Management from Abroad: The Formative Years of the British Columbia Electric Railway", in *Business History Review*, 47, 1973, pp. 239-59.

2. The managerial structure of nineteenth-century Canadian railroads and Canadian business in general has been virtually ignored. Tom Naylor's recently published *The History of Canadian Business, 1867-1914*, vol. 1 and 2 (Toronto, 1975) ignores this factor. A.W. Currie, *The Grand Trunk Railway of Canada* (Toronto, 1957) is helpful; as is J.M. and Edward Trout, *The Railways of Canada* (Toronto, 1971: reprint 1871 edition). For the early experience in Montreal, see G. Tulchinsky, *The River Barons: Montreal Businessmen and the Growth of Industry and Transportation* (Toronto, 1977).

became irrelevant to actual needs and practices.<sup>3</sup> No railroad directorate in the period under review possessed the experience, talent or time to cope with the awesome responsibilities of management. Neither road possessed a director who devoted full time to railroad affairs. Nor did either road have a resident director who owned more than a nominal number of shares in the corporation. This situation was similar to that of many British and American roads in the same period.<sup>4</sup> But a third factor, absent from British and most American lines, further complicated the Canadian experience. The Great Western after 1854 and the Northern after 1860 had two directorates. Reflecting both the flow of investment funds and Canada's "colonial" status, each had a British as well as a Canadian board.<sup>5</sup>

## I

The separation of managerial control from company ownership has often been cited as a key step in the emergence of modern corporate organization.<sup>6</sup> Such separation came so swiftly to the Great Western and Northern railroads that it antedated their operational phases. Almost from the beginning the owners of the Great Western, especially, were fighting an at times desperate battle to regain something they had never really possessed—control.

Both roads opened parts of their lines to traffic in 1853. Prior to that date neither the shareholders nor the directorate had managerial control; rather power without accountability rested with the chief engineer working with or controlled by the contractor.

International practice varied concerning the nature of the contract itself. In England the contract specified a definite sum for the construction of the entire work and thus gave to the road's managers and shareholders alike some guarantee as to the ultimate cost of construction. In the 1850's the American principle was far different: estimates concerning total costs were not binding on the contractors. Rather a schedule of prices for the various types and grades of material was agreed upon with the amount of material to be determined as construction progressed. This open-ended principle reflected the power wielded by large American contractors at this stage of American railroad development. It was not necessitated, as would seem to have been the case on the Canadian Pacific Railway in the 1880's, by excessively difficult terrain.<sup>7</sup>

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3. Metropolitan Toronto Central Library (M.T.C.L.), Act to Incorporate the Toronto Simcoe and Lake Huron Union Railroad Company, August 29, 1849, in *Northern Railroad Reports*, 49. The Northern went through several name changes before 1857.
  4. For a detailed analysis of the social and business backgrounds of Upper Canadian railroad directors between 1845 and 1860, see P. Baskerville, "The Boardroom and Beyond: Aspects of the Upper Canadian Railroad Community", (Ph.D. thesis, Queen's University, 1973), pp. 295-356. For an American example, cf. Ward, *op. cit.*, p. 39.
  5. So, too, for much of this period, did the Grand Trunk Railroad.
  6. See, for example, Glenn Porter, *The Rise of Big Business* (New York, 1973), p. 12.
  7. Public Archives of Canada (P.A.C.), *Fleming Papers*, 6, Report of Commissioners on Intercolonial Railway, January 26, 1869; *Special Meeting*, Great Western Railway,

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The contractor played a multi-faceted role in these early years. Because railroads were cash poor, contractors had to take some shares and bonds as payment for services. They accepted securities in order to keep active the generally large number of employees and capital equipment amassed from previous jobs. Thus, to the role of builder, the contractor added the role of short-term investor.<sup>8</sup>

Yankee contractors, due to proximity and early investment, were hired by the Northern and Great Western. On both railroads, through the agency of the chief engineer, these men assumed the role of manager. Since monthly payments to the contractor were contingent on the chief engineer's estimates of the value of the completed work, it was imperative that the contractor gain control of the engineer's office. M.C. Storey and Company, the Northern's contractors from New York, did not mince words. To guarantee the appointment of a friendly engineer, they informed the directors, they would pay "all the expenses of the Engineer's Department" or, failing that, they desired a man "who shall be such a person as we may approve." Horatio C. Seymour, a former chief engineer of New York state and a large contractor in his own right, was their appointee.<sup>9</sup> In this early phase Seymour controlled the letting and supervising of contracts. According to one well placed contemporary observer, the "contractors by tendering at double the value" could afford to take only half payment in cash and the rest in "stocks and bonds."<sup>10</sup>

A similar situation existed on the Great Western. The contractor for the eastern division, Samuel Zimmerman, had R.C. Benedict, a former employee, appointed chief engineer in 1851.<sup>11</sup> As one frustrated applicant for the engineer's post exclaimed, "as to my serving under the auspices of Roswell Benedict—alias Sam Zimmerman—it is absurd and never can be as long as I could obtain a Rodman's berth anywhere else."<sup>12</sup> The Great Western's engineers and contrac-

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September 29, 1852; T.D. Regehr, "Contracting for the Canadian Pacific Railway", in L.H. Thomas, ed., *Essays in Western History in Honour of L.G. Thomas*, (Edmonton, 1976), pp. 113-28.

8. H. Pollins, "Railway Contractors and the Finance of Railway Development in Britain", *Journal of Transport History*, 1957, pp. 46-7; A.D. Chandler, Jr., *Henry Varnum Poor, Business Editor, Analyst and Reformer* (Cambridge, 1956), p. 112; P.A.C., *Canadian National Railway Papers* (hereafter *C.N.R.*), 1414, Northern Minutes, M.C. Storey and Company to Director, November 15, 1850, pp. 106-9.
9. P.A.C., *C.N.R. Papers*, 1414, Northern Minutes, M.C. Storey and Company to Directors, November 15, 1850, p. 108; Chandler, *Poor*, p. 112.
10. Cited in Currie, *op. cit.*, p. 262; M.T.C.L., Ontario Simcoe and Huron Railroad Union Company, Eight Letters, 9.
11. Benedict was one of the "host of Yankees" Zimmerman brought with him from his previous work on the Welland Canal. See F.N. Walker, *Daylight Through the Mountains* (Montreal, 1957), p. 82; Public Archives of Ontario (P.A.O.), *Shanly Papers*, 85, Walter to Francis Shanly, June 18, 1847.
12. P.A.O., *Shanly Papers*, 85, Walter to Francis Shanly, December 1, 1850.

tors were a tightly knit group which controlled contracts on at least four Upper Canadian railroads in the 1850's.<sup>13</sup>

Under existing regulations Benedict had complete power: none of the directors attempted to oversee his actions. Without fear of reprisal, he could cancel a contract and relet it to two of the three original participants at over double the original price. Concerned by slow progress, the American investors pushed for an inquiry which ultimately laid bare the extent of contractor control. The problem was not simply, as the Great Western's president later attempted to explain, that the American rather than the British system offered more latitude to the engineer and contractor. Great Western contracts left unspecified not only quantities, but also the *price* of all required material. "Men of ordinary sagacity," the inquiry fairly stated, would hardly enter into such a contract "unless . . . they had good reason to confide in the liberality or the favor of the engineer." Under this system the contractors controlled the road. "If there are not stipulated prices and thus practically no contracts," the inquiry concluded, "then the company has no security for the execution of the work for the contractor will not go on upon an award or estimate unsatisfactory to him."<sup>14</sup>

An indication of the harm done to the company by this system is the updated estimate of construction cost submitted by Benedict in November, 1852. It was one million dollars more than the previous estimate a scant two months earlier. "It is most incomprehensible", moaned the president.<sup>15</sup> It was hardly that. The fundamental problem lay in the area of management. While accountable to shareholders, the directors had no control. The engineers and contractors, because of their expertise, had the power, but not the responsibility. Peter Buchanan, the Great Western's London agent, deftly summed up the situation: "How surely people may be deceived by scientific *fools or knaves* and how improper it is for men to . . . be what they are totally incompetent for—I refer to the Directors."<sup>16</sup>

## II

Soon after commencing operations, the owners of both roads made concerted attempts to place corporate control at the directorate level. The situation on the Great Western was the most complex. After discussions between the American and British investors and the Canadian directors, a general manager, Charles John Brydges, was sent over from England on a three year contract to clean up the concern. Many of the more important members of the directorate,

13. See *Ibid.*, 81, Walter to Francis Shanly, February 21, 1851; P.A.C., *Buchanan Papers*, 99, Woodstock and Lake Erie Railroad Minute Book, *passim*; 5, Brydges to Peter Buchanan, July 2, 1853 (copy); Toronto *North American*, January 20, 1853; Hamilton *Gazette*, August 1, 1853; Hamilton *Spectator*, March 19, 1857.
14. P.A.C., *Buchanan Papers*, 94, Inquiry into Engineer's Department, (all quotes, this source). On Benedict see Albany Institute of History and Art (A.I.), *Corning Papers*, Forbes to Corning, September 11, 1852. For president's explanation, see *Special Meeting*, Great Western, September 29, 1854.
15. Great Western Railroad, *Annual Report*, June 6, 1853, p. 8; P.A.C., *Buchanan Papers*, 30, R.W. Harris to Isaac Buchanan, November 12, 1852.
16. *Ibid.*, 14, Peter Buchanan to Isaac Buchanan, December 2, 1852.

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however, including the board's unpaid president, R. W. Harris, were "very sick of railway matters" and looked to the twenty-five year old Brydges, a man who had risen to the post of assistant secretary on a British railroad, to relieve "the Board of a great amount of business of which we were and are very ignorant." How much and what kind of business the Board never clearly set down, the result being, as Brydges explained several years after his arrival, "You know perfectly well how much difficulty there was for the first two years of my residence in this country to get the Board to act and hence the responsibility that I was compelled to assume—and which at last grew into a system."<sup>17</sup>

The Great Western made no attempt to define the internal lines of corporate power and accountability. With great energy Brydges arrogated to himself control of all major facets of the concern and did so initially at least with the passive acquiescence of the directors. The directors, of course, had never had power in the first place; the contractors had that and against them Brydges acted swiftly. After "a proper and accurate survey of the line," Brydges stated, all required material will be specified as to quantity and cost and the contractors shall be given specific instructions pertaining to all details of the work in progress. He did away with the old "principle" upon which contracts were made.<sup>18</sup> In addition to controlling the chief engineer's office and, by extension, the contractor's, Brydges fired the company's auditor and, without consulting the directors, proceeded to make "changes in the existing regulations" governing accounting procedures. Traffic matters became his personal domain: this included the purchasing of as much rolling stock as he deemed necessary; the arrangement of significant rate and travel agreements with the Michigan Central and New York Central lines; the securing of financing from the Bank of Upper Canada; and the purchasing of steamers for Lake Ontario. His position of power peaked in June, 1853, when he was named a director and became the Great Western's vice-president.<sup>19</sup>

A similar situation occurred on the Pennsylvania railroad in the early 1850's. After a protracted struggle in 1852, John Edgar Thomson, a railroad professional, was elected to the board and became that road's president. One historian claims that this ended the separation between a directorate representative of and answerable to an outside community of investors and a professional management answerable to the directorate. "Thomson thus represented a new class of men,

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17. *Ibid.*, 51, Radcliff to Harris, February 7, 1856; 30, Harris to Isaac Buchanan, November 12, 1852, November 5, 1852; 5, Brydges to Isaac Buchanan, February 29, 1856.
  18. *Ibid.*, 5, Brydges to Isaac Buchanan, May 16, 1853; 30, Harris to Peter Buchanan, November 19, 1853; A.I. *Corning Papers*, Clark to Corning, February 7, 1853. Nevertheless, Zimmerman continued to exert great influence within the Great Western. See PAC., *Buchanan Papers*, 39, Longsdon to Harris, April 17, 1855; P.A.C., *C.N.R. Papers*, Great Western Railroad, English Board Minutes (hereafter E.B.M.), 10, June 27, 1855.
  19. P.A.C., *Buchanan Papers*, 3, Benton to Isaac Buchanan, April 12, 1853; 27, Gilkison to Harris, August 6, 1853; P.A.C., *C.N.R. Papers*, Great Western Railroad, Canadian Board Minutes (hereafter C.B.M.), 2, June 6, 25, October 1, 1853.

beholden less to the mercantile and financial community of Philadelphia, than to the long run success of the corporation itself.' Thomson maintained his position for some twenty years and in the process relegated the directors to the role of ciphers and the shareholders "to virtual impotency."<sup>20</sup>

Was, then, 1853 a similar watershed in terms of solving the vexatious problem of power and accountability on the Great Western? Despite Brydges' best attempts, the answer is no; the reasons for this relate as much to the ownership pattern of Canadian lines as to Brydges' incompetence. Equity ownership of the Pennsylvania railroad, while initially concentrated in the Philadelphia area, was by 1874 spread over nearly 7,500 stockholders, many of whom were out-of-state and a few in England.<sup>21</sup> This diffuse ownership pattern was not characteristic of the Great Western. By January, 1853, over twelve thousand shares had been purchased by a fairly tight knit group in England; eight thousand by Michigan Central and New York Central railroad interests; and only some four thousand by Canadians.<sup>22</sup> Each of the "foreign" investment groups used their equity holdings to extract managerial concessions from the Canadian board. Since the Americans were the first investors and since initial British investment was contingent on American involvement, the Americans obtained three directors and two top-level executive positions. The British seemed content with the appointment of Brydges as general manager.<sup>23</sup>

The most prominent of the British investors were survivors of the British railroad mania of the 1840's and as a result looked askance at branch line construction, expansive tactics and competitive struggles. The Canadian directors and Brydges took the opposite view. Throughout 1853 and 1854, disagreement over competition with the Grand Trunk railroad, the acquisition of a number of branch lines and extensions to the main line drove the British shareholders further and further from the Canadian directors.

This disagreement was made even more acute by the swiftly changing pattern of ownership. The proceeds from the shares in the hands of the Michigan and New York Central railroads were slow materializing. In part because Michigan Central interests had distributed shares to their employees and those employees could not meet further calls and because railroad competition in both states attempted to block the sale, the level of American investment fell below expectation.<sup>24</sup> This, coupled with the increasing disenchantment felt by the primary

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20. Ward, *op. cit.*, pp. 47-8, 58.

21. *Ibid.*, pp. 50-1, fn. 53. Even after 1888 when some 47 per cent of shares were foreign owned, no representative of the foreign shareholders was allowed to sit on the board. The New York Central also resisted active British participation, cf. Adler, *op. cit.*, pp. 176, 198.

22. P.A.C., *John Young Papers*, 2, Disposition of Stock, January 12, 1853.

23. *Ibid.*, 1, Peter Buchanan to Young, January 2, 1851 (strictly confidential); Harris to Young, January 9, 1852; Peter Buchanan to Young, January 23, 1852. P.A.C., *Buchanan Papers*, 14, Peter Buchanan to Isaac Buchanan, January 21, 1852.

24. P.A.C., *John Young Papers*, Letter Book (hereafter LB) 4, Young to Forbes, November 12, 28, December 3, 1852; Young to Harris, February 6, 1852; Young to

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American investors towards certain railroad regulations imposed by the Canadian government, compelled the Canadian directors to seek more and more of their capital in England. According to one source, by mid 1854 the British owned nine-tenths of the shares and by the end of that year their investment totalled £900,000, by far exceeding American, Canadian government and Canadian individual investment.<sup>25</sup>

Receiving no satisfaction (one frustrated British investor exclaimed in October, 1853, "In short it is '*Brydges and war*' or vice versa"), the English stockholders set up a Committee of Correspondence to supervise and monitor the road's activities. By the end of 1854, the Committee had become a board of directors which, while legally subordinate to the Hamilton board, possessed increasing power.<sup>26</sup> To facilitate long distance control, the British sent William Longsdon, a man with twenty years of railroad experience, to Canada as general superintendent.<sup>27</sup> In part to raise funds for renovation, new rolling stock and general financing, they encouraged the Canadian board to petition parliament for legislation which would double the common stock. Equally important, the legislation would let the English stockholders vote by proxy at Canadian board meetings, thus allowing them to exercise executive as well as financial control. This represents an early example of British direct investment in Canada and gives to the general problem of ownership and control under review here a very modern dimension—and a dimension not confronted by most large American and British roads.<sup>28</sup>

The British directors instructed Longsdon to supply "confidential" and unbiased information on the Great Western's problems and to restructure the administrative machinery so that Brydges would be subservient to the Canadian board and the Canadian board more receptive to British desires.<sup>29</sup> Longsdon wasted no time. Assuming the vice-presidency (a post previously held by Brydges), he enlarged the finance committee to include board members, increased that committee's supervisory powers and the frequency of its meetings, and improved its records keeping. No longer was Brydges to have control of both

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J.B. Varnum, February 7, 1852; 1, Forbes to Young, February 28, 1852 (private), March 2, 1852; Corning to Young, November 17, 1851.

25. Currie, *op. cit.*, p. 169; Douglas McCalla, "Peter Buchanan, London Agent for the Great Western Railway of Canada", in D.S. Macmillan, ed. *Canadian Business History, Selected Studies* (Toronto, 1972), p. 207.
26. P.A.C., *Buchanan Papers*, 37, Laing to Peter Buchanan, October 26, 30, 1853; Great Western Railroad, *Annual Report*, April 6, 1854 (London), p. 9. McCalla, *op. cit.*, p. 211.
27. P.A.C., *Buchanan Papers*, 94, Laing to Shareholders, May 1, 1854.
28. Currie, *op. cit.*, pp. 168-9; On the general subject of British direct investment see D.G. Paterson, "British Direct Investment in Canada: Estimates and Determinants, 1890-1914", (Ph.D. thesis, University of Sussex, 1971), especially pp. 29-30. Many of the local Canadian directors objected to the proxy clause; see P.A.C., *Buchanan Papers*, 15, Peter Buchanan to Harris, May 18, 1855.
29. P.A.C., *Buchanan Papers*, 15, Peter Buchanan to Harris, May 18, 1855; 5, Peter Buchanan to Brydges, May 12, 1854.



financial and operating affairs. Henceforward, he would take "active superintendence of the outdoor business" while Longsdon or his successor would control the internal, financial matters. In addition Brydges could effect "no agreement, contract or extension of the line, no lease, agreement with other companies, no appointment of officers, not being workmen, nor any other important outlay" without the board's permission. Finally, Longsdon set up a management committee consisting of Brydges, the president, vice-president and one other director to assist Brydges in running the traffic and to counteract his policy of "at all times [making] himself the sole depository of information."<sup>30</sup>

The middle years of the 1850's marked the crucial stage in the evolution of a management structure for the Great Western. The basic principle of a managerial system had been set down, although due both to some consummate and unethical hoodwinking perpetrated by Brydges and the intransigence of the Canadian board it did not begin to operate close to the fashion desired by the British owners until the early 1860's.<sup>31</sup> That system was very much in the British centralized, departmental tradition. Little control or responsibility was delegated below the board, or committees composed of board members and ultimately answerable to the board.<sup>32</sup> British railroad men apparently believed that this type of administrative structure best facilitated control by the road's owners. For them this marked a significant point of departure from what they considered to be the American system. Longsdon, for example, believed that by controlling Brydges he had eradicated from the Great Western the major fault found on American roads:

. . . that of giving entire control to one man is peculiarly an American system and a bad one too. Boards of Directors in that country, except in a few cases, meet only once in three or four months, necessarily forcing all management into the hands of their Superintendent. Here [Hamilton] the Board meets twice each month—all business is brought before it and the Managing Director's power is controlled by it.<sup>33</sup>

Longsdon was correct in his comparison—as far as he went. While American directors were relatively weaker and a few professionals or sometimes even one

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30. P.A.C., *C.N.R. Papers*, Great Western Railroad, C.B.M., 2, October 1, 1853, June 9, 20 September 5, 26, 1854, May 11, 1855; P.A.C., *Buchanan Papers*, 39, Longsdon to Peter Buchanan, February 17, 1855 (private); Longsdon to Harris, April 17, 1855 (private).

31. P. Baskerville, *op. cit.*, pp. 254-82.

32. Chandler, "The Railroads: Pioneers in Modern Corporate Management", *op. cit.*, pp. 56-7. Gourvish, "Huish: A Pioneer", p. 57. The board should represent only shareholder's interests. Thus Longsdon opposed governmental representation. "If the government will cancel their mortgage claim of £700,000 . . . and will take stock to that amount by all means let them nominate an equitable proportion of Directors." P.A.C., *Buchanan Papers*, 39, Longsdon to J.C. Morrison, March 20, 1855.

33. P.A.C., *Buchanan Papers*, 39, Longsdon to J.C. Morrison, March 20, 1855. British board members were extremely reluctant to grant too much authority to any one board member—a hesitancy not found on American lines. In this sense R.W. Harris of the Great Western was a British style railroad president. See Gourvish, "A British Business Elite", 312-3; Cochran, *op. cit.*

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could control a road's management, this was possible because of a fundamentally different managerial structure—a difference not perceived by Longsdon, nor, presumably, by the London owners. Most long roads in the United States operated within a divisional rather than a departmental structure. According to Alfred Chandler, Jr., a pre-eminent historian of American business, this system “permitted a flexibility of control and a decentralization of decision-making that made possible more effective handling of traffic over tracks hundreds of miles long and as many miles away from the central administrative office.”<sup>34</sup> For this reason professionals like John Thomson could operate, seemingly single-handedly, a road as huge as the Pennsylvania. Because the British managerial system precluded decentralization of executive or professional control, the attempt of one man to operate successfully the Great Western was doomed to failure.<sup>35</sup>

Nor is there any evidence to suggest that Brydges was prepared to change the system within which he attempted to exercise autocratic control. In fact, as president in the late 1850's of the Detroit and Milwaukee, a Great Western affiliate, Brydges showed no desire to decentralize executive control and instead maintained all power in his own hands. From this perspective it is easy to understand why that road was soon hopelessly in debt.<sup>36</sup> Such situations certainly underline the correctness of the British decision to accept Brydges' resignation in 1862.

To conclude, however, that mismanagement of the Great Western was simply Brydges' fault would be unfair. No one at the board level advocated devolution of executive control along the lines of the American system. One reason for this seems obvious. Continued suspicion of the competence and policies of the Canadian directors and, indeed, of their own executive appointees prompted the British owners to continue a system within which they themselves had matured. The very nature of the system militated against the appointment of a sufficient number of professionals to adequately run the railroad. As a result the managers who followed Brydges, while often possessing greater professional experience, fared little better than he.

Thomas Swinyard, Brydges' replacement in 1862, is a case in point. Beginning his railroad career at sixteen, he was schooled under two of the most progressive railroad managers in British history, Edward Watkin and Mark Huish. A general manager and director of a number of British railroads, Watkin was also an influential president of the Grand Trunk railway in the 1860's. Mark Huish pioneered professional control and the devolution of responsibility on British lines. As principal secretary to Huish while the latter was general manager of the London and North Western railroad during its progressive management period, Swinyard learned much. That he was also principal assistant to Huish's successor,

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34. Chandler, “Railroads: Pioneers”, p. 37; *Visible Hand*, *op. cit.*, p. 106 ff.

35. By early 1854 Brydges was unable to handle the increasingly complex tasks. For situation on the Pennsylvania, see Chandler, *Visible Hand*, p. 106.

36. P.A.C., *C.N.R. Papers*, 874, Detroit and Milwaukee Minutes, January 22, April 7, 8, 1858; Upper Canada, *Court of Queen's Bench*, 22, Commercial Bank vs. the Great Western Railroad, p. 233; Upper Canada, *Court of Error and Appeals Reports*, 2, Great Western Railroad vs. Commercial Bank, 285, p. 320.

William Cawkwell, at a time when the London and North Western's board was trying to reassert control, made Swinyard peculiarly well suited for the Great Western position.<sup>37</sup>

Despite continued problems in dealing with the truncated, but very jealous Canadian board, and in working within the limited latitude granted by the more powerful London directors, Swinyard did manage to introduce into Canadian railway management some of the more modern of Huish's innovations. Following Huish he made sophisticated use of statistical data, especially those pertaining to train-mile, passenger-mile, and ton-mile figures.<sup>38</sup> He introduced a system "of frequent meetings and conferences between the heads of the different departments of [the] line," another innovation pioneered by Huish in Britain.<sup>39</sup> Soon after his arrival, Swinyard sponsored continuing "Traffic Conferences[s] at which we discuss Rates" between F. Cumberland of the Northern and Brydges of the Grand Trunk. This, too, followed Huish's introduction of General Manager's meetings in England in the 1850's.<sup>40</sup>

Finally, and most significantly, there is evidence to suggest that Swinyard attempted to follow Huish in "the delegation of authority to paid officials and the creation of a professional managerial class."<sup>41</sup> At this crucial point the London directors drew a firm line. Under pressure to reduce expenses from the day of his arrival, Swinyard was early in 1863 "reducing not increasing staff." Nor were the salaries of his junior professionals at all competitive with British rates.<sup>42</sup> These factors made it difficult for him to hire an adequate number of professional assistants. Writing to Swinyard in June, 1863, the Great Western's president, F.S. Head, put the issue in a nut shell: "I mean that the whole thing is to be under *you* and that we shall hold *you* responsible for every department. . . ."<sup>43</sup> Given his experience under Cawkwell, Swinyard never really expected anything different. "[B]elieve me," he wrote to one British correspondent,

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37. University of Western Ontario Archives (U.W.O.), *Thomas Swinyard Papers*, Out L.B., 1870-1883, Swinyard to Watkin, November 17, 1875 (private); President's LB, Swinyard to Jas. Blenheim, October 23, 1863 (private); Gourvish, "Huish: A Pioneer", p. 57. Swinyard named one son after Watkin and another after Huish.
  38. U.W.O., *Baring Family Papers*, Comparative Statement of Receipts and Expenditures, 1854-63; Weekly Traffic Earnings 1854-73; Passengers and Tons of Freight and Livestock and Earnings, Through and Way, 1865-75; Traffic and Sources, 1865-75. Gourvish, "Huish: A Pioneer", p. 52.
  39. U.W.O., *Swinyard Papers*, LB, 1862-64, B. Brackstone to Swinyard, February 7, 1863; Gourvish, "Huish: A Pioneer", p. 53.
  40. U.W.O., *Swinyard Papers*, LB 1862-64, Brackstone to Swinyard, May 9, 1863; Swinyard to Scott, December 24, 1862; Gourvish, "Huish: A Pioneer", p. 56.
  41. *Ibid.*, p. 55; R.W. Camm, "History of the Great Western Railway", (MA thesis, University of Western Ontario, 1947), p. 55.
  42. U.W.O., *Swinyard Papers*, LB 1862-64, Swinyard to Muir, December 23, 1862; Swinyard to Stevenson, January 26, 1863; Swinyard to Huntley, December 24, 1862.
  43. *Ibid.*, LB 1862-64, Head to Swinyard, June 23, 1863 (private and confidential).

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it is they, [British directors] and not local directors in Canada, who ought to have the power—and *under their directions their Chief Officer and representative here should have supreme control*. This is the only method by which efficient and independent management can be attained.<sup>44</sup>

Despite Swinyard's outward acceptance of a subordinate relation to the London board, there can be no doubt that the board's refusal to sanction his delegation of authority and responsibility often put him in an awkward position. In April, 1863, concerning a problem which arose within the chief engineer's department, Head advised Swinyard to "let all responsibility rest on the chief engineer." At the same time he informed Swinyard that the British board had passed a resolution giving the general manager full responsibility for the issue.<sup>45</sup> To delegate authority without responsibility was risky business at best. Even a well trained, somewhat cautiously innovative manager like Swinyard was ultimately hamstrung by the limitations of the British system.

The British directorate certainly resembled the proverbial ostrich with its head in the sand. Successful examples of decentralization (London and North Western) were right under its nose. When the London and North Western's directors began to reimplement "continuous control and direction of the Board", the company began to falter. Had the Great Western's directors taken note of this, they might have concluded that a managerial system insufficient for the running of a British road was triply so for the management of a road thousands of miles away. To a great extent the outmoded managerial structure which accompanied British capital to Upper Canada precluded a decent return on that capital.<sup>46</sup>

This point is given greater weight when it is realized that British investors in American railroads rarely if ever, attempted to exercise such continuous and direct executive control. While "protective committees" were occasionally instituted in the 1850's, they were temporary and never evolved into separate directorates. Indeed, it was not until the 1880's that some committees took on a more permanent existence. Nor is there much evidence to suggest that British managers were regularly sent to American roads. In fact, the most comprehensive study of British investment in American railroads concludes that "the British did not ordinarily intervene in the day to day running of the railways in which they invested. This they felt would be better left to the Americans."<sup>47</sup> In contrast to his counterparts in the United States and England, the progressive Canadian manager had two boards to deal with and most often could shake loose from only one.

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44. *Ibid.*, LB 1862-64, Swinyard to Mangles, March 9, 1863 (my emphasis).

45. *Ibid.*, LB 1862-64, Head to Swinyard, April 30, 1863 (private and confidential).

46. Gourvish, "Huish: A Pioneer", p. 57. See Roy, *op. cit.*, for a different conclusion concerning another example of British control. This process was being accepted with increasing resignation by Canadian railroad men. In August, 1862, Brydges was "of opinion that *all* the Railways will be governed by Boards in England *only* before very long." Hamilton Public Library, *Young Papers*, R. Juson to Young, August 21, 1862 (my emphasis).

47. Adler, *op. cit.*, p. 176 ff., quote on p. 200.

## III

In comparison to the Great Western, the evolution of the Northern's managerial structure is a study in simplicity. One basic reason for this relates to the different size of the two roads. The Northern barely exceeded two hundred miles in length; the Great Western and its Upper Canadian affiliates were close to five hundred miles.<sup>48</sup> In terms of rolling stock and gross annual revenue, the Northern was roughly one-fifth the size of the Great Western.<sup>49</sup> Yet the Northern was over twice as long as those roads deemed by Chandler suitable for virtually one-man rule.<sup>50</sup> As will be shown, the different managerial histories of the Northern and Great Western can be accounted for by factors other than simply size.

In 1852 the Northern appointed Fred C. Cumberland, British born and an Upper Canadian resident since 1847, as chief engineer. Cumberland, a successful architect with some British railroad experience, held this post for two years and reappeared as director in 1857 and vice-president in 1858. From 1859 until his death in 1881, he held the post of General Manager or Managing Director. As chief engineer, he upgraded the level of construction and, in order to satisfy the Upper Canadian government, one of the road's largest investors, he renegotiated the contract with M.C. Storey and Company. By February, 1853, the "whole of the engineering staff, previously in the service of the contractors [was] reorganized and transferred to the service of the Company and placed under the direct authority and control of the Chief Engineer." No longer could unauthorized personnel let contracts. Finally, Cumberland promised the shareholders, the whole authority of construction and management was "now centred in and exercised by the Direction and its responsible officers."<sup>51</sup> Unlike the Great Western, the Northern's board very quickly recaptured managerial control.

In 1854, on completion of the entire road, the traffic branch of operations was transferred from the chief engineer to the newly created superintendent's department.<sup>52</sup> Under the supervision of the directors, with lines of authority fairly clear, the superintendent became the most important executive officer on the Northern for the next six years. That he was not outside directorate control can be indicated in several ways. J.C. Morrison, the road's president, while not devoting full-time to the task, was paid one thousand pounds a year.<sup>53</sup> By Upper

48. Commission on the Northern Railway Company (hereafter N.C.), *Journals*, Sessional Papers, 10, Appendix 5, 1877, pp. 97, 176. Trout, *op. cit.*, p. 102.

49. Calculated from Trout, *op. cit.*, pp. 100-1 and 112-3.

50. Chandler, "Railroads: Pioneers", p. 21. In terms of mileage and capitalization the Great Western falls within Chandler's guidelines for other than one-man rule. The Great Western is light in terms of traffic carried. *Visible Hand*, p. 98 ff.

51. *Chief Engineer's Report to the President and Directors of the Ontario Simcoe and Huron Railway Company*, February, 1853, pp. 6, 16, 23-4.

52. *Chief Engineer's Report*, July 14, 1854, p. 17.

53. Legislative Assembly, *Journals*, 1857, Appendix 6; *Toronto Globe*, July 17, 1855, *Annual Report*, Northern Railroad. This payment was in direct contrast to Harris on the Great Western. The Northern's owners would seem to favor a strong president along American lines. That significant American investment existed at this stage strengthens this supposition.

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Canadian standards this was an enormous sum and, if it was not a complete boondoggle, the expectation must certainly have been that Morrison would be as active as possible. Fragmentary evidence, including Cumberland's testimony in the late 1870's, suggests that he was quite active. Coupled with the firing of one superintendent in 1856, these events indicate that the directorate did retain executive control in these years, thus fulfilling the letter of the railroad's charter.<sup>54</sup>

Although the road was being managed according to the provisions of its charter, it was by 1857 nearly bankrupt. Management by the Canadian directors proved to be a failure; in some desperation the despondent directors called upon Cumberland to reassume an active executive position. At the same time, the government, since it was the road's largest investor and had not received any return on its money, took over the road's management.<sup>55</sup> In 1860 the British bondholders—the second largest investor group—and the government reached an accord whereby the bondholders would raise £250,000 new money and would be given preference ahead of the government for repayment. As a result of this agreement the bondholders were, for the first time, “allowed to participate in the franchise and control the government of the road.”<sup>56</sup> The shareholders, concentrated in Upper Canada and New York, were ousted from control. Not only did they not receive any dividends throughout the road's history, but they had no representation on the road's directorate from 1860 until the late 1870's.<sup>57</sup>

Appointed general manager in 1860 by the London bondholders, Cumberland very quickly took personal control of the road's operations. Since he held the bondholder's proxies, he appointed the Canadian board. “Everything is under my control”, he stated in 1877 and no one contradicted him. Under his leadership the Canadian board met only intermittently and then simply sanctioned what Cumberland had initiated. He selected directors he felt would best serve the company in political dealings and in representing it in its hinterland.<sup>58</sup> In no way did the Canadian board function, or even attempt to function, as an executive body.

On the surface Cumberland was equally free of any restraints from England. “The London Board we regard as consultative . . . the power is in Toronto”, he informed an investigating commission in 1877. “I do not think the balance sheet has ever been sent to England”, he admitted. As long as the interest on their bonds was paid fully and reasonably promptly, the London directors gave Cumberland a free hand.<sup>59</sup> But, as his 1877 testimony indicates, Cumberland never

54. *N.C.*, p. 23; Toronto, *Globe*, June 19, 1856.

55. *N.C.*, p. 27; M.T.C.L., Pamphlets, *Re the Credit Valley and Northern Railway Companys*, March 5, 1880, p. 7; 22 Victoria, Chap. 89.

56. *N.C.*, pp. 7, 10.

57. *N.C.*, pp. 5, 15; M.T.C.L., *Statement of Private Shareholder's Case*, Northern Railroad, Toronto, 1874; P.A.C., *J.A. Macdonald Papers*, 367, J. Saurin McMurray to Macdonald, April 27, 1880 (private).

58. *N.C.*, pp. 31, 126, 15, 5; P.A.C., *Macdonald Papers*, 343, J.B. Robinson to Macdonald, January 31, 1871; 346, March 2, 1874; 305, Petition to Macdonald and Government.

59. *N.C.*, pp. 20, 91.

forgot where real control lay: the interests of the shareholders and government were virtually ignored; bondholders' interests were paramount.<sup>60</sup>

Freed from external executive control, Cumberland renovated the running facilities—keeping a firm hand on the contractors while so doing—and concentrated on the profitable local traffic, de-emphasizing the road's previous focus on the less remunerative through traffic.<sup>61</sup> Between 1862 and 1866, he completely reorganized the managerial structure in a manner suggesting streamlining and some devolution of authority. A full-time accountant was hired and the superintendent's responsibilities were split between a mechanical superintendent and a general traffic master.<sup>62</sup> Throughout the 1870's, when the Northern began to merge with several smaller roads, Cumberland kept control over all the ensuing staff reorganizations.<sup>63</sup> Without question he must rank as one of the more successful Canadian railroad managers active in the mid-nineteenth century. In direct contrast to the Great Western's situation, this managerial excellence was achieved within the context of a definite separation of executive control and ownership. And, again in contrast to the Great Western, the Northern's owners profited from such an agreement.

Or, at least they profited while Cumberland was alive and healthy. The degree to which the Northern was the creation of one man is indicated by the road's rapid deterioration after Cumberland's prolonged illness and death in August, 1881. "The truth is", John Ross, the bondholders' representative wrote in September, 1881, ". . . the cost of independent management of these small lines [is] out of proportion to the receipts and they are falling considerably behind in their returns."<sup>64</sup> In one sense, this is a tribute to Cumberland's skill and energy. In another, it suggests that Cumberland kept too much executive power in his own hands and thus there was no one able to succeed him from within the corporation.<sup>65</sup> In this sense his managerial strategy was more suited to a small, pre-corporate endeavor than to a modern corporate enterprise.<sup>66</sup>

#### IV

In many respects Brydges, Swinyard and Cumberland qualify as early examples "of the professional manager in an age when 'amateurs' were very much involved in management."<sup>67</sup> Often against the wishes of the owners or their representatives, they began to separate executive control from corporate ownership. In

60. His salary also reflected this: he received a £100 bonus for every 1 per cent paid on second and third preference bonds. *N.C.*, pp. 27, 31, 94.

61. *P.A.C.*, *Shanly Papers*, 34, Cumberland to ?, May 29, 1861; LB, 1860-64, F. Shanly to Worthington, June 19, 1861; *N.C.*, pp. 92-4.

62. Currie, *op. cit.*, p. 265; Northern Railroad, *Annual Report*, February 13, 1867.

63. *M.T.C.L.*, *John Harvie Papers*, Cumberland to Harvie, June 27, 1879.

64. *P.A.C.*, *Macdonald Papers*, J. Rose to Macdonald, September 30, 1881.

65. *P.A.C.*, *C.N.R. Papers*, 167, Northern Railway Company, 1880-86, August 11, August 16, 1881.

66. See Porter, *op. cit.*, pp. 12-3.

67. Gourvish, "Huish: A Pioneer", p. 57.

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varying degrees they attempted to employ several of the innovative managerial techniques current in British and, to a lesser extent, American railroad circles. To the early Canadian directors such separation and devolution of power were incomprehensible. Commenting on Brydges' power in the early 1850's, one merchant director confided to another: "What position would one be in were one to give our managers a like latitude!"<sup>68</sup> Representative of a small group of Canadian managers, Swinyard, Cumberland and Brydges acted as conduits transmitting modern managerial techniques from abroad to the ever-expanding business community of mid-nineteenth-century Canada.

In the process, as the careers of all three men indicate, they did "much to raise the status and augment the role of the non-owning salaried manager."<sup>69</sup> Despite Brydges' weaknesses, after he left the Great Western he held top managerial posts in the Grand Trunk, the Intercolonial and ultimately in the Hudson's Bay Company. In addition to these executive positions, he was an investor, shareholder and director of many other Upper Canadian businesses. Swinyard, too, found little difficulty in attaining high managerial posts in a variety of business concerns after leaving the Great Western in 1869.<sup>70</sup> While Cumberland remained with the Northern from 1860 until his death, he was able to use this position to invest in, promote and direct many other concerns at the same time.<sup>71</sup> Unlike most railroad promoters, all three executives died wealthy men. Finally, they held more than simply economic power. Their political influence, too especially the cases of Brydges and Cumberland, was significant in the period under review.<sup>72</sup>

This pattern of economic ascendancy, career mobility and political sway paralleled a similar development in the United States and Great Britain. It marked the emergence of an important bureaucratic elite which, as Weber long ago pointed out, would challenge the old capitalist owners for leadership in a number of areas.<sup>73</sup>

68. P.A.C., *Buchanan Papers*, 14, Peter Buchanan to Harris, July 7, 11, 1854.
69. Gourvish, "A British Business Elite", p. 290.
70. U.W.O., *Swinyard Papers*, LB Out 1870 ff, contains business correspondence from Swinyard when he was General Manager of the Dominion Telegraph Company. By 1887 he was president of a railroad company operating out of New York. P.A.C., *Macdonald Papers*, 441, PT 2, Swinyard to Macdonald, April 19, 1887.
71. He was a director of the Canadian Imperial Bank of Commerce, the Rama Timber Transportation Company, a hotel in Northern Ontario and several bridge and general carting companies.
72. For Brydges see P.A.C., *Macdonald Papers*, 191; U.W.O., *Swinyard Papers*, LB, 1862-64, E.P. Mackie to Swinyard, January 8, 1864, and *passim*. For Cumberland see P.A.C., *Macdonald Papers*, LB 10, Macdonald to A. Morrison, November 6, 1867 (private); LB 17, Macdonald to Cumberland, February 9, 1872 (private), June 7, 1872. For Swinyard see U.W.O., *Swinyard Papers*, LB, 1862-64, A. Mackenzie to Swinyard, May 3, 1864 (private); J.S. Macdonald to Swinyard, May 13, 1864; Alexander Cameron to Swinyard, July 18, 20, 1864.
73. Gourvish, "A British Business Elite", *passim*. Ward, *op. cit.*, pp. 56-9; William Miller, "The Business Elite in Business Bureaucracies", in Miller, ed., *Men in Business*, (New York, 1962), p. 288. The new elite would not, of course, alter the existing structure of society.



Compared, however, to the American railroad executives surveyed by Chandler, Upper Canadian managers achieved only a limited degree of autonomy from corporate ownership. In part this reflected the relatively underdeveloped nature of Upper Canada's economy. Money and managerial skills were often unavailable and had to be imported. In the mid-nineteenth century British investors financed most Upper Canadian railways. With British money came British personnel, British managerial ideas and British executive control. This stands in contrast to the American experience. British capital invested in American roads often constituted minority rather than majority interest. But even when the British investor gained financial dominance, his capital was not encumbered to the same extent by British personnel, managerial systems and direct executive control.

For this reason and despite the fact that the background and career patterns of the emerging salaried elite in Canada have yet to be investigated in a systematic way, the examples looked at here are surely suggestive.<sup>74</sup> All three men were of British background. Two of the three came to Upper Canada to fill a specific salaried position and thus were not part of any general migratory process. For their key professional assistants, Brydges and Swinyard usually hired from British railroads—and most often from roads on which they themselves had worked.<sup>75</sup> Cumberland's successor was sent by the British owners. Could it be that the level below ownership, that of the emerging salaried elite, was dominated in the first instance by imported British talent—thus contributing to the colonial or dependent tradition of Canadian business development?

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74. In two important articles T.W. Acheson has investigated the social origins of Canada's industrial elite. In neither article, however, does he systematically separate the salaried from other members of that elite. See "The Social Origins of the Canadian Industrial Elite, 1880-85", in Macmillan, *op. cit.*, pp. 144-74; and "Changing Social Origins of the Canadian Industrial Elite, 1880-1910", *Business History Review*, 47, 1973, pp. 189-217. For a modern investigation see Wallace Clement, *The Canadian Corporate Elite, An Analysis of Economic Power* (Toronto, 1975), especially pp. 208-9.
75. Note that when the railroads were in the control of the contractors, those contractors were American and tended to hire as their chief assistants—including engineers—Americans. For some insights into the early development of Canadian engineering, see H.V. Nelles, ed., *Philosophy of Railroads* (reprinted Toronto, 1972), pp. 7-68.

## Résumé

A la lumière de l'évolution des techniques administratives britanniques et américaines, l'auteur analyse les structures administratives des chemins de fer ontariens Great Western et Northern durant la deuxième moitié du dix-neuvième siècle.

A prime abord, il appert que, bien que les chartes des deux organismes confiaient le pouvoir décisionnel à un groupe de directeurs élus par les actionnaires,

les administrateurs désignés ne possédaient ni le talent, ni l'expérience, ni même le temps pour assumer convenablement ces lourdes responsabilités. Cette situation n'était en rien différente de celles qui prévalaient aux Etats-Unis et en Grande-Bretagne; cependant, elle était ici compliquée par le fait que les chemins de fer ontariens se devaient d'avoir deux conseils d'administration, l'un, canadien, et l'autre, britannique. Par la force des choses, on en vint à confier la charge de tout diriger à une seule personne, et, c'est ainsi que l'on retrouva Charles John Brydges, puis Thomas Swinyard à la tête de la Great Western et Fred C. Cumberland à celle de la Northern.

L'auteur décrit la carrière de chacun de ces hommes qu'il considère comme des professionnels de l'administration pour l'époque. Chacun, à sa façon, a tenté d'appliquer ce qu'il y avait d'innovateur dans les techniques administratives britanniques et américaines; chacun a de plus occupé d'autres postes que l'on peut qualifier de haute administration. Au fait, ils sont tous trois morts riches. En somme, à travers eux, on voit émerger un nouveau type d'homme, celui de l'administrateur qualifié travaillant à salaire.

Une restriction s'impose cependant: en dépit de leur compétence respective, ils n'ont pas réussi à assurer une véritable autonomie à l'administration telle qu'elle s'observe ailleurs, notamment aux Etats-Unis. Ceci reflète le sous-développement de l'économie ontarienne qui doit importer ses argents et ses compétences. L'auteur conclut en se demandant si cet état de chose n'a pas contribué à entretenir l'état de dépendance dans laquelle l'économie canadienne s'est développée.