

**Pulp Fictions:  
The CCF Government and the Promise of a Pulp Industry in  
Saskatchewan, 1944-1964**

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By

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## Abstract

This thesis brings together for the first time, in an organised account, Saskatchewan's search for a pulp industry. This thesis will show that, in a fundamental tension between goals of fiscal prudence and of economic growth, fiscal prudence won out again and again, to the point that the CCF governments could be characterised as risk-averse where pulp production was concerned. The cautious approach is in contradiction both to the activist reputation of the CCF governments and to their aggressive development of other resources, notably mining. Pulp offers an example of the contradictions that plagued the CCF governments and their policies for the north, contradictions that included disagreements between moderates and radicals over the roles of public and multinational enterprise, colonial attitudes towards the north, and risk aversion despite bold rhetoric and announcements.

The methodology used in this thesis has generally maintained an economic policy and political discourse, and incorporates mostly a "top-down" governmental approach. The personal papers of Tommy Douglas and Woodrow Lloyd provided CCF government correspondence and departmental memos that included premiers, ministers, deputy ministers, and departmental directors involved with the Department of Natural Resources, the Timber Board, the Industrial Development Office, and the Economic Advisory and Planning Board, and with pulp company officials. Furthermore, pulp reports, surveys, and studies helped contextualise all of the interrelated correspondences. To supplement government discourse I utilised the *Prince Albert Daily Herald* to gain an understanding of what issues the public was debating and found to be most important.

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## Introduction

**A pulp mill would be the first important plant to make a contribution towards the development of Saskatchewan's renewable-resources. In a way the establishment of such a plant is more significant than the development of our oil as the operation will continue in perpetuity yielding continuous revenues to the Government and providing employment to our people.<sup>1</sup>**

**- D. Black, 1957**

Donald Black's statement occurred during the Saskatchewan Co-operative Commonwealth Federation (CCF) government's negotiations with Robert Campbell for a pulp operation to be known as Waskesieu [sic] Forest Products. The plant was to be located within the proximity of Prince Albert. A pulp mill for Prince Albert and the northern region had become a prominent initiative for the Industrial Development Office (IDO), of which Black had become the Director by 1950. He corresponded regularly about this subject with Premier Tommy Douglas and later Premier Woodrow Lloyd.<sup>2</sup>

The CCF government had established the IDO because there was a need to attract private capital for economic development and to promote Saskatchewan's investment potential. To develop all resource industries under public ownership was not feasible, and Black would travel North America "to stimulate greater interest in Saskatchewan's industrial potential."<sup>3</sup> Black was arguably the CCF government's most prominent figure and active supporter in all pulp negotiations throughout the 1950s and early 1960s. Furthermore, Black, Mike Kalmakoff, Charles A.L. (Vern) Hogg, John W. Churchman, and Joe Phelps were among "some in government, including cabinet and the Department of Natural Resource's [DNR] Industrial Development Branch" who had "recognised the

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<sup>1</sup> Saskatchewan Archives Board (hereafter SAB), Tommy C. Douglas files, GR 90, R-33 R-33.1 IV.204.(4-49-9) Waskesieu Forest Products (R. Campbell and Associates). Black to Douglas, cc Kuziak, Fines, Brockelbank, McIntosh, re Pulp Mill – R. Campbell and Associates, 16 August, 1957.

<sup>2</sup> Black also held the Deputy Minister of Industry and Information portfolio from 1960-65.

<sup>3</sup> Quoted in A.W. Johnson, Dream No Little Dreams: A Biography of the Douglas Government of Saskatchewan, 1944-1961, (Toronto: University of Toronto Press, 2004), 155; see also 125, 306. Bill Waiser, Saskatchewan: A New History, (Calgary: Fifth House Limited, 2005), 365.

potential of pulp and paper beginning in the 1940s,” and its inherent economic diversification.<sup>4</sup>

In the twenty years after 1944, CCF governments in Saskatchewan discussed the development of a pulp mill repeatedly. They commissioned studies, negotiated with companies, and even made public, pre-election announcements; yet no mill was created. By contrast, when the Ross Thatcher Liberals took power in 1964, Saskatchewan had a signed agreement within a year, and an operating mill within four. If Thatcher could do this so quickly, why did the previous two decades of attempts produce no results? When I realised that studies as early as the mid-1940s had been promising, I formulated my key research question: why did the CCF government not move on pulp development in its twenty years in office?

This thesis brings together for the first time, in an organised account, Saskatchewan’s search for a pulp industry. This thesis will show that, in a fundamental tension between goals of fiscal prudence and of economic growth, fiscal prudence won out again and again, to the point that the CCF governments could be characterised as risk-averse where pulp production was concerned. The cautious approach is in contradiction both to the activist reputation of the CCF governments and to their aggressive development of other resources, notably mining.

As will be shown below, the cost structure of the industry made it likely that government action would be required to induce pulp processing to be located within Saskatchewan. There were advocates of development within the government, and even some relatively radical visions for how the industry should develop. But the radicals, in

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<sup>4</sup> David M. Quiring, CCF Colonialism in Northern Saskatchewan: Battling Parish Priests, Bootleggers, and Fur Sharks, (Vancouver: UBC Press, 2005), 174-175.

the 1940s and early 1960s, favoured crown corporations, a development strategy that had special costs and risks. Moderates opposed this and were mostly concerned with prudent stewardship of the public treasury; while they courted transnational investment and negotiated with for-profit entrepreneurs, they were reluctant to put much public money behind these efforts. Neither group, then, was wholly willing to put the public treasury behind a transnational developer. Furthermore, at times a lack of money and the lack of confidence – or an overestimation of risk, notably regarding forest depletion – restrained the government in the development of a provincial pulp industry. Yet the prospect of economic diversification remained enticing and politically popular. The result was a government that promised a pulp mill, announced one, and never delivered it.

There are many books and articles on Saskatchewan history that mention forestry and often the pulp and paper industry, but most offer little analysis of the development of forestry and its inclusion in the provincial economy. There are several reasons for this. First, agriculture has dominated the economic history of Saskatchewan, particularly the south, and has thus garnered the most attention, therefore marginalising the provincial north. Notable facets of agriculture's story have been rural Saskatchewan's ordeals with income fluctuations, distance to markets – the challenges of our isolation and geographic location – and fights with outside forces, such as banks and elevator companies, and especially transportation costs, namely fighting the railroads for a better freight-rate schedule. Many similar considerations apply to every other resource commodity or staples industry. Saskatchewan's natural disadvantages, both location and market size, have been prominent competitive disadvantages that every provincial government has had to deal with when trying to resolve economic problems with new strategies.

A second reason for the neglect of forestry is that, when development did come, it was overshadowed by other sectors. Only after the experiences of the Great Depression and in the post-war period did Saskatchewan's drive for economic development and diversification begin. This was meant to stabilise, balance, modernise, and make the economy more prosperous, and to make it less vulnerable to the fluctuations of the export-commodity market, especially to lessen the dependence on agriculture and wheat. Historical narratives, in turn, have focussed on the most dominant resource sectors of this new era, which became the oil, natural gas, uranium, and potash industries. The irony is that, although there has been diversification, reliance on resource industries and the export of unfinished or raw products has still kept Saskatchewan's economy vulnerable to fluctuating commodity markets and international trade. This resource dependency has created a Saskatchewan mentality "that the provincial economy is lacking in depth...[and] does not generate sufficient growth...[which] is why 'adding value'...[to commodities has] become [a] mantra of economic development in Saskatchewan."<sup>5</sup> When pulp has entered the story, it has done so in a guest appearance at best. This thesis, therefore, is an attempt to fill the void of a detailed analysis as to why it took so long for Saskatchewan, namely the CCF governments, to establish a pulp mill as part of a long-term strategy of diversification.

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<sup>5</sup> Brett Fairbairn, "Economic Development and the New Role of Government," in Saskatchewan Politics: Into the Twenty-First Century, edited by Howard A. Leeson, (Regina: Canadian Plains Research Centre, 2001), 296, 298.

Pulp has also figured in some broader prairie and western Canadian works,<sup>6</sup> and in studies on the provincial norths and northern Canada.<sup>7</sup> However, pulp has been mostly dealt with in relation to the Thatcher years, 1964-1971: until now no history has analysed why the CCF government studied a pulp industry for twenty years before that and did not establish one. Also, when pulp is mentioned in historical accounts, it is usually lumped together with other natural resources. But pulp deserves its own story. Even the rumour or promise of a mill affected local politics, figuring in election campaigns such as that of 1956. People were keenly aware of the non-development of the industry, especially those in the Prince Albert and northern region. Pulp was a presence in provincial and regional politics and in the public imagination, long before any mill was built.

There are certain Saskatchewan-focussed histories that supply a necessary level of introductory information on pulp and forestry in general. Historian Gary Abrams' civic history of Prince Albert provides a reference point from which local, if not provincial, aspirations for a pulp mill are rooted.<sup>8</sup> Prince Albert has long been the centre of Saskatchewan's lumber industry and gateway to the north. Historian John Archer's commendable history of Saskatchewan discusses the development of forestry, the ravages

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<sup>6</sup> J.F. Conway, The West: The History of a Region in Confederation, 2<sup>nd</sup> Edition, (Toronto: James Lorimer & Company, 1994). John Herd Thompson, Forging the Prairie West, (Toronto: Oxford University Press Canada, 1998). Kenneth H. Norrie, "Natural Resources, Economic Development, and U.S.-Canadian Relations: A Western Canadian Perspective," in Natural Resources In U.S.-Canadian Relations: Volume I The Evolution of Policies and Issues, edited by Carl E. Beigie and Alfred O. Hero, Jr., (Boulder: Westview Press, 1980), 267-303. Brenton M. Barr, "Reorganization of the Economy since 1945," in Studies in Canadian Geography: The Prairie Provinces, edited by P.J. Smith, (Toronto: University of Toronto Press, 1972), 65-82. Doug Owsram, "The Economic Development of Western Canada: An Historical Overview," in Economic Council of Canada Discussion Paper No. 219, 1982.

<sup>7</sup> Ken Coates and William Morrison, The Forgotten North: A History of Canada's Provincial Norths, (Toronto: James Lorimer & Company, 1992). Ken Coates and William Morrison, The Historiography of the Provincial Norths, (Lakehead University: Centre for Northern Studies, 1996). Morris Zaslow, The Northward Expansion of Canada 1914-1967, (Toronto: McClelland and Stewart, 1988). K.J. Rea, The Political Economy of Northern Development; Science Council of Canada Background Study No.36., (Ottawa: Information Canada, 1976).

<sup>8</sup> Gary Abrams, Prince Albert: The First Century, 1866-1966, (Saskatoon: Modern Press, 1966).

of its early abuses, and the CCF government's involvement in the industry.<sup>9</sup> Both Abrams and Archer recount the boom-bust cycle of export commodities dependent on the market economy, of which forest products are a part.

Historian Michael Howlett offers one of the most detail-oriented accounts of Saskatchewan's forest history, giving an historical perspective but lacking a certain level of analysis on government policy.<sup>10</sup> Dale Eisler, both historian and journalist, discusses pulp by focussing on Thatcher's achievement of the mill for Prince Albert, while also framing his biography around Thatcher's political rhetoric – arguing the virtues of private enterprise over socialism.<sup>11</sup> In his economic analysis, journalist Philip Mathias wrote the most widely referenced and comprehensive source on the establishment of the Prince Albert pulp mill. Mathias illuminates the Thatcher Liberal government's willingness to assume financial risks in megaprojects and provides a cursory glance of Saskatchewan's narrow economic history. He argues, therefore, that Saskatchewan, as an underdeveloped province, has had no choice but attempting to force industrial growth, economic development, and diversification, especially through natural resources, led by government policies.<sup>12</sup> Historian Bill Waiser has provided the newest work on Saskatchewan, a story celebrating the province's centennial and the most comprehensive study to date.<sup>13</sup> For the purposes of the present study, Waiser's history helps

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<sup>9</sup> John H. Archer, *Saskatchewan: A History*, (Saskatoon: Western Producer Prairie Books, 1980).

<sup>10</sup> Michael Howlett, "The Forest Industry on the Prairies: Opportunities and Constraints to Future Development," in *Prairie Forum*, Vol.14, No.2, (Fall 1989).

<sup>11</sup> Dale Eisler, *Rumours of Glory: Saskatchewan & the Thatcher Years*, (Edmonton: Hurtig Publishers, 1987).

<sup>12</sup> Philip Mathias, *Forced Growth: Five Studies of Government Involvement in the Development of Canada*, (Toronto: James Lewis & Samuel, 1971). Notably Chapter 4: "Wait a million years for another mill?" Saskatchewan's pulp mills, pages 81-102.

<sup>13</sup> Bill Waiser, *Saskatchewan: A New History*, (Calgary: Fifth House Limited, 2005).

contextualise the role of government in Saskatchewan, namely the CCF's involvement and the flexibility, or contradictions, in its economic development policies.

It is this issue of government policy on resource development, particularly the CCF's involvement in the economy, that held particular interest for me in developing this thesis. The dominant ways of thinking at the time emphasised that economic growth was paramount and necessary and that within a narrowly resource-based economy like Saskatchewan's this required diversification, certainly including exploitation of northern resources. As it happened, this could only be done by private enterprise or in partnership with private enterprise because the provincial state lacked the necessary capital or will given its other perceived obligations. The most important obligation was the CCF government's desire to achieve its program of social policy. The CCF government's way to implement new social policies and programs was through economic diversification and resource development, largely through the revenues earned by a royalty structure and tax program on private enterprise, whose role became to develop these industries.<sup>14</sup>

CCF governments promoted social-democratic reform through social programs (such as universal hospitalisation and later medical care insurance) and a planned economy. Their economic policy would include regulation, public investment and ownership including through crown corporations, social ownership and co-operation, all intended to overcome the abuses of capitalism (such as monopoly control) and keep economic benefits within the province.<sup>15</sup> However, especially after its first term in office that saw

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<sup>14</sup> Gregory P. Marchildon, "The Great Divide," in The Heavy Hand of History: Interpreting Saskatchewan's Past, edited by Gregory P. Marchildon (University of Regina: Canadian Plains Research Center, 2005), 62. Waiser, 357, 364-365.

<sup>15</sup> David E. Smith, "Path Dependency and Saskatchewan Politics," in The Heavy Hand of History: Interpreting Saskatchewan's Past, edited by Gregory P. Marchildon (University of Regina: Canadian Plains Research Center, 2005), 43-44. Dale Eisler, "The Saskatchewan Myth," in The Heavy Hand of History:

failure in some of the CCF government's programs (namely its attempts to develop the manufacturing sector through state ownership in the form of crown corporations, as part of a strategy of import-substitute industrialisation), the CCF governments became more risk-averse where public ownership was concerned. And if pulp was not developed by crown corporations, the way timber and furs initially were, it also was not developed by private enterprise, the way oil and other minerals were developed under the CCF's oversight. Somehow either the perception of the renewable forest resource, or its location in the north, led pulp to be treated differently.

There are two notable studies that have focussed on aspects of the CCF governments and their policies, namely their roles in economic development and diversification – planning the economy – and in the north, that are especially useful to help contextualise the pulp story within a broader framework. Economist John Richards and political scientist Larry Pratt wrote arguably the seminal work on the attempts by prairie governments, including Saskatchewan's, to diversify the economy, capture economic rent – or a fair return on the province's resources – and bring about industrial growth.<sup>16</sup> Forestry and pulp in particular are afterthoughts in this work relative to their analysis on the development of oil, gas, mining, and potash.

Richards' and Pratt's discussion of state planning is fundamental. This includes their analysis of the executive-centred body, the Economic Advisory and Planning Board (EAPB); its focus on research and studies; and the CCF government's activity in the economy generally. Similar options existed in pulp as in the sectors examined in more

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Interpreting Saskatchewan's Past, edited by Gregory P. Marchildon (University of Regina: Canadian Plains Research Center, 2005), 78. Waiser, 312-313.

<sup>16</sup> John Richards and Larry Pratt, Prairie Capitalism: Power and Influence in the New West (Toronto: McClelland and Stewart Limited, 1979).

depth by Richards and Pratt, namely co-operation with private enterprise, equity participation, and public ownership. However, Richards' and Pratt's discussion of the CCF governments is based more on southern activities, a fact that may have influenced their conclusion that the CCF governments were not as socialist as might be thought or abandoned their reform agenda. Furthermore, and especially in light of the CCF government's early manufacturing failures, they also concluded that the CCF governments lacked a real sense of an entrepreneurial role and had too much risk-aversion in attempting to diversify the economy, even though the CCF governments did not appear to be risk-averse in participating in the development of certain resources, such as oil, uranium, and potash. Richards and Pratt appear to interpret nationalisation and crown corporations as indicators of socialist, entrepreneurial strategies, reflecting their left-leaning, Waffle philosophy.<sup>17</sup> The CCF government's acceptance of a mixed economy, notably private enterprise's role in developing resources, moreover led Richards and Pratt to conclude that it was a pragmatic administration and not radically socialist.

Historian David Quiring revealed another angle by examining the CCF government's record in the provincial north. Quiring's study offers a dramatic shift in thought on the CCF government's activist nature and what some might see as socialist involvement in economic development and planning.<sup>18</sup> Quiring's analysis of the CCF government's record in the north has a distinct social-historical perspective, which attempts to focus as much on the people whose lives were transformed as on those who did the transforming.

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<sup>17</sup> Waiser, 350, 364-365. Waiser also notes the Douglas government's hesitancy to risk public funds in "risky projects."

<sup>18</sup> David M. Quiring, CCF Colonialism in Northern Saskatchewan: Battling Parish Priests, Bootleggers, and Fur Sharks, (Vancouver: UBC Press, 2005).

His argument is that the CCF government was paternalistic and treated the north as a colony of the south; as its own fiefdom, with its own separate administration, particularly ruled by the DNR. Quiring outlines the CCF government's socialist policies in welfare, health, and education, and incursion into the traditional activities – trapping, fishing, and game hunting – of Saskatchewan's northern Aboriginal population. Government incursion is evident through state planning and government control, notably the fish and fur marketing boards, crown corporations, and government-created co-operatives. Thus the CCF government does appear rather socialist in Quiring's analysis: socialist and southern-focussed, colonial, and paternalistic. Quiring also reiterates the CCF government's need for continuous research and its use of commissions and studies; aspects that are evident in the pulp issue and its connection to forest management, and especially in my story, risk analysis.

Quiring's detail on the CCF government's involvement in the provincial forest industry, through the crown corporation Timber Board, illustrates the CCF government's tendencies to control this industry, with the effect according to Quiring of preventing a larger role for private enterprise to diversify and develop new projects. Quiring describes the CCF government's penchant for forest conservation, a necessary program but one which he asserts led to CCF mismanagement of forest resources. Furthermore, he claims the management of forest resources was more about ideology than anything else, with a leading concern being to keep out private enterprise and prevent the abuses and forest depletion to which unfettered capitalism would lead. Therefore, Quiring concludes that the "inability to bring a pulp and paper industry to Saskatchewan became one of the

[CCF] government's greatest failures in management of the forest resources."<sup>19</sup> Rather like Richards and Pratt then, Quiring sees the non-development of pulp as a sign of lack of entrepreneurial initiative on the part of the government; but he sees the story driven by an excess of socialist thinking rather than a deficiency.

The studies by Richards and Pratt and by Quiring are contradictory in some ways, but between them highlight some of the key issues in this thesis: the difference of northern policy as compared with southern; the non-development of the pulp industry as a significant story; the push and pull between alternatives of private or crown-corporation development; and finally the interplay of different interests or tendencies within the CCF. Unlike Richards and Pratt, this thesis examines the north and pulp in detail. Unlike Quiring, my findings suggest that the CCF's failure to secure a mill was not for lack of trying to interest private investors, nor because they were unwilling to invest in a "socialist" province. There were interested private-sector parties and the government did negotiate seriously with them. A complicated set of attitudes, preoccupations, and differences of opinion handicapped the government, with the effect that it never made the decisive, well-timed, sufficiently attractive offer to lock up a private partner.

My research did not uncover any particular CCF government correspondence during pulp negotiations to bear out Quiring's suggestion that environmental protectionism was a decisive concern for the government. The issue did surface, particularly in the 1940s, but later evidence suggests the government was ultimately only concerned about getting the best deal possible for the province and for the benefit of the people.<sup>20</sup> Lack of activity on the government's part was perhaps influenced by concern for economic security and

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<sup>19</sup> Quiring, 174.

<sup>20</sup> Waiser, 365.

social security – in other words, the protection of the province’s finances and borrowing capacity.

The development of the north was supposed to make the province more prosperous and increase government revenues. And, indeed, additional prosperity came from the development of northern resources, especially mineral exploration, and in the south from oil and natural gas.<sup>21</sup> Of note, the CCF government never developed mineral resources on its own, perhaps because it felt it lacked expertise of mining’s costly nature. The government chose instead to extract tax and royalty surcharges, and to collect revenue from leasing and land sales of crown reserves; but it did reserve the right to take over mining later on. Uranium, in particular, saw more friendly policies, such as low depreciation allowances, because of the federal government’s encouragement for development, in light of extraordinary international demand in the 1950s.<sup>22</sup> But the CCF governments never proved willing to provide adequate incentives to pulp to provide an extra measure of diversification.

In the end, it seems that a coalition of divergent points-of-view existed within the CCF governments. Both Richards and Pratt, and Quiring, illuminate the radical and moderate ways of thinking within the CCF governments towards their involvement in economic development and planning the economy. Albert W. Johnson’s account of his personal experience within the CCF government as the Deputy Provincial Treasurer, 1952-1964, substantiates the existence of radical and moderate, and in turn pragmatic, elements within the CCF governments. These competing visions all affected activity in

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<sup>21</sup> Waiser, 356, 366. Eisler, 79.

<sup>22</sup> Quiring, 99, 166, 175, 177-178.

Saskatchewan's economy, society, and culture.<sup>23</sup> They certainly affected the efforts to establish a pulp industry for Saskatchewan. As such, my thesis shows that pulp offers an example of the contradictions that plagued the CCF governments and their policies for the north.<sup>24</sup>

The methodology used in this thesis has generally maintained an economic policy and political discourse, and incorporates mostly a “top-down” governmental approach. Primary sources upon which I have almost exclusively relied are CCF government documents, particularly the personal papers of Tommy Douglas and Woodrow Lloyd. Their files provide the necessary information needed to give an historical analysis on the CCF government's negotiations for a pulp industry. Most prominent are government correspondence and departmental memos that included the premiers, ministers, deputy ministers, and departmental directors involved with the DNR, the Timber Board, the IDO, and the EAPB, and with pulp company officials. Furthermore, pulp reports, surveys, and studies helped contextualize all of the interrelated correspondences. To supplement government discourse I utilized the *Prince Albert Daily Herald* to gain an understanding of what issues the public was debating and found to be most important.

No doubt, like many works of history, this thesis was conditioned and shaped by the availability of sources. No public archives house the personal papers of Ross Thatcher; it is not even known whether such papers exist. My initial research in the personal papers of Dave Stuart and John M. Cuelenaere (two prominent cabinet ministers who participated in the pulp mill negotiations alongside Thatcher) did not prove promising. Therefore, among the aforementioned reasons involving the Douglas and Lloyd papers, I ended up

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<sup>23</sup> A.W. Johnson, *Dream No Little Dreams: A Biography of the Douglas Government of Saskatchewan, 1944-1961*, (Toronto: University of Toronto Press, 2004).

<sup>24</sup> Waiser, 359.

focussing on the CCF years. Perhaps certain kinds of considerations leap out because they are better documented, as is the case with the detailed accounts that exist in the personal papers of both Douglas and Lloyd, and other things remain unknowable. Although this thesis illuminates many aspects of the tortuous pulp story from 1944-1964, the complete answer concerning why the CCF failed but Thatcher succeeded in this area may be unknowable with the present sources.

Chapter One describes Saskatchewan's historically narrow economic base and focuses on the 1940s. The lack of a diversified economy and sole dependence on agriculture, notably wheat, left the province vulnerable to the vagaries of the export market economy. The existence of a lumber industry around Prince Albert with the limited development of northern resources provided a possibility for diversification. Chapter one argues that the potential for pulp production always existed. This argument is developed in two ways. First, I use the primary document *Report of the Royal Commission On Forestry*, published in 1947.<sup>25</sup> Although this report correctly outlined the damage to Saskatchewan forests by over-cutting and fires and called for conservation measures, namely to mitigate the fear of forest depletion, it still illuminated possibilities that already existed to establish at least a minimal, low-capacity pulp operation. Within this discussion is the realisation that the CCF government did not extend enough financial resources to develop the northern infrastructure system fully, both roads and railways, which was required to realise the full potential of pulp development. Second, I utilise additional government correspondence, notably a report/paper called "Factors Indicating the Necessity of Establishing a Pulp Industry in Saskatchewan," that indicates the

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<sup>25</sup> Report of the Royal Commission On Forestry relating to The Forest Resources and Industries of Saskatchewan, 1947.

existence of a pro-development line of thought. Knowledgeable people believed already at that time that forests, and particularly pulp production, could provide for development, diversification, industrialisation, and stability of the provincial economy.

Chapter Two concentrates solely on the 1950s-60s, a key period of repeated negotiations that came in three main stages. First came the dealings with the Anglo-Canadian Pulp and Paper Mills Ltd. Quebec company from 1953-1956; then with Robert G. Campbell and Associates from 1956-1958; and finally with George Kress and his Green Bay Packaging company from 1962-1964. Throughout this period were reports, surveys, and studies that concluded favourably regarding the feasibility of a mill for the Prince Albert area, although the majority of these analyses involved government assistance of some type. The progress and outcomes of the negotiations reveal diverging desires for a fiscally prudent policy on government financing and for economic growth within the realm of pulp production. The chapter reveals a risk-averse climate in the CCF government.

It does not appear that the CCF government was willing to attempt on its own the development of a pulp industry, namely through establishing another crown corporation. The CCF government's radical side during its first term in office was illustrated by the approach of Joe Phelps, which appeared to establish a foundation to bring the north under socialism. Perhaps the failure of this approach might explain why a pulp mill was not developed in the 1940s either by the CCF government (which could not afford it) or by private enterprise (which may not have been welcome in the north); but it does not explain why pulp negotiations continued uninterrupted throughout the 1950s and 1960s. In reviewing the 1950s-60s it becomes evident that the CCF governments were acutely

aware of private industry's perception of Saskatchewan's business climate and fear of socialism, even though the CCF governments "northern actions demonstrate [it] did not abandon its socialist ideology" and "it preferred and did not hesitate to apply socialist solutions."<sup>26</sup> However, it will be shown that the CCF government lost out on business – a pulp industry – because of too much risk aversion and a lack of an entrepreneurial spirit.

There is no suggestion that the CCF governments viewed foreign investment and multinational corporations unfavourably, but rather encouraged Canadian and non-Canadian interests to offer proposals to develop the province's pulp potential.<sup>27</sup> But to "encourage" resource development included concessions, tax incentives, and low royalty surcharges – evidence of how the CCF government was active in developing oil and gas, and courting private interests into the province;<sup>28</sup> while for pulp it might have included subsidised freight rates and pulpwood costs. Furthermore, a northern infrastructure system was necessary, and relying on Manitoba's and Alberta's roads and railways was not enough for private enterprise to develop Saskatchewan's northern resources without government expending some finances, while it received royalties and taxes.<sup>29</sup> Private industry, whether foreign or not, needed access to forest resources, and a set of concessions and incentives were required to establish a pulp industry and to help open up the province's northern region and diversify the economy. This all seemed possible, even if pulp development might not have been the most promising economic venture. To turn the possibility into a reality would require a government willing to take a risk.

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<sup>26</sup> Quiring, 100.

<sup>27</sup> Waiser, 365. After many oil companies fled for Alberta after the discovery of oil at Leduc in 1947, "it took a personal plea from Premier Douglas – and the promise of favourable concessions – to get Imperial Oil and other multinationals to resume their exploratory work in the province."

<sup>28</sup> Waiser, 392. The Douglas government also provided a low-royalty deal for potash development in 1953.

<sup>29</sup> Quiring, 71-74, 88, 95, 99, 166, 175.

This thesis, then, challenges existing notions of how activist the CCF government really was by exposing how it did not act in one significant area where action was possible and called for. The non-development of pulp existed alongside the development of other resources, reflecting the divergent points-of-view and competing ideas and priorities in the CCF governments. What all existing literatures on Saskatchewan history have failed to do is explain why the search for a pulp industry was a significant theme in CCF government correspondence for twenty years, with no results. This thesis, therefore, opens up not only new insight on provincial forestry and especially an in-depth analysis on the search for a pulp industry, but also interpretations of the history of the CCF government and of Saskatchewan. In the end, the only development that occurred prior to 1964 consisted of feasibility studies and election platforms: pulp fictions, in other words.

## Chapter 1

**It has been long recognised that the establishment of a pulp industry in Saskatchewan is not only desirable but is also a necessity if the province is to properly utilize its forest products and is to realise full benefits therefrom...[and] the great potential volume of our northern coniferous forest area, for the most part beyond present means of transportation [, is] but nevertheless a vast reservoir for future supplies.<sup>1</sup>**

**- J.W. Churchman, 1949**

The development of the pulp industry in Saskatchewan is an illustration of how natural resources have been focal points of Canadian economic development, government policy, and politics. From the beginning forests provided commodities that required limited on-site processing and were easy to export.<sup>2</sup> Processing of timber, which included pulp production and export by the late 1800s, improved the fiscal positions of Ontario, Quebec, and the Maritimes. By the early 1900s, the pulp and paper industry became prominent in Canada's export trade.<sup>3</sup> The argument that natural resources drove Canadian economic development has been analysed as the Staples Thesis.<sup>4</sup>

This chapter presents the background and early history of forest development in Saskatchewan. Where there have been long-term provincial challenges of resource development in Saskatchewan, this chapter will argue that there existed a potential for the development of a pulp industry beginning in the 1940s. Given the CCF's objectives of diversification and resource development, the construction of a pulp mill, similar to what

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<sup>1</sup> Saskatchewan Archives Board (hereafter SAB), Tommy Douglas GR 90, R-33.1 IV.192.(4-48) Sulphite Pulp Mill. "Proposed Saskatchewan Pulp Mill" J.W. Churchman, Assistant Deputy Minister Natural Resources and Industrial Development, to C.A.L. Hogg, Deputy Minister Natural Resources and Industrial Development, with attached document "Factors Indicating the Necessity of Establishing a Pulp Industry in Saskatchewan," 23 November, 1949.

<sup>2</sup> Dr. Robert Robson, Forest Dependent Communities in Canada: An Interpretive Overview and Annotated Bibliography, (The Rural Development Institute, Brandon University, 1995), 1.

<sup>3</sup> H.V. Nelles, The Politics of Development: Forests, Mines & Hydro-Electric Power in Ontario, 1849-1941, (Toronto: Macmillan of Canada, 1974), 81ff.

<sup>4</sup> John Richards, "The Staple Debates," in Explorations in Canadian Economic History: Essays in Honour of Irene M. Spry, edited by Duncan Cameron, (Ottawa: University of Ottawa Press, 1985), 45-72.

had been and was being pursued in other provinces, seemed like the next logical step. The strategic situation of Prince Albert for resource development, alongside its hopes and dreams and ambitions for lumber and pulp, was also part of this story. The election of the CCF government in 1944 was a new opportunity to address concerns, based on the experiences of the 1930s-40s. The CCF had its own goals and philosophy, particularly its approach to economic planning. The forestry question was a notable resource initiative in the early years of the Douglas era, which various officials and agencies addressed. Leading into the 1950s, Prince Albert was part of the search for private investment.

After Confederation, the federal government controlled the west through a revised form of economic development known as the National Policy. The National Policy included the western agrarian settlement and the building of the transcontinental railway.<sup>5</sup> This westward expansion saw southern Saskatchewan's economy built mainly around agriculture, specifically wheat, and to a lesser extent ranching. Little manufacturing or secondary processing was located within the region.<sup>6</sup> The National Policy reproduced "the staples" tradition, but its economic structure ingrained a sense of western discontent. Saskatchewan's narrow economic base illustrates the dilemmas and challenges of resource development within the provincial context.

Because the federal government retained control of Saskatchewan's natural resources until 1930, the province did not have the authority to set and collect royalties on resources, including timber, nor control and regulate their development. In fact, a southern focus and the "obsession with growing as much wheat as possible came at the

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<sup>5</sup> Vernon C. Fowke, The National Policy and the Wheat Economy, (Toronto: University of Toronto Press, 1957). See also Gerald Friesen, The Canadian Prairies: A History, (Toronto: University of Toronto Press, 1987), 447.

<sup>6</sup> K.J. Rea, A Guide to Canadian Economic History, (Toronto: Canadian Scholars' Press, 1991), 279.

expense of a more diversified provincial economy,” even though mineral and oil exploration existed.<sup>7</sup> Without any direct financial benefits, the Saskatchewan government was less enthusiastic about trying to support resource development and essentially ignored its northern space.<sup>8</sup> Wheat became an economic advantage, and a financial risk.

Wheat did not require elaborate processing, and found a large portion of its market in international trade. Along with all export commodities whose prices relied on the market economy, wheat experienced inherent instabilities and fluctuations prone to a cyclical boom-bust nature;<sup>9</sup> this provoked aspirations for a limited industrial development.<sup>10</sup> As well, transportation policies instigated the desire for a stable manufacturing industry.<sup>11</sup>

A rigid freight rate schedule, which favoured the movement of raw materials instead of finished products, and distance from markets hindered industrial development on the prairies.<sup>12</sup> The challenge was to overcome cost disadvantages. Industry that involved processing or manufacturing of products usually required government subsidies to offset comparative disadvantages; for example, farmers’ demands for government intervention in wheat operations, such as milling, to stabilise the wheat economy. Saskatchewan’s

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<sup>7</sup> Bill Waiser, Saskatchewan: A New History, (Calgary: Fifth House Limited, 2005), 267.

<sup>8</sup> Ken Coates and William Morrison, The Forgotten North: A History of Canada’s Provincial Norths, (Toronto: James Lorimar & Company, 1992), 2-3, 51-52.

<sup>9</sup> John Richards and Larry Pratt, Prairie Capitalism: Power and Influence in the New West (Toronto: McClelland and Stewart Limited, 1979), 304-305.

<sup>10</sup> Brenton M. Barr and John C. Lehr, “The Western Interior: The Transformation of a Hinterland Region.” in A Geography of Canada: Heartland and Hinterland, edited by L.D. McCann, (Scarborough: Prentice-Hall Canada Inc., 1982), 251-252.

<sup>11</sup> Kenneth H. Norrie, “Western Economic Grievances: An Overview with Special Reference to Freight Rates,” in Proceedings of the Workshop on the Political Economy of Confederation. Institute of Intergovernmental Relations and Economic Council of Canada, (Ottawa: Supply and Services, 1978), 207-208.

<sup>12</sup> Brenton M. Barr, “Reorganization of the Economy since 1945,” in Studies in Canadian Geography: The Prairie Provinces, edited by P.J. Smith, (Toronto: University of Toronto Press, 1972), 74-75.

resource-based export economy would remain fundamentally vulnerable;<sup>13</sup> the southern economy, however, was not alone.

As the provincial north remained without any specific development strategy, the northern infrastructure system suffered.<sup>14</sup> The federal government's Department of the Interior, however, provided maps and geological surveys, which confirmed the west's northern resource potential. Some mining companies developed ore bodies, while lumber companies were left to exploit the forests and cut accessible trees. Resource industries required a strong transportation industry for export.<sup>15</sup> In Saskatchewan, the forest industry and access to the north became entwined with the settlement of Prince Albert.

Prince Albert, founded in 1866, sat on the northern fringe of agriculture and the wheat belt. Although grain became the primary staple, a rail link in 1891 facilitated exploitation of the nearby boreal forest resources to supply southern markets.<sup>16</sup> The strategic situation of Prince Albert afforded it an early role within the west's resource development picture. Prince Albert and area would come to be Saskatchewan's gateway to the north.<sup>17</sup>

The Prince Albert region lay on the southern fringe of the commercial forest zone. This proximity established a faith in the unlimited resources of good merchantable mixed-wood timber, particularly spruce and jack pine. As soon as the first Dominion

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<sup>13</sup> Waiser, 303. John H. Archer, Saskatchewan: A History, (Saskatoon: Western Producer Prairie Books, 1980), 347-348. J.F. Conway, The West: The History of a Region in Confederation, 2<sup>nd</sup> Edition, (Toronto: James Lorimer & Company, 1994), 178.

<sup>14</sup> David M. Quiring, CCF Colonialism in Northern Saskatchewan: Battling Parish Priests, Bootleggers, and Fur Sharks, (Vancouver: UBC Press, 2005), 9. K.J. Rea, The Political Economy of Northern Development: Science Council of Canada Background Study No.36., (Ottawa: Information Canada, 1976), 81.

<sup>15</sup> Rea, The Political Economy of Northern Development, 56. Quiring, 9. Geoffrey Weller, "Political Disaffection in the Canadian Provincial North," in *Bulletin of Canadian Studies (UK)*, Vol.IX, No.1 (Spring 1985), 60-61.

<sup>16</sup> Gary Abrams, Prince Albert: The First Century, 1866-1966, (Saskatoon: Modern Press, 1966), 19-20.

<sup>17</sup> Waiser, 142, 270, 333.

Timber Berths were allocated in 1880, the lumber industry began in earnest, and became “a mainstay of Prince Albert’s economy.”<sup>18</sup> Harvesting the accessible southern forests facilitated economic development, and by 1904 the Prince Albert mills – a minimum of four – accounted for 16% of western Canada’s lumber production.<sup>19</sup> In 1912-13, Saskatchewan as a whole produced double the combined lumber production of Manitoba and Alberta.<sup>20</sup> Pulpwood was a major part of logging and lumber production.

The lumber industry manufactured timber for many uses. The same wood that could be used for pulp could also be used for housing, railway ties, poles for telephone communications, fence posts, and cords for firewood. Pulpwood, however, was also a major export commodity from the western interior, as it was the “main raw material of the pulp and paper industry.”<sup>21</sup> Pulpwood, along with waste chips from sawmills, was processed into one of the most significant basic secondary forest products: pulp. Pulp is the intermediate product in the production of newsprint and paper, as examples. Several varieties of pulp would be produced, including sulphite and sulphate; sulphate, also known as kraft, would become the most common. Pulp, alongside other paper products made from pulp, successfully competed with plywood and lumber as the main forest-product manufacturing sectors with the highest volume and value-added production.<sup>22</sup>

Pulp, then, provided an extra revenue stream from a by-product/waste-product of other forest production. The organised use of pulp was also essential to the thorough

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<sup>18</sup> Quoted in Abrams, 19-20. Michael Howlett, “The Forest Industry on the Prairies: Opportunities and Constraints to Future Development,” in *Prairie Forum*, Vol.14, No.2, (Fall 1989), 239.

<sup>19</sup> Abrams, 124-125.

<sup>20</sup> Howlett, 240.

<sup>21</sup> Morris Zaslow, The Northward Expansion of Canada 1914-1967, (Toronto: McClelland and Stewart, 1988), 245.

<sup>22</sup> Peter H. Pearse, “Forest Products,” in Natural Resources In U.S.-Canadian Relations: Volume II Patterns and Trends in Resource Supplies and Policies, edited by Carl E. Beigie and Alfred O. Hero, Jr., (Boulder: Westview Press, 1980), 402, 432-433, 439, 442-443.

utilisation of forests. The manufacture of pulp and paper would comprise “the most important sector of the forest industry in...Canada in terms of employment and value produced,” and, with logging and manufacturing combined, it also provided the most stable employment.<sup>23</sup>

Whether for pulp or other uses, forests could not be used unless they were accessed. Although infrastructure development in Saskatchewan was rudimentary, it still provided local access roads. This allowed the lumber industry to exploit accessible virgin timber stands by locating larger stationary sawmill operations around Big River, Meadow Lake, and the Hudson Bay areas by 1920. These operations exported pulpwood to out-of-province markets. Further infrastructure was required to reach more northern merchantable timber stands. Otherwise, it was only a matter of time until Saskatchewan’s limited southern forest base would surpass its sustainable level of production and decline. The potential of the southern forest fringe was exhausted in 1912-30.<sup>24</sup>

Years of uncontrolled clear-cutting plundered Saskatchewan’s richest timber stands, including the “heavily logged prime white spruce stands in the accessible areas” taken by the American-based forest industry.<sup>25</sup> As market orientation shifted south and American direct investment in Canada correspondingly increased, pulp and paper became a new industrial staple in the early 1900s.<sup>26</sup> Prince Albert’s large ambitions for development depended on the forest industry in Saskatchewan diversifying into pulp.

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<sup>23</sup> Pearse, 439.

<sup>24</sup> Howlett, 240.

<sup>25</sup> Quiring, 167.

<sup>26</sup> Pearse, 401-402. Nelles, 81-83. Kenneth H. Norrie, “Natural Resources, Economic Development, and U.S.-Canadian Relations: A Western Canadian Perspective,” in Natural Resources In U.S.-Canadian Relations: Volume I The Evolution of Policies and Issues, edited by Carl E. Beigie and Alfred O. Hero, Jr., (Boulder: Westview Press, 1980), 275.

As early as 1902, Prince Albert's Board of Trade President J.H. Wilson offered "a feast of visions embracing pulp mills."<sup>27</sup> The pulp industry, however, required large infusions of capital and vast amounts of electrical power.<sup>28</sup> The rivers north of Prince Albert inspired dreams of hydro-electric power to make pulp feasible. The first effort to develop a pulp mill on the prairies occurred in 1912, but was cancelled because of the failure to establish a power project.<sup>29</sup> A hydro-electric site was developed, instead, at Island Falls in 1928-29 to supply power for industry in Manitoba, particularly the Flin Flon area where mineral and railroad developments were underway.

Forest industries by now were already a major influence on expanding Canadian regional economies.<sup>30</sup> Even in 1925 a federal Department of the Interior survey still noted large stands of "underutilised pulpwood" within the western provinces.<sup>31</sup> Although Wilson's pro-development attitude seized on this vision of underutilised pulp resources as a key to industrial growth, Prince Albert became aware of cost disadvantages. Furthermore, the devastation of fires exacerbated the depletion of accessible southern merchantable timber, while the lack of northern infrastructure rendered Saskatchewan's less-accessible remote areas less profitable. However, the lumber industry still saw potential for growth and sustained Saskatchewan's forest industry into the 1930s-40s.<sup>32</sup>

The Great Depression hit Saskatchewan's economy hard. Municipal and provincial debt increased through attempts to alleviate the stress. Forestry remained important to Prince Albert's economy, but large capital investments were necessary to facilitate

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<sup>27</sup> Abrams, 124.

<sup>28</sup> Rea, The Political Economy of Northern Development, 107.

<sup>29</sup> Howlett, 241. Abrams, 176 ff.

<sup>30</sup> Pearse, 397.

<sup>31</sup> Howlett, 241.

<sup>32</sup> Howlett, 240. Saskatchewan's Forest Industry and its Economic Importance, 1972, 10-11. Quiring, 167.

further development.<sup>33</sup> The experience of the 1930s left the provincial administrations impotent in economic affairs, as distress in the south prevented any northern strategy.<sup>34</sup> Prince Albert's hopes for further access roads and railways into the northlands were destroyed for the time being.<sup>35</sup>

The economic disaster of the Great Depression and the revival experienced during World War Two (WWII) fuelled political debate in Saskatchewan. The calamity in the provincial south proved the dangers of economic specialisation in agriculture, and demonstrated the need to diversify the economy. The Depression exacerbated export-market instabilities, while the expanding staples industries – mining, oil and gas, hydro-electricity, and pulp and paper – all required large amounts of capital.<sup>36</sup> Provinces more diversified and depending less on wheat suffered less; Saskatchewan suffered the most.<sup>37</sup>

A critique of contemporary capitalist society helped create the Co-operative Commonwealth Federation (CCF) party. The CCF argued that the economic system had failed and questioned comparative advantages and unregulated forces, particularly monopoly control. The CCF's intellectual heritage sprang in large measure from the agrarian movements of the prairies in the early 20<sup>th</sup> century and as such, their support came mostly from farmers and labour.<sup>38</sup> In 1933 the CCF publicised its Regina Manifesto, which, in part, embraced state control of the economy to stabilise the

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<sup>33</sup> Abrams, 307.

<sup>34</sup> Doug Owram, "The Economic Development of Western Canada: An Historical Overview," in Economic Council of Canada Discussion Paper No. 219, 1982, 29.

<sup>35</sup> Abrams, 310-313, 346.

<sup>36</sup> R.M. Galois and Alan Mabin, "Canada, the United States, and the World-System: The Metropolis-Hinterland Paradox," in A Geography of Canada: Heartland and Hinterland, edited by L.D. McCann. (Scarborough: Prentice-Hall Canada Inc., 1982), 50.

<sup>37</sup> Owram, 25. Waiser, 302.

<sup>38</sup> Seymour Martin Lipset, Agrarian Socialism: The Cooperative Commonwealth Federation in Saskatchewan. A Study in Political Sociology, (Garden City, New York: Double Day, 1968). Quiring, 4-5. Richards and Pratt, 19. A.W. Johnson, Dream No Little Dreams: A Biography of the Douglas Government of Saskatchewan, 1944-1961, (Toronto: University of Toronto Press, 2004), 16 ff.

economics of export staples.<sup>39</sup> The manifesto included pulp and paper as an “eligible industry” essential to economic planning.<sup>40</sup> By 1944, the CCF emphasised government planning rather than ownership.<sup>41</sup> While the southern population had its priorities, the north had provided opportunities for election platforms.

The CCF pointed northward to prevent another repeat of the Great Depression. Developing natural resources and economic diversification was intended to establish industry, provide employment, and greatly increase government revenues. It was also meant to eliminate as much of the debt as possible. Prosperity was the goal, and “some in the new government optimistically believed that the northern forests contained great resource wealth that could contribute to long-term economic diversity and stability.”<sup>42</sup> One possibility was to diversify into pulp.

The wartime regimen of steady prices and assured markets included the pulp and paper industry, which maintained a stable output during the war.<sup>43</sup> American capital investment increased in the “still-undeveloped norths of the provinces,” which began a new onslaught on Canada’s northern resources.<sup>44</sup> Natural resources were still viewed as the means to recovery and also to offset regional disparities. Their development, or exploitation, was meant to encourage capital investment and further economic growth.<sup>45</sup> The post-war forest industry appeared ripe for economic growth.<sup>46</sup>

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<sup>39</sup> Richards and Pratt, 94.

<sup>40</sup> Johnson, 21.

<sup>41</sup> Quiring, 6-7. Evelyn Eager, “The Conservatism of the Saskatchewan Electorate,” in Politics in Saskatchewan, edited by Norman Ward and Duff Spafford, (Don Mills: Longmans Canada Limited, 1968), 13-14.

<sup>42</sup> Quiring, x-xi.

<sup>43</sup> Rea, The Political Economy of Northern Development, 55.

<sup>44</sup> Zaslow, 236; see also 234, 237.

<sup>45</sup> Thomas L. Burton, Natural Resource Policy in Canada: Issues and Perspectives, (Toronto: McClelland and Stewart Limited, 1972), 37.

<sup>46</sup> Rea, The Political Economy of Northern Development, 25.

The war spurred recovery in Canada as a whole, but Saskatchewan's economic output relative to Canadian totals continued to decline.<sup>47</sup> Saskatchewan had not developed secondary industries, which maintained its economic vulnerability; Liberal policies had maintained an agriculture-first mandate. After charging the Liberal administration with ineffective policies that produced economic stagnation, Tommy Douglas and his CCF won the provincial election on June 15, 1944. The Liberals would become the political voice of business interests and free enterprise, while the CCF remained mostly agrarian into the early 1960s.<sup>48</sup> The election of the CCF became an opportunity for this new provincial administration to address issues, based on the experiences of the 1930s-1940s, by expressing its own goals and philosophy.

By the 1944 election, the CCF had altered its party philosophy from radical to moderate to pragmatic but also progressive; ideological battles, however, persisted. The CCF government soon realised it appeared easier to plan the economy when in opposition than when subject to the responsibilities of governing.<sup>49</sup> Certain departments, agencies, and influential actors became the leading exponents of distinctive CCF government economic policies and strategies, notably within the realm of planning and finance. They represented radical and moderate ways of thinking, or differences in philosophy, notably related to public ownership and private investment, northern and southern priorities, and resource development, industrialisation, and conservation; contradictions plagued the

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<sup>47</sup> Owram, iv.

<sup>48</sup> Richards and Pratt, 143. Lorne A. Brown, et al., Saskatchewan Politics from Left to Right '44 to '99, (Regina: Hinterland Publications, 1999), 12, 17.

<sup>49</sup> Waiser, 323-324, 340. Johnson, 37.

Douglas governments.<sup>50</sup> These issues became evident in attempts to diversify Saskatchewan's forest industry and foster a provincial pulp industry.

In 1944, the province was underdeveloped, almost bereft of modern infrastructure, and debt caused its credit to be "in a seriously damaged state."<sup>51</sup> As such, the CCF government's 1944 election program read in part: "[T]he only wealth there is comes from...natural resources, that is, to land, water, forests, and mines...our natural resources must henceforth be developed in the public interest and for the public benefit."<sup>52</sup> Among other priorities, the Saskatchewan electorate gave the CCF government a mandate to execute a policy of economic diversification.

For some in the CCF government, economic diversification reflected a belief that there existed "considerable untapped potential for manufacturing in the west."<sup>53</sup> Some expected resource development to help introduce industrialisation, as local processing might encourage the development of additional secondary industry. In 1944 the discovery and potential of oil, natural gas, petroleum, uranium, and potash was limited, or even not apparent. Therefore, the CCF government's first term in office saw it experiment with several state-controlled secondary manufacturing ventures – crown corporations – guided by a strategy of import-substitute industrialisation. These public ownership ventures, and hopefully profits, were meant to pay for social programs. Most lost money and failed, and exposed the CCF government's lack of business experience.<sup>54</sup>

Through crown corporations, the CCF government had hoped to ensure profits stayed in Saskatchewan. However, the CCF government found it next to impossible to

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<sup>50</sup> Quiring, 256-257. Richards and Pratt, 72-73. Waiser, 350, 359.

<sup>51</sup> Johnson, 92.

<sup>52</sup> Richards and Pratt, 93.

<sup>53</sup> Richards and Pratt, 233.

<sup>54</sup> Conway, 167-168. Archer, 271. Owram, 37. Johnson, 45. Quiring, 6-7.

control cost disadvantages for Saskatchewan, such as freight rates, unless supported by subsidies, for example.<sup>55</sup> Furthermore, debates over economic development clouded which strategies might provide the most profit.<sup>56</sup> Ideological positions polarised arguments on development and exposed the commanding voices in government; Joe Phelps, the Minister of Natural Resources and Industrial Development (renamed the Department of Natural Resources [DNR] in 1950), was such a voice.<sup>57</sup>

Phelps' passion was developing the north, and he was very influential during his only term in office from 1944-48; the "early optimism and hopes of a quick return on northern investments had helped loosen the purse strings after 1944." He initiated an activist role for government in the economy of the north, which included marketing boards for fish, fur, and timber.<sup>58</sup> Government-enforced monopolies and collective control of key commodities can be understood as radical approaches in a context where resource development and marketing were usually presumed to be the business of the private sector, and where governments more commonly played passive or supporting roles. Agriculture was the first place where such marketing boards were used, but in 1944-48 Saskatchewan's North served as a kind of test site for extending the same approach to other commodities. The government's experiments that involved natural resources seemed to show the Cabinet's adherence to the "relatively radical stance enshrined in the 1944 program...but Cabinet as a whole was divided."<sup>59</sup> Phelps became

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<sup>55</sup> Richards and Pratt, 105. Archer, 281. Richards, "The Staple Debates," 55-56.

<sup>56</sup> Johnson, 29, 47, 60.

<sup>57</sup> Quiring, 6.

<sup>58</sup> Quiring, xvii; see also xvi, xviii, 22.

<sup>59</sup> Richards and Pratt, 127-128.

the most influential face for a radical way of thinking within the CCF government, notably evident within natural resources controversies.<sup>60</sup>

Phelps desired diversification under public investment, particularly after heading a Natural Resources and Industrial Development subcommittee in 1943, which confirmed the resource sector's importance as the central candidate for public ownership. Radicals argued CCF goals could only be met by public ownership. They also justified state enterprise in terms of economic diversification. Phelps' subcommittee listed 25 industries as potential candidates for public investment, but the economic feasibility of a crown corporation in each one was only superficially pursued.<sup>61</sup> Yet Phelps announced in 1944 that the CCF government "was planning to own and operate a pulp mill."<sup>62</sup>

The present CCF government did not pursue a crown pulp mill; restraints on the provincial treasury prevented ventures in large capital-intensive industries. Phelps' successor to his portfolio, John H. Brockelbank, thought differently about resource development, particularly oil. As some have said, Brockelbank would argue that "the choice was between private development and no development at all." His ideology, along with that of Clarence Fines, swayed to the right – moderate – side; both helped accommodate external resource capital.<sup>63</sup> Of note, though, Brockelbank "lacked Phelps' fervour for innovation, but was not about to undo the policies of his predecessor" in the north.<sup>64</sup> With limited financial resources and the inability to control the free-market

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<sup>60</sup> Johnson, 43. Waiser, 344.

<sup>61</sup> Richards and Pratt, 101, 111, 118.

<sup>62</sup> Johnson, 68.

<sup>63</sup> Richards and Pratt, 178; see also 294.

<sup>64</sup> Waiser, 359.

economy, the CCF government had to find an “appropriate role for private capital as an alternative to public investment by the provincial government.”<sup>65</sup>

On January 1, 1946 the CCF government established the Economic Advisory and Planning Board (EAPB), which assumed central responsibility for future economic policy. By the 1950s, the EAPB was involved in resource and industrial studies, and influenced forest management and forest inventory.<sup>66</sup> It argued that diversification would be best met by developing Saskatchewan’s major natural resources, which became oil, gas, and minerals.<sup>67</sup> George Cadbury was Chair of the EAPB and was *the* authority in the early CCF government on development and finance. He wavered between radical and moderate goals on planning and public ownership programs, the use of joint ventures, and advocated a mixed economy.<sup>68</sup> It is noteworthy that “despite the EAPB’s emphasis on diversification,” both Cadbury and Douglas “recognized that agriculture remained the backbone of the Saskatchewan economy.”<sup>69</sup> Notable members of the EAPB who became involved in pulp, Prince Albert, and/or the north were Clarence Fines, Joe Phelps, Lachlan McIntosh, John H. Brockelbank, and Woodrow Lloyd.

One section of the EAPB that contributed to a lack of consensus within Cabinet was the Government Finance Office (GFO). GFO information on financing and industrialism influenced differing interpretations on economic planning over time and from case to

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<sup>65</sup> Richards and Pratt, 9.

<sup>66</sup> Johnson, 132.

<sup>67</sup> Richards and Pratt, 10-11, 129-130, 134-135, 140-142. Johnson, 61, 195.

<sup>68</sup> Richards and Pratt, 129-130, 134-135, 140-142. Jeanne Kirk Laux, “Social Democracy and State Capital: Potash in Saskatchewan,” in Explorations in Canadian Economic History: Essays in Honour of Irene M. Spry, edited by Duncan Cameron, (Ottawa: University of Ottawa Press, 1985), 145. Dale Eisler, Rumours of Glory: Saskatchewan & the Thatcher Years, (Edmonton: Hurtig Publishers, 1987), 151. Tom Shoyama, who was a close confidant of Douglas, replaced Cadbury as head of the EAPB in 1951 and remained its head until 1962. Quiring, 128. Johnson, 35, 121.

<sup>69</sup> Waiser, 346.

case, which was especially evident for crown corporations.<sup>70</sup> The GFO's "key members" included Donald H.F. Black and Mike Kalmakoff, both integral to the pulp story during the 1950s-60s. Kalmakoff was currently the GFO's treasurer,<sup>71</sup> to become general manager of the Timber Board. The GFO was responsible to Clarence Fines.

Clarence Fines became the "most articulate exponent of moderation" and held the Provincial Treasury portfolio until 1960.<sup>72</sup> The debt question exerted pressures and limited monetary policy and credit. Bond issues were important.<sup>73</sup> Bonds could assure a project's lower interest rate, but the saving could also be offset by a rise in the overall cost of financing total government debt. The moderate's slogan, therefore, became "public ownership if necessary, but not necessarily public ownership."<sup>74</sup> In the 1950s, bonds were integral in the CCF government's negotiations for a pulp project.

It is said that Fines "was always prepared to sacrifice the dreams of the CCF on the altar of fiscal probity."<sup>75</sup> He found it extremely important to maintain a good credit rating for provincial securities on major money markets and "came to reflect within government the hostility of such markets to projects entailing public risk capital."<sup>76</sup> Fines, therefore, espoused "common financial prudence," represented by the party's right. Fines placed a low priority on public ownership, but accepted a mixed economy.<sup>77</sup>

In trying to resolve conflicting economic policies, the EAPB ended up promoting a mixed economy. Douglas had "long advocated a mixed economy," and Cabinet also

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<sup>70</sup> Dennis Gruending, Promises to Keep: A Political Biography of Allan Blakeney, (Saskatoon: Western Producer Prairie Books, 1990), 22. Richards and Pratt, 140.

<sup>71</sup> Johnson, 125-126.

<sup>72</sup> Richards and Pratt, 127. Fines was one of the original founders of the CCF party, Johnson, 15.

<sup>73</sup> Johnson, 55.

<sup>74</sup> Richards and Pratt, 103.

<sup>75</sup> Quoted in Johnson, xix. Waiser, 345.

<sup>76</sup> Richards and Pratt, 251.

<sup>77</sup> Quoted in Richards and Pratt, 128; see also 103. Gruending, 26-27.

concluded “that economic development necessarily implied a mixed economy.”<sup>78</sup> Any economic strategy was pressured by both left and right ideologues. Radicals like Phelps could still argue for “aggressive entrepreneurship” to fulfill the party’s program, whereby public investment continued. Moderates like Fines, however, felt the party’s credibility hinged upon financial responsibility.<sup>79</sup> Upon Cadbury’s departure, Fines became the most influential financial personality in planning and fiscal policy.<sup>80</sup> Alongside the EAPB, the Treasury and also the DNR were another “two agencies destined to bear most directly upon economic policy.”<sup>81</sup> The Treasury, DNR, GFO, and the EAPB all affected fiscal policy and economic growth; all had members involved with pulp.

The CCF government’s focus on natural resources would allow private enterprise, foreign ownership, and joint ventures to aid in economic development. It concluded “that the risks inherent in the emerging major staples industries were inappropriate to a CCF provincial government.” However, the EAPB had also concluded “there is a small place for industrial development, especially in the processing of primary resources.”<sup>82</sup> The Timber Board was a successful crown corporation that strengthened the secondary sector.<sup>83</sup> The establishment of the Timber Board requires an appreciation of the CCF government’s approach to forestry.

In a December, 1943 party policy document, Charles A.L. (Vern) Hogg presented themes that would encompass Saskatchewan’s forest sector. He argued the importance of northern forests and the need to diversify the provincial economy. His ideas illuminated

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<sup>78</sup> Johnson, 149.

<sup>79</sup> Quoted in Richards and Pratt, 106; see also 103-105, 107, 130-132. Waiser, 344-345.

<sup>80</sup> Johnson, 101.

<sup>81</sup> Richards and Pratt, 106.

<sup>82</sup> Richards and Pratt, 132; see also 105-106, 134, 140-142, 184.

<sup>83</sup> Owram, 31.

factors that came to represent the CCF government's attitude towards forest conservation and utilisation.<sup>84</sup> Hogg's ideas were later accentuated in Saskatchewan's Royal Commission on Forestry and the conduct of a forest inventory, which he recommended.

Hogg was a government advisor, and became Deputy Minister, under Phelps from 1946 until 1953. From 1953 until 1957 he was Deputy Minister in the Department of Mineral Resources, under Brockelbank. Hogg argued for an economic diversification that was connected to the objectives of "economic growth and development" and maximizing benefits "from the profits of resource development" mainly through public control.<sup>85</sup> Hogg agreed with Phelps' socialist ideas, and Phelps reciprocated by showing "vast confidence" in him. Hogg was an important player in government for many years.<sup>86</sup>

Hogg's document drew attention to the north's overall undeveloped nature and argued for natural resources development. Hogg pointed out the lumber industry's lack of adequate exploitation, as demonstrated in its low investment figures. He noted, however, that a lack of roads was partially responsible "for the backward stage of development now."<sup>87</sup> Inadequate transportation "prevented the economy from expanding."<sup>88</sup>

Hogg's ideas represented a development ethos, but argued for socialist control of the north. Because large private enterprise was almost non-existent and only small operators were exploiting the forests, he thought that the establishment of public ownership over northern forestry should be relatively easy. He outlined a regulated logging, sawmill, and planning mill industry; a rudimentary foundation for the Timber Board, which represents

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<sup>84</sup> SAB, Douglas GR 90, R-33.5 II.(Department of Natural Resources and Industrial Development) 37.(9-4) Development of Natural Resources. "A Plan for the Development of Natural Resources of Northern Saskatchewan under Social Ownership and Control," C.A.L. Hogg, 27 December, 1943.

<sup>85</sup> Johnson, 44-45.

<sup>86</sup> Quiring, 19. Hogg was a geologist by profession.

<sup>87</sup> SAB, R-33.5 II. 37. (9-4), "A Plan for the Development of Natural Resources," 1-2, 18.

<sup>88</sup> Quiring, xii.

a radical example of strict state control or what might be understood as the CCF government's policy of northern socialism in the 1940s – there is no one answer. Even the EAPB supported these “aggressive plans and actions in the north.”<sup>89</sup> Hogg, therefore, set the stage for the immediate future of Saskatchewan's northern forests, where the CCF government introduced state-controlled development.

The CCF government also viewed the forest “as a resource potentially capable of generating manufacturing jobs.” After establishing sawmills and the crown corporation box factory in Prince Albert, the CCF government “had ambitions to integrate forward, particularly into pulp and paper,” which also reflected “linked industrial development.”<sup>90</sup> Hogg's use of the pulpwood industry to illustrate forest development is especially interesting. He pointed to levels of success for Manitoba during the Great Depression, because it diversified into minerals and pulp and paper throughout the 1920s.<sup>91</sup>

The prairies, and Manitoba's, first pulp and paper mill was established at Pine Falls in 1927, and would become dependent on imported pulpwood from Saskatchewan.<sup>92</sup> Hogg used Manitoba to show that a prairie province could diversify its economy. Employment, for example, was a significant attribute of the pulp industry and its countercyclical nature. Employment could provide increased stability in the off-season through woods operations that were necessary for all pulp operations, another motive for diversification into pulp. Yet, it is interesting that Hogg never attached any great importance to a pulp industry in diversifying Saskatchewan's economy. This conclusion was conditioned by his use of data.

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<sup>89</sup> Quiring, 12; see also xvi,13.

<sup>90</sup> Richards and Pratt, 119.

<sup>91</sup> SAB, R-33.5 II. 37. (9-4), “A Plan for the Development of Natural Resources,” 2, 18.

<sup>92</sup> Rea, The Political Economy of Northern Development, 85-86. Howlett, 242.

Hogg utilised the Department of the Interior's data on forestry, its prairie industries, and an inclusive prairie forest inventory. This federal information, however, was collected in 1929 and not published until 1936. In fact, Hogg had to use mainly out-of-date federal data. As a result, he concluded that any long-term economic planning and forest policies required the immediate undertaking of a forest inventory to initiate careful development and appropriate harvesting.<sup>93</sup> Hogg correctly described the destructive effects of forest fires, poor forest regulations, and clear-cutting methods.

While the necessity for conservation was apparent, the full extent and destruction of Saskatchewan's commercial and merchantable northern forests were actually unknown. Hogg narrowly focused on what had been the accessible timber tracts, where "some forest areas looked depleted, particularly those near roads or waterways."<sup>94</sup> The implication is that the government discussions regarding northern forestry development were limited to the over-used and unregulated accessible timber tracts. Perhaps the perception of depletion contributed to a lack of confidence in further forest development.

It seems the reliance on outdated data prevented Hogg from suggesting economic utilisation of Saskatchewan's pulpwood resources. His document exemplified an attitude emphasising conservation of existing resources, conditioned by fear of depletion. An overestimation of forest depletion staked itself within the CCF government.<sup>95</sup> Perhaps misinterpreted forest information is why prior to entering office, the CCF had already advocated both forest conservation and timber regulation on one hand, "to prevent the unscientific exploitation of forest resources," and also bringing into full production the

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<sup>93</sup> SAB, R-33.5 II. 37. (9-4), "A Plan for the Development of Natural Resources," 6-7, 12.

<sup>94</sup> Quiring, 167.

<sup>95</sup> Quiring, 170.

“tremendous wealth in lumber” on the other;<sup>96</sup> Quiring’s study concluded that this northern “commercial potential went untapped.”<sup>97</sup> The perceived need to regulate the accessible forests was one factor that initiated the Timber Board’s establishment.

The CCF government established the Timber Board as a crown corporation on September 21, 1945. The Timber Board controlled the forest industry through its marketing monopoly, and also regulated the cutting of forest products. The Timber Board demonstrated that when Saskatchewan had comparative advantages, crown corporations “could operate efficiently and negotiate sales successfully in external markets over which the CCF had no control.”<sup>98</sup> It also proved that there was no fundamental problem with public ownership, even though it was a radical example of “forcibly substituting government enterprise for private logging and wood-processing companies.”<sup>99</sup>

The CCF government justified the radical nature of its intervention into forestry with the attention to forest depletion. The CCF government also found it easy to introduce socialist principles into forestry and control its operations, because the majority of operators relied on crown forests (80% of the provincial total) and northern political clout was minimal.<sup>100</sup> The CCF government would praise the Timber Board’s financial success and equity dividends,<sup>101</sup> and always pointed out what worked well with the Timber Board, or any crown corporation; be it stressing economic benefits to the public, employment, or Saskatchewan’s fiscal position.

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<sup>96</sup> Johnson, 45.

<sup>97</sup> Quiring, 167.

<sup>98</sup> Richards and Pratt, 10.

<sup>99</sup> Quiring, 255.

<sup>100</sup> SAB, R-33.1 IV.152.(4-14) “Crown Corporations Report,” un-authored, 19 October, 1949. Quiring, 168.

<sup>101</sup> SAB, R-33.1 IV.152.(4-14) “Crown Corporations Report,” un-authored, 19 October, 1949. Richards and Pratt, 119.

However, those who opposed government enterprise, particularly the Opposition and private sector, pointed out what they felt worked poorly with the Timber Board. They complained about the Timber Board's monopoly on several fronts: that it threatened forest operations; and that it would de-stabilise the provincial business climate and argued it hindered government's ability to attract private investment. Furthermore, the private forest industry disliked compulsory marketing, because of its potential to minimise margins of profit, and claimed the Timber Board paid less for lumber than the open market did.<sup>102</sup> Thus, for example, the Lumber and Pulpwood Manufacturers of Northern Saskatchewan "urged the abolition of the Timber Board."<sup>103</sup>

The Timber Board, in turn, assisted in the building of roads into the northland, such as the Dore Lake country. This access provided a substantial supply of merchantable timber. By the 1947/48 season, the Timber Board claimed that it was already "prepared to handle all the pulp [it] can obtain this year." This was for shipment to integrated operations, such as the Manitoba Pulp and Paper Company at Pine Falls.<sup>104</sup> Orderly marketing included the contract logging of pulpwood, of which "all was exported."<sup>105</sup> Those involved with the Timber Board's daily operations appreciated the potential of diversifying into pulp as Black and Kalmakoff came to advocate.

The Timber Board's establishment was concurrent with the need to inquire fully into the province's state of forest resources. Hogg's recommendation for a forest inventory was initially achieved when the CCF government appointed a Royal Commission in

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<sup>102</sup> Archer, 272. Quiring, 168.

<sup>103</sup> Johnson, 112.

<sup>104</sup> SAB, R-33.1 IV.160.(4-22) Sask. Timber Board, Sask. Forest Products, Sask. Wood Enterprises, folder 1. "Mechanics of the Sask. Timber Board" H.H. Lucas, Timber Board Manager, to Douglas and various MPs, MLAs, and Ministers, 28 November, 1947.

<sup>105</sup> Richards and Pratt, 118.

1945.<sup>106</sup> Shortly after the Commission published its findings and recommendations in 1947, the *Report of the Royal Commission On Forestry*<sup>107</sup> became the guideline for CCF government forest policy. The forestry branch of the DNR set quotas for selective cutting, while the Timber Board would “regulate the annual harvest and restrict it to a level below the annual increment.”<sup>108</sup>

The report was important because it was explicit in describing comparative advantages and the potential for forest diversification into a pulp industry. It contained enough information on inventory figures and the productive commercial stands of the mixed-wood forest belt around Prince Albert to justify an immediate small-scale pulp mill. The report, however, focussed more on accessible forests, which substantiated its overall conservationist stance: it concluded that the prevailing harvesting rates “would exhaust the commercial forest within a decade, and render extinct the most valuable species, white spruce.”<sup>109</sup> A focus on depleted areas fed a risk-averse attitude and prevented the CCF government from diversifying into pulp.

The report did state that Saskatchewan held comparative advantages. The province had valuable forest-producing areas and favourable rates-of-growth of merchantable pulpwood, in comparison to other parts of Canada; harvestable timber dominated the entire subarctic region, making commercial operations possible.<sup>110</sup> It suggested the province should consider further pulpwood production on land where profitable

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<sup>106</sup> Johnson, 73. Richards and Pratt, 116.

<sup>107</sup> Report of the Royal Commission On Forestry relating to The Forest Resources and Industries of Saskatchewan, 1947.

<sup>108</sup> Quoted in Richards and Pratt, 118. Archer, 272.

<sup>109</sup> Richards and Pratt, 119.

<sup>110</sup> Coates and Morrison, The Forgotten North, 16-17.

agriculture was not viable. The report recommended increased development of forest products within the boundaries set by conservationist-minded overall cutting rates.<sup>111</sup>

The report also described the market potential of Saskatchewan's pulpwood resources, both spruce and poplar. It identified available, accessible pulpwood that could remain harvestable on a sustained-yield basis. But, "an increasing amount" of spruce was exported to "paper mills in Manitoba, Ontario and Wisconsin." As for poplar, the report indicated its "possibilities of processing." Because of fires, pulp waste was abundant. With no pulp mill, the report recommended developing markets for salvage operations, including "for unused forest growth,"<sup>112</sup> as an investment for the future.<sup>113</sup>

The report was explicit about the potential for further development, either in spruce or poplar pulpwood, young growth or waste material. This development implied the potential for a pulp industry, even if only with limited operations. This became an important issue during the 1950s-60s. Although the theme of conservation predominated, other aspects in the report suggested the potential for immediate pulpwood diversification, which presented several contradictions.

The report stated that waste from fire, alongside wasted clear-cut areas, resulted in "a comparatively small area in the accessible forest carry[ing] merchantable timber." But it favoured forest management, where silviculture and a "proper scientific approach" would "assure a definite succeeding forest in the remaining areas of merchantable timber."<sup>114</sup> Scientific forestry represented efficient use of forest resources. A government concerned with conservation could establish management policies that included development of the

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<sup>111</sup> Royal Commission, 10, 25-26, 51, 89. Coates and Morrison, The Forgotten North, 58.

<sup>112</sup> Quiring, 170.

<sup>113</sup> Royal Commission, 60-61, 76-77.

<sup>114</sup> Royal Commission, 10.

forested areas.<sup>115</sup> Therefore, new and old growth, forest waste by fire, and less-accessible forest areas suitable for exploitation presented opportunities for the CCF government to diversify and utilise the forests in economic development. These opportunities included a pulp industry.

Because fire suppression required access, the *Royal Commission* recommended extending roads and railroads into forest areas. This infrastructure development would reduce isolation and encourage industry to develop natural resources. The report also stated that “some isolated areas of mature trees should be cut but...are not sufficiently extensive to warrant special roads for harvesting them.” Yet it recommended “that pulpwood operations be facilitated to pick up any slack in employment” even if only dealing with the waste.<sup>116</sup> The EAPB emphasised expenditures for “market roads,” but also questioned the policy of building “better road facilities” to bring services to the north.”<sup>117</sup> This contradiction suggests conflicted priorities between development and conservation, and the need to balance harvesting and growth.<sup>118</sup> Conflicts and contradictions continued within the report’s discussion on finance.

Financially, the report pointed out that government stumpage revenue would fall if cutting was curtailed. It then stated that “in times of depressed prices, the government should concede some or all of its royalty, if it is in the public interest that operations be carried on;”<sup>119</sup> government correspondence reveals that this meant the small private operator in northern communities and not large-scale enterprise.<sup>120</sup> The report did not

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<sup>115</sup> Nelles, 141, 185-186. Burton, 40-42.

<sup>116</sup> *Royal Commission*, 53, 82-84, 135.

<sup>117</sup> Johnson, 136-137.

<sup>118</sup> Pearse, 397-398.

<sup>119</sup> *Royal Commission*, 89.

<sup>120</sup> *SAB*, R-33.5 II. 39. (9-4-2) Lumbering, “Second Interim Report Royal Commission on Forestry,” Chairman Frank Eliason, to the Minister of Natural Resources and Industrial Development, 14 March,

provide any in-depth research on comparative costs of pulpwood transportation, but remarked on its importance. While transportation costs might challenge the feasibility of a pulp industry, the report's discussions of transportation, stumpage, and royalty provided examples of how a provincial subsidy or concession might entice development.<sup>121</sup>

The report's in-depth information suggests the Commission regarded timber as a potentially profitable commodity for development purposes. But one is left wondering why it did not endorse the immediate establishment of a pulp industry when the pulp and paper industry "once again emerged as a leading force in opening up northern Canada" in the post-WWII period.<sup>122</sup> Because forest operators around Cumberland House and Flin Flon utilised Manitoba's roads and rail to carry their products to markets, it should have been apparent that infrastructure was important for resource development. Hogg's socialist ideology legitimised forest development and recognised the need for infrastructure. The CCF government, however, "because of ideological opposition to private industry" and "a more cautious fiscal approach [that] characterised the 1950s," perpetuated a north void of railroads, which prevented the "economical extraction of forest resources."<sup>123</sup>

It seems that socialist ideas influenced the CCF government's forest management policies in the 1940s. It is interesting to note that Frank Eliason, a founding member of the CCF, was the chairman of the Commission. This might explain why "the commission's mandate did not extend to looking at the controversial issue of the CCF

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1946. This report indicates relevant government officials were already aware of some of the pending conclusions.

<sup>121</sup> Royal Commission, 55-56, 59-60, 83, 88-89.

<sup>122</sup> Rea, The Political Economy of Northern Development, 70.

<sup>123</sup> Quiring, xvii, 69; see also xvi, xviii, 70, 171.

takeover of the [forest] industry.”<sup>124</sup> Perhaps the CCF’s preconceived notion that capitalism led to overexploitation of resources caused the government to concentrate on resource management instead of development. Though also growth-oriented in its way, and favourably disposed to the idea of using resources for growth, the CCF government applied its own set of principles to the forests, as ideology influenced its form of conservation in administering forest resource policies.<sup>125</sup> The focus on conservation instead of development contradicted the full implementation of scientific forestry and development.

The *Royal Commission* was all but explicit that economic growth required capital investment and infrastructure development. Roads or railroads could have helped establish a small pulp processing operation; access to the Churchill Valley, north of La Ronge, would have been an initial step to prove the region’s pulp potential.<sup>126</sup> Phelps desired a crown pulp mill, which echoed a radical strain of thought within the CCF government that “discouraged private investment in industry and infrastructure, preferring to have the government develop the north.”<sup>127</sup> However, the CCF government still contemplated establishing a pulp industry with the help of private enterprise.

In a letter to Howard H. Lucas, the Timber Board’s manager, Cadbury claimed, “It is not the Government’s policy to establish a pulp mill in the Province, although there are a great many factors making such a mill desirable.” He also wrote that the government had neither discussed nor settled the possibility of a state-run pulp enterprise or to invite one

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<sup>124</sup> Quiring, 170.

<sup>125</sup> Quiring, 101, 103.

<sup>126</sup> The CCF requested federal funds for road-building projects to also capitalise on fishing, tourism, and mineral exploration potential; Ottawa denied them because it considered resources to be unproven. This decision sapped some of the CCF government’s northern infrastructure initiatives. Quiring, 72.

<sup>127</sup> Quiring, 69.

of the major private companies to enter the north. But Douglas “and others” had stated “there is a logical development at which we can look at some time in the future.”<sup>128</sup> With correspondence like this, the debate about the development of a sulphite pulp mill began.

The DNR and its Forestry and Industrial Development branches, and Graham Spry, Saskatchewan’s Agent General and trade commissioner in the United Kingdom, corresponded on the potential of a pulp mill. Swedish and Montreal interests had inquired about the Dore Lake-Smoothstone forest resources, where the Timber Board was already providing road access for operations. Hogg and John W. Churchman, who was already involved with the forestry branch and assistant Deputy Minister to Hogg, and to become Deputy Minister for the DNR from 1953 until 1965, corresponded.

The Hogg-Churchman correspondence is important because it claimed sufficient quantities of raw materials existed to support a provincial pulp mill and contained favourable projections for pulp production. They argued “a good forest management policy...[would create] an outlet [such as a pulp mill] for the other products.” From present accessible areas, they illustrated that several species, including aspen, jack pine, balsam, and white and black spruce, offered a “minimum allowable annual production of pulpwood.” Their figures, however, did not even include the potential volume of Saskatchewan’s presently inaccessible and merchantable northern forests.<sup>129</sup>

The Hogg-Churchman correspondence stated that a “Minnesota Company uses 30% spruce, 20% jack pine, 13% balsam, and 37% poplar in the production of its pulp.” They endorsed this production possibility, which expressed the fact that forest resources “vary

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<sup>128</sup> SAB, R-33.1 IV.160.(4-22) Cadbury to Lucas, cc Douglas and Phelps, 29 December, 1947.

<sup>129</sup> SAB, R-33.1 IV.192.(4-48) Churchman to Hogg, 23 November, 1949.

markedly in kind, quality, and recoverability,”<sup>130</sup> and recommended the government should make “every effort” with “interested parties to establish a pulp industry.” These efforts included expenditures for consultants’ reports advising on pulp mill wood utilisation and convincing financial interests to invest in Saskatchewan. They indicated the potential for profits to be made, but never mentioned a crown corporation or government investment in pulp operations of any kind.<sup>131</sup>

Hogg and Churchman both understood the pulp industry’s desire for high quality pulpwood for export and manufacture, but also of the possible economic worth of lower-grade material; this spoke to the potential use of pulp waste and securing sufficient supplies of forest reserves.<sup>132</sup> Cabinet had agreed to provide security of supply to whatever company established a pulp mill, but “the authority and responsibility in regard to forest management of the area affected remain with the government.”<sup>133</sup> Here was an example where the CCF government would accept private ownership for the exploitation of natural resources, “subject to adequate government regulation.”<sup>134</sup>

The CCF government’s forest management policy was intended to protect the public’s resource from wasteful exploitation. However, a conservationist approach did not have to withhold forestland from private ownership and inhibit its revenue potential.<sup>135</sup> Even Brockelbank stated Saskatchewan should “be properly compensated for the use of [pulpwood] resources,” and advocated the providing of timber licences to

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<sup>130</sup> Pearse, 403-404.

<sup>131</sup> SAB, R-33.1 IV.192.(4-48) Churchman to Hogg, 23 November, 1949.

<sup>132</sup> Coates and Morrison, The Forgotten North, 59.

<sup>133</sup> SAB, R-33.1 IV.192.(4-48) John Brockelbank, Minister of Natural Resources and Industrial Development, to M.C. Shumiatcher, re Possible Pulp Mill Development in Saskatchewan, 19 January, 1949. Douglas held Morris Shumiatcher in confidence, Johnson, 104.

<sup>134</sup> Johnson, 76.

<sup>135</sup> Pearse, 398.

private forest companies.<sup>136</sup> The CCF government's forest management policies were based on silviculture and sustainable-yield management, both scientific approaches to forest regeneration that involved the development of all forest resources.

Hogg and Churchman argued that it was necessary to diversify Saskatchewan's forests if they were "to be maintained on an economical basis." They stated that other provinces had increased their forest revenues, while still practising scientific forestry. The Hogg-Churchman correspondence expanded on this by voicing a fear that pulpwood would be wasted due to a lack of markets. They then connected this fear with the possibility of the government not receiving a return on any investment proportionate with possible required capital expenditures, which were related to transportation costs or infrastructure development.<sup>137</sup> However, their ideas implied a development approach, where timber resources were not as valuable unless some use was made of them.

Although "certain expenditures" for forest diversification might be justified only if the value of the final product was sufficient to warrant them, Hogg and Churchman noted the "violent fluctuations" of markets and their influence on transportation costs and royalties. They indicated the potential of local pulpwood manufacturing, notably its value-added benefits and employment, and contrasted this with Saskatchewan's history of exporting forest products in their raw and un-manufactured state for processing elsewhere.<sup>138</sup> The interest from the Swedish and Montreal groups appeared to substantiate the potential of a Saskatchewan pulp industry that would provide added value and jobs for the provincial economy. Hogg and Churchman stated that both parties had independent means of financing the project and did not require any provincial

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<sup>136</sup> SAB, R-33.1 IV.192.(4-48) Brockelbank to Shumiatcher, 19 January, 1949.

<sup>137</sup> SAB, R-33.1 IV.192.(4-48) Churchman to Hogg, 23 November, 1949.

<sup>138</sup> SAB, R-33.1 IV.192.(4-48) Churchman to Hogg, 23 November, 1949.

financial guarantees to establish this industry – the issue of provincial financial guarantees was to dominate pulp negotiations in years to come. The fact that these private companies never invested in Saskatchewan does not disprove the potential of pulp: perhaps they were trying to gauge the CCF government’s willingness to offer subsidies, incentives, or concessions. Demands for such concessions became more explicit during pulp negotiations in the 1950s-60s.<sup>139</sup>

The argument to diversify the forest industry offered several options. These options included pulp processing and forward and backward linkages, such as integrated paper manufacture or chemical production. Hogg and Churchman implied that the CCF government might have to take risks to establish a pulp industry in Saskatchewan; risks usually involved financial aspects, as a result of which Black was included in the correspondence.

Black’s connection to provincial finances involved an appreciation for risk capital. Although Black had not endorsed public investment to establish a pulp industry, he advocated joint ventures with private enterprise to open the Northland to development<sup>140</sup> and supported the DNR’s efforts “to gain funds to stimulate the oil and mining industries.”<sup>141</sup> Black also provided important insight on the crown corporation Sodium Sulphate Plant, which was a backward linkage (chemical industry) of the pulp industry.

The production of sodium sulphate for the pulp industry began by 1918. The Saskatchewan plant began operating in May 1946 and controlled over 90% of the province’s salt cake production, whose low production cost and manufacture was

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<sup>139</sup> Johnson, 152. In 1949 Douglas had commented that some private enterprise probably left because they were not afforded special privileges.

<sup>140</sup> SAB, R-33.1 IV.152.(4-14) Letter from Black to Douglas, re “Crown Corporations and Fiscal Position of the Province,” 3 January, 1951.

<sup>141</sup> Johnson, 155.

involved in pulp processing. Canada was a major market, while Black also emphasised the plant's ability to enter the American market.<sup>142</sup> The plant was financially successful and produced equity dividends. It also exemplified the idea of deriving secondary benefits from primary staple exploitation, which was a part of the CCF government philosophy by its second term. Along with the Timber Board, the Sodium Sulphate Plant illustrated that the province could hold a comparative cost-advantage within industry and negotiate sales successfully in external markets.<sup>143</sup> Joint ventures assured market access.

The Sodium Sulphate Plant was a strategic investment that could have supported the wider development of pulp; the existence of the plant suggests that government officials understood vertical and backward linkages, and could have understood integrated pulp operations. Although "the demand [for sodium sulphate] was light until Kraft pulp mills found it suited to needs," particularly for the manufacture of paper,<sup>144</sup> the establishment of Saskatchewan's plant begs the question as to why the CCF government left the potential of a pulp industry lying underutilised, a question that became even more intriguing during the 1950s when serious interest materialised for a kraft pulp mill.

The CCF government was already committed to a program of northern development and diversification, which included the creation of a northern infrastructure policy. Yet, the CCF government showed serious reluctance to spend money on northern railways, let alone roads, and this "penny-pinching ensured that northern underdevelopment would continue."<sup>145</sup> And while the CCF government installed collective control in the form of the Timber Board over most of the forest resource, in the early 1950s, resource policies,

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<sup>142</sup> SAB, R-33.1 IV.152.(4-14) Black to Douglas, 3 January, 1951.

<sup>143</sup> Richards and Pratt, 118, 133.

<sup>144</sup> Archer, 287.

<sup>145</sup> Quiring, 77; see also 72, 99.

including an industrialisation program, for southern Saskatchewan would “parallel very closely those of any other province.”<sup>146</sup> This situation further illustrated a radical and moderate split within government ranks on northern and southern priorities and economic development. But the potential for pulp development appeared to remain an option.

The lumber industry and its value-added jobs initiated rapid growth around Prince Albert after WWII. Prince Albert already had existing infrastructure and woods operations, which provided it a comparative advantage over other locations in Saskatchewan. Acting on the government’s behalf, Graham Spry began promoting a “chemical pulp mill in the general Prince Albert region” even before any published forest inventories. He noted, though, the need for lower freight rates to help market Saskatchewan goods.<sup>147</sup> As a consultant for the Industrial Development Office, Spry was deeply involved in money issues, trying “to find a way around the problem of financing.” Spry also noted the necessity of private enterprise, and the issue of guarantees, when diversifying into the pulp industry.<sup>148</sup> In spite of the financial commitments required, a pulp industry, which did not fluctuate as violently as other resource industries, especially mining, was a “great engine of wealth” for expanded forest industries.<sup>149</sup>

Pulp mills also encouraged urban growth and prosperity.<sup>150</sup> The Prince Albert Board of Trade was attempting to influence the CCF government in hopes of developing a pulp industry. This agency, which embraced a pro-development mood, claimed “there is plenty of pulp wood in the district” and considered “a Pulp Mill a must as far as Prince

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<sup>146</sup> Richards and Pratt, 143.

<sup>147</sup> “Possibility of Pulp Mill In P.A. Area Aired Anew,” Prince Albert Daily Herald, 5 June, 1951.

<sup>148</sup> “Pulp Mill For Prince Albert ‘Long Term Project’ – Spry,” Prince Albert Daily Herald, 5 May, 1952.

<sup>149</sup> Coates and Morrison, *The Forgotten North*, 98-100.

<sup>150</sup> Barr, “Reorganization of the Economy since 1945,” 69-70.

Albert is concerned.”<sup>151</sup> Boards of Trade, Chambers of Commerce, and municipal councils, such as for Prince Albert, are agencies that desire economic development to diversify the employment base, expand the tax base, and increase municipal services, especially to challenge a hinterland status.<sup>152</sup> During the 1950s-60s, the Prince Albert Board of Trade pressured the CCF government’s economic policies to emphasise development and diversification in the north. Prince Albert still linked success with the northern forests.

The provincial forest inventory recommended by the *Royal Commission* did not commence until 1951. Subsequently, the DNR published forest inventory reports that “contradicted the early alarm over depletion.”<sup>153</sup> These reports validated the availability of northern merchantable timber, even though the *Royal Commission* had already “noted the possibility of expansion of the forest industry in the northern areas of the province.”<sup>154</sup> The Prince Albert report, published in 1953, stated that “[b]lack spruce pulpwood is the great untapped wood resource of the Prince Albert area. Along with jack pine it could provide northern fibre in abundance for the manufacture of pulp in Saskatchewan.”<sup>155</sup> Spruce was still a major timber for manufacture at the mills.<sup>156</sup> The forest inventory was also intended for the CCF government, notably the DNR, to plan forest management so that a “perpetual yield might be formulated;” this included the

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<sup>151</sup> SAB, R-33.1 IV.192.(4-48) Letter from C.H. McIntosh, Commissioner Prince Albert Board of Trade, to Brockelbank, cc Douglas, 28 November, 1949.

<sup>152</sup> Geoffrey Weller, “Resource Development in Northern Ontario: A Case Study in Hinterland Politics,” in Resources and the Environment, O.P. Dwivedi, editor, (Toronto: McClelland and Stewart, 1980), 250-251. Geoffrey Weller, “Local government in the Canadian provincial north,” in *Canadian Public Administration*, Vol.24, No.1 (Spring 1981), 49-51. Weller, “Political Disaffection in the Canadian Provincial North,” 65-66.

<sup>153</sup> Quiring, 173.

<sup>154</sup> Howlett, 242.

<sup>155</sup> Forest Resources of the Prince Albert Area of Saskatchewan, Forest Inventory Series Report No.2, Department of Natural Resources Province of Saskatchewan, 1953, 9.

<sup>156</sup> Coates and Morrison, The Forgotten North, 58.

possibility of a pulp-milling industry.<sup>157</sup> Subsequent government correspondence and pulp negotiations never mentioned the *Report of the Royal Commission On Forestry*.

The CCF government now understood, even if not all its elements accepted, that private enterprise and capital were necessary to diversify Saskatchewan's economy. As owner of its resources, the government could extract revenues from private development by royalties through production and selling rights, while "private enterprise would raise the capital for and assume the risks."<sup>158</sup> Although this statement applied mainly to mineral exploration and extraction, it had definite relevance as issues around stumpage rates and operating costs of pulp mills became better clarified throughout the 1950s-60s. Either way, forest diversification could increase the province's value-added exports, while decreasing its dependence on agriculture and non-renewable resources. Diversification could also allow the forest industry to be a catalyst of economic growth and development. The pulp industry was, then, again, an important alternative relative to other resource industries.

The CCF government would enter into many negotiations with private pulp and paper companies throughout the 1950s-60s. These negotiations illustrated both how fiscal policy, if not outright prudence, was a dominant consideration alongside economic growth; and how radical and moderate conceptions of development continued in disputes on forest policy. Radical policies, like the monopoly of the public Timber Board and state control of the forest industry, continued to co-exist or be debated alongside moderate ones, like the recognition of the role of private enterprise exemplified by policies in the development of other resource industries. This debating contradicted the CCF

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<sup>157</sup> Archer, 272.

<sup>158</sup> Johnson, 71.

government's policy of resource development and diversification and neglected the prime possibilities inherent in the pulp industry.

## Chapter 2

**[W]e must accept the fact our industrial growth has been less than spectacular, and the Opposition charges of stagnation are having their effect...Government must be prepared to do much more than has been done in the past [which] may call for some major concessions, virtual subsidization and commitment of some substantial sums of money...[The province] must effect a very major break-through in the development of natural resources and the industries directly dependent upon them. Here, one thinks of a pulp and paper plant[.]<sup>1</sup>**

**- R. Brown, 1962**

The 1950s brought buoyant economic conditions for Saskatchewan, notably in natural resources, alongside increased diversification. The CCF government's financial position also improved as revenues rose. George Cadbury wrote that after five years in office "the [provincial] debt was under control."<sup>2</sup> Still, for any project proposal, Clarence Fines "examined the financial and political feasibility of what was being advanced." His influence contributed to existing debates within the government to economic development policies.<sup>3</sup> This included pulp.

New specialty pulps, especially kraft, drove the quest for efficiencies and innovations, which increased the industry's productivity and profitability. Unexploited and newly accessible forests provided supplies for new pulp mill locations, and came together with "provincial governments [that] were ready to offer generous concessions to secure their development."<sup>4</sup> Private companies were already developing Saskatchewan's oil, gas, and minerals. To stimulate development, these industries received concessions

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<sup>1</sup> Saskatchewan Archives Board (hereafter SAB), Woodrow Lloyd papers, GR 101, R-61.4 VI.(Department of Industry and Information) 79.(6-10) Industrial Development General Dec/61-Mar/64a. "Inducements – Concessions – Established and Prospective Industries, (OR – The Big Push for Industry)," confidential memo from R. Brown to Cabinet Members of the Industrial Development Committee, 25 April, 1962.

<sup>2</sup> George Cadbury, "Planning in Saskatchewan," in Essays on the Left: Essays in Honour of T.C. Douglas, edited by LaPierre, Laurier, et al., (Toronto: McClelland and Stewart Limited, 1971), 56.

<sup>3</sup> A.W. Johnson, Dream No Little Dreams: A Biography of the Douglas Government of Saskatchewan, 1944-1961, (Toronto: University of Toronto Press, 2004), 186; see also 158, 183-185, 187-190.

<sup>4</sup> Morris Zaslow, The Northward Expansion of Canada 1914-1967, (Toronto: McClelland and Stewart, 1988), 245-246.

from the CCF government, which became “dedicated to obtaining a decent share of resource profits through taxation and royalty schemes” and through joint ventures with the private sector.<sup>5</sup> Anglo-Canadian Pulp and Paper Mills Ltd. Quebec (Anglo) was but one expansionist-minded company that sought to diversify and integrate pulp and paper operations. Saskatchewan was a potential location.

During the 1950s Alberta and British Columbia provided economic incentives, including vast timber rights and low tax and royalty schemes, to establish their pulp and paper industries.<sup>6</sup> Provincial governments believed in the benefits of diversification to provide for economic growth and stability, with pulp in particular promising to create “a self-sustaining industrial expansion.”<sup>7</sup> This period saw such activity in the pulp industry that opportunities to develop forest resources made success difficult but possible.<sup>8</sup>

This chapter will argue that the CCF government was too attentive to the cautions raised in pulp feasibility studies, which influenced a demand for excessively firm and precise information in a field that inherently had risks and imprecisions, to the point that its decision-makers could be categorised as risk-averse, if not reluctant, when it came to encumbering public borrowing capacity. Large, profit-driven forestry companies were on the one side, and a government on the other. Market access was critical, and that is why a crown corporation was not an option – it would not have the ready-made, out-of-province connections – whereas multi/trans-national companies brought their own connections to

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<sup>5</sup> Quoted in J.F. Conway, The West: The History of a Region in Confederation, 2<sup>nd</sup> Edition, (Toronto: James Lorimer & Company, 1994), 171.

<sup>6</sup> K.J. Rea, The Political Economy of Northern Development: Science Council of Canada Background Study No.36., (Ottawa: Information Canada, 1976), 72, 96-97. Conway, 184.

<sup>7</sup> Kenneth H. Norrie, “Natural Resources, Economic Development, and U.S.-Canadian Relations: A Western Canadian Perspective,” in Natural Resources In U.S.-Canadian Relations: Volume I The Evolution of Policies and Issues, edited by Carl E. Beigie and Alfred O. Hero, Jr., (Boulder: Westview Press, 1980), 281; see also 270, 274-276, 280.

<sup>8</sup> Zaslow, 245-246.

international markets. A profit-driven firm usually scrutinises competitive options, where, given relatively fixed export markets, costs tend to be the key consideration – notably wood supply and transportation; and seeks to maximise profits. The CCF government seemed to understand that Saskatchewan’s costs could never be the lowest, unless it offered another synergy – concessions or subsidies. The CCF government considered almost every assistance package seemingly available, from lowering costs of access to resources (stumpage dues), reducing credit or borrowing costs through equity or loan guarantees, subsidising operating costs (freight rates, pulpwood), or increasing the quality or stability of labour (for example, through better housing). But it never found the right package or made it quite rich enough to convince a for-profit corporation to build a mill. Thatcher would do better.

Governments seek to maximise the benefit for the resources expended – jobs, industry spinoffs, tax revenue – and not necessarily to maximise profits from their own investment. But compared to the benefits, the CCF government overestimated the level of risk and problems in the pulp industry during the 1950s-60s. Feasibility studies, consultants’ reports, and promotional documents are not necessarily “true” and no government should establish a pulp mill just because a report says it could work. But the CCF government was conveying a message to the public that there was hope and opportunity for this industry. In politically-opportune times, this megaproject became an ongoing public and election issue. Yet when the time came to make a decision, the costs or risks were always too great. Notwithstanding blame, the attempt was to find an economic answer for the whole of Saskatchewan, and for some in government, pulp was it.

In 1953, according to Don Black, Anglo “had decided that Saskatchewan presented the best opportunity for possible expansion” in Canada. Anglo surveyed the feasibility of a bleached-pulp sulphate mill with a paper operation for the Prince Albert region. Location factors and operating costs included existing road access and favourable cost-estimates for railway delivery to markets, logging and pulpwood supplies. These surveys were influential, because they estimated a pulp project’s price and the ability to secure market access.<sup>9</sup> Saskatchewan projects mainly depended on a company’s ready-made marketing capacity, which also decreased the level of risk to provincial finances.<sup>10</sup>

Black indicated that, although the timing of market conditions and construction costs for a Saskatchewan pulp operation were concerns, Anglo perceived that economic prospects “appeared reasonably good.”<sup>11</sup> Anglo received a timber berth on October 1, 1953, while it had already initiated financial negotiations and focussed on stumpage rate reductions as a government concession.<sup>12</sup> When the government lacked capital and markets to exploit Saskatchewan’s resources, stumpage concessions satisfied “the necessity to offer an attractive programme” to a private company to commit risk capital.<sup>13</sup>

The CCF government promised to consider stumpage concessions during the mill’s initial operations to ensure its profitability. Douglas, however, was concerned that other

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<sup>9</sup> SAB, Tommy C. Douglas papers, R-33.1 IV.197.(4-49-3-1) Anglo-Canadian Pulp and Paper. Black to John S. Bates, Price and Pierce Limited, New York, 13 March, 1953. Black to Douglas re Potential of Pulp Mill in Saskatchewan and Bates, 31 March, 1953. Black to Douglas, cc Brockelbank, Churchman, Spry, re Anglo’s intention to proceed with possible development in Saskatchewan, 18 April, 1953. H.D. Ruthman, Secretary for Anglo, to Brockelbank, re Anglo’s confirmation for a study, 27 April, 1953. Location considerations also included stream-capacity for effluent disposal, labour, power, and gas supplies.

<sup>10</sup> John Richards and Larry Pratt, Prairie Capitalism: Power and Influence in the New West (Toronto: McClelland and Stewart Limited, 1979), 189-193.

<sup>11</sup> SAB, R-33.1 IV.197.(4-49-3-1) Black to Douglas, cc Brockelbank, Churchman, Spry, re Anglo’s intention to proceed with possible development in Saskatchewan, 18 April, 1953. Black to Douglas, re Anglo, 28 April, 1953.

<sup>12</sup> SAB, R-33.1 IV.197.(4-49-3-1) Black to Douglas, cc Brockelbank, Churchman, re Anglo and Stumpage Dues, 30 June, 1953.

<sup>13</sup> Richards and Pratt, 71-72, 88, 136, 159, 243.

opportunities to develop pulp might be lost, as Anglo continued its feasibility studies.<sup>14</sup> This issue of losing other pulp development opportunities recurred in government correspondence and became increasingly important.

In writing to Anglo, Black claimed that expansionist plans for integrated pulp operations existed in western Canada. It also appeared that Black had the consent of the government and did not have to convince it to support the project. He promoted pulp for the “proper development and use of forest resources.” He emphasised Saskatchewan’s “extremely low pulpwood procurement costs,” which helped offset disadvantageous freight rates. Anglo’s concern about possible disadvantages included how plants utilised sawmill-waste as a source of raw material for pulp, depressing markets. Black argued markets would expand because of technical innovations, and stressed what a low percentage increase in production a Saskatchewan plant would represent. He promised possible government financial assistance and pushed to finalise negotiations so that construction could be initiated.<sup>15</sup> The location was Candle Lake.

Anglo focussed on Candle Lake because it envisioned the mill location as a company town and claimed federal assistance for housing was available. Anglo still expected stumpage concessions. Douglas confirmed government assistance to provide housing for employees, as long as this was the only obstacle. By spring 1954, Anglo had initiated

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<sup>14</sup> SAB, R-33.1 IV.197.(4-49-3-1) Douglas to J.W. Churchman, Deputy Minister of Natural Resources, cc Black, Brockelbank, re Anglo Canadian Contract, 13 July, 1953, with attached memo that also included cc F.H. Hewitt, W.A. Houseman, M. Kalmakoff, T. Tamaki, 6 July, 1953.

<sup>15</sup> SAB, R-33.1 IV.197.(4-49-3-1) Black to Elliot M. Little, President and General Manager of Anglo, cc Douglas, Bates, Ruthman, Brockelbank, Churchman, re Maybe Anglo Interest in Diversifying into also a Box Factory, 7 October, 1953. Black to Little, 10 February, 1954.

discussions with financial houses to borrow the necessary capital for a newsprint mill.<sup>16</sup> Financial participation by the government would be necessary.

Correspondence indicates Anglo's most desired option for assistance would see a government bond-guarantee, which would lower interest rates; besides raising debt capital, a guaranteed bond issue would attract shareholders, by providing assurance of sufficient funds to complete the project.<sup>17</sup> Black favoured the bond option, but financing involved Fines, whose "fiscal prudence would continue to be a part of the CCF government's left-right disagreements...Sometimes [he was] suspected of underestimating the province's revenues, or borrowing capacity."<sup>18</sup> Black stated Fines "might sour on [this] proposal" because it could affect the treasury's ability to obtain money for other activities. But Black argued that a financial commitment by Anglo meant a provincial guarantee would "not be too onerous or risky."<sup>19</sup>

Anglo even enlisted third-party involvement. They offered to commit a joint-venture guarantee for another company to purchase 90% of a Saskatchewan newsprint mill's capacity. Any bond requirements would be satisfied, because the guaranteed sales provided adequate protection. Black conceded to Douglas that for Anglo to proceed depended upon receiving "various forms of assistance of which the most important is that of finance." Fines supported obtaining "a beneficial rate of interest" for the bonds and responded on the joint-venture as "a remarkably valuable guarantee [that] would serve to remove the greater proportion of the risk of the project and would yield increased fiscal

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<sup>16</sup> SAB, R-33.1 IV.197.(4-49-3-1) Black to Douglas, re Anglo and construction, 5 May, 1954. Douglas to Black, re Response, 31 May, 1954. Black to Douglas, re Anglo, 24 June, 1954.

<sup>17</sup> Philip Mathias, Forced Growth: Five Studies of Government Involvement in the Development of Canada, (Toronto: James Lewis & Samuel, 1971), 63, 75, 83.

<sup>18</sup> Johnson, 183, 188, 190.

<sup>19</sup> SAB, R-33.1 IV.197.(4-49-3-1) Black to Douglas, re Anglo, 24 June, 1954.

returns to the government from many sources.”<sup>20</sup> Cabinet approved the guarantee of bonds, but for a lower percentage than Anglo had suggested.<sup>21</sup> No attempt was made to finalise negotiations, and new issues – freight rates and market studies – intervened.

In late 1954, Anglo submitted a proposal to the Canadian National Railway (CNR) and Canadian Pacific Railway (CPR) for freight rate reductions. This proposal was revealing, because it demonstrated that a Saskatchewan pulp and/or paper mill could be profitable, but transportation costs might pose a competitive disadvantage. Furthermore, it showed that Anglo perceived the market outlook to be favourable. The railways granted reductions, but were not enough for Anglo to balance comparative costs in Saskatchewan with other Canadian operations.<sup>22</sup> Black stressed to the railways the underdeveloped state of the province’s forests and also argued for freight rate reductions.<sup>23</sup>

The CCF government also petitioned the railways for rate reductions. This proposal reaffirmed the potential for a profitable pulp industry in Saskatchewan and highlighted the benefits of industrial and economic expansion.<sup>24</sup> Government correspondence on this petition is also revealing, because it included information from Anglo’s own studies that stated eastern freight rates averaged \$15/ton and Anglo would be satisfied with \$19/ton.<sup>25</sup>

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<sup>20</sup> SAB, R-33.1 IV.197.(4-49-3-1) Ruthman to Fines, re Anglo and Financing, 15 July, 1954. Black to Douglas, re Anglo and Financial Assistance and Second Mortgage Bonds, 3 August, 1954.

<sup>21</sup> SAB, R-33.1 IV.197.(4-49-3-1) Cabinet Memo #5556, to Fines, Douglas, Brockelbank, re Anglo, 18 August, 1954.

<sup>22</sup> SAB, R-33.1 IV.197.(4-49-3-1) Little to Brockelbank, with proposal “Anglo-Canadian Pulp and Paper Mills Limited, Investigation into the Problems of Construction and Operation of a Pulp or Paper Mill at Candle Lake, Saskatchewan, Estimate and Analysis of Product Delivery Costs,” 18 November, 1954.

<sup>23</sup> SAB, R-33.1 IV.197.(4-49-3-1) Black to Presidents W.A. Mather (CPR) and Donald Gordon (CNR), re Freight Rates on Newsprint from Candle Lake, Saskatchewan, 19 November, 1954.

<sup>24</sup> SAB, R-33.1 IV.197.(4-49-3-1) “An Application by the Government of Saskatchewan to the Canadian National Railways and the Canadian Pacific Railway with respect to Freight Rates on Newsprint from a pulp and paper mill at Candle Lake, Saskatchewan, (presently under consideration by Anglo-Canadian Pulp and Paper Mills, Limited) to market points in Canada and the United States,” 18 November, 1954.

<sup>25</sup> SAB, R-33.1 IV.197.(4-49-3-1) Black to Dean F.C. Cronkite, c/o University of Saskatchewan, re Anglo-Canadian Pulp and Paper Mills Ltd. – Joint Application by Government and Company for Low Freight Rates from Candle Lake, 8 November, 1954, and 23 November, 1954, with attached “Confidential: Draft

The railways, however, had offered no rate reductions on lines involving New York-Pennsylvania, which Anglo considered particularly important during the first five years of operations because these states represented 7% of North America's market. Anglo was presently prepared to absorb "some \$4.33 [in adverse freight rates]," but another "\$3.50 would add too great a burden." Anglo remained interested in its proposal, but a certain level of profit was integral before it would proceed. There was no indication of an attempt to negotiate a government subsidy for freight rates.<sup>26</sup> By contrast, British Columbia and Alberta offered "substantial subsidies" to entice development.<sup>27</sup>

The Prince Albert Chamber of Commerce (PACC) was one group that was dissatisfied with government action on the freight rate issue. The PACC submitted proposals to the Federal Minister of Transport, Prince Albert's MP John Diefenbaker, and the CNR.<sup>28</sup> All replied to E.J. Goos, manager of the PACC, stating a desire to see development occur. Presently, freight rates "were some \$2.00 per ton higher than hoped for" and now, according to Anglo, "that much too high to permit an economic newsprint operation at Candle Lake."<sup>29</sup>

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Only, Prepared by Industrial Development Office, In the matter of an application by the government of Saskatchewan and Anglo...to the Canadian Pacific Railways and the Canadian National Railways with respect to freight rates from Candle Lake, Saskatchewan to certain market points in Canada and the United States," 8 November, 1954, with attached memo from Black to Fines, cc Douglas, Brockelbank, re: Anglo-Canadian Pulp and Paper Mills – Application for Freight Rates from Candle Lake," 8 November, 1954. And "An Application by the Government of Saskatchewan..." 18 November, 1954.

<sup>26</sup> SAB, R-33.1 IV.197.(4-49-3-1) Black to Douglas, re Anglo and Unsatisfactory Freight Rate Decision, 15 February, 1955.

<sup>27</sup> K.J. Rea, A Guide to Canadian Economic History, (Toronto: Canadian Scholars' Press, 1991), 213-214.

<sup>28</sup> SAB, R-33.1 IV.197.(4-49-3-1) "Submission by the Prince Albert Chamber of Commerce... with Respect to the Proposed Establishment of a Pulp and Paper Mill at Candle Lake, Saskatchewan, by Anglo-Canadian Pulp and Paper Mills Limited," 28 April, 1955.

<sup>29</sup> SAB, R-33.1 IV.197.(4-49-3-1) Diefenbaker to E.J. Goos, Manager of Prince Albert Chamber of Commerce, re PA Chamber of Commerce report, 21 May, 1955. Donald Gordon, CNR, to Goos, re Prince Albert and freight rates, 30 May, 1955. J.H. Marler, Canadian Minister of Transport, to Goos, re Freight, 2 June, 1955. H.F. Ward, Director of Industrial Development Office (IDO), to Douglas, re Brief by Prince Albert Board of Trade," 2 May, 1955.

Rather abruptly, negotiations with Anglo ended. The media reported “transportation problems” prevented a newsprint mill for Saskatchewan.<sup>30</sup> Although Anglo regarded Saskatchewan’s forest resources highly, it claimed freight rates were the principal factor that influenced their decision not to establish a mill.<sup>31</sup> For the public, the Anglo story ended in December 1955. But to counter Opposition attacks the CCF government had requested Anglo to state in an official letter that freight rates prevented their involvement in a Saskatchewan pulp operation; government critics were blaming CCF forest policies and dismissed distance and freight costs as factors that determined the decision.<sup>32</sup> Although Anglo was concerned with fluctuating markets, their letter also suggested that a sulphate pulp mill in Saskatchewan could be feasible and economical.<sup>33</sup>

The Anglo negotiations raised issues regarding provincial assistance that recurred in subsequent pulp negotiations. Although subsidised housing was introduced, it was never important again because the location for a pulp operation focussed on the immediate proximity of Prince Albert. However, the issue of federal government assistance in other forms remained. The most influential issue was government financing. Negotiations with Anglo revealed that a significant necessary step was a government bond guarantee, which would stabilise an operation’s estimated, if not firm, capital cost. Wood supply and transportation issues, in turn – through the interplay of stumpage dues, pulpwood costs, and freight rates – could reduce a plant’s overall operating costs and influence market access, which was a very influential issue in itself. Correspondence revealed that the CCF

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<sup>30</sup> SAB, R-33.1 IV.197.(4-49-3-1) Newspaper article from the Regina Leader Post, “Pulp Mill Plans Dropped,” 22 June, 1955.

<sup>31</sup> SAB, R-33.1 IV.197.(4-49-3-1) Black to Brockelbank, re Anglo, 28 October, 1955. Gary Abrams, Prince Albert: The First Century, 1866-1966, (Saskatoon: Modern Press, 1966), 361. Abrams, whose book was largely based on newspaper accounts, also concluded Anglo’s story with the problem of freight rates.

<sup>32</sup> John H. Archer, Saskatchewan: A History, (Saskatoon: Western Producer Prairie Books, 1980), 272.

<sup>33</sup> SAB, R-33.1 IV.197.(4-49-3-1) Little to Brockelbank, re Anglo’s Position and Survey Results, 23 December, 1955. Douglas to Black, re Official Letter Request, 13 December, 1955.

government could accept that Saskatchewan timber might be better or cheaper than competing projects, while freight might be more costly.

No sooner did 1955 close than January 1956 bring in Saskatchewan's second serious private interest to develop pulp. Robert G. Campbell, head of Campbell and Associates, and Charles Schultz, of C.D. Schultz and Co. Ltd., Forestry Consultants, proposed a 600 ton/day integrated kraft bleached-pulp sulphate mill. Government correspondence stressed several themes that would repeat themselves in negotiations: how bleached-kraft production experienced the greatest increase in annual demand; how the fibre from Saskatchewan's pulpwood "would be of the highest quality;" "the ease of logging at low cost;" and how freight rates could provide inexpensive transportation from Saskatchewan to markets in the United States (U.S.). However, market access could remain a problem.<sup>34</sup>

By 1956, the CCF government had discussed pulp with numerous Canadian companies with no results. In a meeting with government officials, chaired by Minister Brockelbank, Campbell disclosed he had considered the Maritimes, Manitoba, and British Columbia, "where wood costs on remaining berths were higher than those of existing mills," but concluded "that Saskatchewan had the best forests in terms of economic wood procurement that was presently available for development."<sup>35</sup> The CCF government granted Campbell the timber option that Anglo held.

Government correspondence indicates that Campbell's first progress report was of a promising economic assessment. For example, freight rates were not an issue. Campbell's

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<sup>34</sup> SAB, R-33.1 IV.204.(4-49-9) Waskesieu Forest Products (R. Campbell and Associates). Black to Brockelbank, re Pulp and Paper, R. Campbell and Associates, Vancouver, 6 January, 1956. Bates, Chemical Consulting Engineer, to Black, cc Schultz, re Pulp and Campbell, 6 January, 1956.

<sup>35</sup> SAB, R-33.1 IV.204.(4-49-9) Black to Brockelbank, re R. Campbell and Associates, 10 January, 1956. Black to Douglas, re Pulp and Paper Promotion – R. Campbell and Associates, 27 January, 1956. Black file notes, re Campbell and Asso, 11 January, 1956, and 13, January, 1956.

market surveys showed commitments from New York agencies to arrange pulp contracts, to underwrite capital requirements, and/or to subscribe equity capital. Any types of financial commitments were significant because they created the necessary sales incentive to obtain markets for a plant's products.<sup>36</sup>

Negotiations to date indicate that Black believed the CCF government might have resolved on a pulp project; a signed agreement was in place. The government took the opportunity to make a public announcement on May 31, 1956, three weeks before the next provincial election. The announcement was meant to emphasise the economic impact and employment opportunities the pulp industry would have in Saskatchewan and to stifle charges of economic stagnation. In Prince Albert, "the resource boom of 1956 raise[d] expectations,"<sup>37</sup> while also in 1956 the government "proclaimed pulpwood remained unharvested in the commercial forest zone."<sup>38</sup> The pulp project was named Waskesieu Forest Products Limited. According to the press release, it would be the CCF government's "milestone to make Saskatchewan an industrial province" and "another stride forward in our drive to stabilise and increase [provincial] prosperity." Employment figures were pegged at over 3,000 from the mill and woods operations, and another 4,500 indirectly related to this industry. Construction was slated to begin by June 1, 1957.<sup>39</sup>

The Liberal and Social Credit parties were both sceptical of the announcement. Ross Thatcher voiced his impression that private capital hesitated to invest in a province with a

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<sup>36</sup> SAB, R-33.1 IV.204.(4-49-9) Black to Douglas, cc Brockelbank, Churchman, Tamaki, Prince, Tyre, re Pulp Mill – Progress Report, 23 May, 1956. Black to Tyre, re Campbell, 28 May, 1956.

<sup>37</sup> Abrams, 361-363.

<sup>38</sup> Quiring, 173-174; see also 170-172.

<sup>39</sup> SAB, R-33.1 IV.204.(4-49-9) Premier's Office press release notes, from Industrial Development Office, 29 and 31 May, 1956. Notes for press conference, "Basic information re New Pulp Mill," 30 May, 1956. Premier's Office press release notes, "Thursday Broadcast," 31 May, 1956.

socialist government.<sup>40</sup> According to Dale Eisler, Thatcher argued the CCF government “used a pulp project as political bait, dangling it in front of the electorate at politically opportune times.”<sup>41</sup> Fines retorted that “it was not unexpected that both [parties] would try to play politics with the recently announced pulp mill project,” while Douglas was sensitive to their charge that “it was just an election dodge.”<sup>42</sup> Election or not, Campbell, Douglas, Fines, Brockelbank, and Lachlan McIntosh, Prince Albert’s Member of the Legislative Assembly, publicly assured the project’s financing and “that Campbell had found markets for the entire initial output of the mill.”<sup>43</sup>

Campbell’s progress reports as well as reports held by the Industrial Development Office verified this market access potential. Reports substantiated that there would be markets for sulphate-pulp production. Even Fines had stated that “the annual increase in Canada alone was more than sufficient to absorb the total output of the proposed mill.”<sup>44</sup> Campbell’s reports estimated a pay-out period of 9 years, which showed the pulp mill would produce profits, and claimed that “any plant with a pay-out of 12 years or less is considered to be a good financial investment.” Now was a critical moment to finalise a deal and initiate construction, as the CCF government and Campbell were confident about financing and there were pulp contract arrangements for two-thirds of production.

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<sup>40</sup> SAB, R-33.1 IV.204.(4-49-9) Douglas notes, re Kayville – the ‘dog-in-the-manger’ attitude of Liberal and Socred parties toward recent industrial projects proposed for Saskatchewan,” 6 June, 1956. L.A. Surtees, PA Barrister, to Douglas, cc Brockelbank, Fines, re Liberal statement on proposed pulpmill, 3 June, 1956. Abrams, 361-363.

<sup>41</sup> Dale Eisler, Rumours of Glory: Saskatchewan & the Thatcher Years, (Edmonton: Hurtig Publishers, 1987),164; see also 133.

<sup>42</sup> SAB, R-33.1 IV.204.(4-49-9) Douglas notes, re Kayville – the ‘dog-in-the-manger’ attitude of Liberal and Socred parties toward recent industrial projects proposed for Saskatchewan,” 6 June, 1956. Note from Douglas to Miss Helen Bolster, 23 July, 1956.

<sup>43</sup> Abrams, 361-363.

<sup>44</sup> SAB, R-33.1 IV.204.(4-49-9) Black to Douglas, re Socred Claims Mill Will Not Be Built,” copies sent to all Cabinet Ministers, 5 June, 1956. Douglas notes, re Kayville – the ‘dog-in-the-manger’ attitude of Liberal and Socred parties toward recent industrial projects proposed for Saskatchewan,” 6 June, 1956.

However, incomplete engineering details became more decisive because they prevented definitive estimates of the plant's total capital cost.<sup>45</sup>

The Prince Albert City Council had desired consultations with Campbell to discuss preparations for the proposed pulp mill.<sup>46</sup> Mayor Dave Steuart "believed in July 1956 there was a 90% chance the mill would be built."<sup>47</sup> Steuart, who later became a member of Thatcher's cabinet, believed "the government had to be an active agent offering concessions to attract the necessary capital."<sup>48</sup> The Alberta government led by example.

Throughout 1954-56, the government of Alberta also utilised its northern forests in an attempt to diversify its economy. It introduced new, twenty-year renewable Forest Management Agreements (FMA) in 1954, whose introduction was partly meant "to attract the pulp and paper industry through the provision of more generous tenure agreements than were available through the timber berth system;" Saskatchewan remained with providing timber berths. The Alberta government signed its first FMA in 1954, which was supported by large concessions of timber rights, and substantial subsidies from both the provincial and federal government that helped establish Alberta's first pulp plant, a bleached-sulphate kraft mill at Hinton in 1956.<sup>49</sup>

It was now 1957. Technical developments in sulphate pulp production had postponed the engineering reports. Care was taken because the plant design affected a mill's total

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<sup>45</sup> SAB, R-33.1 IV.204.(4-49-9) Black to Douglas, re Campbell and Associates, 27 June, 1956. Black's own memo and file notes, re Pulp and Paper – Campbell and Associates, 23 July, 1956.

<sup>46</sup> SAB, R-33.1 IV.204.(4-49-9) J.W. Oliver, Prince Albert City Commissioner, to Black, cc Hon. L.F. McIntosh, re Questions for Campbell, 28 June, 1956.

<sup>47</sup> Abrams, 362.

<sup>48</sup> Barry Wilson, Politics of Defeat: The Decline of the Liberal Party in Saskatchewan, (Saskatoon: Western Producer Prairie Books, 1980), 38.

<sup>49</sup> Quoted in Michael Howlett, "The Forest Industry on the Prairies: Opportunities and Constraints to Future Development," in *Prairie Forum*, Vol.14, No.2, (Fall 1989), 243; see also 235. Ken Coates and William R. Morrison, The Historiography of the Provincial Norths, (Lakehead University: Centre for Northern Studies, 1996), 258. Dr. Robert Robson, Forest Dependent Communities in Canada: An Interpretive Overview and Annotated Bibliography, (The Rural Development Institute, Brandon University, 1995), 40-41. K.J. Rea, A Guide to Canadian Economic History, (Toronto: Canadian Scholars' Press, 1991), 213-214.

cost, annual revenue, and pay-out period. Studies expected “the most attractive payout picture,” but “not the lowest capital cost.” Black concurred with Campbell that “all unresolved factors depend upon the length of the pay out period.” Unresolved factors comprised obtaining capital (including bonds), which engineering reports influenced. Black also agreed there was a “reasonably good freight rate on unusually cheap wood,” and concluded “there appear[ed] to be no let-up in the rate of increase in [pulp] demand.” Correspondence indicated the acceptance of Saskatchewan’s pulpwood quality, but this was less decisive because the focus remained on the pay-out period, financing, and market access.<sup>50</sup>

The CCF government still promoted Saskatchewan’s pulp opportunity. Forestry officials actively promoted Saskatchewan timber options in the American Lake States markets, particularly Wisconsin, because these states presented the best opportunities. Green Bay Packaging, whose president George Kress consulted with Campbell, was contacted. Others who acted as Saskatchewan representatives were also active in the area, including Keith Malcolm and Associates. Black, however, was prescient when he stated it was “of infinitely greater value to have one pulp mill in operation than to have 2 or 3 in the promotional stage.”<sup>51</sup> Market access was critical and Kress provided a solution.

A general softness in the pulp market, which Campbell believed was responsible for no contracts by the summer of 1957, led to a partnership between Campbell and Kress. They proposed a pulp mill with an initial-capacity production of 250 tons/day with a new paper machine for Green Bay Packaging to process this pulp. Correspondence indicates

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<sup>50</sup> SAB, R-33.1 IV.204.(4-49-9) M.T. O’Sullivan, Lummus (Engineering and Construction for Industry; Montreal), to Campbell, re Subject 4-1159, WFPL, 17 December, 1956. Black to Douglas, re WFPL, 7 January, 1957. R. Tyre to Douglas, re Visit of Campbell re Prince Albert Pulp Mill, 26 March, 1957. Black’s own file notes, re Campbell – Waskesieu Forest Products, 27 March, 1957.

<sup>51</sup> SAB, R-33.1 IV.204.(4-49-9) Black to Kuziak, re WFPL, 22 April, 1957.

that present market conditions made a lower capacity mill more feasible and influenced the CCF government to endorse this reduced initial production, which also served to lower operating costs.<sup>52</sup> Negotiations turned to financial resources.

Campbell-Kress concluded that government guarantees would be needed for bond issues. Cabinet, in turn, recommended additional feasibility studies and that any government guarantees receive adequate security.<sup>53</sup> Campbell-Kress's bond amount was \$13,400,000. Black endorsed this proposal, but the government hesitated to commit finances because of fluctuating interest rates that it felt still made equity and bonds both risky investments. But financial firms had promised Campbell-Kress to underwrite the bonds with a lower than expected firm interest rate.<sup>54</sup> This was a critical moment in negotiations because the CCF government had to accept the risk to undertake guarantees.

Instead, the CCF government debated between equity capital and bond financing because its sources could not confirm the total cost of the mill. Yet, Campbell-Kress's proposal claimed lower capital expenditures than most recently constructed mills of similar capacity, which made their proposal a "sounder one in terms of pay-out period." Lower production capacities also presented fewer marketing problems, while Saskatchewan's timber assured "some of Canada's most valuable forest resources." However, more decisive for the government was its concern about the unstable nature of the financial market. Black, however, still concluded:

We seem to have a sound project before us which could start production on a modest basis with at least normal chances of success in terms of cost of production and market. Unless we are prepared to leave this and other similar projects lie

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<sup>52</sup> SAB, R-33.1 IV.204.(4-49-9) Black to Kuziak, re WFPL, 25 June, 1957. Black to Kuziak, re WFP, 28 June, 1957.

<sup>53</sup> SAB, R-33.1 IV.204.(4-49-9) Cabinet Memo, Minute No.7843, re WFP, 17 July, 1957.

<sup>54</sup> SAB, R-33.1 IV.204.(4-49-9) Black to Douglas, cc Kuziak, Fines, Brockelbank, McIntosh, re Waskesieu Forest Products – Current Status, 9 and 12 August, 1957.

fallow for from two to three years and hope to “ride out” the current position of the financial market, I feel that some content of special Government support or assistance must be added to the picture in order to start this project on its way. If favourable consideration is given to some form of Government financial assistance, the Government is in a negotiating position to demand reasonable terms for itself and thus secure some form of tangible compensation for the risk which it might be prepared to undertake.<sup>55</sup>

Correspondence shows that Campbell-Kress offered the CCF government “tangible compensation” to guarantee finances: it could receive a 2% over-riding interest, a percentage share of profits-before-taxes, or a combination of both. For example, “some” suggested a 1% over-riding interest plus 10-15% of net profit in perpetuity. For the government to risk any financing seemed to offer what appeared to be fair inducements for the province.<sup>56</sup> But finances brought into question, while also confirming how important a pulp mill was to the province. Black discussed the need to assist Prince Albert, the importance of pulp to secondary industry, and northern development.

Although the project could be postponed until market and financial conditions were “easier,” Black also reminded Douglas that Fines even stated “no one can predict with any degree of accuracy what the financial market will be like” in the near future. Black then indicated how construction still continued because new mills could be planned to coincide with an increased demand for pulp; the mill had a sufficient market in Green Bay for which to commence production. As far as Black was concerned, “construction should not be postponed because of market conditions unless the whole principle of a

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<sup>55</sup> SAB, R-33.1 IV.204.(4-49-9) Black to Douglas, cc Kuziak, Fines, Brockelbank, McIntosh, re Waskesieu Forest Products – Current Status, 9 and 12 August, 1957. Black to Douglas, cc Kuziak, Fines, Brockelbank, McIntosh, re Pulp Mill – R. Campbell and Associates, 16 August, 1957.

<sup>56</sup> SAB, R-33.1 IV.204.(4-49-9) Black to Douglas, cc Kuziak, Fines, Brockelbank, McIntosh, re Pulp Mill – R. Campbell and Associates, 16 August, 1957. A.G. Kuziak, Minister of Natural Resources, personal notes, re Waskesieu Forest Products, 19 August, 1957.

government guarantee is unacceptable to us.”<sup>57</sup> However, Cabinet was “unanimous in supporting this project and in guaranteeing the principal” for up to \$12,000,000.<sup>58</sup>

The CCF government might have finalised negotiations had it accepted – or risked – a higher bond guarantee. Limiting its risk, the government had not committed any equity capital. Negotiations indicate that if the government guaranteed bonds – a joint-venture risk – this would have also provided the government with a share in potential profits. Because the government was attempting to maximise its share in potential profits, it expected to receive an incentives package for guaranteeing bonds – this could have been provided by the Campbell-Kress “tangible compensation.” In any case, the government had to commit – risk – some type of financing to initiate the development of pulp.

The CCF government, instead, organised a Cabinet Committee to obtain another engineering and economic feasibility report; Sandwell was mentioned. The committee included the Treasury, and Ministers Alex G. Kuziak (Natural Resources), Brockelbank (Mineral Resources), and McIntosh (Municipal Affairs),<sup>59</sup> along with Black, Allan Blakeney, Tom Shoyama, head of the Economic Advisory and Planning Board (EAPB), and Churchman, Deputy Minister of Natural Resources. The government still desired a consultant firm to review the mill’s plans, even though it agreed to guarantee a bond-issue because it was now promised a 1% service fee on all outstanding bonds and 10% of the mill’s profits-before-taxes.<sup>60</sup>

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<sup>57</sup> SAB, R-33.1 IV.204.(4-49-9) Black to Douglas, cc Kuziak, Fines, Brockelbank, McIntosh, re Pulp Mill – R. Campbell and Associates, 16 August, 1957.

<sup>58</sup> SAB, R-33.1 IV.204.(4-49-9) A.G. Kuziak, Minister of Natural Resources, personal notes, re Waskesieu Forest Products, 19 August, 1957.

<sup>59</sup> McIntosh was the CCF’s incumbent for Prince Albert from 1944 until 1962 and privy to government correspondence regarding pulp development.

<sup>60</sup> SAB, R-33.1 IV.204.(4-49-9) Cabinet Memo, Minute No.7893, re WFP, 19 August, 1957. Cabinet Memo, Minute No.7899, re WFP, 26 August, 1957.

Time was critical. But the CCF government would not commit because it waited for additional consulting engineers' reports. The longer negotiations proceeded, the greater the possibility changes might occur in the pulp industry that were uncontrollable. This included plant and logging operations costs, technical advances, and market stability.

The project's total cost rose as did the bond-guarantee amount, which Cabinet approved in principle, provided it agreed upon satisfactory engineers' reports.<sup>61</sup> In December 1957, reports were "not encouraging" because of lower costs from the southern U.S. on paper and freight rates. Campbell-Kress had hoped for a pulpwood price of \$10/cord in Saskatchewan, but their studies estimated \$16/cord; freight rates influenced wood costs. If their interest was lost, Black emphasised that "it will be years before Saskatchewan will see any new activity in this field...However, so many factors affecting industrial development hinge upon the early construction of this mill that I think it is proper to consider further forms of assistance."<sup>62</sup> No further progress would occur until the economics of the plant were determined. Debates on assistance still continued.

Correspondence shows the CCF government discussed how to lower costs. Support existed to waive stumpage-dues and/or for the Timber Board to contract pulpwood at \$13/cord. According to Black, the Timber Board would not absorb a loss of \$3/cord "or possibly any loss [because there was] the confidence on the part of a number of people in the government that [Campbell-Kress'] estimate of \$16/cord [was] quite out of line." Furthermore, and to become most significant, a threat of recession in the U.S. served to compound everyone's risk assessment, because it could affect pulp and paper prices and

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<sup>61</sup> SAB, R-33.1 IV.204.(4-49-9) Cabinet Memo, Minute No. 7994, re WFP, 27 September, 1957.

<sup>62</sup> SAB, R-33.1 IV.204.(4-49-9) Black to Douglas, re WFPL Progress Report, 18 December, 1957.

operating costs;<sup>63</sup> a “recession (or series of recessions) set in” after 1956 that caused forestry production outputs and market absorption to vary.<sup>64</sup>

Correspondence indicates the possibility of a recession prevented any progress toward finalising the plant’s economics and influenced more reports. It was a critical moment that affected the negotiations and prevented construction from beginning. Gary Abrams concluded “the problems of markets proved to be insurmountable, and the Campbell interests withdrew[.]”<sup>65</sup> The Regina *Leader Post* stated that during the period since the Campbell-Kress option was signed, “Canada’s pulp and paper milling capacity [had] greatly increased,” while the question was whether there was “a sufficient market available in the U.S. at the present time to warrant construction of the Prince Albert mill.” The newspaper story suggested Saskatchewan had not moved quickly enough.<sup>66</sup>

Douglas, however, had already suggested making “discreet advances” elsewhere and to continue pulp discussions, which “should not be left in abeyance.” Powell-River and MacMillan and Bloedel had expressed interest again. Although Campbell-Kress’ timber option expired, it was extendable if they came up with a “feasible project [that included] engineering, economics and markets, with some but not necessarily confirmed status with regard to financing.” Black, ever development-minded, stated pulp and paper ranked “second only in importance to the proposed steel plant [that is, the future Interprovincial Steel Company – IPSCO].”<sup>67</sup>

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<sup>63</sup> SAB, R-33.1 IV.204.(4-49-9) Black to Douglas, re WFPL Progress Report, 18 December, 1957. Black to Douglas, re WFPL Progress Report, 24 January, 1958. Black to Douglas, re WFP – Postponement of Meeting, 28 January, 1958.

<sup>64</sup> Zaslow, 250; see also 252, 346, 374.

<sup>65</sup> Abrams, 362-363.

<sup>66</sup> SAB, R-33.1 IV.204.(4-49-9) newspaper clipping Regina Leader Post, “Enterprise on the March,” 7 February, 1958. Black to Douglas, re WFPL, 8 February, 1958.

<sup>67</sup> SAB, R-33.1 IV.204.(4-49-9) Black to Douglas, re WFPL Progress Report, 24 January, 1958. Douglas to Black, re WFP, 31 January, 1958. Black to Douglas, re WFP – your memo of Jan31, 3 February, 1958.

Correspondence shows that in regards to the threat of recession there was an interplay of optimism and pessimism, and questions remained unanswered; for example, whether “the present project’s economic feasibility would give a profit per ton of approximately \$13 to \$14 [but might] not provide for a rapid pay-out of initial investment.” Furthermore, an economic downturn might threaten current positive margins, but construction takes time and a new pulp mill might have begun operations during an up-swing in market demand.<sup>68</sup> Douglas then provided his conclusion to the negotiations:

I would suggest that we give high priority to getting some other people interested in the pulp project. I don’t think there is any need for us to ‘peddle’ our forest resources but on the other hand I think we must step up our campaign to get some company with adequate financial resources interested in the manufacture of pulp.<sup>69</sup>

In February 1958 negotiations on the Waskesieu Forest Products Limited project with Campbell and Kress ceased to exist. But the CCF government continued to study the economics of a Saskatchewan pulp industry.

Correspondence shows that the CCF government wanted new reports to emphasise Saskatchewan’s pulp development opportunities. A pulp study was also to “reflect credit upon the government” on its attempts in economic growth. Graham Spry had suggested the government use a British firm, because of its probability to give the best information on world markets. Instead, the Stanford Research Institute (SRI) from California was commissioned to provide a general economic survey, with Sandwell and Company from Vancouver to survey forest resources, the industrial potential of Saskatchewan’s forests, and how to directly interest a pulp company.<sup>70</sup> Sandwell remains integral.

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<sup>68</sup> SAB, R-33.1 IV.204.(4-49-9) Black to Douglas, re WFPL, 8 February, 1958.

<sup>69</sup> SAB, R-33.1 IV.204.(4-49-9) Douglas to Black, re WFPL, 10 February, 1958.

<sup>70</sup> SAB, R-33.1 IV.220.(4-60) Shoyama, Economic Advisory and Planning Board, to Douglas, re Survey by EIU, 20 May, 1958. Black and Shoyama to Douglas, re Proposal on Resources and Industrial Development Survey, 26 August, 1958. Spry to Douglas, re EIU and Benefits of a British Perspective, 19 September, 1958. Douglas to Spry, re reply, 26 September, 1958. “Economic Development Survey,” undated. Tyre,

Government correspondence indicates criticism towards Sandwell's initial summary. W.H. (Bill) Parks, Director of the Forestry Branch of the Department of Natural Resources (DNR) and its future Deputy Minister 1965-1970, pointed to the draft's failure "to play up advantages" that Saskatchewan possessed.<sup>71</sup> The CCF government revised the draft by emphasising competitive advantages and downplaying disadvantages.

The initial report was significant, because it identified favourable factors that supported the potential for pulp development. For example, it estimated an \$18/cord cost, but claimed local operators experienced \$16/cord; to determine this cost figure remains important to pulp negotiations and notably the Timber Board. The report also concluded that there was always a production and capacity gap to fill in which Saskatchewan could compete.<sup>72</sup> But the report also expressed the necessity to accept inherent risk issues.

A notable statement identified the need for the government to bear risk and establish price security: it was "believed that an arrangement could be concluded with the Provincial Government which would protect an industry from unrestricted competition and thus promote stability of the pulpwood cost." The report reiterated Saskatchewan's pulpwood cost advantage, but it was difficult to provide "firm capital estimates" when the interplay of pulpwood and transportation costs and market prices constantly fluctuated. Sandwell still concluded that a profitable return was likely.<sup>73</sup>

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IDO, to Douglas, re Release on Economic Survey, 14 February, 1959. Black to Douglas, re Press Conference – SRI Report, 8 February, 1960.

<sup>71</sup> SAB, R-33.1 IV.220.(4-60) Black to Douglas, re SRI – Sandwell pulp and paper report, 23 April, 1959, with attached letter Black to V. Riches, SRI, cc Barton (Sandwell), Douglas, Kuziak, Churchman, Parks, 13 April, 1959. Douglas to Black, cc Shoyama, re SRI-Sandwell Pulp and Paper Report, 1 May, 1959. Black to Douglas, cc Shoyama, re SRI-Sandwell Pulp and Paper Report Your Memo of May 1, 6 May, 1959.

<sup>72</sup> SAB, R-33.1 IV.220.(4-60) "Prospects for Pulp and Paper Mill Development in Saskatchewan, Canada, Project Number V831 Sandwell and Company Limited Vancouver, Canada, Part II of 'A Study of Resources and Industrial Opportunities for the Province of Saskatchewan' Stanford Research Institute, Menlo Park, California," April 1959.

<sup>73</sup> SAB, R-33.1 IV.220.(4-60) "Prospects for Pulp and Paper Mill Development in SK..." April 1959.

Correspondence reveals that the report contained “excellent...useful factual data,” while “almost suggesting Saskatchewan is one of the last places that a prospective investor should look” if constructing a pulp mill in the next few years. The CCF government wanted forest resources to be the most important consideration in a company’s decision to invest and, therefore, revised sections to maximise the forest-value comparative advantages Saskatchewan might hold over Alberta. It notably emphasised Saskatchewan’s favourable potential for bleached-sulphate pulp market access, its increasing demand, and advantages Prince Albert held: forest density and accessibility; “unusually low wood costs and stumpage dues;” and transport costs “comparatively so low that the adverse factor of distance from markets is more than compensated for.” The new report thus promoted the profitability of a Saskatchewan pulp industry.<sup>74</sup>

If original assessments made by Sandwell were accurate, the not so favourable assessments might legitimise a fiscally prudent nature. Perhaps Sandwell’s original assessments also indicate that the CCF government revised sections for publication and referenced them in negotiations in hopes that private companies would bear the risks alone. The government seemed to be influenced by the possibility of failure. After the CCF government’s failures in public ownership, it was acutely sensitive to risking its own capital and left “potentially costlier development to private companies.”<sup>75</sup>

Douglas presided over a press conference to introduce the entire SRI report, which coincided with an up-coming provincial election.<sup>76</sup> By 1960, the Opposition was again attacking Saskatchewan’s “lack of industrial growth,” an attack that was “partially offset”

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<sup>74</sup> SAB, R-33.1 IV.220.(4-60) Black to V. Riches, Stanford Research Institute, cc Douglas, Kuziak, Churchman, Parks, 13 April, 1959. Black to Douglas, re SRI – Sandwell pulp and paper report your memo of May 1, 6 May, 1959.

<sup>75</sup> Bill Waiser, Saskatchewan: A New History, (Calgary: Fifth House Limited, 2005), 365.

<sup>76</sup> SAB, R-33.1 IV.220.(4-60) Black to Douglas, re Press Conference – SRI Report, 8 February, 1960.

by the SRI report, a CCF-commissioned study.<sup>77</sup> A *Prince Albert Daily Herald* editorial had stated that the “combination of over-supply of pulp and the costs of producing and shipping a finished product to the market” had so far prevented the establishment of a mill.<sup>78</sup> In response to the publicised SRI report, the *Herald* proclaimed that there was a required pulp “production and capacity gap to be filled.”<sup>79</sup>

In 1961 Woodrow Lloyd became premier after a stint succeeding Fines as Provincial Treasurer. According to a biographer Lloyd had harboured suspicions “that Fines had always underestimated the resources available from [the capital market, which] was done on the grounds that a prudent fiscal policy was necessary in order to maintain your credit rating.”<sup>80</sup> Lloyd had sometimes rejected Fines’ “prudent fiscal policy.”<sup>81</sup> But the CCF government’s reputation for sound management of the economy equated to electoral success and economic prosperity. Although the CCF government remained committed to rural Saskatchewan and costly agricultural relief programs, the early 1960s saw a revival of agricultural fortunes and the oil and gas industry “thrived as well...Almost every major economic indicator was up.”<sup>82</sup> Financing pulp development seemed possible.

Lloyd’s government, in turn, continued to promote economic growth and the forest industry.<sup>83</sup> The Timber Board would utilise data from the Sandwell report and became prominent in pulp correspondence. But Lloyd’s government also resurrected issues from Douglas’s first term. In the health care and welfare-state arena, because the early 1960s brought increased prosperity for Saskatchewan, it became the ideal time for the

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<sup>77</sup> Archer, 305. Quiring, 174.

<sup>78</sup> “World Demand For Pulp Could Have Effect Here,” *Prince Albert Daily Herald*, 13 January, 1960.

<sup>79</sup> “May Get Japanese Skill But Not Their Industry,” *Prince Albert Daily Herald*, 12 February, 1960.

<sup>80</sup> Dianne Lloyd, *Woodrow: A Biography of W.S. Lloyd*, (Published by The Woodrow Lloyd Memorial Fund, 1979), 108; see also 92, 107, 109-110. Dianne was Woodrow’s daughter.

<sup>81</sup> Archer, 306.

<sup>82</sup> Waiser, 373, 388-389.

<sup>83</sup> Howlett, 242-243.

introduction of universal, state-supported Medicare, a costly and activist government initiative.<sup>84</sup> As for pulp, if private enterprise alone would not develop it, it only seemed appropriate for someone to re-introduce the idea of a crown corporation pulp mill.

The Sandwell report showed that the economic prospects were most profitable for a bleached-sulphate pulp mill with a 500 ton/day capacity.<sup>85</sup> Mike Kalmakoff, privy to the CCF government's pulp correspondence since 1947, prepared a study based on Sandwell that argued a crown pulp mill would be successful. Although Kalmakoff's study was a case for the benefits of public ownership, his analysis provided information on the potential of a Saskatchewan pulp industry.<sup>86</sup>

Kalmakoff's study was revealing because in mentioning Sandwell's pulpwood price of \$18/cord, he claimed that "in the event of a prolonged economic recession pulpwood can be produced quite easily at \$14.00 per cord [which] would give [a Saskatchewan] operation further advantages in competing on the pulp market." However, Kalmakoff acknowledged that companies chose areas that can offer the highest return on investment.

Therefore he concluded:

if judgements [on Saskatchewan pulp prospects being average in respect to other areas] are correct...this could mean a very long wait [for developing pulp manufacture in the province] unless [the CCF government] is willing to offer inducements, over and above the inducements offered by other areas, sufficient to overcome [this] economic disadvantage.<sup>87</sup>

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<sup>84</sup> Waiser, 379.

<sup>85</sup> SAB, R-33.1 IV.220.(4-60) Economic Surveys of the Province. "Prospects for Pulp and Paper Mill Development in Saskatchewan, Canada, Project Number V831 Sandwell and Company Limited Vancouver, Canada, Part II of 'A Study of Resources and Industrial Opportunities for the Province of Saskatchewan' Stanford Research Institute, Menlo Park, California," Table 21, Page 39, April 1959.

<sup>86</sup> SAB, R-33.1 IV.(Economic Advisory and Planning Board) 152.(4-14) Crown Corporations. Folder 3. "Economic Prospects of a Crown Corporation Pulp Mill in Saskatchewan," written by M. Kalmakoff, stamped Premier's Office, 15 August, 1960.

<sup>87</sup> SAB, R-33.1 IV. 152.(4-14) "Economic Prospects of a Crown Corporation Pulp Mill in Saskatchewan," written by M. Kalmakoff, stamped Premier's Office, 15 August, 1960.

Kalmakoff's economic analysis of a crown corporation pulp mill did not identify the highest profit potential. But he argued net returns on investment would be realised and provide Saskatchewan with benefits from pulp other than direct profit. He also reiterated the necessity to diversify forest resources. There was no mention of Kalmakoff's study in correspondence. Perhaps the idea of a crown pulp mill was not a seriously considered economic development prospect in light of the need for government finances elsewhere.

The media also focussed on economic issues. The *Herald* presented Alberta's success in the pulp industry, and always reiterated the CCF government's promises regarding a pulp mill and its economic benefits. One editorial questioned why Saskatchewan was unable to secure a pulp mill when world markets were rising.<sup>88</sup> Another said any "mill contemplated for Alberta was no more remote from markets than a mill near Prince Albert would be." This editorial also suggested the CCF government could not force industry into the province, "unless they are prepared to undertake another socialist experiment by starting a government-owned mill." Because of the expenditure involved in a pulp project, however, the *Herald* recommended that "the other answer is, of course, to induce private capital to build a mill here," like at Hinton.<sup>89</sup>

E.J. Goos, manager of the PACC, was another critic. Goos questioned whether there were pulp-cost differentials between Saskatchewan and Alberta, and blamed the CCF government when there "appeared to be no apparent reason" why only Alberta attracted investment to develop pulp.<sup>90</sup> According to the Minister of Natural Resources, Alex G. Kuziak, in an interview with the *Herald*, the CCF government blamed freight rates, distance, credit restrictions, rising interest rates, a recession, and cost increases that

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<sup>88</sup> "If Alberta Can Do It Why Can't We?" Prince Albert Daily Herald, 2 February, 1961.

<sup>89</sup> "Explanation Needed," Prince Albert Daily Herald, 2 February, 1961.

<sup>90</sup> "Pulp Mill Question Still Needs Answer," Prince Albert Daily Herald, 14 February, 1961.

stopped the Waskesieu pulp project in 1956. Yet he still expressed that Saskatchewan had “room for about four pulpwood mills producing in perpetuity,” but no mention of production capacities.<sup>91</sup> Kalmakoff also had objected to characterisation of Alberta production costs as low, and pointed to a difference in pulpwood quality and quantity in favour of Saskatchewan.<sup>92</sup> Furthermore, he argued that Saskatchewan had to change its approach to forestry diversification.<sup>93</sup>

Interest remained in Saskatchewan’s pulp opportunities. In June, 1961, Malcolm’s firm, Saskatchewan River Forest Company Ltd, proposed to promote a Prince Albert pulp mill. Malcolm offered relevant information on all Saskatchewan pulp negotiations. He downplayed depressed markets and prices and overproduction, and instead emphasised that present pulp operations’ forest inventories were running low. He then stressed favourable economics for Saskatchewan, because it offered “immediate access” to an “excellent grade of pulpwood;” the *Herald* also emphasised the pulp industry’s “vigorous attempt to increase productivity.”<sup>94</sup> Malcolm claimed expansions occurred immediately when market conditions warranted them, and reiterated that new mills take “three or more years to engineer and build,” which made his conclusion all the more prescient: the ideal time to project the opening of a new mill was when the pulp market would commence a peak period “such as 1965.”<sup>95</sup> It would turn out that a “spell of prosperity occur[ed] during 1963-1967.”<sup>96</sup>

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<sup>91</sup> “Pulpwood Mills Depend On Rates,” Prince Albert Daily Herald, 3 February, 1961.

<sup>92</sup> “High Freight Rates Hamper Exports,” Prince Albert Daily Herald, 8 February, 1961.

<sup>93</sup> SAB, R-61.2 III. 4. M. Kalmakoff to Chairman and Board of Directors, re Letter Parks to Churchman, September 1<sup>st</sup>, 1961 Concerning Fellows’ Report, 12 October, 1961.

<sup>94</sup> “Pulp, Paper People Face Tough Problems,” Prince Albert Daily Herald, 20 September, 1961.

<sup>95</sup> SAB, R-61.5. 63. Industrial Development Fund 1960-1961. Kuziak to Government Finance Office (GFO) members and all Cabinet Ministers, 20 July, 1961. Brown personal file notes and to Lloyd (FYI), 19 September, 1961. And SAB, R-61.4 VI.85.(6-13)Pulp and Paper Industry Dec.1961-May1964. Malcolm to

Correspondence indicates that the longer it took to establish a Saskatchewan pulp industry, the more a new mill might be at a disadvantage in timing relative to new and rising markets. The CCF government rejected Malcolm's idea because it did not want "to tie its hands for a period of from 2-3 years with respect to other alternative development possibilities" and because it was more confident in its abilities than a promotional company's to sell a proposal to "groups which might conceivably develop pulp." Furthermore, a promotional company might "perhaps give the public a false impression of the probability of such a mill being established."<sup>97</sup> Almost 20 years of pulp fiction, five elections later, and yet no pulp operations; false impressions were everywhere.

Powell River expressed interest in Saskatchewan pulp, for which the CCF government assured "every conceivable form of assistance, whether in the area of finance, cost of utility services, stumpage dues, [or in] tenure." Powell River desired a better freight-rate schedule in relation to Hinton.<sup>98</sup> Powell River had already approached the CCF government about pulp development, and again it left empty handed. Concurrently, a Cabinet Committee on Industrial Development (CCID) had already started to influence pulp promotions and negotiations.

The CCID adopted several policies on pulp. It authorised government guarantees, but these would be conditional upon acceptable equity participation and evidence of project feasibility. It also authorised "favourable consideration to reducing timber dues."

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Russ Brown, Minister of Industry and Information, 12 February, 1962, with attached letter from Black to Brown, re Mr. D.K. Malcolm's Proposals, 26 February, 1962.

<sup>96</sup> Zaslow, 250.

<sup>97</sup> SAB, R-61.4 VI.85.(6-13) Malcolm to Brown, 12 February, 1962, with attached letter from Black to Brown, re Mr. D.K. Malcolm's Proposals, 26 February, 1962.

<sup>98</sup> SAB, R-61.4 VI.85.(6-13) Black to Harold S. Foley (Vancouver), cc Brown, 22 February, 1962.

It then requested Kalmakoff to produce a firm price at which the Timber Board would contract to supply pulpwood; a significant necessary factor for finalising negotiations.<sup>99</sup>

It was 1962, and the Opposition continued to attack the CCF government's industrial development policies and focussed on provincial economic stagnation. The Minister of Industry and Information, Russell Brown, emphasised the importance of the provincial north to the economy, and claimed the promotion of a pulp mill for Prince Albert was his department's "number one industrial priority." He emphasised Saskatchewan's potential to compete in markets and stated that "companies should be interested in getting a mill started in the province now...[to] be operational when the peak period is reached in 1965 or 1966."<sup>100</sup> Another editorial argued, however, that "the pulp mill has been nothing more than an election issue and will probably remain in that role." It also asserted that industry enticements can best be applied by "a government which recognises the value of private investment."<sup>101</sup> Brown, in turn, dispersed an internal policy document within government channels that stressed the importance of developing northern resources for economic growth, diversification, and prosperity.

Brown's memo was significant because it argued the need to provide concessions or subsidies to establish a Saskatchewan pulp industry. He looked to 1964 and stated that he "cannot think of any sweeter situation with which to go into an election than with...a major forest products project" to defy charges of a depressed economy. He pointed to Saskatchewan's "very poor" competitive position vis-à-vis Manitoba and Alberta, and the

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<sup>99</sup> SAB, R-61.4 VI. (Department of Industry and Information) 79.(6-10) Industrial Development General Dec.1961-Mar.1964 a. Minutes of the Cabinet Committee on Industrial Development (CCID), 31 January, 1962.

<sup>100</sup> "Future of North Dependent On Forestry Development," Prince Albert Daily Herald, 30 March, 1962.

<sup>101</sup> "Pulp Mill Again Given Publicity," Prince Albert Daily Herald, 2 April, 1962.

need for a sound business climate to expand development activities.<sup>102</sup> Liberal campaigning that stressed economic stagnation when compared to Alberta and Manitoba, alongside castigating a socialist government, began to resonate with the public.<sup>103</sup>

Brown recommended to the CCID the need to revise government policies, claiming a “distinct anti-socialist bias” hindered making Saskatchewan an attractive province for investment. Brown also argued that diversification of the forest industry was necessary to reinvigorate the economy and stressed, therefore, the need to accept that concessions and/or subsidies would create industrial development. Incentives included lowering power and gas rates; revising the tax-structure; and re-examining lease-rentals and royalty-structures.<sup>104</sup> Quiring concludes that CCF government royalty and tax policies – a lack of incentives that also influenced an anti-business climate – on the natural resource industries limited northern development, particularly discouraging mineral exploration.<sup>105</sup>

The CCID made two recommendations based on Brown’s argument for incentives: a review of industrial power rates and for the Departments of Treasury and Industry and Information to study possible tax-relief measures. There was no mention of forestry.<sup>106</sup> Almost immediately, negotiations with George Kress began again by the summer of 1962 to develop a Prince Albert pulp mill, the CCF government’s last opportunity.

Kress had analysed the Sandwell report and proposed an initial 250 tons/day capacity bleached-sulphate pulp mill. Correspondence indicates that both parties were confident about securing market access. The Sandwell report had recommended a government

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<sup>102</sup> R-61.4 VI. 79.(6-10)a. “Inducements...” Brown to Cabinet, et al, 25 April, 1962.

<sup>103</sup> David E. Smith, Prairie Liberalism: The Liberal Party in Saskatchewan 1905-1971, (Toronto: University of Toronto Press, 1975), 275, 298-301.

<sup>104</sup> R-61.4 VI.79.(6-10)a. “Inducements...” Brown to Cabinet, et al, 25 April, 1962.

<sup>105</sup> Quiring, 176-178.

<sup>106</sup> R-61.4 VI.79.(6-10) Minutes of CCID, present Brown, Lloyd, Blakeney, Brockelbank, Black, Preston, and Sufrin, 4 May, 1962.

equity position of 15%, and Kress was informed that it would invest, provided pulp contracts were secured. Additional assistance would come through forestry concessions and “an easily obtainable \$14,000,000 [in] guaranteed bonds.” It was also noted that the federal government was providing tax and depreciation allowance incentives for new pulp operations.<sup>107</sup> However, more information existed on financing of which Kress was not aware.

The CCF government had revised its guidelines for financing a pulp project. The government proclaimed it was prepared to buy “25%, no lower than 15%, of equity capital,” and sell “after the period of risk was over.” The Timber Board would also supply pulpwood at “\$17/cord, for a period of some three to five years,” but expected a subsidy “if it suffered a loss as a result of the stated price.”<sup>108</sup> Blakeney, now the Provincial Treasurer, and Black agreed that the \$17 figure “was important to indicate the availability of a firm laid-down price for wood pulp, as the most important single operating cost, as it is Saskatchewan’s main and perhaps only selling point for a pulp mill.”<sup>109</sup>

Correspondence indicates that the urgent concern was not necessarily financial, but rather related to obtaining sales contracts for pulp. Yet there was evidence to indicate that the market was buoyant. The May 1962 Canadian Pulp and Paper Industry magazine argued that pulp consumption for “most of North America’s estimates in the past have been exceeded by actual growth.” Furthermore, a report in June 1962 entitled “La Ronge Pulp Corporation Limited, Prince Albert, Economic Study and Project Proposal,” which

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<sup>107</sup> SAB, R-61.4 VI.85.(6-13) Black to Kress, confidential, 12 June, 1962.

<sup>108</sup> SAB, R-61.4 VI.85.(6-13) Black to Brown, cc Lloyd, Blakeney, Brockelbank, Kuziak, re Pulp and Paper – Government Assistance, 30 May, 1962.

<sup>109</sup> SAB, R-61.8 VI.(Industrial Development)27.(610)Prince Albert Pulp Mill. 1964-1967a. Black to Brown, 31 May, 1962.

was largely based upon the Sandwell report, concluded with “rather favourable financial projections, with payout taking place during the ninth year of operation.” Now was a critical time for the government to commit to its internal promise to take up an equity position.<sup>110</sup>

Concurrently, Kress had inquired about Saskatchewan’s political and economic climate. There was no indication he had reservations to invest in a “socialist province.”<sup>111</sup> The Treasury Department also issued its “Report on Tax Incentives to Encourage Industrial Development in Saskatchewan,” prompting an anonymous “Memorandum on Industrial Incentive Program.” These reports were revealing, because they outlined incentives that the CCF government could use to induce industry’s investment. Although both reports never mentioned forestry, they illuminated Saskatchewan’s precarious position in development relative to its neighbouring provinces and advocated the need for a sound business climate to provide stability. However, fiscal prudence and risk were evident in the tax report as “the government [had to] decide how much it feels it can forego [in an incentive programme] without jeopardising its financial position.”<sup>112</sup> Pulpwood costs influenced stability for investment.

Although less decisive, CCF government concerns still involved the quality of Saskatchewan pulpwood. Kress claimed companies would purchase Saskatchewan pulp if

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<sup>110</sup> SAB, R-61.4 VI.85.(6-13) Black to Chairman and Members of CCID, cc Lloyd, Brockelbank, Blakeney, Kuziak, Brown, Preston, Sufrin, Churchman, confidential, re Pulp and Paper Promotion, 13 June, 1962. Black to Chairman and Members of CCID, confidential, re Pulp and Paper Promotion, 26 June, 1962. Black to Kress, cc CCID, Lloyd, Brockelbank, Blakeney, Kuziak, Brown, Preston, Sufrin, also cc Churchman, Webster, Harris, re Pulp Mill – Saskatchewan Meetings, 14 August, 1962. Black to Chairman and Members of CCID, cc Lloyd, Brockelbank, Blakeney, Kuziak, Brown, Preston, Sufrin, re Pulp and Paper – Progress Report, 17 September, 1962.

<sup>111</sup> SAB, R-61.4 VI.79.(6-10) Black to Kress, confidential, 27 September, 1962.

<sup>112</sup> SAB, John H. Brockelbank GR 85, R-907.5 VI.41. Treasurer, Provincial, 1959-1964 k. Tax Incentives, 1962. “Report on Tax Incentives to Encourage Industrial Development in Saskatchewan,” Treasury Department, 9 November, 1962. And SAB, R-61.4 VI.79.(6-10)b. “Memorandum on Industrial Incentive Program,” un-authored, 14 January, 1963.

its quality compared to Hinton's; his technical studies concluded that it was.<sup>113</sup> Other claims contended that a mill would require "a premium price" to be competitive. These claims hovered, while "the special qualities of prairie pulpwoods...possibly producing a premium product" might involve a higher cost, but "insured a substantially higher initial price for the product;"<sup>114</sup> a comparative advantage for Saskatchewan. There seemed to be a favourable possibility to finalising negotiations.<sup>115</sup>

Kress was informed about the Timber Board's guaranteed \$17/cord price to supply pulpwood for a quantity of 175-200,000 cords. The CCF government had "urged a quote as attractive as possible, to forget about profit and even to accept a risk of loss." Kalmakoff also provided a provision that the price was fixed for only a three-year period, and adjustable. The government, argued Kalmakoff, "should be prepared for the possibility of a loss of two or, at most three dollars per cord...perhaps it is not too great a risk if this is the only means of getting a big industry started."<sup>116</sup> This was another critical moment where either the government would maintain this price, or renege on it.

Correspondence shows a commitment remained elusive because decisive questions had remained on the CCF government's equity participation, bond guarantees, and interest rates. The government had previously levied fees for guaranteeing Saskatchewan Cement Corporation and Interprovincial Pipe and Steel Corporation, but the pulp project's financing was larger and, therefore, riskier. Preston (who was the Director of the Government Finance Office), Shoyama, and Johnson all recommended equity

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<sup>113</sup> SAB, R-61.4 VI.85.(6-13) Black to Chairman and Members, CCID, cc Lloyd, Brockelbank, Blakeney, Kuziak, Brown, Preston, Sufrin, re Pulp and Paper – Progress Report, 5 October, 1962. Black to CCID, 29 October, 1962.

<sup>114</sup> SAB, R-61.4 VI.85.(6-13) Black to Brown, confidential, re Pulp and Paper, 5 November, 1962.

<sup>115</sup> Black left for Egypt on a United Nations assignment for a one-year period on November 24, 1962.

<sup>116</sup> SAB, R-61.4 VI.79.(6-10)b, c. Kalmakoff to Black, re: Price of Pulpwood for Mill, 23 January, 1963. Kalmakoff to Black, re: Wood for Pulp Mill, 31 May, 1962. Harris, Industrial Consultant, to Brown and CCID, re: meeting of CCID on Jan21/63, 21 January, 1963.

participation to some extent.<sup>117</sup> The CCF government now agreed to guarantee an issue of bonds to \$15,000,000, while Kress, in turn, had to obtain satisfactory contracts for pulp-sales.<sup>118</sup> Negotiations returned to the more critical issue of the Timber Board's pulpwood cost and supply.

The CCF government now decided the Timber Board's \$17/cord price for a three-year period should be for only 100,000 cords. The government considered subsidising the Timber Board for a three-year term and afterwards to re-negotiate the contract; Kress accepted these terms. It appears that the government could have offered Kress a concession on pulpwood costs, but instead it pointed to the uncertainty of supply at \$17/cord as the reason for a logging-cost study.<sup>119</sup> Although the CCF government hesitated on accepting the possibility of a firm price on pulpwood costs, it continued promoting Saskatchewan pulp opportunities for development.

The CCF government continued to play up the advantages, viability, and feasibility for a Saskatchewan pulp industry. The most recent pamphlet "Saskatchewan Pulp and Paper Potential" (which acknowledged the Sandwell report) appeared by April 1963.<sup>120</sup> Any prospective pulp investor who would have read this promotional brochure had reason to believe the government would provide any assistance possible to establish a

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<sup>117</sup> SAB, R-61.2 I.20. Pulp and Paper Negotiations Sept 1961-Mar 1963. T.H. Preston, GFO, to Brockelbank, Provincial Treasurer, cc Johnson, Shoyama, re Cabinet Committee on Industrial Development – Request for Proposal on Guarantee Fee for La Ronge Pulp Corp. Ltd., 28 January, 1963. Preston to Johnson and Shoyama, confidential, re La Ronge Pulp – Guarantee Fee, 23 January, 1963.

<sup>118</sup> SAB, R-61.4 VI.85.(6-13) Brockelbank to Kress, cc Lloyd, 19 February, 1963.

<sup>119</sup> SAB, R-61.4 VI.79(6-10)b. Roy Harris, Industrial Consultant Department of Industry and Information, to CCID, cc Brown (Chairman), Lloyd, Brockelbank, Blakeney, Kuziak, Kramer, Shoyama, Johnson, Preston, Sufrin (Secretary), re Pulp Mill Project and Meetings with Kress on 22 and 26 February, 1963, 4 March, 1964. SAB, R-61.2 I.20. Kalmakoff to Harris, 5 March, 1963.

<sup>120</sup> SAB, R-61.2 I.20. "Saskatchewan Pulp and Paper Potential," Economic Advisory and Planning Board, published by the Department of Industry and Information, April 1963.

pulp industry. It was, possibly, the most favourable material to date that anyone could have read on reasons why Saskatchewan might have a highly profitable pulp mill.

The brochure reiterated conclusions and estimates that had been debated in the government correspondence to date, but published this information, instead, as accepted facts. Saskatchewan had “valuable forest resources,” and financing. The government was “prepared to assist to the fullest extent.” The economics of a Prince Albert mill offered “low-cost woods operations,” and the best prospect for markets was still the American Lake States region with growth in future capacity. Risk was not a factor when Saskatchewan’s “pulp and paper potential is ripe for development.”<sup>121</sup> And to further promote a mill, the government published an article in the Canadian Trade and Commerce Journal, May 1963, which also mentioned Sandwell and summarised the promotional brochure.<sup>122</sup> The *Herald*, in turn, promoted western Canada, where “operations are most profitable,” but the task of attracting industry to Saskatchewan was still “not an easy one.”<sup>123</sup>

To subsidise the Timber Board was the prominent issue. Brown claimed pulpwood costs were “probably the most critical single factor in [Kress’s] decision” to invest in Saskatchewan, and it was paramount to make “every effort possible to provide the lowest possible cost, at least in the initial few years of operation.”<sup>124</sup> This echoed Blakeney’s and Black’s previous urging to provide a firm price commitment, which was also required to provide results for studies. The CCID recommended that the Timber Board

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<sup>121</sup> SAB, R-61.2 I.20. “Saskatchewan Pulp and Paper Potential,” April 1963.

<sup>122</sup> SAB, Allan Blakeney, R-800 XXXIII.(Executive Council)9.Industry, 1962-1963 [folder reads 1959-1964]. Photocopy of article “Industrial Saskatchewan – Forest Products: Opportunity in the Pulp Industry” from Canadian Trade and Commerce Journal, May 1963.

<sup>123</sup> “Report Reviews Newsprint Industry,” Prince Albert Daily Herald, 10 May, 1963.

<sup>124</sup> SAB, R-61.8 VI.27.(610)a. Brown to Kramer, Minister of Natural Resources, 23 July, 1963.

contract with Kress, and that the government consider a subsidy for the Timber Board “only in the event of loss.”<sup>125</sup>

Although not influential, the issue of federal assistance re-emerged. Federal government financial support now involved the Area Development Incentives Program: 35 areas had been specified for assistance because of high levels of unemployment and slow rates of growth, but none were located in Saskatchewan. Philip Mathias concluded that incentive grants were successful because valuable industry, including pulp and paper plants in the northern Prairies, settled where they would not normally locate.<sup>126</sup> The CCF government only agreed to consider the possibility of approaching the federal government “to extend the criteria on which federal assistance is made available” after the EAPB studied unemployment levels and economic growth-rates around Prince Albert.<sup>127</sup> Thatcher would later exploit the opportunity of federal government assistance.

Kress continued to produce progress reports. Brockelbank, now the Provincial Treasurer, suggested the \$17 price would become “too great a risk” without a saving clause to cover cost increases; Kalmakoff argued that this proviso always existed, yet emphasised that everything depended “on how much risk the government wants to take to get the industry.”<sup>128</sup> Other debates ensued. For example, Kress expected the province to carry out site preparation for the mill;<sup>129</sup> Thatcher’s later pulp deal comprised this in

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<sup>125</sup> SAB, R-61.4 VI.79.(6-10)c. Minutes of CCID, 28 August, 1963.

<sup>126</sup> Mathias, ix, 1-2, 5-6.

<sup>127</sup> SAB, R-61.4 VI.79.(6-10)c. H.S. Lee, Cabinet Secretary, dispersed Cabinet Memo, re “Designated Areas – Special Assistance for Industrial Economic Growth,” 10 September, 1963.

<sup>128</sup> SAB, R-61.4 VI.85.(6-13) Memo from Kramer to Lloyd, Brockelbank, and Brown, re Pulpwood supply for a mill, dated 18 October, 1963, re Kalmakoff’s commitment to Supply Pulpwood and the \$17 promise, with attached letter Kalmakoff to Kramer (also the Chairman of Saskatchewan Forest Products, Timber Board), 16 October, 1963. Brockelbank to Lloyd and CCID, 18 October, 1963.

<sup>129</sup> SAB, R-61.4 VI.85.(6-13) Kress to Harris, re Progress Report 1-4 July 1, August 1, September 3, October 3, 1963, 11 October, 1963. Brown to All Members of the CCID, re Pulp Mill Project, with attached letter from Harris, 23 October, 1963.

several ways. The CCID, in turn, recommended that the government re-open price negotiations with Kress to propose “a higher initial firm price or an escalation provision.”<sup>130</sup>

The CCF government received a report that concluded the Timber Board could furnish the \$17/cord price. The report noted that Hinton received its pulpwood supply for “about \$20 a cord,” and concluded “the average price will [cost Saskatchewan] \$19.75 a cord.”<sup>131</sup> Kalmakoff pointed to the La Ronge report’s \$17 cost for up to 170,000 cords annually, and then called out the CCF government’s fiscal prudence: “To enable the negotiators to offer as attractive terms as may be necessary, the Government should indicate the amount they would be willing to risk on this production [and] negotiate the best terms that [Kress] could accept within the limits of the acceptable risk.”<sup>132</sup>

The *Herald* speculated that the CCF government had finally negotiated a pulp deal. It reminded its readers that “records show that when the present government first came into power in 1944 a pulp mill was then mentioned;”<sup>133</sup> perhaps this referred to Phelps’ announcement in 1944. The government charged the CCID to decide the outcome of negotiations with Kress. Kress, though, had the final word.

In January, 1964, Kress presented conflicting news. The market price and demand for bleached pulp had increased, but George Banzhaf and Company from Milwaukee concluded that a Prince Albert mill’s pulpwood costs would average \$31.04/cord. The DNR, the Department of Industry and Information, and Timber Board challenged this

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<sup>130</sup> SAB, R-61.4 VI.79.(6-10)c. Minutes of CCID, 6 November, 1963.

<sup>131</sup> SAB, R-61.4 VI.85.(6-13) H.W. Clark, Economist, Research Branch, Mr. B. Sufirin, Director, Research Branch, re Pulp Wood Prices, Confidential, 18 November, 1963.

<sup>132</sup> SAB, R-61.4 VI.85.(6-13) Kalmakoff to Kramer, re Production of Pulpwood for a Mill, 15 November, 1963 with memo from Kramer to Brown, re Pulp Mill – Green Bay Packaging, 25 November, 1963.

<sup>133</sup> “Rumors Of Pulp Mill Filter Through The City,” Prince Albert Daily Herald, 21 November, 1963.

figure. The issue was accuracy of the estimate. Banzhaf stated that its calculations involved U.S. examples and that “actual costs would undoubtedly be considerably less.”<sup>134</sup> The CCF government, however, wanted a Canadian forestry group to prepare another report to “resolve” the issue of pulpwood costs, which might reduce cost estimates.<sup>135</sup>

The new report indicated a rise in cost to \$28/cord after a contracted period ended with the Timber Board, about \$6-7 higher than anticipated. Kress then claimed that the Manitoba government had approached him with a price “near \$14.00 a cord” and found it “difficult to reconcile” these figures. The CCF government desired another study.<sup>136</sup> It continued corresponding with interested companies, which included Malcolm (to become embroiled in Thatcher’s deal) and Domtar-Montreal.<sup>137</sup> Although Kress’s timber option did not expire until June 1965, his story ended without further explanation.

After Kress, the CCF government still sought pulp studies, while it continued promotional campaigns that promised assistance. Kalmakoff produced another study that again utilised Sandwell to conclude a crown pulp mill would be viable. However, the option of a crown pulp mill again did not make its way into pulp correspondence. There is no indication why a crown mill still did not appear to be an acceptable approach to

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<sup>134</sup> SAB, R-61.4 VI.85.(6-13) Black and T.L. Hill, Industry and Information, to Chairman and Members, CCID, re Pulp Mill at Prince Albert – Kress Group, 30 January, 1964.

<sup>135</sup> SAB, R-61.4 VI.85.(6-13) Brown to CCID, re Pulp Mill at Prince Albert – Kress Group, 12 February, 1964.

<sup>136</sup> SAB, R-61.4 VI.85.(6-13) T.L. Hill, Acting Deputy Minister for Black, Industry and Information, to Chairman and Members, CCID, cc Brown (Chairman), Lloyd, Brockelbank, Blakeney, Kuziak, Kramer, Shoyama, Johnson, Preston, Sufrin (Secretary), re Green Bay Packaging – Feasibility Study, 11 March, 1964.

<sup>137</sup> SAB, R-61.4 VI.85.(6-13) Cabinet Memo meeting, Minute No.2484, 6 August, 1963. Minute No.2658, 29 October, 1963. Cabinet Memo meeting, Minute No.2734, 3 December, 1963. SAB, R-61.4 VI.79.(6-10)c. P.T. Cutler to C.R. Webster, re Report Covering March-April 1964, 29 April, 1964. Summary Review by C.R. Webster, Director IDO, “Review of Major Projects,” attached to letter from Brown to Lloyd, re Industrial Projects Presently Under Consideration and being assisted by the Department of Industry and Information, 12 May, 1964.

develop pulp. Perhaps the necessary investment was too costly relative to other obligations; it was 1964 and the next provincial election was close. While Kalmakoff alluded to private industry's possible concern in dealing with a government-owned pulp mill, he pointed out the Sodium Sulphate Plant was a "very fine example of [business between] a government enterprise with private enterprise pulp and paper mills."<sup>138</sup>

The fact that pulp and paper companies continued to show interest in Saskatchewan throughout the 1950s-60s is revealing, even if risks would have been required to undertake the development of pulp. The CCF government lost any further opportunities to establish a pulp industry when on May 22, 1964 the Saskatchewan electorate voted into government Ross Thatcher and his "free enterprise" Liberal party. Thatcher's continued cries of economic stagnation and socialist peril helped him seize the moment.

The Liberal campaign had featured a rally where Thatcher "declared grandly that northern Saskatchewan had had enough talk about pulp mills and promised a new deal through the building of roads and offering incentives to industries."<sup>139</sup> "Thatcher's open invitation to private capital seemed to be the answer" to finalizing a pulp mill deal and further diversifying the provincial economy.<sup>140</sup> Within a year, Thatcher finalised a deal with the New York firm Parsons & Whittemore to construct a pulp mill in Prince Albert. Construction was initiated during the summer of 1966 and the Prince Albert pulp mill opened for business in October, 1968.

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<sup>138</sup> SAB, R-61.2 III.6. General 1960-1964. Kalmakoff to Shoyama and Chairman and Board of Directors, Saskatchewan Forest Products, "Re: A Government Owned Pulp Mill," undated, but the document's placement suggests it might have been written around March, 1964.

<sup>139</sup> Abrams, 369.

<sup>140</sup> Waiser, 394.

## Conclusion

**First of all, I have no objection to the principle of government assistance to such industries when they do fill a needed role with respect to using resources and providing employment. This, provided of course, that there has been adequate investigation to indicate that there is a reasonable guarantee of the industry succeeding. Even with regard to this, I am prepared to agree that governments should, where the need is considerable, be prepared to take some risks...[The pulp mill is] the kind of an industry that's needed in that part of the province[.]<sup>1</sup>**  
**- W. Lloyd, 1967**

According to the *Prince Albert Daily Herald*, the CCF government always sustained the city's "optimism about its industrial future. In 1948 it announced that...a mill would be located here. And every four years thereafter, prior to each provincial election, the same old announcement was made...One local resident remarked that as far back as 1910 there had been visions of a huge pulp industry for Prince Albert."<sup>2</sup> The *Herald* argued further that the CCF government's undertaking of forest surveys "proved the economic feasibility of such a venture."<sup>3</sup> A pulp mill would have further developed the north and diversified both the forest industry and provincial economy.

This thesis has shown that the CCF government had corresponded, and negotiated, about pulp continuously. The opportunity to develop pulp had existed since the completion of railroad linkages. The establishment of a pulp industry might have provided for economic growth and might have also helped to decrease Saskatchewan's economic vulnerability in the fluctuating boom-bust cycles of the resource sector in which the province's narrowly-based economy had been always locked. This thesis has demonstrated, however, that the CCF government debated issues in ways that brought to

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<sup>1</sup> Saskatchewan Archives Board (hereafter SAB) Woodrow Lloyd GR 101, R-61.8 VI.(Industrial Development) 27.(610) Prince Albert Pulp Mill. 1964-1967a. Woodrow Lloyd letter to Mr. Pete Peterson in Biggar, 4 December, 1967.

<sup>2</sup> "Pulp Mill Promises Made Several Times," *Prince Albert Daily Herald*, 5 August, 1965.

<sup>3</sup> "Counterpoint: Pulp Mill Opening Reason For Pride," *Prince Albert Daily Herald*, 30 September, 1968.

the fore its fiscal prudence and risk-averse character where pulp production was concerned.

Although in the 1940s the provincial treasury dealt with a serious debt issue and very low credit rating, the CCF government improved Saskatchewan's fiscal position immensely by 1950. There are several types of explanation about what hindered, if not prevented, the establishment of a pulp industry during the CCF government's tenure. Upon the CCF's electoral victory in 1944, radical and moderate ways of thinking debated government financing within the context of private and public investment. Clarence Fines became the face for the moderates that accepted private enterprise's necessary role in developing the province's natural resources. Although the CCF government initially attempted and subsequently failed to diversify the economy by public ownership of the manufacturing sector, it initiated the major development of oil, natural gas, and mining, as it granted favourable tax agreements and royalty rates to these industries to begin, and continue, Saskatchewan's economic diversification.

A prosperous economic climate, particularly during a boom cycle in a resource-dependent economy like Saskatchewan's, seems to make it easier on governments to risk and invest in the development of industry. The ideal has been to overcome, if not deny, the comparative cost-disadvantages that Saskatchewan faces. Comparative costs were a crucial issue in CCF government pulp negotiations that spoke to risks: if Saskatchewan did not have the most profitable investment potential for the pulp industry then the government would have to provide – if it was willing to risk – subsidies/concessions to offer the best business deal. In this respect, timber and freight rates were important.

It appeared that the value of timber had been readily accepted as a comparative advantage for Saskatchewan, which could have meant lower pulpwood costs, but this consideration was not decisive for the CCF government in making a commitment to establish a pulp industry. The CCF government focussed on more costly, and risky, factors, such as freight rates, when in discussions to finalise negotiations. However, the value of Saskatchewan timber, and its favourable potential to compete in forestry markets, had been promoted throughout the years by a variety of studies: *The Report of the Royal Commission On Forestry*, the correspondence between Hogg and Churchman, the Sandwell report, and subsequent promotional pamphlets and brochures. The same favourable valuation of Saskatchewan resources was also evident throughout the negotiations with Anglo, Campbell and Kress, and then Kress alone. It appears the challenge was to accept the value of Saskatchewan's timber or forest resources despite imperfect information. There seemed to be a lack of confidence in estimates and a desire for one more, definitive study to remove all doubt. Instead the CCF government needed to grasp the opportunity to develop a pulp industry in partnership with private enterprise. A prosperous economy seemed to help, but risk was still required.

As Provincial Treasurer until 1960, Fines approved the CCF government's use of assistance programmes for private enterprise in the development of natural resources. His fiscal prudence also influenced financing proposals that incorporated government bond-guarantees and risk-capital for the development of pulp. These two factors were heavily involved with profit potential in pulp negotiations and establishing this industry. At times it seemed that Fines might have held a pro-development attitude, while others were more cautious; with pulp, however, this situation appears to have been in the opposite. But

there were elements within the CCF government that appeared to always favour the need to risk in order to achieve economic development.

In the CCF's first term, Joe Phelps became the face of the radicals who argued for public ownership and socialist development initiatives, notably in the provincial north and the forest industry. The Timber Board was a significant example of a radical way of thinking epitomised in its monopoly control and emphasis on forest regulation. The regulatory way of thinking went together with an initial over-estimation of forest depletion and with blaming private enterprise for the destruction of resources. The economic socialist-control initiated in the provincial north, and the desire to bring the north in general under socialism, during the 1940s seems to explain why the CCF government might not have initially attempted to establish a pulp industry driven by the private sector, while the debt question may explain why the government could not develop the industry using additional crown corporations.

Although perceptions of forest depletion and the need for conservation influenced the early CCF government, these considerations did not factor into pulp negotiations during the 1950s-60s. However, the Timber Board's monopoly in the lumber industry and its "socialist" restrictions prevented private enterprise investment in the north, which was but one reason for Quiring's conclusion that the "socialist reputation and policies of the CCF alarmed potential investors, limiting development in...the northern forest industry."<sup>4</sup> Yet none of my primary sources indicate that socialist control of the forest industry, and of the north in general, was a topic in discussion where the development of pulp was concerned. There is no evidence that private enterprise was repelled by the CCF

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<sup>4</sup> David M. Quiring, CCF Colonialism in Northern Saskatchewan: Battling Parish Priests, Bootleggers, and Fur Sharks, (Vancouver: UBC Press, 2005), 166, 171-176, 182, 257-258.

or unwilling to invest if the terms were right. This thesis, therefore, challenges and perhaps disproves Quiring's conclusion on this point. Notwithstanding the fear of socialism, Quiring's conclusion does suggest that private enterprise was needed to further northern development.

This thesis reflects the documentary basis that exists in public archives. It is conditioned by the availability of documents and what they show or do not show. This means that while it can effectively document certain things – notably, the numerous planning studies, election promises, and pulp negotiations in which CCF government officials were involved – certain conundrums will remain.

Evidence in my thesis suggests that the CCF government could have moved forward with pulp production by means of appropriate financial commitments, from a government guarantee of bonds to an equity position, in co-operation with private enterprise. This could be seen as an example where what was needed was for a government to demonstrate a belief in its ability to participate in, if not undertake and sustain alone, long-range investment for the economic development of the province. During the 1950s there were no attempts to develop pulp by state ownership, while negotiations for private enterprise development were continuous, which appears to suggest that pulp was considered an investment significant for economic development.

Since the CCF government did see pulp as important, it is worth examining two possibilities that might have existed. Radicals may have wanted a crown pulp mill, but could not afford it or could not convince moderates to go along with it. On the other side, perhaps the dominant grouping in the CCF government preferred a mixed economy and favoured partnership with private interests for resource development, including the

northern forests, but were blocked by radicals, political considerations, or some inability to execute their ideas. Perhaps only a crown corporation pulp mill would have implied that the CCF government's forest management policies and state control of the northern forest industry were successful; otherwise, private enterprise involvement might have signalled a failure in the intent to bring the whole of the north under socialism. Perhaps these considerations existed, which might explain why the development of pulp was discussed, but never acted upon.

There are a variety of other possible explanations for the CCF government's inaction, all of which also remain speculative at this point. Perhaps the explanation is that pulp was located in the north, and was approached with somewhat less zeal because of competing visions of the north, including a desire to protect its forests. Or perhaps the difference is the forestry sector as contrasted with other commodities: that the CCF government was concerned about forest depletion when it was not concerned about mineral depletion. There might have been philosophical reasons, similar to a radical-moderate dichotomy, where, for example, the CCF government preferred collective institutions in the North, like the fish, fur, and timber boards, and would have preferred pulp to be similar; since this was very expensive, it did nothing. There might have been an insufficient lobbying effort in face of competing provincial demands, such as Prince Albert interests like the Chamber of Commerce and Board of Trade not being influential enough. And on the CCF government's side, perhaps there was limited amount of government time and energy, as it was consumed by other priorities. And on that note, perhaps the CCF became a tired and worn-out government where promoters of the pulp idea were unable to push it through the inertia of the system. Evidence does not currently

prove or disprove any of these possibilities. The best explanation may be a combination of several.

In Saskatchewan, the political forum of 1944-1964 debated northern development initiatives and how to induce investment. These debates focussed on the proper role of government in economic growth and were influenced by fiscal prudence and the necessity to take risks. Evidence suggests that a Saskatchewan pulp mill might not have offered the greatest return or profitability compared with other provinces, especially alongside competition when “the incentives offered to lure such new investment seemed endless as the provinces competed in a desperate gamble to maximise development.”<sup>5</sup> The most favourable timber quality and market access were for some companies the best deal in forestry. Industry tends to go where the best deal is, particularly if offered special inducements, which Thatcher pronounced he was willing to provide.<sup>6</sup> But many years of reports indicated that Saskatchewan might be profitable enough, especially if – in light of important benefits in the diversification of the provincial economy – the CCF government was willing to offer a good enough deal. Thatcher brought Prince Albert a pulp mill, and negotiated one for Meadow Lake. Writing in 1971, Philip Mathias concluded:

The two pulp mills represent both an asset to Saskatchewan and a liability, an economic advantage and a financial risk, as well as an industry completely controlled by foreign interests. If the first duty of the Saskatchewan government is to obtain employment for its people and give them the social benefits of industrial development and the second duty is to achieve these objectives with Canadian partners, Saskatchewan’s pulp mills are a qualified, but important, success for Thatcher. Saskatchewan has paid a high price for these mills in assistance and in other ways but equally great is its need for a diversified economy.<sup>7</sup>

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<sup>5</sup> J.F. Conway, The West: The History of a Region in Confederation, 2<sup>nd</sup> Edition, (Toronto: James Lorimer & Company, 1994), 180.

<sup>6</sup> R-61.8 XVI. 71. (1620). Newspaper clipping from Vancouver Sun, “Invitations Investigated: Pulp Firms Eye Prairies,” 19 September, 1964.

<sup>7</sup> Philip Mathias, Forced Growth: Five Studies of Government Involvement in the Development of Canada, (Toronto: James Lewis & Samuel, 1971), 102.

It is my contention that this thesis and my evidence has shown that the CCF government, regardless of any socialist northern agenda and the arguments of those who favoured state ownership, did consider pulp to be an investment significant for economic growth and development and one that would appropriately be pursued in partnership with private enterprise. But a risk-averse attitude dominated the most powerful decision makers; especially throughout the 1950s. My evidence suggests that it was the economics of a pulp mill – the nature of government financial commitments and the need to accommodate risk capital with government assurances – that was the subject of almost unending debate. But it is also interesting and revealing to note that after Fines left the CCF government and Lloyd became premier Mike Kalmakoff produced two papers that argued for a crown corporation pulp mill. It appears that more radical elements and a more socialist way of thinking still, and always, existed.

The indecisiveness about securing a pulp mill belies the impression that the CCF government was activist in all respects. In some ways it was cautious, perhaps even excessively so. While financial commitments by the CCF government to other obligations (such as the development of health care and social programs) might offer an explanation for a cautious nature and to the non-development of pulp, I feel it does not excuse the CCF government's non-activity with pulp.

Evidence suggests that, at the time, knowledgeable people believed that the economic stimulus and benefits that a pulp mill might have provided for Saskatchewan made the risk worthwhile. A mill could have further developed and diversified Saskatchewan's forest industry and the whole economy, which would have served to reduce the economy's vulnerability. Furthermore, the CCF government's negotiations for

a pulp mill show that private capital, at the least in co-operation with the state, had a place in economic development and growth; this was its mixed economy. But there is a price to be paid with any resource/industrial development strategy that attempts to create economic stability. An example is provided by the debates involved in government incentive programmes. However, a lack of development can persist if the incentives offered are not rich enough, if even present. A timber harvest was an economic opportunity that the CCF government could have exploited. Therefore, it seems that the CCF government might have hoped to earn the best deal possible for Saskatchewan by trying to limit the level of incentives it had to offer a company to invest in and develop pulp.

The history of Saskatchewan has shown that all provincial governments, regardless of political partisanship, have tried to diversify the provincial economy. After World War Two, the thrust has been to industrialise Saskatchewan, where the attempt has in certain periods been through public ownership, namely crown corporations, or privatisation efforts. What all of these attempts at industrial development have in common is the use of government concessions or subsidies for industry, where assistance programmes have tended to emphasise Saskatchewan's natural disadvantages, such as isolation, location, and distance to markets. No matter how much the Saskatchewan economy had become diversified through the efforts of the CCF government, it still depended on resource industries. As such, and as Saskatchewan's history with wheat and the collapse of commodity prices should remind every government, outside forces and the dependence on international trade always seem to limit attempts for economic security and

prosperity.<sup>8</sup> Pulp would never have been the exception to the rule, but could have been important to further stabilising, balancing, and making the provincial economy less vulnerable to shifting markets, while bringing additional development and employment to the north. As an addendum to Quiring's study, the information from my pulp story adds even more to the ongoing discussion of the nature of the CCF government in Saskatchewan: its socialism, whether "pure" or not,<sup>9</sup> in the north; and in particular its forest policies.

The possible economic benefits of a pulp mill, including forest diversification and economic growth, drew attention to the importance of developing the north and northern resources. However, the CCF government's addiction to requesting and commissioning pulp studies, which exemplified its risk-averse attitude, rather than committing to develop a pulp mill, prevented the northern economy from making more of a significant impact on the provincial economy at that time. The CCF government talked about pulp mills, studied pulp mills, promised a pulp mill, but never delivered one.

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<sup>8</sup> Bill Waiser, Saskatchewan: A New History, (Calgary: Fifth House Limited, 2005), 401, 481.

<sup>9</sup> Quiring, 255.

## **Epilogue: 1964 and Beyond**

Dale Eisler has concluded that the Prince Albert pulp mill became the major economic achievement for Thatcher's Liberal government, particularly during its first term in office, 1964-67.<sup>10</sup> The economics of the deal and its benefits for Saskatchewan were debated. Many felt that taking risks on a government/private enterprise joint venture was better than no industry at all, especially when the north possessed timber resources for development. Saskatchewan's first industrial megaproject appeared to be required to further develop the forest industry and provide for a more diversified economy.

Thatcher claimed that delivering a pulp mill would be a "success that would contrast with the failure of the CCF," as he argued that Saskatchewan's "economic development had been retarded by the former government because private investors did not want to put their money into a province with a socialist government."<sup>11</sup> Lloyd would attack the economics of the deal, particularly the huge public investment which he felt did not adequately compensate Saskatchewan for its risks and expenditures, but he did approve the mixture of public and private investment.<sup>12</sup> The Opposition CCF felt that, "as to the general feasibility of a pulp mill under given conditions there can be no doubt." This statement spoke to freight rates, which was the CCF government's "major hurdle and unless it has been surmounted the project is in jeopardy."<sup>13</sup> Gary Abrams states that the Liberal government did obtain "a minor reduction in rates, but it was confident of

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<sup>10</sup> Dale Eisler, Rumours of Glory: Saskatchewan & the Thatcher Years, (Edmonton: Hurtig Publishers, 1987), 164, 166.

<sup>11</sup> Eisler, 165.

<sup>12</sup> Philip Mathias, Forced Growth: Five Studies of Government Involvement in the Development of Canada, (Toronto: James Lewis & Samuel, 1971), 93.

<sup>13</sup> R-61.8 VI. 27. (610)a. No specific author is given credit to this CCF memo, but its placement in the folder was part of documents: Mr. Burton, Office of the Leader of the Opposition, Pulp Bill, with attached correspondence that had "papers tabled by the Premier in his throne speech debate February 10, 1966" with PW penciled in. A similar outline appears in Lloyd to Peterson, 4 December, 1967.

winning additional reductions, and it believed that the mill would be viable under existing rates.”<sup>14</sup>

Thatcher’s pulp mill certainly appeared to be successful – and as such, it has to be taken as a measure of what could have been accomplished years earlier. Against \$50 million in public guarantees and other incentives need to be balanced clear benefits such as the pulp mill’s employment figures, 400 inside the mill and 500 in the woods (although projections at various times stated 500 inside the mill and over 3,000 in woods operations), including the northern Aboriginal population, and who were amongst the highest-paid workers in the province. The province was receiving more than \$2 million a year in taxes and charges; and economic growth and increased revenue in, for example, the retail and public service sectors and related industries that produced chemicals and other supplies from local companies and operators, including construction and the building of infrastructure and housing.<sup>15</sup> As the political economist, and northern specialist, Ken Rea proclaimed: “the mill has operated successfully and a large expansion program was carried out in the early 1970s.”<sup>16</sup> Nonetheless, criticism remained to challenge the viability of the Prince Albert pulp mill.

Richards and Pratt concluded that “the liberals misjudged the extent of public opposition – on environmental as well as economic grounds – to projects providing such limited net benefits to the province...[such as] on the assumption that jobs at any price was the basic public concern.”<sup>17</sup> Concerns would exist over wood-supply and

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<sup>14</sup> Gary Abrams, Prince Albert: The First Century, 1866-1966, (Saskatoon: Modern Press, 1966), 372.

<sup>15</sup> Mathias, 94, 98, 102. Eisler, 251.

<sup>16</sup> K.J. Rea, The Political Economy of Northern Development; Science Council of Canada Background Study No.36., (Ottawa: Information Canada, 1976), 72.

<sup>17</sup> John Richards and Larry Pratt, Prairie Capitalism: Power and Influence in the New West (Toronto: McClelland and Stewart Limited, 1979), 120.

Saskatchewan's "northern heritage." The public, Lloyd, and the CCF began enunciating environmental, conservation, reforestation, and pollution concerns. They derided Thatcher for selling out the province's resources. Liberals retorted that unexploited resources were worthless, that investment and jobs were necessary, and that the former CCF governments gave away oil, gas, and potash fields and royalties. Other concerns included whether profits from the mill would be invested in Saskatchewan, which would renew public debate between a socialist-planning program, crown corporations, and free enterprise, namely challenges to Thatcher's initiatives to improve the industrial climate.<sup>18</sup> It appears that prosperity, growth, and employment could challenge, and counter, the environment, resources, and the risk of financing. It also seems that somewhere in between falls a good business deal for the province.

"The exploitation of wood pulp resources has helped to broaden Saskatchewan's primary industrial base,"<sup>19</sup> increasing economic stability. "Returns from resources are seen as the means by which diversification [that looks to provide economic stability]

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<sup>18</sup> Prince Albert Daily Herald, with an emphasis on the 'readers write to the editor section,' and other prominent selections: "Will Believe Pulp Mill Story When It Goes Into Operation," by Bob King, 8 December, 1965; "Concern Expressed Over Deal For Pulp Mill In P.A. Area," C.A. Warder, 11 December, 1965; "Mill Renews Hope Of Future," Patricia Nelson in response to King, 13 December, 1965; "Lloyd Re-States Concern At Pulp Mill Concessions," 17 December, 1965; "Mr. King's Views Are Not Necessarily Those Of NDP," C.S. Strata, and "Just Admit The Truth," Patricia Nelson, 22 December, 1965; "MLA Wants Some Answers From Thatcher Government," W.J. Berezowsky, MLA for Cumberland, 24 January, 1966; "It's Not 'Petty Jealousy' But Concern For Community," Berezowsky, and "Some Calm Speculation," John J. Morrow, 4 February, 1966; "Opposition Leader, MLA Said Living In Day-Dream," A Liberal Supporter and proud of it, 9 February, 1966; "Few Surprises Noted In Speech From Throne," 10 February, 1966; "Opposition To Financial Aid For Pulp Mill Is 'Sour Grapes,'" 11 February, 1966; "Will The P.A. Pulp Mill Be A Paying Proposition?" Bob King, 3 August, 1967; "People Of Province Have Right To Watch Progress Of Mill," C.A. Warder, 8 September, 1967; "Liberals Will Talk Their Way Out Of Power In Sask," Bob King, 4 October, 1967; "Lloyd Attacks Liberals' 'Give-Away' Programs," 5 October, 1967; "Free Enterprise Policy Versus Socialist Planning Is Issue," 7 October, 1967; "Free Enterprise Policy Approved By Voters," 12 October, 1967; "Pulp Mill 'Shotgun Wedding' Of Two Varying Philosophies," Paul Meagher, 11 May, 1968. Waiser, 399.

<sup>19</sup> Brenton M. Barr, "Reorganization of the Economy since 1945," in Studies in Canadian Geography: The Prairie Provinces, edited by P.J. Smith, (Toronto: University of Toronto Press, 1972), 67.

might be induced.”<sup>20</sup> However, the significance of incentive programs and special government concessions, “from a development or growth standpoint is difficult to assess...the classic examples [being] the prairie province’s pulp and paper mills.” The “absence of any comprehensible logic for such a degree of public commitment to such projects” makes assessment difficult, “unless one accepts the explanation that they were prompted by the expectation of some impact on either the local or provincial economies not warranted by any known historical precedents.”<sup>21</sup> Governments become accountable in trying to revive stagnant economies but there must remain a level of responsibility in their visions. Long-term viability and short-term gains are often at odds with each other, such as the case with Saskatchewan’s pulp story.

Government documents show that the President of Parsons & Whittemore, Karl F. Landegger, was explicit that the cost of a Prince Albert pulp mill required provincial government support. Landegger claimed that “to be involved in such heavy expenses without assurances that the long term financing of the project can be assured, would not serve constructive purposes.”<sup>22</sup> The CCF governments had dealt with the necessity to make – risk – financial commitments. For the CCF government, there was always politics behind promised development, which would also be the case with Thatcher’s Liberal administration. Twenty years of the non-development of pulp under the CCF, and the development of pulp under Thatcher, did not in the end resolve the questions around pulp mills. The public continued to be subjected to pulp fictions, and conundrums, at election times.

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<sup>20</sup> Doug Owrarn, “The Economic Development of Western Canada: An Historical Overview,” in Economic Council of Canada Discussion Paper No. 219, 1982, iv.

<sup>21</sup> Rea, 135-136.

<sup>22</sup> R-61.8 VI. 27. (610)b. K.F. Landegger to Ross Thatcher, 27 August, 1964.

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