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The Woods Transformed: The Emergence of the Pulp and Paper Industry in New Brunswick, 1918-1931

JAMES BAXTER STOOD ON THE PODIUM at Grand Falls on 10 August 1926, overlooking the assembled crowd who had come to witness the commencement of construction at the hydro-power site. Baxter began by noting the “passing of the long lumber industry” and the impending development of pulp and paper manufacturing in New Brunswick. The inevitability of such a transformation had evidently become clear to Baxter years earlier in a dream-like sequence in Montreal, at the printing room of *La Presse*: “Partly closing my eyes, I could vision the forest. Looking again, I saw the newspapers rushing from the press by hundreds, until the two visions seemed to blend, and I could almost see a tree transform itself into the printed sheet”. It had been “no small task to bring together all of the agencies required for this development”, the premier admitted, as “[a]t the outset we found our friends at the International wishing to keep the entire field to themselves”. But in the end, Baxter believed, the interests of the province and investors had been successfully reconciled and the policy of the government would be vindicated by the developments that were to follow. His concluding remarks reaffirmed the guiding principles of Conservative industrial policy: “Outside capital begins today to work for us. It asks nothing but the opportunity to do work under fair conditions. May I impress upon you as the policy of this Province, that such capital has a right to expect good faith and fair dealing on the part of the government and the people. Let us encourage capital to work with the province, and for the people and not in spite of them”.¹

The decade of the 1920s is usually seen as a time of industrial defeat for the Maritimes as the manufacturing establishments originally encouraged by the National Policy encountered the forces of economic concentration and centralization.² As the economic historian S.A. Saunders pointed out in the 1930s, however, the forest industries continued to experience growth and expansion, particularly in the province of New Brunswick during the second half of this otherwise difficult

1 Text of Grand Falls speech, 10 August 1926, RS 196, Records of the Grand Falls Power Dam, file B1, Provincial Archives of New Brunswick [PANB].

2 See T.W. Acheson, “The National Policy and the Industrialization of the Maritimes, 1880-1910”, *Acadiensis*, I, 2 (Spring 1972), pp. 3-28; E.R. Forbes, *Maritime Rights: The Maritime Rights Movement, 1919-1927: A Study in Canadian Regionalism* (Kingston and Montreal, 1979); John G. Reid, “The 1920s: Decade of Struggle”, in Reid, *Six Crucial Decades: Times of Change in the History of the Maritimes* (Halifax, 1987), pp. 161-92; and David Frank, “1920s: Class and Region, Resistance and Accommodation”, in E.R. Forbes and D.A. Muise, eds., *Atlantic Canada in Confederation* (Toronto and Fredericton, forthcoming).

6 *Acadiensis*

decade.³ When Premier Baxter made his speech in the summer of 1926 New Brunswick was undergoing the most significant industrial development that would take place in the province in the 20th century. The province's extensive forest resources and large rivers, which had contributed so much to the square timber and lumber industries in the past, still held the key for New Brunswick to enter the modern industrial era.⁴ While the industrial base of the Maritimes was crumbling in the 1920s, the rise of the pulp and paper industry represented nothing short of a second industrial revolution in the New Brunswick forest industries.

The timing of pulp and paper development in New Brunswick was the result of a conjuncture of events related to the political economy of the province and the wider market for forest products. Despite some early government efforts at promotion, the industry came later to New Brunswick than to Ontario and Quebec. Entrenched lumber interests inhibited the provincial government from offering the Crown land concessions that accompanied developments elsewhere, and New Brunswick also lacked the hydro-power capacity for modern, large-scale paper production. With the internal barriers being progressively eliminated, massive demand and skyrocketing prices at the end of the war stimulated the expansion of the pulp and paper industry in New Brunswick. After a brief delay owing to the recession in 1921, the expansion of pulp and paper capacity continued unabated until the early 1930s. The financial failure of the largest lumber operators in the province allowed paper companies to gain control over thousands of square miles of Crown land. Aggressive promoters of the industry included not only outside interests such as the International Paper Company but also large provincial businesses such as the Fraser and Bathurst companies, whose original success had been based on the lumber industry. Suffering from a financial crisis directly related to lost revenues from the collapse of the lumber trade, and stimulated by unbridled optimism regarding the potential of pulp and paper, the New Brunswick government facilitated the transfer of Crown land and provided generous water power concessions. These developments took place within a wider struggle between international financial interests for control of the North American newsprint market. That international struggle promoted the building of large pulp and paper enterprises in the province, in defiance of prevailing market conditions, but also limited their success in the following decade.

As the first modern, vertically integrated industry to come to New Brunswick, pulp and paper brought with it unprecedented concentrations of natural resources, capital, production and employment. Ultimately, the process of pulp and paper

3 S.A. Saunders, *The Economic History of the Maritime Provinces* (Fredericton, 1984 [1939]), pp. 39, 73-8.

4 On the square timber trade see Graeme Wynn, *Timber Colony: A Historical Geography of Nineteenth Century New Brunswick* (Toronto, 1981); A.R.M. Lower, *The North American Assault on the Canadian Forest* (Toronto, 1938); W.S. MacNutt, "The Politics of the Timber Trade in Colonial New Brunswick, 1825-1840", *Canadian Historical Review*, XX (1949), pp. 47-65. Relatively little has been written on the long lumber industry, but see Raymond Léger, "L'industrie du bois dans la Péninsule acadienne (Nouveau-Brunswick) de 1875-1900", *La Revue de la Société historique Nicolas-Denys* (1988); Burton Glendenning, "The Burchill Lumbering Firm, 1850-1908: An Example of Nineteenth Century New Brunswick Entrepreneurship", M.A. thesis, Concordia University, 1978.

development reshaped not only the industrial geography of the forest, but also the relations between capital and the provincial state. Well aware of the role provincial governments were playing in Ontario and Quebec, the state also played a central part in assisting and guiding the arrival of this new industrial revolution in New Brunswick. The unprecedented level of state intervention in the economy was deemed necessary to aid the Bathurst Lumber Company and the Fraser Company Limited as they made the transition from lumber to pulp and paper manufacturing, and to entice the giant International Paper Company to build its mills in the province. As the local state became more deeply entrenched in accommodating the so-called "pulp triumvirate", its own dependence on the success of the pulp and paper companies was intensified. Provincial politicians were eager to meet the desires of pulp and paper promoters, even if this meant inhibiting the development of other industries. The major casualty of this increasingly dependent capital-state relationship was, of course, the lumber industry. The state-sponsored emergence of the "pulp triumvirate" as the dominant fraction of capital in New Brunswick displaced the storied lumber barons, who for generations had been an unrivalled political and economic force in the province.

Pulp and paper manufacturing began to emerge as a modern continuous flow industry in Canada after 1900 and, as a result of natural resource advantages and state policies on both sides of the international border, emerged from the First World War as an industrial giant. Provincial governments actively promoted pulp and paper development around the turn of the century by prohibiting the export of raw pulpwood from Crown land. The so-called "manufacturing condition", in place in Ontario, Quebec and New Brunswick by 1912, was designed to encourage papermaking in Canada by cutting off mills in the northeastern United States that were increasingly dependent on Canadian wood.⁵ The aspirations of the Canadian paper industry were given a tremendous boost in 1913 when, after years of political struggle between paper manufacturers and newspaper publishers, the United States permanently removed the tariff on wood pulp and newsprint. These measures allowed Canadian producers to exploit advantages in natural resources, as Canadian pulp and paper manufacturing blossomed into a \$100 million export industry by 1920. After 1910 the expansion of the North American newsprint industry, by far the largest producer of paper products, was restricted almost exclusively to Canada, where abundant pulpwood and water power and generous provincial industrial policies could not be matched by opportunities in the United States.⁶

5 On the manufacturing condition see H.V. Nelles, *The Politics of Development: Forest, Mines and Hydro-electric Power in Ontario, 1849-1941* (Toronto, 1974), pp. 81-7; Jean-Pierre Charland, *Les pâtes et papiers au Québec, 1880-1980: technologies, travail et travailleurs* (Quebec City, 1990), pp. 67-9; L. Anders Sandberg, "Forest Policy in Nova Scotia: The Big Lease, Cape Breton Island, 1899-1960", *Acadiensis*, XX, 2 (Spring 1991), pp. 105-28.

6 The story of the rise of the pulp and newsprint industry in Canada after 1913 can be found in a number of sources: Nathan Reich, *The Pulp and Paper Industry in Canada* (Montreal, 1926); Herbert Marshall, Frank Southard, Jr. and Kenneth W. Taylor, *Canadian-American Industry: A Study in International Relations* (Toronto, 1936); J.A. Guthrie, *The Newsprint Paper Industry* (Cambridge, 1941); Constant Southworth, "The Canadian-American Newsprint Industry and the Tariff", *Journal of Political Economy* (October, 1922); Royal S. Kellogg, *Pulpwood and Wood Pulp*

8 *Acadiensis*

New Brunswick did not participate in the expansion of the 1910s to the same extent as other provinces.⁷ Development in New Brunswick was limited by geographic, political and economic barriers that were either not present or had been overcome in Ontario and Quebec. The modern pulp and paper industry, as it developed after 1900, was highly resource and capital intensive. Each enterprise involved multi-million dollar investments in plant and machinery, hundreds of square miles of forest holdings and access to large blocks of electrical power. In Ontario and Quebec the new generation of mills that produced in excess of 200 tons of pulp and paper per day were built in conjunction with public or privately owned hydro-electric projects, and both access to pulpwood and power rights were normally the subject of negotiations between the provincial governments and the promoters. Tens of thousands of square miles of unleased Crown land, most of it in the northern half of the provinces, and abundant developed and potential hydro-power capacity, allowed the governments of Central Canada to attract industry by holding out generous concessions. The possession of large tracts of Crown land was of particular importance to developers, not only for ensuring a perpetual supply of wood for the expensive, immobile manufactories that were coming to dominate the industry, but also as collateral and a representation of the strength of the company to financial investors.⁸

The water and forest resource base of New Brunswick was obviously smaller than in Quebec and Ontario, but geography and Crown land tenure also figured in the slower realization of potential that did exist in the province. The long New Brunswick coastline and the major rivers and tributaries that cut deep into the interior made nearly all of the forests accessible to lumbering at an early date. By 1900 more than 90 per cent of the 10,700 square miles of Crown land was under leases that would not expire until 1913. In excess of 4,000 square miles of Crown land was controlled by ten large leaseholders. Together with a dozen other firms that leased between 100 and 200 square miles of Crown land, they divided up the best forest lands on the major watersheds of the province. Control over Crown land by the lumber interests prevented the government from offering the massive pulpwood

in North America (New York, 1923); Tom Traves, *The State and Enterprise: Canadian Manufacturers and the Federal Government, 1914-1931* (Toronto, 1979). For a good collection of comparative statistics on production in Canada and the United States see Royal S. Kellogg, *Newsprint Paper in North America* (New York, 1948). Some economic historians have argued that the manufacturing condition and removal of the tariff merely accelerated slightly a process that was inevitable because of the nature of newsprint production. See L. Ethan Ellis, *Print Paper Pendulum: Group Pressures and the Price of Newsprint* (New Brunswick, N.J., 1948); Philip J. Reinertsen, "The Pulp and Paper Industry in Sweden and Canada", Ph.D. thesis, University of Chicago, 1958; and especially, T.J.O. Dick, "Canadian Newsprint, 1913-1930: National Policy and the North American Economy", *Journal of Economic History*, XLII (September 1982).

- 7 In 1918 New Brunswick produced only 4.2 per cent of the pulp made in Canada and none of the 1.37 million tons of paper. The total output of pulp for the province was exceeded by some of the largest mills in Ontario and Quebec. *Report of the Royal Commission on Pulpwood* (Ottawa, 1924), pp. 104-6; Kellogg, *Newsprint Paper*, p. 24.
- 8 See Nelles, *The Politics of Development*; René Hardy and Normand Seguin, *Forêt et société en Mauricie: la formation de la région de Trois Rivières, 1830-1930* (Montreal, 1984); Jules Belanger, Marc Desjardins et Yves Frenette, *Histoire de la Gaspésie* (Montreal, 1981); Charland, *Les pâtes et papiers au Québec*; and John Dales, *Hydroelectricity and Industrial Development, Quebec, 1898-1940* (Cambridge, Mass., 1957).

concessions that were so attractive to developers. Companies interested in building pulp and paper mills were, thus, forced to purchase private land or the leases of Crown land holders.⁹

Among the major Crown land holders of the province there was a decided lack of enthusiasm, and at times an undercurrent of hostility, toward the pulp and paper industry before the First World War. Although the leading leaseholders possessed ample forest resources and many were favourably situated to produce enough water power for a chemical pulp mill, none of them ever pursued the option. Catherine Johnson has argued that the “patrician elite” sawmill owners of Newcastle were instrumental in thwarting efforts to build pulp mills in the town because of a perceived threat to their position as patrons of the community and fears that a pulp mill might create pressure for higher wages.¹⁰ More important to the unreceptive attitude of lumbermen was the competition that early mills created for small saw logs and the cutting of undersized trees for pulp that “would in a few years make saw logs”.¹¹

The issue of pulpwood export from Crown land came to a head at the annual meeting of the Canadian Forestry Association held in Fredericton in 1910, one year before the provincial legislature passed the “manufacturing condition”. In a long and enthusiastically received address to an audience that included nearly all of the major New Brunswick operators, MLA G.P. Burchill, a sawmill owner himself, outlined the attitude of lumbermen toward the cutting of immature trees for wood pulp. After suggesting that the two pulp companies on the Miramichi “abused” special permits from the government to cut small diameter trees on slow growing forest tracts, Burchill compared the relative merits of the competing industries:

9 Data on percentage of Crown land leased and number of lessees between 100 and 200 square miles taken from *Annual Report of the Crown Land Department* (1903), pp. 21-5.

Leading Crown Land Leaseholders in New Brunswick, 1903

<i>Company</i>	<i>Square Miles</i>
William Richards and Co., Ltd.	817
Royal Trust Company, for Kilgour Shives	658
Sumner Co. (502), Sumner Co. with others (62)	564
D. McLaren Trustee, for J.B. Snowball Co.	498
Samuel Adams (392), Adams, Burns and Co. (65)	458
Eastern Trust, for G. Moffat (405), G. Moffat (27)	432
Allan Ritchie	352
Ernest Hutchinson	299
Sayre and Holly Lumber Company	293
Gibson Railway and Manufacturing Company	223

Source: *Annual Report of the Crown Land Department*, 1903.

10 Catherine Johnson, “Merchants, Sawmillers and Social Reformers: Community Leadership and the Search for Industry in Newcastle New Brunswick, 1899-1914”, M.A. thesis, Dalhousie University, 1980, and “The Search for Industry in Newcastle New Brunswick, 1899-1914”, *Acadiensis*, XIII, 1 (Autumn 1983), pp. 93-111.

11 “The Wood Industries of New Brunswick”, reprint of New Brunswick section of *The Wood Industries of Canada*, published by *The Timber Trade Journal* (London, 1897), p. 17, PANB; see *Proceedings of the New Brunswick Forestry Convention*, Fredericton, 21 and 22 February 1907, pp. 44-6. On the administrative problems caused by the cutting of undersized trees for pulpwood see, *Forty-Eighth Annual Report of the Crown Land Department* (1908), p. xv.

10 *Acadiensis*

Perhaps it is natural for those who have been trained and engaged in the old methods of manufacturing sawn lumber, to think that their business is best for the country and its people...if it can be shown that this mode of handling our one great natural asset is more beneficial to its people and advantageous to the province than the other method of manufacturing our lumber into marketable products and exporting it in that way, there is nothing more to be said. If, on the other hand, the prevailing view is correct, that the advantage lies with the old method, that the newly installed plant is stripping our forest of its young growth, interfering with our water supply, and exporting our natural resources for the benefit of foreigners, without being a corresponding benefit to our own people, then I think the duty of those charged with the administration and protection of our resources is clear, and whatever steps are possible should be taken to conserve them for the benefit, as far as possible, of our own people.¹²

Both the substance and tone of Burchill's speech show the lumber operators' preference for the "old method" and that pulp-making was considered a competing industry.

A second structural barrier to pulp and paper expansion in the province was the lack of developed hydro-electric power. Although New Brunswick enjoyed a comprehensive river system for the transportation of wood, there were few water power sites in the province sufficient for generating power for a modern newsprint mill. None of these had been adequately harnessed before the First World War. The Grand Falls, located on the St. John River in the northwest corner of Victoria County, offered the most promise and was, after 1900, the subject of almost continual rumour and speculation. Riparian rights to the Grand Falls and surrounding lands were ambiguous and until 1912 made any development problematic, despite active promotion by the New Brunswick government.¹³ By 1912, however, a newly created Grand Falls Company Ltd. was sold to a group in which the dominant concern was the International Paper Company. Financial problems and complications with the Town of Grand Falls further delayed the beginning of construction, and the project was postponed indefinitely at the beginning of the First World War.¹⁴

By 1918 there were six pulp mills in operation in the province. None of these were large, none produced paper, and none required considerable amounts of hydro-electric power. Unlike in Ontario and Quebec, where the value of pulp and paper products eclipsed the total for lumber during the war, the industry was still very

12 *Proceedings of the Eleventh Annual Convention of the Canadian Forestry Association*, Fredericton, 23-24 February 1910, p. 51.

13 For a full discussion of the early leases see Grand Falls Power Dam, *Report of H.A. Powell on the Grand Falls Power Company* (title opinion), January 1924, RS 196, PANB.

14 *Report of H.A. Powell on Grand Falls*, pp. 14-20; Paul-Emile McIntyre, "The Development of Hydro-electric Power at Grand Falls, New Brunswick: An Issue in Provincial Politics, 1920-1926", M.A. report, University of New Brunswick, 1973, pp. 11-15. In 1916 the provincial government postponed the schedule for commencement of the project until "one year after the day on which peace shall be proclaimed". *New Brunswick Acts* (1916), ch. LIX, p. 562.

much secondary to sawmilling in New Brunswick.¹⁵ As the figures in Table One show, pulp production was becoming an important industry in New Brunswick, but it was still very much subordinate to lumbering.

Table One
The New Brunswick Pulp and Sawmilling Industries, 1919

	Pulp	Sawmilling
Number of establishments	5	249
% of New Brunswick total	.3	17.3
Capital invested	\$11,961,000	\$31,816,000
% of New Brunswick total	13.3	35.4
Number of employees	1,241	8,624
% of New Brunswick total	5.1	35.6
Salaries and wages	\$1,206,000	\$5,520,000
% of New Brunswick total	6.4	29.2
Gross value of production	\$5,874,000	\$26,713,000
% of New Brunswick total	5.9	26.7

Source: J.R. Petrie, *The Regional Economy of New Brunswick* (Fredericton, 1944), p. 174a.

The lumber industry at this time was experiencing something of a boom due to the unusual conditions created by the end of war in Europe. Signs of change were also apparent in 1918, however in changes of ownership for the existing mills, the building of new mills during the war and, most significantly, in the accumulation of land and water power rights by the firms that would transform the forest industries in the 1920s.

The four mills built before the war and still in operation in 1918 were all affected by the changes taking place in the industry during the 1910s. Most notably, each of them was absorbed by a financially more powerful company in the period from 1916 to 1920. Lacking its own timber resources and producing fewer than 25 tons of pulp per day, the New Brunswick Sulphate Fibre Company's Millerton plant was the weakest of the group. It was built in 1908 with British capital, changed hands in 1916 and was finally sold to the Howard Smith Paper Mills of Ontario in 1918. During the next year the buildings were torn down and the machinery taken to the

15 Canada, Dominion Bureau of Statistics, *Census of Industry, Pulp and Paper 1919*, Sessional Paper, no. 17c (4), 1920, p. 7; Department of Northern Affairs and National Resources, Forestry Branch Bulletin 106, "Forest and Forest Products", Statistics Canada (1957), pp. 32-3.

12 *Acadiensis*

company's Ontario facilities.¹⁶ A more successful small-scale enterprise was the American-owned St. George Pulp and Paper Company, built in 1903. In the 1910s the St. George mill maintained an average production of 6,500 tons per year (25 per day), all of which was exported to the company's paper mill in Norwalk, Connecticut. Operating a small hydro-power station on the Magaguadavic River in Charlotte County, the St. George Company produced cheap power and was the only groundwood pulp mill in New Brunswick before the 1920s. When the company was purchased by the Pulitzer publishing interests in 1920, it also owned 50 square miles of freehold land and a 107 square-mile Crown lease. The St. George mill was again sold to the International Paper Company in the mid-1920s.¹⁷

In 1916 the Edward Partington Paper Company of Saint John was purchased by Oxford Paper of Rumford, Maine, and became the Nashwaak Pulp and Paper Company. The Partington mill, which had begun in 1900 as the Cushing Sulphite Fibre Company, Ltd., led a precarious existence in its first decade. Partington placed the company on solid footing in the period 1910-13 when he bought the equipment of the defunct Saint John Pulp and Paper Company, renegotiated a very favourable tax assessment with the City of Saint John, and merged with the Gibson Timber Company. Additional equipment, tax relief and, especially, the 578 square miles of timber limits obtained from Gibson (353 freehold and 225 Crown land), allowed the company to upgrade production to 50 tons per day. After 1916 the pulp produced at the mill was sent to two Oxford Company paper mills in Maine. Oxford continued to produce pulp at the mill until 1930 when they announced a permanent shutdown.¹⁸ Subsequently, the mill was reopened by the Port Royal Pulp and Paper Company of Ontario in 1933 with government support.¹⁹

The last of the first generation of mills in the province to be bought out was the Dominion Pulp Company of Chatham, which began production in 1896. Originally built with Canadian capital, the Dominion mill was sold to Albert E. Reed of England only months after opening and in 1900 was expanded to a capacity of 20 tons per day. The small output of the mills continued steadily until in 1913 Dominion bought the equipment of the failed Miramichi Pulp and Paper Company. Reopened in 1914 with a rated capacity of 50 tons per day, Reed retained ownership until selling out to the Fraser Company in 1920. The Fraser's acquired, along with the mill's properties, 288 square miles of Crown land on the Miramichi watershed to add

16 Glendenning, "Pulp and Paper", pp. 11-12; *Pulp and Paper Magazine of Canada*, vols. 13(2) (15 January 1915), 13(21) (1 October 1915).

17 Records of the Royal Commission on Pulpwood, Evidence, New Brunswick, Submission of the St. George Pulp and Paper Company, vol. 3, file H-3, RG 33/13, National Archives of Canada [NAC]; Glendenning, "Pulp and Paper", pp. 10-11; G. Hamilton, "The Pulp and Paper Industry of New Brunswick, Canada", M.A. thesis, Indiana University, 1950, pp. 65-7.

18 George Carruthers, *Paper in the Making* (Toronto, 1947), pp. 379-82; Burton Glendenning, "Crown Land Regulations and the Introduction of the Pulp and Paper Industry to New Brunswick", unpublished paper, 1983, p. 12; Glendenning, "Pulp and Paper", pp. 4-7; *Pulp and Paper Magazine of Canada*, vols. 10(4) (April 1912), 14(24) (15 December 1916), and 30(13) (25 September 1930).

19 The government guaranteed a \$60,000 loan to the company, a condition of which, it was alleged, was that Port Royal buy pulpwood from a Tory MP who owed stumpage in arrears to the government.

to their rapidly growing forest holdings. The mill was in operation on and off during the 1920s, depending upon market conditions, and was closed permanently in 1930.²⁰

Meanwhile, the first of a new generation of pulp mills in New Brunswick was opened in Bathurst in 1914. This mill grew out of the lumber operation of the Bathurst Lumber Company, which began in 1907 after the purchase of the properties and substantial Crown land holdings of the Sumner Company. Under the management of Angus McLean, Bathurst Lumber continued to grow. In 1912 the company bought out the Nepisiguit Lumber Company, which had purchased the considerable properties of Adams, Burns and Company just three years earlier. When Bathurst Lumber Company decided to enter the pulp business they possessed nearly all of the Crown land surrounding Bathurst Harbour (1,035 square miles) and 500 square miles of Crown land across the Baie des Chaleurs in Gaspé, Quebec. They also had effective control of the tidewater shipping facilities in Bathurst, several sawmills that produced 60 million feet of lumber per year and rights to develop hydro-electric power on the Nepisiguit River (which emptied into Bathurst Harbour). The Bathurst mill went into production in 1914, producing 100 tons of sulphite pulp per day.²¹

In Vice-President and General Manager Angus McLean the Bathurst Lumber Company had energetic and aggressive leadership. A Canadian by birth, McLean had spent much of his career managing, along with his brother Hugh, a lumber empire based in Buffalo that had mills in New York State, Indiana, Kentucky, Tennessee and Arkansas. Upon moving to New Brunswick in 1907 Angus McLean soon established himself as a leading spokesman for the large leaseholders. He was successful in extracting from the provincial government the first "Pulp and Paper License" when the Crown land leases were renegotiated in 1913. The lease, with extension for proper observance of Crown land regulations, was to run for 50 years — 25 years longer than any previous licence issued in New Brunswick. It was made with the understanding that pulp and paper manufacturing would commence in Bathurst at an early date.²²

The second modern pulp mill in the province was opened in 1918 by Fraser Company Limited in Edmundston. Although more deeply rooted in the province, Fraser Company followed a development pattern similar to the Bathurst Company. Donald Fraser, Sr., had moved from Aberdeen, Scotland, to Victoria County, New

20 Carruthers, *Paper Making*, pp. 374-5; Glendenning, "Pulp and Paper", p. 9.

21 A more detailed description of the origins and subsequent operations of the Bathurst Lumber Company can be found in Serge Côté, "Les voies de la monopolisation: le cas l'usine de papier de Bathurst", thèse de doctorat, Université de Montréal, 1978. For the information included here see pp. 112-43; Serge Côté, "Origins of the Owners of the First Pulp and Paper Mills in New Brunswick", unpublished paper, 1978; Côté, "Les voies de la monopolisation", pp. 112-43; Côté, "Naissance de l'industrie papetière et mainmise sur la forêt: Le cas de Bathurst", in L. Anders Sandberg, ed., *Trouble in the Woods: Forest Policy and Social Conflict in Nova Scotia and New Brunswick* (Fredericton, 1992), pp. 43-64.

22 *Ibid.* For a good indication of McLean's personality and his views on a wide range of issues related to the forest industries, particularly the proposed embargo on pulpwood in the early 1920s, see Dominion Forest Service, Transcripts of the Hearing of the Royal Commission on Pulpwood, RCP, Testimony of Angus McLean, vol. 593, no. 5, pp. 451-85, RG 39, NAC.

14 *Acadiensis*

Brunswick in 1873. By 1900 he had established, with his sons Archibald and Donald, Jr., extensive sawmilling operations on the Upper St. John River watershed in New Brunswick and Temiscouata County, Quebec. When the company incorporated in 1911 it was with the intention of moving into the pulp and paper business and developing hydro-electric power. Holding rights on only 22 square miles of Crown land, in 1911 Fraser began purchasing small- and medium-sized lumber companies. By the time their mill opened they held 489 square miles under lease in New Brunswick. With the 93 square miles of freehold land the company owned close to Edmundston and more than 1,000 square miles of Crown land in neighbouring counties in Quebec, the Fraser Company controlled more than adequate forest resources to finance and carry on large-scale pulp and paper manufacturing.²³

By the time the company entered into pulp production Archibald Fraser was president and manager. Much less prone to the dramatic propaganda campaigns put on by Angus McLean, Fraser was, nonetheless, a man of considerable political and economic stature in the province. As his agreement with the Town of Edmundston in 1917 demonstrated — it included a wide range of services to be performed at the expense of the town and a remarkable fixed assessment of only \$100,000 for the mill properties — he was also a shrewd promoter, understanding very well the process of gaining concessions from municipal and provincial governments.²⁴ In 1918 Fraser's high standing was confirmed by his appointment, by the Minister of Lands and Mines, to the progressive Forest Advisory Commission.²⁵ The Fraser Company continued to expand in the 1920s, and, like Angus McLean, Archibald Fraser lent a visible hand in shaping the Crown land and water power policies of the province.

The third partner of what came to be referred to as New Brunswick's "pulp triumvirate" was the International Paper Company. I.P. acquired extensive holdings in the province during the first two decades of the 20th century.²⁶ Despite occasional public pronouncements, I.P. showed little real interest in building manufactories. Its interests in New Brunswick were purchased for speculative reasons and for the export of pulpwood to its many mills in the United States. By the time I.P. purchased the rights to the Grand Falls Company in 1912, it already had 1,069 miles of Crown

23 Fraser Company Papers, Fraser Company Ltd., *Handbook*, 1962 (includes chronological record of significant acquisitions and events), MC 444, PANB; much of this information is also available in Nicole Lang, "L'impact d'une industrie: Les effets sociaux de l'arrivée de la compagnie Fraser Limited à Edmundston, N.-B., 1900-1950", *Revue de la société historique du Madawaska* (avril 1987), pp. 17-29. An uncritical but detailed history of the firm that focuses on the Fraser family is Mary B. Reinmuth, "Forest Heritage: The Story of Fraser Companies Ltd." (unpublished manuscript, 1950), PANB; see also Glendenning, "Crown Land Regulations", pp. 15-17.

24 *New Brunswick Acts*, 1917, ch. LXV, pp. 177-83.

25 Under the Forest Act of 1918, considered by some to be the most "progressive" forestry legislation in Canada, the Forest Advisory Commission was set up as a non-partisan board to advise the government on forest conservation policy and to administer civil service exams for employees of the Department of Lands and Mines. *Annual Report of the Department of Lands and Mines* (1918), pp. 8-10.

26 Phrase used by Liberal party and some of the province's newspapers in the mid-1920s during the course of the debate over Crown land and hydro-power policy. See, for example, *Synoptic Reports of the N.B. Assembly* (1928), p. 20.

land under lease on the Miramichi watershed and surrounding the port of Dalhousie, and 300 miles of freehold land in northern York County.²⁷ However, it would be fully 15 years before I.P. began building pulp and paper mills in the province.

Formed in 1898 as part of the great turn of the century consolidation movement, International Paper was in 1918 one of the leading corporations in the United States and the largest producer of pulp and paper in the world.²⁸ The representative of the corporation in New Brunswick was J.W. Brankley, manager of both the Miramichi and Dalhousie companies. Lacking the local roots of the Frasers and the promotional skill of Angus McLean, Brankley was very much a corporate man and never sought a high public profile. This may have been partly due to the fact that by 1918 there was already some history of disagreement and resentment in New Brunswick concerning I.P. As the leading exporter of pulpwood from New Brunswick Crown land, Miramichi Lumber was the primary target of the manufacturing condition provisions. Brankley insisted that this condition had forced I.P. to close one of its U.S. mills.²⁹ There were also complaints on the Miramichi that I.P. was not operating on their lease in the 1910s, even to the minimum requirement set down by the Crown Land Department.³⁰ The Miramichi Lumber Company was also accused in 1915, by the Minister of Lands and Mines, of ignoring the manufacturing condition and “robbing the province of labor that properly belongs to us”.³¹

By the end of the First World War the transformation of the New Brunswick woods was underway. The central actors in the drama of pulp and paper were in place. Barriers to development were to a great degree eroded. Between 1903 and 1918 five of the leading Crown land holders had sold out to the pulp companies, and the total amount of land transferred was 2,316 square miles. Reflecting the increase in concentration of Crown land, the area controlled by the ten leaders increased from 4,593 to 5,683 square miles in the 15-year period, and in relation to the total leased land from 46 per cent to 56 per cent. American paper companies, led by I.P. and Nashwaak, owned an additional 1,100 square miles of freehold land.³²

27 Glendenning, “Crown Land Regulations”, p. 20; Testimony of J.W. Brankley to the Royal Commission on Pulpwood, 22 October 1923, vol. 593, no. 5, RCP, pp. 296-318. The block of private land that I.P. obtained in 1906 was at one time owned by the Alexander Gibson Lumber Company. It is not certain whether I.P. bought the land directly from Gibson or if it had previously changed hands. See Charles H. Jones, “The Lumber Industry in New Brunswick and Nova Scotia”, M.Sc. thesis, University of Toronto, 1930, pp. 84-5.

28 See David C. Smith, *History of Papermaking in the United States* (New York, 1971).

29 Testimony of Brankley, RCP, p. 296. On the ill will of Miramichi operators see *Eleventh Annual Convention of CFA*, especially pp. 32-5, 47-51.

30 On the issue of I.P. and other large firms holding Crown land for speculative purposes see Horace D. Webb, “The Development of Forest Law in New Brunswick”, M.Sc. thesis, University of New Brunswick, 1923, pp. 26-8. For some years, at least, the argument that I.P. was not operating on their lands even to the minimum extent written into the leasing agreements was strongly supported by the figures on stumpage collection by the Crown Land Department. In 1918, for example, the stumpage collected from the Miramichi Lumber Company was less than for other firms with only a fraction of the holdings. *Annual Report of the Department of Lands and Mines* (1918), pp. 52-5.

31 *Annual Report of the Crown Land Department* (1915), p. XII.

32 Figures on total leased land by leading leaseholders and percentage were calculated from the annual reports of the Department of Lands and Mines in 1903 and 1918.

16 *Acadiensis*

The adoption of the manufacturing condition had also served to relieve the public reservations of lumber operators toward the pulp industry. When Angus McLean began promoting the Bathurst pulp mill he was careful to emphasize that he would utilize primarily waste wood from his extensive sawmilling operation.³³ The fact that the first modern mills were built by two of the largest sawmill owners in the province was significant in weakening any resistance that might have surfaced. Angus McLean and Donald Fraser sat comfortably on the executive committee of the New Brunswick Lumbermen's Association with W.B. Snowball and William Richards; and, even though resentment toward I.P. persisted in the Department of Lands and Mines and on the Miramichi, J.W. Brankley also served a term as vice-president at the end of the war. Finally, most lumber operators in the province were by 1920 involved, to varying degrees, in the lucrative export market for pulpwood cut on freehold land.³⁴ Through the New Brunswick Lumbermen's Association the lumber and pulp and paper manufacturers spoke in a unified voice to the provincial government by the end of the First World War, on the many issues in which they had mutual interests. But they would increasingly be treated as separate entities, in terms of government industrial development policy, in the 1920s.

The lack of developed hydro-electric power remained as the primary barrier to large-scale pulp and paper manufacturing. While the pulp companies held the rights to several of the best water power sites in the province, development was slow. Both the Edmundston and Bathurst mills were built with the intention of using hydro-electricity to expand production, but as of 1918 they were powering their plants almost exclusively with coal-fired steam generators.

Optimism regarding the province's forest industries ran higher at the end of the First World War than at any other time during the previous three decades. Lumber operators, like many other businessmen in New Brunswick, found it "possible to carry on a war and do a profitable business at the same time".³⁵ The onset of the war raised the Eastern Canadian lumber industry from two decades of slow but steady decline. Greater co-operation within the Empire and the inability of other supplying nations to reach the British markets placed New Brunswick operators in an excellent

Leading Crown Land Holders in New Brunswick, 1918

<i>Company</i>	<i>Square miles</i>
1. I.P.: Miramichi and Dalhousie Lumber Companies	1,036
2. Bathurst Lumber Company	1,035
3. Shives Lumber Company	656
4. Richards Manufacturing Company	536
5. J.B. Snowball Company	501
6. Fraser Company Ltd.	481
7. Stetson, Cutler and Company	476
8. Sayre and Holly Lumber Company	385
9. Allan Ritchie Estate	352
10. Nashwaak Pulp and Paper Company	225

Source: *Annual Report of the Department of Lands and Mines* (1918).

33 *Annual Report of the Crown Land Department* (1914), p. 77.

34 For the participation of pulp and paper industrialists in New Brunswick Lumbermen's Association see New Brunswick Lumbermen's Association to J.P. Burchill, 26 July 1921, MC 1246, MBU II, 5/64/3, PANB.

35 Ian McKay, "1910s: The Stillborn Triumph of Progressive Reform", in Forbes and Muise, eds., *The Atlantic Provinces in Confederation*.

position. A construction boom in Great Britain and North America that followed at the conclusion of the war further increased prices and demand. The industry was not without problems. Supplies of all kinds and labour steadily became less plentiful and more expensive as the war progressed, and the growing expense and difficulty in securing rail and water transportation continued even after the war. But inflated prices and apparently unlimited demand were enough to encourage unprecedented levels of lumber production in the province in the years from 1915 to 1920. The prevailing conditions were also enough to justify to financial institutions the loans to make such high levels of production possible.³⁶

Although warning signs had been present for two decades, few could predict the magnitude of the collapse of the lumber trade in the early 1920s. Cumulative resource depletion, the progressive degradation of the province's watersheds and the increasingly unfavourable competitive position of Eastern Canadian lumber in the British and American markets had all been recognized as problems before the First World War.³⁷ These problems were masked by the wartime market conditions and the postwar building boom, but the crash of 1921 fully exposed the vulnerability of New Brunswick firms. Lumber manufacturing in the province had always been conducted on credit, with operators borrowing from banks and other lenders in the fall and repaying upon the sale of lumber. Conditions during the war, particularly the transportation difficulties, destabilized the market, increasing beyond normal parameters the fluctuations in price and demand. Although it was becoming increasingly difficult for even the leading lumber merchant houses on both sides of the Atlantic to predict future market conditions, lumber operators became accustomed, in the years 1914 to 1920, to carrying larger bank loans for longer periods of time, waiting for the increased prices that usually did eventually prevail.³⁸

- 36 Information on the lumber industry in the period 1915-25 has been gleaned from the trade circular put out by lumber brokers Farnsworth and Jardine of Liverpool and Simpson, Clapp and Company of New York, as well as the correspondence of these firms with the Burchill Company. For Farnsworth and Jardine see Burchill Papers, MC 1246, MS II, files: 5/58/2, 5/59/2, 5/60/1, 5/62/2, 5/63/2, 5/64/2, 5/65/2, 5/66/2, 5/67/3, 5/68/3. For Simpson, Clapp and Company see, files: 5/58/5, 5/59/4, 5/60/4, 5/61/4, 5/62/4, 5/64/4, 5/65/5, 5/66/4, 5/67/7, 5/68/6, PANB. On the general trend of the lumber industry after the war see: Charles H. Jones, "The Lumber Industry in New Brunswick and Nova Scotia", M.A. thesis, University of Toronto, 1930; S.A. Saunders, *The Economic History of the Maritime Provinces* (Fredericton, 1984), pp. 73-83; E.S. Fellows, "The Lumber Industry of Eastern Canada: An Analysis and Some Recommendations", M.Sc. thesis, University of New Brunswick, 1935; Harold M. Babcock, "Some Economic Aspects of Crown Land Stumpage", M.Sc. thesis, University of New Brunswick, 1957; Lower, *The North American Assault*, pp. 185-201.
- 37 In virtually every Crown land report after 1900 some mention was made of the need to address the issue of resource depletion. See also "The Wood Industries of New Brunswick, 1897"; *New Brunswick Forestry Convention* (1907); *Convention of Canadian Forestry Association* (1910); Robson Black, "The Case for New Brunswick's Forests", *Canadian Journal of Forestry*, 13 (October 1917); "Third Annual Report of the Director of the Forest Survey", in *Annual Report of the Crown Land Department* (1918), pp. 73-119. On the loss of power in the lumber markets see Lower, *North American Assault*, pp. 185-202; Jones, "Lumber Industry in New Brunswick and Nova Scotia", pp. 176-88.
- 38 *Farnsworth and Jardine's Annual Timber Circular*, for the years 1915-20, Burchill Papers, MS II, file 14/3/44, PANB.

The building boom after the war increased the speculative aspect of the trade, with lumbermen borrowing highly inflated dollars. Many operators in New Brunswick retained their lumber and/or continued heavy production schedules when prices started to fall at the end of 1920. The collapse of the market in the spring of 1921 saddled provincial lumber operators with heavy debt loads and full lumber yards that would, in many cases, take more than two years to empty. Some of the lumber would never be sold.³⁹ When the lumber market began to recover, New Brunswick operators had serious difficulties competing with European producers in the British market.⁴⁰ In the Eastern United States, New Brunswick producers competed unfavourably with British Columbia lumber, which had been steadily making inroads since the opening of the Panama Canal.⁴¹ Heavy debt from over-speculation, a growing inability to compete, and more conservative lending policies by banks after the 1921 recession all contributed to the demise of most of the large lumber manufacturers in the province by the end of the decade. One by one, the class of men who had ruled the economic and political life of the province for generations sold their mills and equipment, with the aid of financial institutions, to the pulp and paper companies of the province.

In contrast with the difficulties in the lumber industry, pulp and paper appeared to promise a more sustained prosperity. Stimulated by the revolution in the consumption of paper in North America, the expansion of the Canadian pulp and paper industry that began with the removal of tariffs in the United States continued. Canadian production was inhibited by wartime government price controls and shortages of finance capital, materials and manpower. When price controls were lifted at the end of the war, the prices for pulp and paper and its production in Canada rose dramatically. During the postwar boom tens of millions were invested in the expansion and building of new mills in Canada, in anticipation of even greater demand.⁴²

These favourable market conditions set off a flurry of activity in New Brunswick. Bathurst Lumber Company upgraded the capacity of its pulp mill to 120 tons per day in 1919 and announced plans for further expansion. During that year the company entered the hydro-electric power business when it bought, along with a group of the local elite headed by P.J. Veniot, the 1,200 horsepower (hp) Bathurst Electric and Water Power Company, and began construction of a power dam at the Grand Falls on the Nepisiguit River near Bathurst. In 1920 the company gained a controlling interest in the Casapedia Trading and Manufacturing Company, with 500 square miles of Crown land across the Baie des Chaleurs in Quebec. The Bathurst Lumber

39 For the experience of one operator in Alma County see Nancy Colpitts, "Alma, New Brunswick and the Twentieth Century Crisis of Readjustment: Sawmilling Community to National Park", M.A. thesis, Dalhousie University, 1983, ch. II.

40 Burchill Papers, MS II, files 5/65/2, 5/66/2, 5/67/3, PANB; Jones, "Lumber Industry of New Brunswick and Nova Scotia", pp. 179-81.

41 Burchill Papers, MS II, files 5/65/5, 5/66/5, 5/67/5, PANB; Lower, *North American Assault*, pp. 197-9.

42 Traves, *The State and Enterprise*; Kellogg, *Newsprint Paper*; Kellogg, *Pulp Wood and Wood Pulp*; Guthrie, *Newsprint Paper Industry*; *Report of the Royal Commission on Pulpwood*, Ottawa, July 1924.

Company consolidated its holdings and became the Bathurst Company Ltd. under Dominion Charter in 1921; and with the completion of the Nepisiguit hydro-electric plant, a 9,000 hp facility costing \$1.8 million, Angus McLean announced intentions of using the power to manufacture newsprint. Paper was manufactured on a large scale for the first time in the province at the Bathurst mill in 1923, at a rate of 60 tons per day. By the time production of newsprint began the company had made a decision to phase out its sawmilling operations.⁴³

Already consolidated under a Dominion Charter in 1917, the Fraser Company Ltd. expanded in much the same way. In 1919 Fraser completed a hydro-electric dam — “first class in every respect” — on the Madawaska River at Edmundston.⁴⁴ The increase in power allowed for an immediate expansion in the capacity of the mill from 90 to 150 tons per day. During 1919 the company also purchased two lumber firms with limits close to Edmundston in Temiscouata County, Quebec. The purchase of the Dominion Pulp Company mill, timber limits and coal interests at Minto raised the combined pulp-making capacity of the Fraser Company to 200 tons per day.⁴⁵

With these acquisitions the Bathurst and Fraser companies were becoming substantial enterprises by contemporary standards. Although not in a league with the largest newsprint mills, such as Abitibi Power and Paper in Ontario and the Laurentide Company in Quebec, which had upgraded to more than 300 tons per day after the war, the two New Brunswick firms were above average in terms of capacity and capital invested.⁴⁶ The Bathurst and Fraser Companies held a combined total of more than 5,000 square miles in New Brunswick and Quebec, most of it favourably situated for low cost transportation to the mills.

The opportunities for pulp and paper were not lost on the newly elected Liberal government. The New Brunswick government had not been very successful in attracting pulp mills. In contrast to other provinces, where direct negotiations between the provincial government and companies led to immediate developments, the firms that built mills in New Brunswick had done so of their own volition; neither the Conservative Flemming nor Liberal Foster governments deserved nor attempted to reap political capital from the Bathurst or Edmundston developments.⁴⁷ Direct government negotiations with regard to these mills were restricted to the municipal level. The Liberal government became more aggressive in pursuit of industrial development in the years from 1918 to 1924, however.

43 Côté, “Les Voies de la Monopolisation”, pp. 157-9, 173-5; Glendenning, “Crown Land Regulation”, pp. 16-17; Belanger, et al., *Histoire de la Gaspésie*, pp. 564-6.

44 *Report of the Investigation of the Water Powers Commission in New Brunswick*, in *Report of Lands and Mines* (1919), p. 81.

45 Fraser Company Papers, *Handbook* (1962), unpaginated.

46 For the developments in the largest mills see *Pulp and Paper Magazine of Canada*, 13 May 1920, p. 518; 30 June 1921. Statistics on average capital invested and capacity calculated from “Forest and Forest Products Statistics-Canada”, Department of Northern Affairs and National Resources, Forest Branch Bulletin, no. 106 (1957), p. 41, Table 18.

47 For an analysis of the negotiating process in Ontario see Nelles, *The Politics of Development*, pp. 83-5, 113-18, 384-95.

The Foster government began a crackdown on the International Paper Company subsidiaries in New Brunswick in 1919. Based on an audit contracted to Price, Waterhouse and Company, the Minister of Lands and Mines on 15 April 1919 sent bills to the Miramichi and Dalhousie companies totalling \$376,000 for 188,000 cords of pulpwood illegally exported in the years 1913 to 1918.⁴⁸ On the same day an amendment to the Crown Lands Act was passed that was designed to breathe life into a long-dormant clause, first enacted in 1883, regarding the holding of leases for “speculative purposes”. Reaffirming the minimum cutting requirements, the new clause also empowered the premier to reduce the size of a licence by up to 25 per cent, if the capacity of a given leaseholder’s mill was deemed “not sufficient to warrant the Licensee to continue to hold all the lands then included in the license”. The amendment further mandated that such decisions “shall be determined before the first day of August 1922”.⁴⁹ In the end the two initiatives turned out to be little more than thinly veiled threats. Action was never taken on the Crown land amendment and, after an appeal by the companies, the stumpage penalties were left to stand in 1921, when J.W. Brankley convinced the Liberals to honour an unwritten agreement with the Flemming government that allowed them to export pulpwood from Crown land in quantities equal to the cut of saw logs on the companies’ freehold land.⁵⁰ Despite the unfriendly gestures of the provincial government, International Paper thus retained its forest assets in New Brunswick. The pulp and paper giant fared less well when its other major asset in the province, the Grand Falls Lease, was scrutinized.

The Liberal government also began more aggressively pursuing hydro-electric power development after their election victory in 1917. With the possible exception of Grand Falls, riparian rights with regards to power development had been, up until this time, extended to any interested party. In 1918 the Foster government made an agreement with the Dominion Water Power Branch of the Department of the Interior to scientifically determine the potential of the rivers and streams of New Brunswick. With the report of the Water Power Commission in hand, Premier Foster outlined the principles that would guide Liberal efforts to undertake development in a lengthy address to the Legislature during the Spring 1919 session.⁵¹ The Premier revealed that he was “not in favour of government development and construction of water power plants”, as it had been, he believed, “fully demonstrated that it cannot be accomplished in an economical and business-like manner”. However, the Liberal Party policy that Foster outlined left open the possibility, at least, for public development. It would “protect the public”, Foster announced, from “worthless schemes” and “monopolistic control” and, more importantly, “compel the development of existing plants to their limit and further bring about the development

48 *Report of N.B. Assembly* (1925), appendix, pp. 4-6.

49 The regulations of the department required the leaseholders to cut a minimum of 10,000 board feet per square mile. *Crown Land Report* (1884), appendix, p. 6; *New Brunswick Acts* (1919), ch. XXI, p. 166.

50 *Report of Assembly* (1925), appendix, p. 4-6.

51 *Water Powers of New Brunswick*, in *Crown Land Report* (1919), pp. 74-84; *Report of N.B. Assembly* (1919), pp. 284-6.

of any water powers which remain at present in private hands undeveloped, to the detriment of the public interest".⁵²

The development of increased capacity in the Edmundston and Bathurst mills demonstrated the intimate relationship between access to power and pulp and paper production, in that the amount of reliable hydro-power that could be economically generated in close proximity to the mills dictated the character of expansion⁵³ and producing newsprint was power-intensive, requiring close to 100 hp per ton.⁵⁴ The 60 ton per day output of newsprint at the Bathurst mill used up most of the power generated at the plant on the Nepisiguit River. Both of the companies possessed the needed capital, forest resources and desire for further increases of capacity. Moreover, their plants were built to allow room for expansion. As Angus McLean explained to a Royal Commission in 1923, the lack of reliable hydro-electricity was the limiting factor:

We are able to manufacture about 60 tons of newsprint a day and cannot do anything further along the line of manufacturing until we get additional power and the only place would be the Grand Falls (on the St. John River)...We have 9,000 hp developed but at the present time we are short of water and cannot do all that we would like. We are running only one unit instead of two. We have had a very dry period this year, there having been practically no rain during the summer, so that the rivers are running very low.⁵⁵

The search for power was becoming focused on Grand Falls.

52 *Report of N.B. Assembly* (1919), pp. 284-6.

53 Subject to seasonal conditions, the power projects on the Madawaska and Nepisiguit rivers could be expected to produce below capacity for periods of varying length each year. The sulphite process used by the Fraser Company required only about 20 hp per ton of pulp; with a facility of 3,000 hp maximum capacity the Fraser Company was able to increase production by 60 tons and, if excess was available, cut back on more expensive steam-generated power. The sulphite process involved cooking the prepared wood in a "digester" for several hours under steam pressure in a solution of bisulphite of lime and sulphurous acid. The chemical dissolved all of the materials in the wood, except the cellulose fibres, which remained as the pulp. The use of chemicals to separate the fibres eliminated the need for the large amounts of electricity used in the groundwood process; however, it took twice as much pulpwood, two cords, to produce one ton of sulphite pulp. Likewise, 60 ton per day output of newsprint at the Bathurst mill used up most of the power generated at the plant on the Nepisiguit River.

54 *Ibid.* Newsprint consisted of 80 per cent groundwood and 20 per cent sulphite pulp. It was the groundwood pulping process that consumed the largest share (73 hp) of the 100 hp required per ton of newsprint. The groundwood process involved placing short bolts of wood between two large revolving grindstones and, with an intense stream of water, separating the cellulose fibres from the other constituents of the wood. See Kellogg, *Pulpwood and Wood Pulp*, pp. 16-42; S.R. Weston, "The Water Power of New Brunswick and Their Relation to the Pulpwood Resources of the Province", report prepared for the Royal Commission on Pulpwood (1924), p. 6, vol. 2, file G-3, RG 33/13, NAC.

55 Dominion Forest Service, *Transcripts of Hearings, Royal Commission on Pulpwood*, vol. 593, no. 5, Testimony of Angus McLean, pp. 459, 467.

22 *Acadiensis*

The first of several political confrontations over Grand Falls came in April 1921. A delegation of 300 people, mostly from Victoria, Carleton, Madawaska and York counties, packed the Assembly Chamber in Fredericton to argue against the proposed extension of the Grand Falls lease to International Paper. The power issue emerged at the very moment when the political climate of New Brunswick was most favourably disposed to public ownership, as the United Farmers were at their peak in the period from 1919 to 1923 and were concentrated in the western counties of the province that stood to gain the most from development at Grand Falls.⁵⁶

Appealing for a renewal of two years to their lease, International Paper President Philip T. Dodge made a lengthy presentation. He outlined the financial and marketing problems of the proposed power dam and attempted to assure committee members of the good faith of the company. "Grand Falls is situated in a wild country with a sparse population", Dodge explained, and "bankers simply laugh in the faces of promoters" when asked to finance the \$8-9 million necessary for the project.⁵⁷ The steady stream of petitions, resolutions and testimony that followed indicated that neither the position taken by I.P. nor their attitude in presenting it were well received. The mood of the audience was reflected in statements that the people of New Brunswick were "tired of listening to excuses" and "the company had displayed good judgement in selecting a gentleman by the name of Dodge to represent it before the Committee".⁵⁸ M.L. Hayward of Hartland attacked what he and others perceived as a contradiction in the company's position:

The case made out by Mr. Dodge is a little too strong to serve its purpose. If the cost of development would be as large as he estimated and no market could be found for the power, what sort of miracle does he expect to happen within the next two years to bring about a change that would enable the company to make a profit?...the company was granted certain rights and failed to live up to their agreement and are now asking for something to which they are not entitled.⁵⁹

The acrimonious debate ended late in the afternoon when Premier Foster suggested that it would be better to consider the issue in "private session". Even as the premier called the meeting to a close, it was apparent that the government was willing to grant a renewal if I.P. made "substantial guarantees". Within two weeks the International Paper Company was granted an extension that ran until 1 May 1923.⁶⁰

56 On the movement for public power in Saint John see William Y. Smith, Jr., "Axis of Administration: Saint John Reformers and Bureaucratic Centralization in New Brunswick, 1911-1925". On the political climate of New Brunswick and support of United Farmers for public ownership see Arthur T. Doyle, *Front Benches and Back Rooms: A Story of Corruption, Muckraking, Raw Partisanship and Political Intrigue in New Brunswick* (Toronto, 1976), pp. 222, 263; Calvin A. Woodward, *The History of New Brunswick Election Campaigns and Platforms, 1866-1974* (Fredericton, 1976), appendix, unpaginated.

57 N.B., *Synoptic Reports* (1920), appendix, p. 11.

58 N.B., *Synoptic Reports* (1920), pp. 8, 9.

59 N.B., *Synoptic Reports* (1920), p. 10.

60 *New Brunswick Acts* (1921), ch. CXXXVII, pp. 353-96.

When the Grand Falls lease was renewed in April 1921 the province of New Brunswick was on the verge of an economic collapse from which it would never fully recover. The postwar recession hit hard in New Brunswick, because of its heavy dependence on the export of forest products. Although both the lumber and pulp and paper industries felt the full weight of the 1921 recession, the long-term implications for each would be entirely different. While the pulp and paper mills would resume full production within a year, albeit with significantly reduced profits, the postwar market crash in the British and North American construction industries opened the last chapter in the long history of the New Brunswick lumber barons.

The collapse of the lumber industry precipitated a provincial fiscal crisis that intensified government efforts to develop hydro-power and pulp and paper manufacturing. In the late 1910s, the Foster government had responded to the increasing prices for lumber products by raising the Crown land stumpage rate, which had not been materially changed for more than three decades. Under public and political pressure, particularly from opposition parties, the Liberals raised the rate of stumpage fees from \$1.50 to \$2.50 per thousand board feet in 1917, to \$3.50 in 1919, and finally to \$5.00 in 1920.⁶¹ The revenues generated by these actions substantially increased the ability of the provincial government to meet the growing demands that the state assume more financial responsibilities for a range of infrastructural and social programmes, such as rural electrification, road building, education and health reform. As a result of the lumber market crash, forest revenues were cut in half between 1920 and 1922. As Table Two indicates, the rise and fall of the most significant source of government funding dealt the New Brunswick government a fiscal shock of significant proportions.

Meanwhile, hydro-electric power began to assume mythic powers as a panacea for remedying the retarded industrial growth of the province.⁶² The cause of hydro development gained a powerful advocate in January 1923, when Peter J. Veniot of Gloucester County became premier, replacing Walter Foster who retired to administer his own struggling business interests. Veniot was instrumental in delivering the Acadian vote in the 1917 and 1920 elections and his selection made him the first Acadian premier of New Brunswick. Known as a progressive reformer, Veniot had held the key post of Minister of Public Works and established a national reputation for building roads.⁶³ His willingness to also spend public money on hydro-electric development was demonstrated by the building of a \$1.2 million power dam on the Musquash River in 1921, constructed under the supervision of the government's recently established New Brunswick Electric Power Commission (NBEPCC). The wooden Musquash dam appeared to have been badly constructed, as it burst

61 *Annual Report of the Department of Lands and Mines* (1917), p. 15; (1919), p. 9; (1920), p. 9. On debates over stumpage in the legislature see N.B., *Synoptic Reports* (1919), pp. 213-15; (1920), pp. 32-9.

62 For an excellent discussion of hydro-power as "myth" see Nelles, *The Politics of Development*, pp. 215-55.

63 Charles Allain, "The Impact of the Automobile on the New Brunswick Government", M.A. thesis, University of New Brunswick, 1987, pp. 37-61.

24 *Acadiensis*

after less than two years in the spring of 1923.⁶⁴ Undaunted by the financial condition of the province and criticism of the “Musquash catastrophe”, P.J. Veniot coveted Grand Falls.

Table Two
Forest Revenues in New Brunswick, 1917-1923⁶⁵

Year	Forest Revenue (\$)	Provincial Revenue (%)
1917	492,993	31.3
1918	626,076	26.6
1919	733,727	33.6
1920	1,440,905	46.5
1921	1,028,540	35.6
1922	706,347	21.9
1923	950,445	27.3

Source: Journals of the Legislative Assembly of New Brunswick, 1917-1924.

The movement for public ownership now had a crusader in the new premier, who believed hydro development would be the “salvation of the province of New Brunswick”.⁶⁶ Veniot announced the willingness of the Liberal government to finance Grand Falls in his first throne speech in 1923, shortly before the lease to International Paper was to expire. In late March a large delegation from communities along the St. John River met with the government to express their desire for development of Grand Falls, “so long retarded by private ownership”.⁶⁷ They left the meeting hopeful, with the information that the NBEPCC had already been authorized to undertake a study of the site. Unwilling to undertake construction even during the postwar boom, International Paper had made almost no progress after the 1921 recession.⁶⁸ The company offered little public resistance to the takeover effort, but instead demanded full compensation for the efforts they had made during the past decade.

A number of factors delayed the public development of Grand Falls, forcing the Liberal government to face an election in the summer of 1925 before much progress

64 W.A. Dixon, *History of the New Brunswick Electric Power Commission* (unpublished manuscript, 1968), at N.B. Power Library, Fredericton.

65 *Report of the Comptroller-General on the Public Accounts of the Province of New Brunswick* (1922), pp. 11a-20a; (1924), 10a-11a. The Dominion subsidy of \$638,000, the second-largest source of revenue during the period, is included in the calculation on percentage of revenue from the forest. “Forest revenue” includes sales of timber licences, licence renewals and stumpage.

66 N.B., *Synoptic Reports* (1924), p. 33.

67 *Canadian Annual Review* (1923), p. 665; W.A. Dixon, *History of NBEPCC*, p. 43.

68 Philip T. Dodge to Foster, 4 December 1922; Foster to A. Nesbitt, 14 December 1922, Papers of Premier Walter Foster, file 32, RS 408, PANB.

in construction had been made. Nevertheless, the government passed an amendment to the New Brunswick Electric Power Act in April 1925 that increased the borrowing power of the NBEPC by \$9 million.⁶⁹ The Conservatives opposed the bill, arguing that insufficient information had been obtained to warrant such a massive public expenditure, and also that Veniot should make good on a promise to call an election before undertaking construction.⁷⁰

The 1925 election proved to be a decisive event in which the Liberals were forced to campaign against the lumber operators of the province. Veniot entered the campaign with confidence, holding up Grand Falls as a triumph for people of New Brunswick. He was opposed by John Babington Macaulay Baxter, a veteran politician from Saint John who was convinced to give up his seat in the federal parliament to lead the provincial Conservatives. Before emerging as a leading advocate of Maritime Rights in the mid-1920s, Baxter had been attorney-general of New Brunswick from 1915 to 1917 and led the Conservatives to defeat in the 1920 election.⁷¹ The Liberal strategy was to make the election a plebiscite on public development of Grand Falls; Veniot travelled the province openly accusing Baxter of making a deal with the lumber and pulp and paper interests to privatize Grand Falls and make concessions to Crown land holders in exchange for their support. Baxter took the canny position that the Liberals had not sufficient planning to justify such a large expenditure. He was also sharply critical of the settlement made with I.P., which provided for compensation of \$1.2 million and an option for contracting for a large block of the power to be developed. It was not until a few days before the election that Baxter admitted he was considering a restoration of the International Paper Company lease to Grand Falls.⁷²

The deteriorating relationship between the Liberals and the New Brunswick lumber operators brought hardship on the Veniot election campaign. By raising the stumpage rate (1917-20), introducing a fire protection tax (1918), and including woodsmen in the Workmen's Compensation Act (1920), the Liberals had substantially raised the costs of operating during the period of high prices for lumber products.⁷³ When lumber prices plummeted, the Liberal government agreed to

69 McIntyre, "Hydro-electric Power at Grand Falls", pp. 16-20; H.G. Acres, "Grand Falls Development: An Interim Report on the Scheme of Development and Capital Cost", 15 April 1925, p. 3-4, Records of the New Brunswick Electric Power Commission, MC 507, PANB; *New Brunswick Acts* (1925), ch. XIV, pp. 46-545. Because the St. John was a "navigable" river with much of its storage capacity in Maine and Quebec, authorization for the dam was required from the Canadian federal government, the Quebec government and the International Joint Commission. There was, as well, the ongoing engineering study and the question of a settlement with the International Paper Company.

70 N.B., *Synoptic Reports* (1925), pp. 250-2.

71 On the political career of Baxter see: Doyle, *Front Benches and Back Rooms*; E.R. Forbes, *The Maritime Rights Movement: A Study in Canadian Regionalism* (Montreal, 1979).

72 Doyle, *Front Benches and Back rooms*, pp. 248-51; *Daily Gleaner* (Fredericton) 24 July 1925, 27 July 1925, 29 July 1925, 5 August 1925; *Telegraph-Journal* (Saint John), 10 June 1925.

73 Woods workers were not included in the Workmen's Compensation Act (1918) until 1920. Led by Angus McLean, the lumber operators of New Brunswick had fought a political and legal battle against the inclusion of woodsmen in the act that finally ended in an unfavourable decision by the Supreme Court of Canada in 1925. See, W.Y. Smith, "Axis of Administration", pp. 59-66.

reduce the stumpage rate from \$5 to \$4 per thousand board feet, but refused to make further reductions during the next three years.⁷⁴ Tensions between the operators and the government came to a head in June 1925 when the premier met with the executive of the New Brunswick Lumbermen's Association to listen to a new set of demands. The Lumbermen's Association presented Premier Veniot with three requests: an immediate reduction in stumpage, a rebate on the previous winter's cut (which would have amounted to approximately \$200,000) and the adoption of the more generous Quebec log scale. This was in addition to the longstanding demand for a reduction in Workmen's Compensation payments. The government reduced the stumpage rate to \$3.50 per thousand board feet, but refused to do more.⁷⁵

The confrontation with the lumbermen highlighted the precarious position of a state dependent upon revenues from a declining industry in a resource-based export economy. The Veniot government was faced with the choice of further reducing the depleted provincial revenues or alienating the most powerful economic and political group in New Brunswick. In a letter to Prime Minister Mackenzie King shortly before the election, retired Premier Walter Foster summarized, with some unease, the predicament facing the Liberals: "These men have always been unreasonable and I was always having trouble with them, no end to the demand for concessions. Had Veniot granted their requests he would have been in a worse position with the public than at present and I am sure that their action is having some effect amongst the people generally".⁷⁶

For their part the lumber operators were in a struggle for survival. With an increasing number of the venerable operators quitting the trade with financial difficulties, the Lumbermen's Association was ready in the summer of 1925 for one last campaign to save the industry. The strategy of the Lumbermen's Association was to demonstrate widespread support for concessions to the industry. The industry's perception of its plight, recognition of the difficult position of the government, and the logic of gaining outside support were well presented in a letter to the Saint John Board of Trade from the Miramichi lumberman J.L. O'Brien, who would soon be Speaker of the Legislative Assembly:

For the past four or five years the lumber industry has been working under frightful difficulties trying to again become stabilized after the war period. Year after year we have been planning for and hoping for better times, and instead the very reverse has been the result. The situation in the province has now reached the stage where, to our mind at least, prompt and drastic action must be taken by the general public in order to preserve the industry,

74 On the frustration of the lumber operators with regards to their repeated appeals to the Liberal government see O'Brien to R.E. Armstrong, Secretary of the Saint John Board of Trade, 3 April 1925, J.L. O'Brien Papers, mob 3, file 3/1; Angus McLean to E.S. Carter, Secretary to the Premier, 16 April 1922, Foster Papers, file 33; W.B. Snowball to Foster, 26 February 1922, MC 299, PANB.

75 Doyle, *Front Benches and Back Rooms*, pp. 246-7.

76 The events leading up to the "defection" of the lumber operators and the substance of the June meeting were also revealed in the letter to the prime minister. Foster to King, 29 July 1925, W.L. Mackenzie King Papers, vol. 130, no. c2272, MG 26, NAC.

because if the lumber industry goes out of existence New Brunswick cannot exist....We do not wish to be misunderstood in our attitude toward the changes of the present government. They are not wholly to blame. If they reduce the lumber charges the general public, not understanding the situation, would howl that they were falling into the hands of the lumbermen as has always been the cry. However, if the public saw such a body as the Board of Trade taking it up, and if the situation was explained we feel sure that the present government would relieve the situation so long as they realized that the public was satisfied.⁷⁷

In addition to their efforts with the Boards of Trade, the Lumbermen's Association prepared a detailed memorandum, in May of 1925, on comparative levels of "government taxation", arguing that the combined cost of stumpage, fire tax and Workmen's Compensation, taking into consideration the unfair log scale in the province, was three times higher in New Brunswick than in Ontario and Quebec. Enclosed by the operators in the pay envelopes of lumber mill workers, the memorandum concluded by stating that government charges were the "principal reasons for the present reduced wages" and asked "support in our efforts to get better conditions that so vitally affect us all".⁷⁸ When the campaign of the Association resulted only in a meagre reduction in stumpage, many of the operators began to openly oppose the Liberal government.

As the incumbent president of the New Brunswick Lumbermen's Association, Angus McLean emerged as the key spokesman for the operators, spending considerable personal time and money to launch a campaign against the Liberal policy, as vigorous as if he were running for office himself. Before the summer of 1925 McLean had been a Liberal supporter and had mutual business interests with Peter Veniot in Bathurst. His defection prompted personal appeals from Mackenzie King, but they were to no avail.⁷⁹ So deep was the rift between the Liberals and operators by this time that Angus McLean and "about 20 businessmen, a number being lumbermen", had pleaded with J.B.M. Baxter to return to New Brunswick to contest the election.⁸⁰ Baxter, the man he supported, may have skirted the hydro-power issue, but Angus McLean did not. He was categorically opposed to public ownership in principle and appalled at what he perceived to be the financially reckless manner in which the Veniot government had proceeded on the Musquash and Grand Falls projects. The climax of McLean's personal campaign came with a series of five articles in the province's newspapers the week before the election. He explained how Liberal Crown land policy was injurious to the working man; he

77 O'Brien to R.E. Armstrong, 15 April 1925, O'Brien Papers, mob 3, file 3/1, PANB; See also Alexander Wilson, Wilson Box Company, to O'Brien, 18 April 1925; O'Brien to Wilson, 23 April 1925.

78 O'Brien Papers, mob 3, file 3/1, PANB. The memorandum on comparative costs of lumbering and the letter to employees were prepared by Angus McLean, J.L. O'Brien and W.S. Anderson and sent to the members of the Lumbermen's Association on 13 May 1925.

79 McLean to Gordon C. Edwards, 17 August 1925, King Papers, vol. 119, no. c2279, NAC.

80 Statement of J.B.M. Baxter in *Telegraph-Journal*, 6 August 1925.

defended himself against Liberal accusations of a conspiracy between lumber operators and J.B.M. Baxter; and he examined the Grand Falls question in detail, hinting that the Veniot government had made a suspicious deal with “foreign interests”.⁸¹

The outcome of the election was also affected by other factors. The candidacy of an Acadian premier brought to the fore the unsavoury racial elements of New Brunswick politics. With the aid of the Ku Klux Klan, a quiet but apparently comprehensive anti-Catholic, anti-French propaganda and “whispering” campaign had been conducted in the English ridings of the province. It was, of course, impossible to chart exactly how much the ethnic and religious question affected the election. However, except for Victoria and Restigouche counties the voting broke down strictly along French-English lines. The Liberals won only 11 seats to 37 for the Conservatives.⁸² Failing to pin down the Conservatives on the hydro-power issue, the Liberals were beaten handily, even in many English-speaking communities in the St. John River Valley that had most vocally advocated public ownership.

The Baxter government accepted their election victory as a mandate to return Grand Falls to private ownership. All construction was stopped immediately. Negotiations with International Paper to undertake the project began in the fall of 1925. An agreement in principle was made before the end of 1925 and when Premier Baxter announced the intentions of the government in his first speech from the throne on 13 March 1926, a formal agreement was near.⁸³ The details of the new Grand Falls lease were contained in the charter to the St. John River Power Company, an I.P. subsidiary created to undertake the project. In many respects the new lease renewed the previous rights of I.P., but it also contained specific provisions for electricity produced at Grand Falls. Under the terms of the agreement Fraser Company Ltd. was to have access to 20,000 hp at a fixed price for 50 years. Another 6,000 hp was reserved for the New Brunswick Electric Power Commission, provided it entered into a contract with the power company by 1 January 1929, at which time the company was free to dispose of any portion not being used by the province.⁸⁴

The legislative debate over the new lease demonstrated the shift that was taking place in provincial development policy. Veniot bitterly regarded the lease as a violation of the public trust — a “giving away of the God given right of the province” and “an exhibition of servile subserviency to the Big Interests”.⁸⁵ In an unusual philosophic digression, Baxter outlined for the house his faith in investment

81 *Telegraph-Journal*, 1 August 1925, 5 August 1925, 6 August 1925, 7 August 1925, 8 August 1925.

82 Doyle, *Front Benches and Back Rooms*, pp. 254-62; Forbes, *Maritime Rights*, pp. 139-262. For a discussion of anti-catholic propaganda in the election see William W. Thorpe, “Richard Burpee Hanson: A Study of his Relationship with the Constituency of York-Sunbury”, M.A. thesis, University of New Brunswick, 1972. See also statement of Peter Veniot in the Legislature, N.B., *Synoptic Reports* (1926), pp. 25-6.

83 Archibald Graustien to J.B.M. Baxter, 14 December 1925, Records of the Grand Falls Power Dam, file A1; Graustien to Baxter, 9 March 1926, file A2a; W.C. Pitfield to Baxter, 9 March 1926, RS 196, PANB.

84 *New Brunswick Acts* (1926), ch. XLV, pp. 254-325.

85 N.B., *Synoptic Reports* (1926), p. 18.

security — the principle, more than any other, that would guide Conservative development policy. Referring to the original Grand Falls lease (1901) and its implications he remarked:

That might or might not have been a mistake but if this house ripped every honest mistake made by its predecessors there would be no stability for any investment in this country. It is not wise to give even a hint that there is danger in making an honest investment of money. If our resources are to be developed, we must get money from outside, and we must assure the people who place their money with us that it will be secure, that we will give British fair play to all investors. Grand Falls was put in private ownership not by us, nor by our immediate opponents, but by a government long ago. The company had the rights, what could we do?⁸⁶

On a more practical level, Baxter was able to claim credit for integrating the Fraser Company into the Grand Falls scheme; greater privileges were also extended to the Bathurst Company in 1926, to create storage capacity on the Nepisiguit River in preparation for expanded power and paper manufacturing.⁸⁷ Debate over the Grand Falls deal would continue in the provincial legislature for the next decade, but after 1926 the possibilities for public ownership were effectively ended, as International Paper was much more anxious to undertake the project than they had been in the past.

The desire of International Paper to reacquire the Grand Falls lease reflected a larger company strategy of expansion into Canada that was related to ongoing structural changes in the North American newsprint industry. Despite its extensive ownership of water power rights and forest holdings in eastern Canada, I.P. did not begin to produce paper in Canada until 1922. With the ascension of Archibald Graustien as president, I.P. made the decision to fully develop its Canadian resources to produce hydro-electricity for sale and for the manufacture of newsprint. The timing of the decision corresponded with an impending battle between I.P. and two groups of Canadian newsprint producers for control over the North American market.⁸⁸ The building boom of the immediate postwar years had resulted in intense competition in the newsprint industry and a consequent cycle of price cutting after the 1921 recession. In the absence of government intervention, such as had helped to regulate the industry during the war, or the type of co-operation between producers that had stabilized other modern large-scale industries earlier in the century, the

86 N.B., *Synoptic Reports* (1926), p. 51.

87 See *New Brunswick Acts* (1926), ch. LII, p. 507-78.

88 On the structural changes in the newsprint industry during the late 1920s see: Gilles Piédalue, "Les groupes financières et la guerre du papier au Canada, 1920-1930", *Revue d'histoire de l'amérique française*, 30, 2 (septembre 1976), pp. 223-58; R.W. Hay, "Mergers and Expansion of Productive Capacity in the Canadian Pulp and Paper Industry, 1926-1932", *Atlantic Canada Economic Association Papers*, vol. 14 (1985), pp. 115-26; T.J.O. Dick, "Canadian Newsprint, 1913-1930"; Guthrie, *Newsprint Paper Industry*, especially pp. 93-126; J.C. Weldon, "Consolidation in Canadian Industry, 1900-1948", in L.A. Skeoch, ed., *Restrictive Trade Practices in Canada* (Toronto, 1966), pp. 228-79.

newsprint industry entered into a period of consolidation in 1926.⁸⁹ The largest firms in the industry began to pursue a strategy of price leadership — to raise the overall capacity of their firms by purchasing smaller companies, expanding existing plants and building new mills, to a point where they could control a sufficient share of the market to influence the prevailing price of newsprint.⁹⁰ While International Paper would eventually gain a dominant position in the 1930s, the destructive competition that was part of the process led to a crisis of overproduction, falling prices and under-utilized capacity in the late 1920s.⁹¹ Ironically, it was this painful readjustment in the newsprint industry that brought New Brunswick its greatest period of expansion in pulp and paper manufacturing.

The sheer size of International Paper and the climate of expansionism in the late 1920s influenced the character of negotiations between the province and the company. One of the largest corporations in the world, I.P. was in the process of carrying on similar negotiations throughout North America when the agreement for Grand Falls was in progress. Judging from his negotiations in New Brunswick, Archibald Graustien possessed a keen understanding of the bargaining leverage that a company with the assets of I.P. could exert on state and provincial governments eager for industrial development.⁹² Communications with the Baxter government in December 1925, to the effect that his company was planning to make an investment of \$40 million in New Brunswick if the “necessary rights” were obtained, placed Graustien in a powerful position to suggest what those rights and privileges might entail.⁹³ If the International Paper Company president was not yet fully conversant with the particularities of New Brunswick politics, he would have the helpful assistance of Archibald Fraser and Angus McLean in his negotiations with the province.

In the end, International Paper was able to acquire substantial rights and privileges from the Baxter government, and some of these concessions were not politically popular. Residents of Victoria County, for example, were dissatisfied with clause 23 of the charter of the power company, which exempted it from all taxes and assessments for a period of 40 years, except for a fixed school tax of \$5,000 per year.⁹⁴ Another source of political discomfort was the insistence of the company on exclusive rights to all water power on the St. John River below Grand Falls, or

89 Traves, *The State and Enterprise*, pp. 29-54; Piédalue, “La guerre du papier”; Hay, “Mergers and Expansion”.

90 On the pattern of price leadership in the industry during the 1920s and 1930s see Guthrie, *Newsprint Paper Industry*, pp. 106-28. At the end of the 1920s three large interests emerged, each capable of producing in excess of 2,500 tons of newsprint per day: Abitibi Power and Paper Company (2,600), Canadian Power and Paper Company (3,200) and International Paper (4,000).

91 Guthrie, *Newsprint Paper Industry*; Piédalue, “La guerre du papier”; Charland, “Les pâtes et papiers”.

92 For a discussion of I.P. negotiations in Newfoundland in 1926-7 see James Hiller, “The Politics of Newsprint: The Newfoundland Newsprint Industry, 1915-1939,” *Acadiensis*, XIX, 2 (Spring 1990), pp. 3-39.

93 Graustien to Baxter, 14 December 1925, Grand Falls Records, file A1, PANB.

94 J.A. Grant, Warden, Victoria County Council to Baxter, 27 April 1926, Grand Falls Records, file A2a, PANB.

compensation for any benefit that another interest, including the province, may have gained from storage capacity created up-river by I.P. Clause 22 of the charter provided for compensation. However, very shortly after the act was passed the company requested that Baxter enact an order-in-council giving the right of first refusal for any privileges useful for development on the river for a period of ten years.⁹⁵ The response of the premier demonstrated both his firm belief in private ownership and his uncertainty as to how receptive the electorate was to the Grand Falls deal. After assuring Graustien that his government would meet the request for what amounted to speculative privileges, if I.P. thought it “absolutely necessary”, the premier requested:

I must ask you, however, not to make the Order public, especially not as part of a prospectus for floating the company. I would much prefer to see a private development of the powers, but at the same time do not want to have the impression that we have handed over the whole province to the International....It is a curious thing that public opinion will demand the assistance of large corporations, and yet the moment such co-operation is obtained, it is apt to condemn the granting of the opportunities which are necessary for the development.⁹⁶

Revision of the Crown land leases was, from the beginning, implicit in the working out of the Grand Falls arrangement between the provincial government, International Paper and the Fraser Company. During their first session the Conservatives established a new framework for Crown land policy, with an understanding that the details of the leases would be established by order-in-council at a later date. The important elements of the “1926 Pulp and Paper Licenses” were that: companies that agreed to build and/or enlarge existing pulp and paper mills would be given a 30-year extension to their lease, with a provision for an additional 20 years, subject to “such terms and conditions as may be prescribed by the Lieutenant Governor-in-Council”; pulp and paper licensees would pay, in place of competitive bidding, a bonus fee per square mile over and above stumpage and renewal fees for each year of the duration of the lease; and the licence would contain a provision that required the company to cut a certain percentage of the annual growth of the area under lease.⁹⁷ In April the Baxter government informed the paper companies of their intention to set the bonus fees at \$5 per square mile and to require the companies to cut 60 per cent of the annual growth on their licences.

Although the terms were generous, International Paper was dissatisfied. Baxter received a negative response from Archibald Graustien in a telegram on 29 April 1926. I.P. was unreceptive to the idea of cutting regulations based on annual growth and also deemed the 20-year renewal clause as “worse than useless” because, potentially, it allowed for a renegotiation of terms after only 30 years. Graustien was

95 *New Brunswick Acts* (1926), ch. XLV, pp. 254-325.

96 Baxter to Graustien, 3 May 1926, Draft Copy of Order-in-Council; Graustien to Baxter, 5 May 1926, Grand Falls Records, file A2b, PANB.

97 *New Brunswick Acts* (1926), ch. XLI, pp. 246-8.

prompted to remind the premier that it was “absolutely fundamental that the timber situation be safe for bankers to lend money”.⁹⁸ It soon became apparent that International Paper and the Fraser Company were fully prepared to delay the final signing of a power contract and the construction at Grand Falls as leverage for a more favourable lease agreement.⁹⁹ On 24 May Baxter was told by the I.P. president that, “Actual construction cannot be started until the Fraser contract is signed and I understand from Mr. Fraser that he hesitates to sign the contract until the Order-in-Council with regards to the timber limits has been settled and passed....We of course”, Graustien added, as if in afterthought, “have the same feeling”.¹⁰⁰

A flurry of correspondence between the three parties followed and led to a meeting in the first week of June between Baxter, Archibald Fraser, Angus McLean and a representative of International Paper. At the meeting in Fredericton the pulp and paper companies presented the premier with what amounted to three demands: removal of the 20-year renewal clause; an abandonment of the notion of tying minimum cutting requirements to annual growth; and the adoption of the Quebec log scale.¹⁰¹ Some movement was made on the lease tenure and log scale issues, but not on the minimum cutting requirements. The premier was informed again by Fraser and Graustien, in a telegram from Montreal on 23 June, that after lengthy discussions it was decided they could not agree to the cutting regulation. The two industrialists concurred that the minimum cutting clause was most “burdensome” in preventing “the acquisition of timber limits on the basis of future mill expansion”. Teasing the growing anxieties of Baxter, the message concluded with the suggestion that if the “timber matters” could be “passed by council we ought to be able to start work on the power development by the middle of July”.¹⁰²

The Conservatives understood and disapproved of the tactics being employed by Graustien and Fraser, but there were pressures to move the project forward as quickly as possible. Minister of Lands and Mines C.D. Richards, who had designed the annual growth clause in part to prevent the holding of lands for the speculative purposes that Graustien and Fraser insisted upon, was the most displeased member of the caucus. “I agree with you”, he told Baxter, “that there was never any suggestion whatever that the execution or even the arranging of the terms of a timber license should be regarded as a condition precedent to the signing of a contract with Fraser or the beginning of the work at Grand Falls”. “They are pressing the matter now”, Richards concluded, “because they feel at this time they may be in a better position to drive a bargain than they would subsequently”.¹⁰³

However angry the Conservatives may have been at the improper linkage of Crown land concessions to the Grand Falls project, the political climate in the

98 Baxter to J.F. Rollins, 25 April 1926, Graustien to Baxter, 29 April 1926, Grand Falls Records, file A2a, PANB.

99 Baxter to Graustien, 1 May 1926, Grand Falls Records, file A2a, PANB.

100 Graustien to Baxter, 24 May 1926, Grand Falls Records, file A2a, PANB.

101 Baxter to Graustien, 28 May 1926; Baxter to Fraser, 29 May 1926; Fraser to Baxter, 4 June 1926; Graustien to Baxter, 5 June 1926, Grand Falls Records, file A2a, PANB.

102 Fraser and Graustien to Baxter, 23 June 1926, Grand Falls Records, file A2b, PANB.

103 C.D. Richards to Baxter, 24 June 1926, Grand Falls Records, file A2b, PANB.

province in the summer of 1926, and a growing dependence on the paper companies, rendered unlikely any action that would cause a lengthy delay to the beginning of construction. The vitriolics of Peter Veniot in the Legislature were followed by an all-out assault in the Liberal newspapers of the province against Baxter and the “pulp triumvirate”. Promises of an early commencement to construction at Grand Falls only added to the caustic speculation of opposition forces. By the beginning of June even faithful supporters were urging Baxter to “bring the matter to a conclusion”, informing him that from all parts of the province “the delay in proceeding with Grand Falls is being accepted as evidence that the whole situation has been trifled with”, and further warning that “lukewarm supporters” would “go over the fence permanently” if “the cause of their dissatisfaction is not removed soon”.¹⁰⁴

The political fortunes of the Baxter government rested not only on the actual beginning of construction, but also on how the employment created at Grand Falls would be administered; in this respect, as well, International Paper was in a powerful position. A project the size of Grand Falls presented both the opportunity to generate considerable political capital through patronage and a responsibility to reward party supporters. Given the contemporary political culture of New Brunswick and the province’s faltering economy, it would have been very difficult for the government to avoid involvement. In order to fulfil the political imperatives of controlling a significant number of job placements and ensuring that New Brunswick contractors were given a fair portion of the construction work, the premier, perhaps by necessity, worked to create an atmosphere of co-operation. Baxter was soon successful in getting the company to hire the construction company of his choice, to make public statements to the effect that New Brunswick workers would be used whenever possible, to send him lists of applicants from which he could make employment decisions, and eventually to participate in public spectacles to commemorate the beginning of construction and operations.¹⁰⁵ However, the premier’s efforts as an employment/patronage broker obviously depended on the goodwill of International Paper and to a lesser degree the Fraser Company. The extension of this atmosphere of co-operation into the wider sphere of negotiations regarding Grand Falls and the Crown land leases thus compromised the ability of the Conservative government to defend positions that they believed to be in the best interests of the province. Undoubtedly, there was sympathy for the needs of the companies with regard to securing financing, but even the co-operative Premier Baxter found himself pushed beyond the limits of what he felt were legitimate claims on the natural resources of the province.

104 Howard Robinson, Editor, *St. John Telegraph-Journal*, to Baxter, 4 June 1926, Grand Falls Records, file A2b. On the attack in the Liberal newspaper see, especially, *Daily Gleaner*, 24 April 1926, 4 June 1926.

105 On the cultivation of a working relationship with regards to patronage see Baxter to Graustien, 3 May 1926; Graustien to Baxter, 5 May 1926; Baxter to Graustien, 11 May 1926, 12 May 1926; N.C. Head, Assistant to the President, International Paper Company to Baxter, 19 May 1926, Grand Falls Records, file A2b; Head to Baxter, 12 July 1926, 30 July 1926; Graustien to Baxter, 6 August 1926; Harry F. McLean, Dominion Construction Company to Baxter (list of applicants for approval), 17 August 1926; Graustien to Baxter, 8 October 1926; Baxter to Graustien, 11 October 1926, file A2c, PANB; *Financial Post*, 3 September 1926.

After further consultations the Baxter government and the paper companies came to agreement. Fraser and Graustien agreed to sign the power contract and begin construction under the condition that orders-in-council on certain aspects of the Crown land negotiations be passed at a later date. The substance of the agreement was recorded in a letter from Graustien to Baxter on 30 July, "outlining those things which remain to be done", to "prevent any misunderstanding". It included the 50-year continuous lease, as well as provisions that "the amount which must be cut each year remain substantially as in the old lease" and that a new scale be created in accordance with tests made by the Department of Lands and Mines.¹⁰⁶ From all indications the companies had fared well in their negotiation with the province. The construction of the Grand Falls power dam finally began on 10 August 1926.

The provincial lumber industry did not benefit from the Baxter government's favourable policies toward pulp and paper. Although the rate of stumpage was reduced from \$3 to \$2.50 per thousand board feet in 1925, the Baxter government held out little hope for the struggling industry.¹⁰⁷ "We should not bewail the passing of the long lumber business", the premier remarked in the Assembly, "for it is better worth while to have our forest products made into the most highly manufactured forms possible".¹⁰⁸ The Conservatives soon reversed the stumpage reduction of 1925, setting the rate for the 1926-7 season at \$3.50 per thousand board feet.¹⁰⁹ Responding to renewed protest from the lumber operators, the government appointed a royal commission to investigate the problems of the industry and to make recommendations on how its woeful condition might be improved.

Intentionally or not, the 1927 Report of the Royal Commission on the Lumber Industry reflected the prevailing attitude of the Conservative government. The report was part obituary for the lumber industry and part promotional pamphlet for pulp and paper development. Based on a cost analysis provided by 24 firms, it was calculated that operators in the province absorbed an average net loss of \$5.54 per thousand board feet on long lumber and similar losses on other forest products during the 1926-7 season.¹¹⁰ Although the lumbermen probably put the worst possible face on the situation in hopes of relief, the dismal record of the industry for the five previous years was undeniable. When compared with the pulp and paper industry, which had "flourished and developed greatly" and was "capable of much greater expansion", the future direction of forest policy in the province appeared obvious.¹¹¹ The recommendations of the commission were directed more toward assisting pulp and paper development than providing meaningful relief for the lumber industry. The

106 Graustien to Baxter, 30 July 1926, Grand Falls Records, file A2c. The first two conditions were incorporated in an act to revise the timber licences in April 1927, and the new log scale, which had the effect of reducing the stumpage on a cord of pulpwood, was enacted by order-in-council in August 1928. Minutes of the Executive Council, 1928, p. 341, RS 6, PANB; *New Brunswick Acts* (1927), ch. XXVII, pp. 236-8.

107 *Annual Report of the Department of Lands and Mines* (1925), p. 70.

108 N.B., *Synoptic Reports* (1926), p. 50.

109 *Annual Report of the Department of Land and Mines* (1926), p. 74.

110 *Report of the Royal Commission with Respect to the Lumber Industry* (Fredericton, 1927), p. 16.

111 *Royal Commission* (1927), p. 17.

most important recommendation acted upon by the government was that the conversion factor for a cord of pulpwood was lowered from 600 to 500 board feet, thereby reducing the stumpage on a cord of pulpwood and bringing it into line with the Quebec scale. Opposition claims that the royal commission was merely a “smoke screen” to “keep faith with the pulp triumvirate” may have contained an element of truth, inasmuch as the report was used as an objective opinion to justify a change in scale that had been a part of the previous negotiations over Crown land policy with the paper companies.¹¹² In any event, there was no effort to conceal the unwillingness of the Conservative government to take measures that would materially improve the condition of the lumber industry.

The final phase of Crown land transfer from the lumber industry to the pulp and paper companies was already underway when the Conservatives took office in 1925, and after the report of the royal commission was issued, the government actively assisted in the process. When the lumber market collapsed in 1921, many of the operators fell into irreversible debt to banking institutions who had lent them large amounts of money to finance increased production during the postwar boom. The Crown land of the operators was placed in trust to the banks to insure their liens on the companies. Unwilling to further advance money to the operators under the poor market conditions that continued after 1921, the banks were anxious to find buyers for the indebted enterprises. While many of the companies continued to operate to varying degrees, very few of the remaining operators who held more than 100 square miles of Crown land in 1920 survived the decade.¹¹³

The large lumber companies that held Crown land leases in Restigouche County were the first to fall. In 1922 both the Shives Lumber Company with 656 square miles of Crown land and Stetson, Cutler and Company with 469 square miles fell to the Montreal Trust Company.¹¹⁴ During the following year they were consolidated under the Stetson, Cutler name and sold in 1925, along with their subsidiaries, to the Fraser Company. The subsidiaries of Stetson, Cutler included the Richards Manufacturing Company with 498 square miles of Crown land and the Continental Lumber Company, whose 143 square mile lease had been held in trust by the Bank of Nova Scotia. The purchases by the Fraser Company in 1925 eliminated three of the leading ten leaseholders at the end of the war.¹¹⁵ In addition to the 1,766 square miles of Crown land in Restigouche County, the Fraser Company acquired extensive mill operations in Campbellton, Crown land in Quebec and 13,000 acres of freehold in New Brunswick. In November 1927 close to 900 square miles of the Restigouche

112 *Royal Commission* (1927); N.B., *Synoptic Reports* (1928), p. 20.

113 Harold A. Innis Papers, vol. 006, file 17, B72-003, University of Toronto Archives [UTA]. Notes re: interviews on the Maritime lumber industry with government and industry officials, 1928; Petition of Fraser Co. Ltd. and International Paper Company, in regards to transfer of Crown land, dated 19 October 1931, New Brunswick Cabinet Papers, 22 June 1932, RS 9, PANB; see also Colpitts, “Alma”, pp. 65-72.

114 *Annual Report of the Department of Lands and Mines* (1922), p. 20.

115 *Annual Report of the Department of Lands and Mines* (1923), pp. 24, 26; details of the land transactions are contained in R.B. Hanson to L.P.D. Tilley, 12 July 1933, memorandum re: application of Restigouche Company Ltd. for a 30-year sawmill licence, Cabinet Papers, RS 9, PANB.

Crown land were sold to the International Paper Company for a substantial cash settlement.¹¹⁶ The Crown land in Restigouche County was thus disposed of relatively quickly; it was more difficult for the banks to find buyers for the holdings on the Miramichi River watershed that had fallen into trust.

In keeping with the emerging industrial development policy, the Conservative government stepped forward in 1927 and began to arrange for the transfer of the lands of six Miramichi lumber companies to the Fraser Company and International Paper. Baxter responded to opposition criticism of his unwillingness to provide relief for the Miramichi lumber operators in 1927 by suggesting that “you would be helping the banks and not the lumber companies”. The premier believed that the “situation in the Miramichi could be solved by the establishment of a sulphite pulp mill” and his government acted accordingly.¹¹⁷ Late in the summer of 1927 the Baxter government entered into negotiations for the sale of the D. and J. Ritchie Company, which was held in trust by the Royal Bank of Canada. The International Paper and Fraser companies hired the services of the Montreal Engineering Company (a subsidiary of Montreal Securities Corporation) to act as a holding company. In October 1927 the 350 square mile Crown land lease and mill facilities at Newcastle were bought by the paper companies for \$165,000 and placed in trust to Montreal Engineering.¹¹⁸

With the Ritchie deal completed, negotiations proceeded to the transfer and sale of the Crown land and properties of four other established lumbermen on the river — James Robinson, John Maloney, Hon. J.L. O’Brien (Speaker of the House) and D.J. Buckley. Except for James Robinson, none of the operators cut large amounts of lumber on their holdings after the 1921 crash. The combined Crown land of the four operators totalled 224 square miles, all of which was held in trust by the Royal Bank. On 20 December 1927 the Montreal Engineering Company purchased the Crown land and mill properties, on behalf of Fraser Company and I.P., for \$207,000. The licences remained in the name of the Royal Bank, under a trust agreement, pending further action.¹¹⁹ In the following year the Fraser Company also purchased the Newcastle mill properties and a 219 square mile lease of the Edward Sinclair Lumber Company.¹²⁰ The government-sponsored transfer of the Miramichi holdings was completed, perhaps fittingly, with the sale of the J.B. Snowball Company, for half a century owned by one of the most powerful lumbering families in the province. Held in trust by one E.W. Jarvis, the Chatham mill properties and 315 square mile Crown lease were sold to the two paper companies, via Montreal

116 Fraser Company Papers, *Handbook* (1962).

117 N.B., *Synoptic Reports* (1927), p. 197.

118 The details of the sale of Crown land on the Miramichi, including the role of the provincial government and the Royal Bank, were revealed in a petition to the legislature in 1931, when the Frasers and I.P. wanted to undertake the final transfer of the leases. “Petition of Fraser Company Ltd. and International Paper Company”, 19 October 1931, Cabinet Papers, 22 June 1932.

119 “Petition of Fraser Company Limited and International Paper Company”, 19 October 1931, Cabinet Papers, 22 June 1932.

120 Fraser Company Papers, *Handbook* (1962).

Engineering, for \$192,000 in June 1929. The Snowball properties were placed in trust to Archibald Fraser and John W. Brankley.

In all International Paper and the Fraser Company purchased in a two-year period on the Miramichi, numerous mill properties all along the river, approximately 15,000 acres of freehold land, and 889 square miles of Crown land leases, for a price of only \$564,000. The transactions were completed in 1931, when all of the lands were transferred to the Miramichi Lumber Company and the North West Land Company, a Fraser subsidiary.¹²¹

With the liquidation of the Miramichi and Restigouche operators, a remarkable transformation in the structure of Crown land holdings had been completed within five years. More than one-quarter of the total Crown land holdings in the province, at least 3,000 square miles, were ceded to the two paper companies in the years from 1925 to 1929.¹²² By 1930 the so-called “pulp triumvirate” occupied a dominant position (see Table Three). At the end of the 1920s the three major pulp and paper manufacturers controlled at least 7,000 square miles of Crown land, fully two-thirds of the leased forest lands in the province.¹²³ In addition to the more obvious impact that the wholesale transfer of Crown land had on further stimulating pulp and paper development, it also accelerated ongoing structural changes in the lumber industry.

Table Three
Leading Crown Land Holders in New Brunswick, 1930

Company	Square Miles
Fraser Company and Subsidiaries	2,802
International Paper and Subsidiaries	2,215
Bathurst Company	1,101
Fraser and International Paper, through trusts	889
F.E. Sayre Ltd.	493
Gloucester Lumber and Trading Company	307
R. O’Leary and Sons	220
Nashwaak Pulp and Paper Company	215
G.P. Burchill	154
William Sullivan	150

Source: Annual Report of the Department of Lands and Mines, 1930, pp. 20-5.

121 “Petition of Fraser Company Ltd. and International Paper Company”, Cabinet Papers. On the Snowball Company see W.J. McNulty, “The Kings and Snowballs: Historic Families of New Brunswick”, in *Canada Lumberman* (1 August 1930).

122 The amount of land transferred may well have been larger, as details on the sale of some of the smaller lumber companies are not available. In any case the total for the three pulp and paper companies would not, in all probability, exceed 7,500 square miles.

123 Calculated from *Annual Report of the Department of Lands and Mines* (1930), pp. 20-5.

Paradoxically, lumber manufacturing became both more concentrated and decentralized during its precipitous decline in the 1920s. The mills and Crown land obtained during the decade made Fraser Company the largest manufacturer of lumber in Eastern Canada, with at least a dozen large mills in New Brunswick and Quebec. Contemporary observers estimated that by 1929 the Fraser Company produced approximately 50 per cent of the province's lumber.¹²⁴ However, except for Fraser and a few other companies, the trend in the New Brunswick lumber industry was decidedly toward small portable mills. The use of portable mills — which usually employed between ten and 24 men and, if well operated, produced 1,000 board feet per man day — began in the last decade of the 19th century and became more popular as the resource base deteriorated. Portable mills allowed operators to cut stands that had formerly been inaccessible because of the distance from driveable streams. Integrated cutting and sawing reduced the heavy cost of moving raw wood by water or rail. The small capital investment in a portable, normally less than \$10,000, also allowed the operator to be more responsive to market conditions; that is, there was less pressure to continue operating because of high overhead costs when market conditions were poor. Finally, since the portables could be taken to the stumpage as it was bought, the necessity of holding large tracts of forest land was all but eliminated. Thus, portable mills were better suited than more capital-intensive stationary mills for a marginal, unstable industry, which lumber manufacturing in New Brunswick was becoming.¹²⁵ The fact that 308 mills operating in the province in the 1930s manufactured less than one-half of the amount of lumber sawn by 249 mills in 1919, reflected the growing prominence of portable mills in the 1920s.¹²⁶

For the pulp and paper industry it was all concentration of production and heavy capital investment. The hydro-electric power and Crown land policy of the Conservative government, in conjunction with structural changes in the newsprint industry, resulted in unprecedented industrial expansion in the province. The Fraser Company began expanding even before the Grand Falls power dam was operational. In 1925 the company began an enterprise that was unique in the industry when they built a fine paper mill across the river and the international border in Madawaska, Maine. As part of the construction the Frasers installed a mile-long pipeline to transport pulp from the adjacent mill in Edmundston to the new Madawaska plant. The logic behind the international project was to circumvent the American tariff still in existence for fine papers.¹²⁷

Anticipating the completion of the Grand Falls development, the Fraser Company began major construction projects in 1928. The Restigouche Company Ltd., a wholly

124 Jones, "Lumber Industry in New Brunswick and Nova Scotia", pp. 155-6, 170.

125 Jones, *Lumber Industry*, pp. 154-62; "Portable Sawmilling in New Brunswick Makes Great Strides", *Canada Lumberman* (15 January 1928); Gerrit Hazenberg, "An Analysis of the New Brunswick Lumber Industry", M.Sc. thesis, University of New Brunswick, 1966, pp. 10-14.

126 J.R. Petrie, *The Regional Economy of New Brunswick*, report prepared for New Brunswick Committee on Reconstruction (Fredericton, 1944), p. 174; *Canada Year Book* (1933), p. 462.

127 Lang, "L'impact d'une industrie", pp. 50-2; Fraser Company Papers, *Handbook* (1962); Glendenning, "Crown Land Regulations", pp. 16-17.

owned subsidiary, was formed in 1928 to consolidate the remaining forest holdings that were acquired in the county in 1925 and to build a sulphite pulp mill in Atholville, three miles outside of Campbellton. The mill came into operation in 1930 at a rated capacity of 150 tons per day. At the same time, expansion and renovation at the Edmundston complex was undertaken on a massive scale. The paper board facility at the mill, which had started with the conversion of a pulp-drying machine in 1926, was upgraded to 30 tons per day in 1928. Expansion of the bleached sulphite operation was also completed during that year, doubling capacity from 150 to 300 tons per day. Finally, the Fraser Company built a groundwood pulp facility that was completed in October 1928 to utilize the electricity from Grand Falls. The groundwood pulp, 140 tons per day, was piped in a slurry state to the Madawaska mill, which had been expanded for converting it to catalogue paper. The developments of the late 1920s made the Fraser Company one of the largest non-newsprint producing pulp and paper companies in North America.¹²⁸

Expansion was also underway at the Bathurst newsprint mill in 1928 through new management. The fate of the Bathurst Company Ltd. was much the same as that of many other medium-sized paper companies during the consolidation of the newsprint industry in the late 1920s. When the company decided to enter into newsprint production in 1921, it was a solid diversified firm with ample forest resources and thriving lumber, sulphite pulp and kraft pulp operations. But even as the newsprint operation came on line in 1923 the company was beginning to falter. The 1921 crash effectively eliminated the lumber operation as a revenue generator, and the price of newsprint was also falling sharply. In an industry in which economies of scale were becoming increasingly important for survival, a mill producing only 65 tons of newsprint per day could not compete; and the sulphite and kraft pulp operations were not sufficiently large to provide a return on the total capital invested in the mill.¹²⁹ In 1928 the Bathurst mill properties were sold to a Montreal brokerage firm and the International Paper Company. The firm was reorganized and incorporated in 1928 as the Bathurst Power and Paper Company, under the management of I.P., which held a one-half interest. Almost immediately I.P. proceeded with long-standing plans for expansion that had been delayed because of lack of operating capital. A 5,500 hp generator was added to the Nepisiguit power plant, raising the capacity to 14,500 hp, and the installation of an additional newsprint machine doubled the output of the mill to 130 tons. The new newsprint machine came on line early in 1929.¹³⁰

International Paper emerged very successfully from the consolidation movement by absorbing smaller companies and/or building new mills. Bathurst Company represented a relatively minor investment for the industrial giant, as did the St. George Paper Company mill purchased a few years earlier. Already the largest producer of pulp and paper in the world, with 22 mills in Canada and the United

128 Lang, "L'impact d'une industrie", pp. 50-2. *Annual Report of the Department of Lands and Mines* (1928), p. 10; (1929), p. 10; (1930), pp. 8-10.

129 Côté, "Les voies de la monopolisation", pp. 252-315. On the falling price of newsprint in the 1920s see Kellogg, *Newsprint Paper*, pp. 49-50.

130 Côté, "Les voies de la monopolisation", pp. 252-315. *Annual Report of the Department of Lands and Mines* (1929), p. 11.

States, International Paper was undertaking some of the largest construction projects in North America when it began building the power dam and mill in New Brunswick. The I.P. project on the Gatineau River in Quebec, for example, included a 600 ton newsprint mill and three hydro-electric dams along the river that were to have an initial capacity of 375,000 hp. By 1927 I.P. controlled close to 30,000 square miles of freehold and Crown land in Canada and Newfoundland, 600,000 hp of developed hydro-power and the rights to an estimated 800,000 hp of undeveloped water power resources.¹³¹ The policy of the company was to hold abundant water and forest resources in reserve — a policy justified by the company even in the promotional pamphlet on the Grand Falls development, which described the “particularly strong position” of I.P. with regard to pulpwood resources and noted that the “contrary policy of building or expanding mills beyond the economic capacity justified by available timber reserves has in the past been productive of serious injury, not only to the industry, but also to the communities in which it was located”.¹³²

After more than 20 years of holding substantial wood and power resources in reserve, International Paper began industrial developments of an unprecedented scale in New Brunswick. The first 20,000 hp generator was switched on at the Grand Falls power dam in October 1928; two units were added in 1929 and a fourth was installed in 1930, bringing the final capacity of the plant to 80,000 hp. An outstanding feature of the project was the largest hydro pressure tunnel in Canada, 2,755 feet long and 24 feet in diameter, cut through solid rock beneath Grand Falls. The ultimate cost of the Grand Falls dam was at \$7-9 million.¹³³ Then in 1928 I.P. began construction of a huge newsprint mill in Dalhousie. The \$15 million project included a 125-mile transmission line from Grand Falls to the mill site and an eight-mile pipeline from the Charlo River to provide the fresh water necessary for newsprint production. Two newsprint machines commenced operation in March 1930 and single units were completed in September 1930 and January 1931. When the 550 ton per day Dalhousie mill was completed it was one of the very largest and most technologically efficient newsprint manufactories in the world.¹³⁴

With the completion of the Dalhousie mill the long search for pulp and paper industry development had, in some respects, come to a successful end. Pulp and paper-making capacity in the province had increased by several fold in a period of less than ten years. Combined daily capacity in the province after the final additions to the I.P. newsprint mill in 1931 was close to 1,500 tons of pulp and 700 tons of paper. Because of the prevailing economic conditions the actual production of pulp

131 Interview with Mr. Brown, Assistant to the Vice President, International Paper Company, Innis Papers, vol. 006, file 17, Notes on Maritime Lumber Industry; “Grand Falls Development”, promotional pamphlet, 1926, St. John River Power Company, pp. 3-6; “Gatineau Newsprint Paper Mill”, promotional pamphlet, 1926, Canadian International Paper Company, p. 1, Grand Falls Records, file B2.

132 “Grand Falls Development”, p. 8.

133 *Annual Report of the Department of Lands and Mines* (1928), pp. 10-11; (1929), p. 10; (1930), pp. 8-9.

134 *Annual Report* (1929), pp. 10-11; (1930), pp. 8-9.

and paper in the province was restricted to 1,025 and 550 tons respectively in 1931.¹³⁵ The combined operating ratio of the New Brunswick mills was somewhat higher than the average for North America, mainly due to the fact the new Dalhousie mill was kept operating at close to its capacity. It would be another decade before all the mills in the province consistently operated at levels that approached their full potential.¹³⁶

Despite the inhibitions of the prevailing economic conditions, the mill developments of the early 1930s solidified the transformation of the New Brunswick forest industries from a sawmilling to pulp and paper economy. The almost complete collapse of lumber markets and the willingness of pulp and paper companies to expand, despite economic trends in the late 1920s, ushered in a new industrial era in the province (see Table Four). The transformation of the New Brunswick forest industries was all but complete by the end of 1932. Lumber manufacturing would experience surges of recovery during the 1930s and after, but they would be brief and limited by access to capital and forest resources. Pulp and paper manufacturing by contrast would experience even greater expansion in the post-Depression period.

On 15 March 1930 James Baxter stood on a podium in Dalhousie, overlooking a crowd of dignitaries and interested New Brunswick residents who had come to witness the opening of the International Paper Company newsprint mill. He began by reiterating the policy of the government “to create conditions under which the investment of capital will be safe for the development of the opportunities the province affords”. Noting the “much discussion and disagreement of opinion” this “simple proposition” had encountered, Baxter responded to his critics with a step by step justification of Conservative policy initiatives regarding provincial water and forest resources. The premier’s speech was delivered with an obvious air of satisfaction. The Dalhousie mill was to be the “first instalment of the industrial program which the Government has secured for the province”, and would be followed by the expansion of pulp and paper-making capacity on the Miramichi and St. John rivers. Permitting himself a measure of self congratulation, the premier concluded that his government was lending “a new meaning to the old motto of New Brunswick — ‘Spem Reduxit’ — ‘He Brought Back Hope’”.¹³⁷

Implicit in Baxter’s speech was an acknowledgement of the intimate involvement of his government in pulp and paper development. Pulp and paper was the first large-scale modern industry to locate in New Brunswick and, in many ways, marked the genesis of a new state development strategy that revolved around mega-projects funded with outside capital. The attraction of modern industry, the Conservatives quickly learned, demanded a much higher level of state sponsorship than had been previously extended in New Brunswick. To create attractive conditions for investment, the developers had required that the state assist in the concentration of control and tenure of forest and water resources far beyond previous limits; it was

135 Calculated on the basis of 300 working days per year, a method generally used in the industry during this time. Murray B. Morrison, *The Forests of New Brunswick* (Ottawa, 1938), p. 43.

136 New Brunswick rated capacity and production compared with figures on operating ratio for North American newsprint industry. Kellogg, *Newsprint Paper*, p. 28.

137 Text of speech in *Chatham Gazette*, 17 March 1930.

Table Four
New Brunswick Sawmilling and Pulp and Paper Industries, 1924-1934.

Sawmilling	1926	1928	1930	1932	1934
# of mills	257	180	308	230	238
capital invested (000)	\$20,773	\$22,463	\$21,253	\$6,297	\$7,013
% of N.B. total	21.7	26.5	15.1	5.4	5.7
# of employees	4,100	4,194	4,619	1,343	1,842
% of N.B. total	23.2	36.5	22.6	11.2	13.6
wages and salaries (000)	\$3,170	\$2,298	\$2,222	\$600	\$874
% of N.B. total	21.7	29.9	14.8	5.6	7.7
value of (000) production	\$13,392	\$9,709	\$8,564	\$2,208	\$3,856
% of N.B. total	18.1	24.7	14.8	5.6	7.1
Pulp and Paper	1926	1928	1930	1932	1934
# of mills	5	4	7	6	6
capital invested(000)	\$17,210	\$25,230	\$49,789	\$43,522	\$40,852
% of N.B. total	18.0	29.6	35.5	37.1	33.1
# of employees	1,366	1,329	2,469	1,837	2,138
% of N.B. total	7.7	11.6	13.4	15.3	15.8
wages and salaries (000)	\$1,617	\$1,622	\$2,869	\$1,191	\$2,238
% of N.B. total	11.1	21.1	19.1	18.1	19.7
value of (000) production	\$9,175	\$8,226	\$12,614	\$12,823	\$13,365
% of N.B. total	12.4	20.9	19.9	27.0	24.7

Source: *Canada Yearbooks*, 1929-1937.

also necessary to alter Crown land regulations to meet the specific needs of the industry, and abandon efforts to revive the failing lumber industry. Options such as public ownership of hydro-electric developments were abandoned in deference to the pulp and paper promoters. Ultimately, an examination of the negotiations between capital and state that led to the building of mills in New Brunswick demonstrates that the companies were firmly in control of the process of defining the conditions that made the province safe for investment.

In the process the traditional political economy of the province was restructured and great expectations for the forest industries were rekindled. The lumber industry, which had served as the foundation of the provincial economy since the collapse of the timber trade at the middle of the 19th century, now gave way to a modern, capital-intensive industry controlled by multinational capital. A few older lumber companies made the transition, but most went into bankruptcy or otherwise left the trade. Control of Crown land was now concentrated as never before, with more than 7,000 square miles of forest — more than two-thirds of the leased forest lands in New Brunswick — in the hands of three companies. While the initial phase of expansion created new industrial centres almost overnight, it also left large regions of the province, including the entire Miramichi watershed, without pulp and paper mills, without major markets for their wood and, most importantly, without control over local forest resources.

Under the management of an interventionist provincial state prepared to meet the requirements of multinational capital, New Brunswick appeared to be well placed to participate in the second industrial revolution, which was reshaping the North American economy. Ironically, the new mills in New Brunswick were built during a period of excess capacity and intense overproduction in the pulp and paper industry in North America. The depressed conditions of the markets and the general economic crisis of the 1930s failed to sustain the optimism of the 1920s. There were also problems specific to New Brunswick. With the largest mills holding sizeable forest tracts conveniently located in Quebec, only 27 per cent of the pulpwood processed into pulp and paper in New Brunswick during the 1930s would come from the province's Crown land — hardly a sufficient quantity, many complained, to justify such large concessions.¹³⁸ At least in the short run the new industrial strategy failed to deliver the promised prosperity to forest-dependent communities in New Brunswick. In the long run, however, the strategy of large-scale resource exploitation and close collaboration with international investors would continue to dominate development strategies in New Brunswick.¹³⁹ The anticipated boom in the forest industries did not fully arrive until after the Second World War, but the establishment of the pulp and paper industry did mark the arrival of the modern mega-project in New Brunswick.

138 Calculated from *Annual Reports of the Department of Lands and Mines*, 1930-9.

139 See R.A. Young, "Development, Planning and Participation in New Brunswick, 1945-1975", Ph.D. dissertation, Oxford University, 1979; James L. Kenny, "Politics and Persistence: New Brunswick's Hugh John Flemming and the Atlantic Revolution, 1952-1960", M.A. thesis, University of New Brunswick, 1988.